

Program Implementation Document

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Loan and Grant Numbers: 3119/3120(COL)-SRI
February 2018

**Democratic Socialist Republic of Sri Lanka:
Skills Sector Enhancement Program
(Additional Financing)**

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PURPOSE OF THE PROGRAM IMPLEMENTATION DOCUMENT

The Government of Sri Lanka is wholly responsible for implementing the Skills Sector Development Program supported by results-based lending. The Asian Development Bank staff support the program design and implementation.

This Program Implementation Document (PID) consolidates the program implementation information for the activities of the Skills Sector Enhancement Program (SSEP) for 2017–2020 which are supported by the additional financing. This PID supersedes the PID for the SSEP for 2014–2016.^a

The PID is a management tool which supports effective program implementation, monitoring, and reporting. It was developed throughout the program processing, and discussed with the Government at loan negotiations. It is a living document that should be refined and kept up to date during program implementation.

^a ADB. 2014. Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Democratic Socialist Republic of Sri Lanka for the Skills Sector Enhancement Program. Manila. The PID is accessible from the list of linked documents (Appendix 2) in www.adb.org/sites/default/files/linked-documents/42251-018-pi.pdf

Abbreviations

ADB	=	Asian Development Bank
AFR	=	annual fiduciary review
AGD	=	Auditor General's Department
ASPR	=	annual sector performance report
DLI	=	disbursement-linked indicator
DTET	=	Department of Technical Education and Training
ESMF	=	environmental and social management framework
GESIF	=	gender equity and social inclusion framework
ISSC	=	industry sector skills council
MIS	=	management information system
MOF&MM	=	Ministry of Finance and Mass Media
MSDVT	=	Ministry of Skills Development and Vocational Training
M&E	=	monitoring and evaluation
NVQ	=	national vocational qualification
PID	=	Program Implementation Document
PAP	=	program action plan
PBF	=	performance-based financing
RBL	=	results-based lending
RRP	=	Report and Recommendation of the President
SEPI	=	Self Employment Promotion Initiative
SSDD	=	Skills Sector Development Division
SSDP	=	Skills Sector Development Program
SSEP	=	Skills Sector Enhancement Program
TA	=	technical assistance
TVEC	=	Tertiary and Vocational Education Commission
TVET	=	technical and vocational education and training
VTA	=	Vocational Training Authority
NYSC	=	National Youth Services Council

I. PROGRAM DESCRIPTION

1. The Asian Development Bank (ADB) approved the ongoing Skills Sector Enhancement Program (SSEP) through results-based lending (RBL) for \$50,000,000 (Loan 3119) and SDR32,600,000 (Loan 3120) on 28 March 2014¹ to support the first phase (2014–2016) of the government of Sri Lanka’s 7-year Skills Sector Development Program (SSDP), 2014–2020.² The government, ADB, and two other development partners jointly finance the SSDP. The SSDP aims at building an efficient skills development system to meet labor market demand.

2. When SSEP was approved in 2014, it was envisaged to have additional financing of around \$100 million to continue supporting the remaining SSDP implementation for 2017–2020, subject to performance of SSEP. SSEP has been performing well, achieving the outcome targets and most output targets. The program performance rating is “on-track” as of February 2018, and 90.5% (\$87.0 million out of \$96.1 million) was disbursed against 30 out of 33 disbursement-linked indicator (DLI) targets. Capacity development activities and monitoring have been effective in mitigating the risks. The additional financing will (i) deepen the ongoing reform agenda, (ii) scale up successful program interventions, and (iii) enable completion of scaled-up program activities by 2020.³

3. SSEP, including additional financing, will have the same program scope as SSDP (Table 1), except high-value procurement contracts will be excluded from eligible expenditures for SSEP per the RBL policy.

Table 1: Program Scope

Skills Sector Development Program and Skills Sector Enhancement Program (including additional financing)	
Item	
Outcome	Efficient skills education system to meet local and foreign labor market demand
Key outputs	Improved quality, relevance, access, and recognition for vocational training; and supportive policies, systems, and structures
Expenditure size	\$874 million ^a
Main financiers	Government of Sri Lanka (\$547.4 million), Asian Development Bank (\$196.1 million), World Bank (\$101.5 million), Export-Import Bank of Korea (\$26 million), Japan Fund for Poverty Reduction (\$3 million)
Implementation period	2014–2020 ^b

^a Excludes \$87 million under ministries other than the Ministry of Skills Development and Vocational Training.

^b The program completion date of 30 June 2021 and loan closing date of 31 December 2021 will allow verification of results achievement and disbursement.

Sources: Asian Development Bank; and Government of Sri Lanka, Department of National Planning.

II. RESULTS AND DISBURSEMENT

A. The RBL Program’s Overall Results

4. The original program’s impact, outcome, and outputs are retained for the overall program with additional financing. The impact is aligned with increased employability of the Sri Lankan workforce, particularly the youth, and the outcome will be a market-responsive and inclusive

¹ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Democratic Socialist Republic of Sri Lanka for the Skills Sector Enhancement Program* (RRP). Manila

² Later published as: National Planning Department, Government of Sri Lanka. 2014. *National Skills Development Plan of Sri Lanka 2014–2020*. Colombo.

³ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans and Administration of Grant to the Democratic Socialist Republic of Sri Lanka for the Skills Sector Enhancement Program - Additional Financing* (RRP). Manila.

technical and vocational education and training (TVET) system. The outputs are (i) quality of TVET provision improved; (ii) industry partnership for TVET planning and provision enhanced; (iii) TVET participation and equitable access increased; and (iv) TVET sector management to implement policy, institutional, and operational reforms improved. The primary beneficiary would be Sri Lankan youth. The status of the program results framework as of September 2017 is in Table 2. The revised program design and monitoring framework to cover the expanded program period and scaled up targets is in Appendix 1.

Table 2: Status of RBL Program Results Framework as of September 2017

Results Indicator	DLI (Yes/ No)	Baseline		Target Value					Status
		Value	Year	2014– 2016	2017	2018	2019	2020	
Outcome: An efficient skills education system to meet the local/foreign labor market demand by 2020									
80% of enrolled students graduate	No ^a	71.3% ^b	2012					80	66.6% in 2015 (male: 64.5% and female: 69.4%) (Labor Market Information Bulletin), to be monitored more accurately when MIS student module is in place
70% of graduates are placed into gainful employment within 6 months of course completion	Yes	50% ^c	2011					70	57% in 2016 (NVQ graduates, male: 64%, female: 48%) as per the independent tracer study
Output 1. Improving Quality									
1.1 % of TVET graduates obtain NVQ certificates	No ^d	13.9%	2012	35%				70%	38.24% in 2015 (Labor Market Information Bulletin)
1.2 Number of mutual recognition agreements for labor qualifications with key labor migration destination	No	0	2013			4			TVEC conducted consultative meetings with 11 top labor migration destination countries in 2014 for their recognition of Sri Lankan NVQ. NVQ to include skills requirements in foreign labor markets in collaboration with SLFEB
1.3 (i) % of public and private training providers registered with TVEC comply with the revised QMS requirements (ii) assessment system revised and number of assessment centers established	(i) Yes (ii) No ^d	(i) 0 (ii) no revision/0	2013					(i) 100% public & 50% private (ii) 25 centers	(i) 15% of combined TVEC-registered public and private training providers as of August 2017 (ii) assessment centers in 5 districts improved
1.4 (i) Comprehensive HRD plan adopted (ii) number of teachers, industry trainers, assessors and managers trained	(i) Yes (ii) Yes	(i) None (ii) 0	2013	(i) adopted in 2014 and implemented for all TVET agencies by 2020 (ii) 400 teachers are trained annually					(i) On track. Revised recruitment criteria and performance-based allowance scheme adopted by 5 implementing agencies as of July 2017. (ii) Cumulative 2,543 teachers trained in National Diploma in technical Teacher Education (NVQ 5), Industrial Training Management, Training Center Management, and Industry Exposure Training

Results Indicator	DLI (Yes/ No)	Baseline		Target Value					Status
		Value	Year	2014– 2016	2017	2018	2019	2020	
Output 2. Improving Relevance									
2.1 Number of ISSCs operational (cumulative)	Yes	0	2013	4	4	4	4	4	3 ISSCs as of April 2017 (construction, ICT, and light manufacturing)
2.2 Number of sectoral training plans developed based on skills gap analysis	Yes	0	2013	6	6	8	8	9	As of September 2017, skills gap analyses for construction and tourism sectors endorsed by the National Steering Committee.
2.3 (i) % of TVET graduates (NVQ3 or above) and % of teachers subject to up-skilling program completed mandatory OJT (ii) Number of industry trainers and assessors trained	(i) Yes (ii) No	NA	2013	(i) 100% (ii) 750	(i) 100% (ii) 250	(i) 100% (ii) 250	(i) 100% (ii) 250	(i) 100% (ii) 250	(i) OJT became mandatory for NVQ 3 or above. In 2016, NVQ 4 or above given OJT opportunities. As of May 2016, 26,193 students were on OJT. As of April 2017, around 1,400 technical instructors participated in industry exposure training. (ii) As of May 2017, 698 assessors trained, including industry assessors.
2.4 Number of in-service workers benefited industry-based training (cumulative)	Yes	NA	2013			At least 10,000			As of April 2017, 196 in-service workers trained by DTET since 2014.
2.5 Number of PPP university colleges established (cumulative)	No	2	2013		4	5			By 2015, three PPP UCs established. As of April 2017, only two UCs operational.
Output 3. Improving Access									
3.1 Number of <u>additional</u> enrollment at selected TVET agencies (cumulative)	Yes	0	2012	41,300	59,150	77,000	87,000	97,000	By 2015, additional enrollment was 25,290. Data for 2016 being collected by TVEC.
3.2 Number of upgraded training centers	No	0	2013	115					54 centers upgraded, and another 12 being upgraded (DTET-24, VTA-26, NAITA-7, NYSC-7, OUSL-2)
3.3 (i) Number of university colleges established including 5 PPP ones (cumulative) (ii) Number of students enrolled at university colleges	No ^d	0	2012	(i) 19 (ii) 3,000	(i) 25 (ii) 4,500	(i) 25 (ii) 6,000	(i) 25 (ii) 6,000	(i) 25 (ii) 6,000	As of April 2017 (i) 8 UCs (including 2 PPP) (ii) 1,540 students enrolled in 6 public UCs (excluding drop outs). Around 256 students per UC.
3.4 Number of additional students enrolled in NVQ 7 (bachelor) program at UNIVOTEC (cumulative)	No	345	2013			400		600	404 full-time students and 481 part-time students enrolled
3.5 Number of purchasing model agreements	Yes	0	2013	7	7	10	12	15	As of April 2017, 9 ETAs issued
3.6 % students availed flexible delivery for NVQ 5, 6, 7 programs	No	NA	2013			25%			To be assessed in 2018
3.7 Number of in-service workers assessed and certified through RPL (cumulative)	No ^d	NA	2013	12,500	15,000	20,000	22,500	25,000	As of April 2017, 25,878 RPL certificates issued.
3.8 (i) Number of business development and student	No	NA	2013	(i) 30 (ii) 450	(i) 40 (ii) 150	(i) 50 (ii) 150	(i) 50 (ii) 50	(i) 50 (ii) 150	(i) Business units piloted as part of PBF model

Results Indicator	DLI (Yes/ No)	Baseline		Target Value					Status
		Value	Year	2014– 2016	2017	2018	2019	2020	
service centers established (cumulative) (ii) Number of students supported with SEPI loan scheme									(ii) 379 as of December 2016
Output 4. Improving Recognition for Vocational Training									
4.1 % of employers satisfied with TVET graduates	No	37%	2007					75%	To be assessed in 2020
4.2 Number of teachers and staff of 125 TVET centers trained in career guidance, counseling and industry linkages (cumulative)	No	0	2013					250 teachers and 250 staff	370 staff members trained by 2016 (VTA-28, NAITA-100, DTET-48)
4.3 Number of students availed targeted stipend program (50% should be women)	No ^d	0	2013					45,000	As of December 2016, 42,077 students received stipends from DTET, CGTTI and VTA
Output 5. Improving Supportive Polices, Systems and Structures									
5.1 Number of annual technology stream graduates obtained credits recognized by NVQ	No	0	2013	7,500	5,000	5,000	5,000	5,000	This has not been implemented
5.2 Number of TVET centers to develop business plans for performance based financing	Yes	0	2013	20	10	50	115	135	As of April 2017, 40 centers implemented business plans (additional 17 centers to start in 2017)
5.3 (i) % of private sector training providers registered with TVEC (ii) % of training courses accredited by TVEC	No	NA	2013			(i) 80% (ii) 50%			(i) 1,132 private training providers registered with TVEC in 2016 (ii) 65.6% as of April 2017
5.4 Establishment of an inter-ministerial coordination committee and a sector development division at MSDVT for implementation	Yes	None existed	2012	(i) National Skills Development Strategy by 2014 and annual monitoring report from 2015 (ii) Annual Sector Performance Report published from 2014					On track
5.5 Strengthened MIS	No ^d	Frag-mented systems	2013	Integrated MIS implemented from 2015					Integrated MIS development and deployment on track

CGTTI = Ceylon-German Technical Training Institute, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ETA = employment training agreement, HRD = human resource development, ISSC = industry sector skills council, ICT = information and communication technology, MIS = management information system, MSDVT = Ministry of Skills Development and Vocational Training, NAITA = National Apprentice and Industrial Training Authority, NVQ = national vocational qualification, NYSC = National Youth Services Council, OUSL = Ocean University of Sri Lanka, OJT = on-the-job training, PPP = public-private partnership, QMS = quality management system, RPL = Recognition of Prior Learning, SEPI = Self Employment Promotion Initiative, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training, UC = university college, UNIVOTEC = University of Vocational Technology, VTA = Vocational Training Authority

^a This will be monitored by the students/graduates tracking system as the employment rate.

^b Based on the students enrolled in TVEC registered public and private training providers (male: 70.8%, female: 71.9%).

^c A tracer survey conducted by TVEC Planning Division for NVQ certificate recipients in 2011 where 10,000 NVQ graduates were contacted for around 34% response rate.

^d These are incorporated in the program action plan (Chapter VI).

Sources: Asian Development Bank, Ministry of Finance and Mass Media, Ministry of Skills Development and Vocational Training, and Tertiary and Vocational Education Commission.

5. **Issues and changes.** SSEP started with very good performance, with prior and year 1 results met on time until 2014. After major political events in 2015, institutional changes significantly delayed implementation due to frequent changes leadership and high staff turnover. Despite these, the government's commitment to skills sector development remains firm. RBL also helped the executing agency, the Ministry of Skills Development and Training (MSDVT), and the implementing agencies focus on key result areas.

6. In 2015, Ceylon-German Technical Training Institution was added as implementing agency. In March 2016, staff of the program management unit in MSDVT, Skills Sector Development Division (SSDD), were required to have higher qualifications and experience, which resulted in non-renewal of annual contracts and large staff turnover by December 2016. In March 2017, SSDD's program manager and most key positions were filled, and the program director (additional secretary level) assumed duty in May 2017. MSDVT requested to include the Sri Lanka Institute of Printing as an additional implementing agency, and financial management and procurement capacity assessments were carried out per the program action plan (PAP, Chapter VI) requirement to identify capacity gaps and develop mitigation measures.

7. The original closing date was 30 June 2017. There were seven DLIs still pending for disbursement. The delay in DLI achievement was mainly caused by the institutional changes and high turn-over of leadership and staff at MSDVT and the implementing agencies in 2015. Despite the challenges, MSDVT and the implementing agencies made continuous efforts to achieve the targets, and progress has been steady. The current loans, therefore, were extended until March 2018 to allow full achievement of the pending DLI targets and disbursement (approved in June 2017).

B. Disbursement-Linked Indicators

8. The DLIs for 2017–2020 are in Appendix 2.

C. Disbursement-Linked Indicator Verification Protocols

9. The verification protocols for the DLIs for 2017–2020 are in Appendix 2.

D. Disbursement Allocation and Status

1. DLIs for 2014–2016

10. There are 33 targets across 9 DLIs scheduled to be achieved from 2014 to 2016.

11. **Status.** As of December 2017, 30 out of 33 DLI targets were achieved, and \$87.0 million out of \$96.1 million (90.5%) has been disbursed (Table 3).⁴ There are three DLI targets (for around \$10 million equivalent) that are to be achieved before 31 March 2018.

⁴ The disbursements do not add up to \$100 million as Loan 3120 is SDR-denominated, and thus subject to foreign exchange fluctuations.

Table 3: Disbursement Status of DLIs for 2014–2016 as of October 2017

DLI	ADB Financing Allocation (\$ million)	Share of Total ADB Financing	Expected Disbursement by December 2016 (\$ million)	Actual Disbursement by October 2017 ^a (\$ million)	Share of Total ADB Financing Disbursed ^a
1	5	5%	5	5	6%
2	12	12%	2	12	13%
3	11	11%	7	8	9%
4	9	9%	7	6	7%
5	14	14%	8	10	11%
6	9	9%	9	9	10%
7	9	9%	9	9	10%
8	14	14%	14	14	16%
9	17	17%	17	17	19%
Total	100	100%	100	90	100%

ADB = Asian Development Bank, DLI = disbursement linked indicator.

^a Exact amounts marginally differ as Loan 3120 is denominated in Special Drawing Rights.

Source: Asian Development Bank estimates.

12. There have been no other major program implementation issues.

2. DLIs for 2017–2020

13. **DLI targets and verification protocols.** With MSDVT and SSDD's stronger capacity, program implementation progress would be accelerated. The additional financing will scale up key interventions and achieve higher level of DLIs over the remaining program period by 2020 using rigorous verification protocols, including third-party verification. Under the additional financing, there will be 51 DLI targets for 9 DLI areas. The DLI targets and their verification protocols are in Appendix 2.

14. **Disbursement allocation and schedule.** ADB financing is allocated to employment outcome (13%), quality (26%), relevance (16%), access (12%), and system improvement (33%) (Table 4). The targets can be achieved by end of each year indicated in the table, and actual disbursement can be made by Q2 of the following year after DLI verification and withdrawal application processing. For each DLI achieved, withdrawal applications will be prepared using allocation ratio of 60% for concessional OCR lending (COL) and 40% ordinary capital resources (OCR). The loan proceeds shall be disbursed in accordance with the *Loan Disbursement Handbook* (2017, as amended from time to time).

Table 4: Disbursement Schedule for DLIs for 2017–2020 (\$ million)

Disbursement-Linked Indicator	Total ADB Financing Allocation	Share of Total ADB Financing (%)	Prior Results	2018	2019	2020
Outcome: Market-responsive and inclusive TVET system developed						
DLI 1: Employability of graduates from quality-assured TVET programs increased	13	13	1	3	2	(i) 2 (ii) 5
Output 1: Quality of TVET provision improved						
DLI 2: Improved quality assurance mechanism	18	18	(i) 2 (ii) 2	(i) 3 (ii) 1	(i) 3 (ii) 1	(i) 3 (ii) 1

Disbursement-Linked Indicator	Total ADB Financing Allocation	Share of Total ADB Financing (%)	Prior Results	2018	2019	2020
						(iii) 2
DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas	8	8	2	2	2	2
Output 2: Industry partnership for TVET planning and provision enhanced						
DLI 4: TVET provision based on industry demand	10	10	2	3	2	3
DLI 5: Private sector engagement in TVET delivery strengthened	6	6			3	3
Output 3: TVET participation and equitable access increased						
DLI 6: Enrolment of students in TVET programs increased	12	12	(i) 2 (ii) 1	(i) 2 (ii) 1	(i) 2 (ii) 1	(i) 2 (ii) 1
Output 4: TVET sector management to implement policy, institutional, and operational reforms improved						
DLI 7: Increased efficiency in utilizing TVET sector resources through PBF	15	15	3	4	4	4
DLI 8: Coordination and implementation capacity strengthened	10	10	(i) 1 (ii) 2	(i) 1 (ii) 2	(i) 1 (ii) 2	1
DLI 9: Improved medium-term skills sector budgeting and expenditure	8	8	2	2	2	2
Total	100	100%	20	24	25	31

ADB = Asian Development Bank, DLI = disbursement-linked indicator, TVET = technical and vocational education and training, PBF = performance-based financing.

Source: Asian Development Bank estimates.

E. Disbursement Arrangements

15. The same disbursement arrangements for SSEP for 2014–2016 will apply for 2017–2020. The loan proceeds will continue to be disbursed directly to the Government's consolidated fund in one of the government's central revenue accounts (Deposit Account) with the Central Bank of Sri Lanka. The resources are merged with other revenues to fund SSEP implementation, including funds from the World Bank and the Government, and any other funds executed by MSDVT for SSEP. Regular releases follow Government procedures (Figure 1).

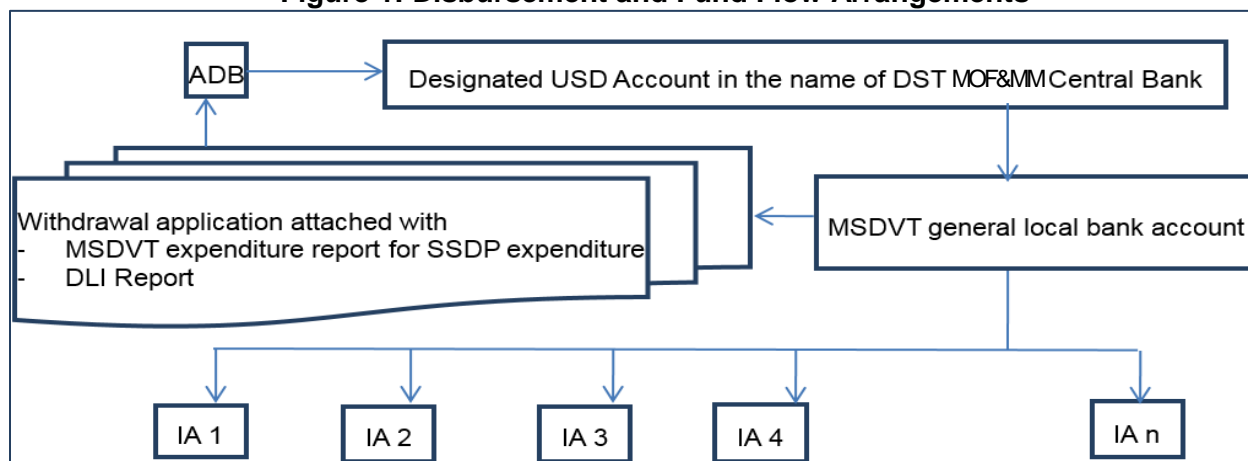
16. MSDVT submits a withdrawal application⁵ along with the evidence verifying the DLI achievements, together with interim unaudited financial statements showing the total amount of eligible expenditures incurred between 1 July 2013 and the verification due date and related sources of funds.⁶ Disbursement shall be against DLI achievement, capped at the total amount of

⁵ For any change to the authorized persons for signing the withdrawal applications, the borrower will submit evidence of the authority of the new person who will sign the withdrawal applications on their behalf, together with the authenticated specimen signature.

⁶ For example, for the DLIs for prior results due for verification upon loan effectiveness, MSDVT will submit the interim unaudited financial statements showing the total cumulative eligible expenditures incurred between 1 July 2013 and 31 December 2017 and related sources of funds. Cumulative expenditure shall represent the sum of audited expenditures up to 31 December 2016 and unaudited expenditures for the 12 months ended 31 December 2017.

cumulative eligible expenditures.⁷ Any amounts not disbursed for unmet DLIs will be disbursed once they have been achieved and verified by ADB.

Figure 1: Disbursement and Fund Flow Arrangements



ADB = Asian Development Bank, DLI = disbursement-linked indicator, DST = Deputy Secretary of Treasury, IA = implementing agency, MOF&MM = Ministry of Finance and Mass Media, MSDVT = Ministry of Skills Development and Vocational Training, SSDP = Skills Sector Development Program, USD = US Dollar.

Source: Asian Development Bank.

17. ADB will continue reviewing the cumulative sum of eligible expenditures from July 2013 onwards to confirm that the Government's eligible expenditures exceed the amount disbursed by ADB using annual audited financial statements. Related sources of funds would include funds from ADB, the World Bank, and the government.

18. For the Japan Fund for Poverty Reduction (JFPR) grant project (Chapter VIII), ADB will arrange direct payments to the grant implementation firm, subject to MSDVT's endorsement. The grant implementation firm will open a separate bank account to receive the grant funds, and maintain bank account statements as well as detailed accounting of financial transactions using the grant proceeds. The financial information will be subject to annual financial audits.

III. EXPENDITURE FRAMEWORK AND FINANCING

A. Expenditure Framework

19. **Expected expenditure framework.** SSDP expenditures are estimated to be \$874 million from January 2014 to December 2020, taking MSDVT's budget and the Government budget of all relevant agencies under MSDVT as the expenditure framework (Table 5). SSEP (2014–2016) accomplished \$257 million (29%) of expenditure.⁸

⁷ ADB funds under RBL will not be applied to the activities described in the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement. The government will ensure that their investments comply with applicable national laws and regulations, and will apply the prohibited investment activities list to activities in the program supported by RBL.

⁸ The Program Expenditure and Financing Assessment (accessible from Appendix 2 of the RRP for the additional financing [footnote 3]).

Table 5: Summary of Program Expenditure Framework
(at current prices)

Item	Current Program (2014–2016)			Overall Program (2014–2020)		
	Amount (SLRs million)	Amount (\$ million)	Share of Total (%)	Amount (SLRs million)	Amount (\$ million)	Share of Total (%)
1. Recurrent budget	18,709	144	56	47,505	365	42
Personal cost	4,679	36	14	11,880	91	10
Operating expenditure	1,214	9	4	3,083	24	3
Transfer to institutions	12,816	99	38	32,542	250	29
2. Capital budget	14,720	113	44	66,143	509	58
Equipment	3,627	28	11	14,886	115	13
Civil works	8,118	62	24	26,822	206	24
Knowledge enhancement ^a	2,975	23	9	24,435	188	22
3. Total	33,429	257	100	113,648	874	100

SLRs = Sri Lanka rupees.

^a Delivery of skills training and professional development of instructors, managers, and staff.

Note: An exchange rate of \$1 = SLRs130 was used for 2014–2020. Numbers may not sum precisely because of rounding.

Source: Asian Development Bank and Government of Sri Lanka, Ministry of Finance and Mass Media estimates.

20. **Issues and changes.** Expenditure framework is revised downwards by around 9% to exclude budget spending by other ministries (\$87 million), as MSDVT is not responsible for coordinating or monitoring their activities. SSEP (2014–2016) expenditure was less than program estimate due to the weak implementation capacity of MSDVT at the beginning of the program as well as the institutional changes in 2015, but it has improved within the program.

B. Program Financing

21. For the overall program, the government will provide \$547.4 million (62.6%) and contributions from development partners are expected to be \$326.6 million (37.4%). The government has requested (i) a regular loan of \$40 million, and (ii) a concessional loan of \$60 million, both from ADB's ordinary capital resources to help finance the program. The regular loan will have a 20-year term, including a grace period of 5 years, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan), and such other terms and conditions set forth in the draft regular loan agreement. The concessional loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft concessional loan agreement. The financing plan is in Table 6. The Government of Australia, the Government of Canada, and United States Agency for International Development provide complementary support for TVET system strengthening, which is fully aligned with the SSDP, on parallel basis.⁹

22. **Issues and changes.** For 2017–2020, currently projected budget allocation is \$400 million (per the budget estimates in 2017, and projections for 2018 and 2019 from the Ministry of Finance and Mass Media [MOF&MM]) less than the program estimate of \$617 million. But with the improved MSDVT capacity, the commitment of additional financing from ADB will incentivize the revision of budget allocation to ensure adequate funds for the program expenditure framework.

⁹ Development Coordination (accessible from the list of linked documents in Appendix 2).

Table 6: Program Financing Plan

Source	Current Program (2014–2016) ^a		Additional Financing (2017–2020)		Overall Program (2014–2020)	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
Government	74.9	29.2	472.5	76.6	547.4	62.6
Development partners						
Asian Development Bank						
OCR (regular loan)	50.0	19.4	40.0	6.5	90.0	10.3
OCR (concessional loan)	46.1 ^b	17.9	60.0	9.7	106.1	12.1
JFPR (grant)	0.0	0.0	3.0	0.5	3.0	0.3
World Bank (loan) ^c	60.0	23.3	41.5	6.7	101.5	11.6
Export-Import Bank of Korea (loan)	26.0	10.1	TBD	TBD	26.0	3.0
Total	257.0	100.0	617.0	100.0	874.0	100.0

JFPR = Japan Fund for Poverty Reduction, OCR = ordinary capital resources, TBD = to be determined.

Note: Percentages may not total 100% because of rounding.

^a ADB and World Bank loan amounts are committed under the current program. But as of December 2017, ADB disbursed \$87.0 million and the World Bank disbursed \$41.2 million against actual expenditure of \$257 million during 2014–2016.

^b United States dollar equivalent of SDR32,600,000.

^c Approved in 2014 for 2014–2018. In the financing plan, the full amount is divided into \$60.0 million for 2014–2016 and \$41.5 million for 2017–2018 for data presentation to be consistent with the Skills Sector Enhancement Program.

Sources: Asian Development Bank and Government of Sri Lanka, Ministry of Finance and Mass Media estimates.

IV. PROGRAM SYSTEMS AND IMPLEMENTATION ARRANGEMENTS

23. Following the SSDP results for 2014–2016 and the updated systems assessments,¹⁰ the program systems and implementation arrangements in the original Program Implementation Document¹¹ will be largely retained for 2017–2020. Some procedures were updated with the intent to improve SSDP implementation.

A. Monitoring and Evaluation System

24. **Summary.** The High-Level Ministerial Committee and Steering Committee monitor and evaluate progress versus SSDP's impact and outcome. The quarterly Steering Committee meetings are chaired by Secretary of MSDVT.

25. SSDD is responsible for monitoring output level progress, and implementing agencies monitor their inputs. SSDD activities include (i) coordinating among MSDVT, Tertiary and Vocational Education Commission (TVEC), and implementing agencies; and (ii) disseminating progress reports on SSDP's targets, including the DLIs, annual fiduciary reviews, and other reports required by MSDVT and development partners. Within 12 months of closing, MSDVT will produce a program completion report which will be shared with ADB.

26. SSDD is developing an integrated management information system (MIS), mobilizing an in-house team to support incremental development and necessary customization for TVET institutions' needs, while leading a standardized protocol in information and data management. Its core is the center management system, which allows TVET centers to automate center level administration and student administration in decentralized, online system. Center level

¹⁰ The updated program systems assessments are Linked Documents to the RRP for the additional financing (footnote 3).

¹¹ Linked Document 17 to the original RRP, www.adb.org/sites/default/files/linked-documents/42251-018-pi.pdf

information, then, automatically populates central level database. This system was rolled out to all technical colleges and colleges of technology under the Department of Technical Education and Training and all TVET centers under other institutions in Western Province in the first phase (2015–2016). The second phase roll-out by 2018 will cover all other TVET centers in the rest of country.

27. The development partners' annual and midterm reviews¹² also jointly assess the performance against SSDP targets and DLIs. ADB fields regular review missions, and commissioned third-party reviews, such as annual fiduciary reviews (including procurement review), and a tracer study in 2016 to track graduates' employability. ADB coordinates reviews with the World Bank whose Skills Development Project incentivizes timely availability of reliable institution and agency-level data, and periodic analysis of courses, centers and teacher performance.

28. **Status of PAP actions.** The original PAP (Chapter VI) included two monitoring and evaluation (M&E) related actions under M&E section. First, the review of current M&E systems and data collection mechanism, and improved M&E systems and implementation arrangements, which are completed.

29. Second, M&E systems were implemented and regular analytical reports produced to inform policy and planning (annual sector performance report, including DLI verification). SSDD coordinates periodic reviews, including DLI verification, and development of the integrated MIS to automate administration and resource management is progressing.¹³ Automated center-wise reporting tool is already available, and aggregated reports for planning and decision support are expected to become available by early 2019.

30. **Issues and changes.** The revised PAP includes providing a technical expert to help MSDVT's information technology (IT) team complete the integrated MIS. Establishing integrated MIS across various training centers require a large scope of works. Thus, the IT team needs to be strengthened,¹⁴ and MSDVT management guidance should be clarified on many fronts. The team also requires experienced system engineers who can provide guidance and support to expedite the process.

31. Operating the integrated MIS also require institutional planning and implementation. As a first step, it needs to be rolled out as scheduled to populate data. In addition to system development, an institutional mechanism to ensure quality data entry needs to be examined. The planning for documentation, comprehensive backup, disaster recovery, personal information security, and linkage between the new and old systems will also strengthen the reliability of the M&E system.

32. The revised PAP also includes independent verification of graduate tracking data in the

¹² ADB's midterm review for SSEP in April 2017 was fielded within MSDVT's midterm review for SSDP. World Bank joined most of the meetings.

¹³ The integrated MIS allows decentralized data entry at the center where student contact occurs. While some information requirements are different across training centers, standardized and real-time data entry provide timely, efficient and accurate reporting for M&E. Also, sex-disaggregated data can be generated to monitor implementation of the gender equity and social inclusion framework (para 51).

¹⁴ The IT team's deliverables include (i) software to facilitate center operations, manage training information, and support management planning and decision making; (ii) hardware to facilitate operations; (iii) network and communication for operations; (iv) maintenance, backup and recovery system; and (v) user training. The IT team comprises one senior systems analyst and several trainee software developers, but the trainee software developers are hired on daily basis which makes it difficult to have strong long-term commitment, and sense of responsibility.

MIS. Tracer studies like ADB's 2016 tracer study need to be institutionalized to monitor the labor market. While collecting information from students (e.g., enrollment, dropout, completion) are relatively easy to collect when they are in school, it is far more challenging when they graduate. TVEC needs to develop its analytical capacity and standardized operating procedure on high quality data collection and analysis for graduate tracking.

33. While the working level staff at SSDD are relatively stable, SSDD management requires more resources to help them manage and coordinate SSDP. The High-Level Ministerial Committee and Steering Committee meetings need to be organized regularly to address cross-sectoral issues, and TVEC's analytical capacity strengthened to enable them to make decisions on the overall reform direction.

B. Fiduciary Systems

1. Financial Management System

34. **Summary.** The Government budget allocated to MSDVT serves as the overall program budget from ADB and other sources. SSEP will be entirely disbursed through the Government's consolidated fund with no requirements for specific accounting and reporting of individual transactions and payments by fund source.

35. **Budgeting.** The Government budget preparation process under MOF&MM is standard for all sectors. The total expenditure budget is classified into recurrent and capital expenditures. In the TVET sector, budget preparation processes follow a bottom-up process. MSDVT's Chief Accountant issues a Budget Preparation call notice to its department and statutory boards. This instruction, in turn, is issued to individual training institutions requesting them to prepare and submit their budget estimates for the following year. Separate budget requests are prepared for capital and recurrent budgets. On receipt of budget estimates from DTET and training agencies, the Chief Accountant will consolidate them with MSDVT's own budget estimate from its divisions to prepare a draft budget estimate for the entire Ministry using the formats provided by the Department of National Budget for both capital and recurrent expenditure.

36. MOF&MM reviews budget proposals from all ministries in the light of available resources. The budget negotiation meetings are called by the Secretary of the General Treasury. The final figure for budget provision is incorporated in the Appropriation Bill prepared by the Department of National Budget for approval by the Parliament. After the President consents to the proposed national budget, the Minister of MOF&MM signs the General Warrant. MSDVT will then prepare its annual cash requirement and submit it to the Department of Treasury Operation to obtain imprest funding.

37. **Accounting.** Expenditure in government ministries and departments is managed through two computerized systems. The Computerized Integrated Government Accounting System (CIGAS) is used for financial reporting and is installed in all ministries and departments. CIGAS is a cash-based accounting system developed by MOF&MM and used across government for transaction recording and for reporting to MOF&MM. CIGAS only reports actual transactions and does not incorporate estimates and forecasts which are prepared externally. The other computerized system manages the payroll. Government statutory boards and some implementing agencies¹⁵ use their own accounting software or manual accounting systems.

¹⁵ National Apprentice and Industrial Training Authority, Vocational Training Authority, National Youth Services Council, TVEC, and University of Vocational Technology.

38. Financial reporting and auditing. Auditor General's Department (AGD) issues annual consolidated audit reports for SSEP, including an audit opinion on compliance with the Financial Regulations and the Appropriations Act and management letters on the consolidated financial reports prepared for the sector.¹⁶ The AGD will also issue audit opinions on the financial statements of the TVET agencies and their compliance with the Sri Lanka Public Sector Accounting Standards.

39. The audited reports will be submitted in the English language to ADB within six months after the close of Sri Lanka's fiscal year. The reports will reflect the entire TVET sector expenditures for all sources of funds following the Sri Lanka Public Sector Accounting Standards. A separate statement of sources of funds shall also be provided. Detailed financial reporting requirements is set out in the statement of audit needs (Appendix 3). ADB will reserve the right to commission supplementary financial and compliance audits, if required. Any irregular expenditure will be followed up through the government's own accountability procedures.

40. Public disclosure. The audited financial statements will be disclosed on the ADB website and MSDVT website following ADB's Public Communications Policy (2011) in <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

41. Internal controls. MSDVT and each IA have their respective internal audit units. MSDVT's internal audit unit monitors the IA's internal audits, and has an Investigation Unit which may be called in for special cases, such as public complaints. The implementing agencies' internal audit units are independent of the finance units, and report directly to the implementing agency head. Their annual audit plans are approved by MSDVT Secretary or the Board of Directors as appropriate. Frequency of internal audit varies for each implementing agency. The PAP includes action to mitigate financial management risks.

42. **Status of PAP actions.** As of October 2017, all financial management-related PAP actions are being implemented. The-SSDP annual fiduciary review (AFR) by ADB for FY2014 and FY2015 reported that MSDVT and the implementing agencies improved their fiduciary control, and demonstrated high risk aversion in applying financial rules. AGD issued qualified opinions in the audit reports for FY2014 and FY2015 due to some accounting deficiencies in the financial statements, which have been rectified. Qualified opinion was also given for FY2016 due to accounting deficiencies, along with some observations on procurement issues. SSDD, together with implementing agencies, have been resolving them with AGD, and reporting to ADB on follow-up actions. SSDD has also been working closely with the implementing agencies to continue improving accounting accuracy, timeliness and overall quality of financial statements, as well as procurement. MSDVT is planning to establish a separate internal audit unit for SSDP to carry out comprehensive risk-based high impact audits in collaboration with the implementing agencies' internal audit units. SSDD also initiated a rationalization program to identify and maximize the use of underutilized resources, including equipment and human resources, to justify future procurement and investments. Most of the original PAP actions will be retained during the additional financing to maintain SSDP's good performance.

43. The projected recurrent budget spending (95% of recurrent budget) was achieved for 2014–2016, but capital budget spending has been below projection. Therefore, in addition to

¹⁶ ADB reserves the right to require a change in the auditor (in a manner consistent with Sri Lanka's laws and regulations) or require additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed.

continuously monitoring recurrent budget and expenditures, the revised PAP also requires monitoring capital budget and expenditures vs the target of 85% spending by 2020. Trainings will also continue to further develop MSDVT and the implementing agencies' fiduciary management and internal audit capacities.

2. Procurement System

44. **Summary.** Packages for the remaining SSDP period until 2020 will largely include works for renovating training centers, training equipment, and consulting services for the employment-linked training programs. Procurement will continue to follow Sri Lanka's *National Procurement Guidelines*¹⁷ and *National Guidelines on Selection and Employment of Consultants*.¹⁸ These guidelines are largely in line with sound procurement principles of open competition, economy and efficiency, transparency and fairness.

45. Following the RBL policy,¹⁹ the program excludes procurement of contracts estimated to cost at least (i) \$50 million for works, turnkey, and supply and installation contracts; (ii) \$30 million for goods; (iii) \$20 million for information and technology systems, and non-consulting services; and (iv) \$15 million for consulting services.

46. **Status of PAP actions.** As of May 2017, MSDVT has been on track in carrying out the procurement-related PAP actions, but implementing agency-level procurement capacity needs further improvement. The annual fiduciary review (AFR) for FY2014 and FY2015 assessed 51% of the reviewed contracts as having very/highly significant issues on procurement, mainly due to lack of duly signed contracts, limited transparency in shopping methods, etc. The review recommended MSDVT and implementing agencies to (i) have complete documentation, (ii) disclose bid and contract details, (iii) establish a complaints mechanism, and (iv) have adequate staff capacity. These are reflected in the revised PAP, and SSDD will strengthen their coordination with implementing agencies to help them deliver the procurement-related actions.

3. Anticorruption System

47. No corruption-related cases were reported since 2014 in the annual audit reports and AFRs. SSDP will continue to rely on the Government's sound fiduciary and procurement systems to ensure highest ethical standards and integrity for the rest of the program period. ADB's anticorruption guidelines (footnote 19) were explained to MSDVT. Per the guidelines, SSDD procurement team will apply for authorization from ADB to access ADB's sanction list (accessible at <https://www.adb.org/site/integrity/sanctions>) to ensure that ADB-sanctioned entities or persons do not participate in RBL-supported activities.

C. Satisfying Procurement Member Country Eligibility Restrictions

48. ADB's RBL policy (footnote 19) includes provisions to satisfy ADB's member country procurement eligibility restrictions. RBL member country procurement verification will be limited to procurement by the developing member country specifically for the program.

¹⁷ Government of Sri Lanka. 2006. *National Procurement Guidelines*. Colombo.

¹⁸ Government of Sri Lanka. 2007. *National Guidelines on Selection and Employment of Consultants*. Colombo.

¹⁹ ADB. 2013. *Piloting Results-Based Lending for Programs*. Manila. This includes the *Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs*.

D. Safeguard Systems

49. **Summary of safeguard system.** SSDP remains to be categorized as B for environment, and C for involuntary resettlement and indigenous peoples. SSDP entails upgrading and refurbishing training centers and constructing some new buildings in already existing premises or on government-owned land.

50. **Status of PAP actions.** MSDVT's performance on safeguard-related PAP actions has been satisfactory. MSDVT (i) adopted an environmental and social management framework (ESMF) for SSDP; (ii) established a safeguard cell with MSDVT and implementing agency staff; (iii) conducted periodic, needs-based safeguard trainings for staff, supervision consultants, and contractors; and (iv) used a screening checklist, and trained focal staff from each implementing agency on this and other requirements in the ESMF. MSDVT will continue these safeguard PAP actions.

E. Gender and Social Dimensions

51. Key achievements were made during SSDP implementation to meet the gender-related targets. The gender equity and social inclusion framework (GESIF) was developed and presented to the heads of institutions in May 2017. MSDVT allocated budget to implement GESIF and women and disadvantaged group-focused social marketing and career guidance activities. An assistant program manager has been appointed as a gender focal person since 2016 and a social security officer recruited in 2017 is assigned to monitor GESIF implementation. Two gender mainstreaming trainings were conducted for MSDVT and TVET institutions. The program MIS can capture sex-disaggregated data, and data collection was piloted (footnote 12).

52. However, there is wide space for further progress. ADB's 2016 tracer study indicated 57% of the NVQ graduates were employed (47% women), and so the target for 2020 is set at 62% (50% for women). A ministry-wide survey is being carried out to collect data on female representation at different cadre positions. While stipends are provided to both male and female students, institutional-level data need to be collated to assess the proportional distribution. MSDVT also needs to catch up on the delays in finalizing the GESIF and appointing a gender focal person which limited progress in the gender targets.

53. The overall key challenge to mainstreaming gender are negative social norms, beliefs and stereotypes related to female enrolment and employment in non-traditional areas. Key DLIs (employment rate – DLI 1 and enrollment – DLI 6) incorporate women specific targets. Implementation of the GESIF and trust fund grant (chapter VII) will pilot innovative initiatives to increase employment of women and vulnerable groups in emerging and non-traditional areas. The PAP was updated reflecting these.

F. Communication and Information Disclosure Arrangements

54. MSDVT will continue disseminating audit reports, procurement information, and safeguards information, as covenanted. MSDVT will also disclose through its website the sector performance and findings of the reports from SSEP.

G. Development Coordination

55. Development partners continue to support Sri Lanka's TVET sector. Most of the

international and nongovernment organizations that helped finance SSDP and other TVET projects in 2014 remain active, while some new players have joined the development pool (Table 7). All official development assistance is still coordinated by the External Resources Department under MOF&MM while MSDVT coordinates the technical aspects of development coordination.

Table 7: Major Development Partners for SSDP

Development Partner	Name of Operation	Duration	Amount
ADB	Skills Sector Enhancement Program	2014–2020	\$199.1 million ^a
Government of Australia	Skills for Inclusive Growth	2016–2020	A\$14.4 million
Export-Import Bank of Korea	Establishing two vocational centers in Colombo and Gampaha	2013–2016	\$26.0 million
Government of Canada	Advancing Specialized Skills for Economic Transformation	2014–2019	Can\$1.0 million
Government of Germany	Vocational Training in the North and East of Sri Lanka	2012–2018	€20.4 million
ILO/EU	TVEC Provincial Skills Plans	2013–2015	€1.2 million
KOICA	Automotive Industry Training Support Program Modernization, upgrading of Automobile Centres in 5 COTs and TCs, and upgrading Jaffna TC into COT	2013–2015	\$3.0 million
USAID	YouLead!	2017-2021	\$12 million
World Bank	Skills Development Project	2014–2018	\$101.5 million

€ = euro, \$ = United States dollar, A\$ = Australian dollar, Can\$ = Canadian dollar, ADB = Asian Development Bank, COT = college of technology, EU = European Union, ILO = International Labour Organization, KOICA = Korean International Cooperation Agency, SSDP = Skills Sector Development Program, TC = technical colleges, TVEC = Tertiary and Vocational Education Commission, USAID = United States Agency for International Development.

^a including \$3 million grant from Japan Fund for Poverty Reduction, administered by ADB.

Source: Asian Development Bank.

V. INTEGRATED RISKS AND MITIGATING MEASURES

56. SSEP adopted several DLIs and a strong PAP to mitigate risks with results, expenditure and financing, and program systems. As a result, several risks identified at the time of SSEP appraisal have been reduced to lower level in terms of significance. However, the overall RBL program risk is remain substantial. The original and updated major risks and mitigating measures are in Table 8.

Table 8: Status of Integrated Risk Assessment and Mitigating Measures
(as of September 2017)

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
Results			
Quality—difficulties in recruiting qualified teaching staff, especially in emerging economic sectors	Substantial (2014) Moderate (2017)	2014: Most IAs can hire contractual teaching staff from industry with higher salary. MSDVT will develop a comprehensive vocational teacher development policy and plan to revise recruitment requirements for industry experience, introduce PBA scheme, and improve in-service training. UNIVOTEC will have twinning arrangements with two internationally renowned	As a result of the shortage of experienced teaching staff, most IAs opted for part-time instructors who offer services mostly in the evenings and weekends. In response to this mitigating measure, MSDVT/SSDD developed a comprehensive HRD policy. Many IAs then increased the number of cadre positions, revised the scheme of recruitment, introduced PBA scheme,

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
		<p>polytechnic institutions to provide master trainers for training of trainers.</p> <p>2017: Continuous follow-up on HRD policy implementation, monitoring of vacancy ratio, and industry exposure training for instructors (DLI 3).</p>	<p>upgraded existing instructors, and recruited more instructors to reduce the vacancies from 44% in 2014 to 32% in May 2017.</p> <p><i>Risk rating is changed to moderate.</i></p>
<p>Quality—quality assurance system not improved, expanded, or consistently applied</p>	<p>Moderate (2014)</p> <p>Moderate (2017)</p>	<p>2014: TVEC's role in quality assurance has been strengthened through a revised act, which specifies that all public institutions should comply with a revised NVQ-QMS. Government funding to be progressively linked to compliance with NVQ-QMS is supported by the SSDP and DLIs.</p> <p>2017: TVEC will roll out a quality improvement system (DLI 2) and strengthen the capacity of the quality assurance division with additional staff (PAP 1.2)</p>	<p>Cabinet approved amendment to TVEC Act to require all TVET providers (both public and private) to register with TVEC. TVEC then restructured its divisions to have one division responsible for (i) registering training providers, (ii) accrediting training programs, and (iii) certifying training centers as meeting QMS standards.</p> <p>Technical instructors' PBA and PBF of pilot centers include the performance criteria linked to quality assurance.</p> <p>While significant improvement has been made, rolling out the new Quality Improvement System across the TVET system remains a challenge due to capacity constraints.</p> <p><i>Risk rating remains moderate.</i></p>
<p>Relevance—training in low-relevance areas continues because information on market demand and participation of private employers in TVET policy, planning, and training delivery are lacking.</p>	<p>Moderate (2014)</p> <p>Substantial (2017)</p>	<p>2014: MSDVT will focus training activities in 2014 and 2015 on proven areas with large skills shortages, such as tourism and construction, where employment opportunities are high and industry associations are relatively well-organized and committed to participating in TVET. Once the skills gap analysis becomes available, SSDD under MSDVT should ensure that annual training plans are informed by the analysis results. These results are to be validated by industry working groups that MSDVT will establish at TVEC to engage private sector employers and professional associations.</p> <p>2017: Provide dedicated support to ISSCs to build capacity in HRD services, and promote the importance of a</p>	<p>ISSCs established for construction, IT, tourism, and light manufacturing and engineering sectors, representing industry associations, professional organizations, etc. in 2015, with broad mandate to ensure the TVET system is more market-responsive.</p> <p>Skills gap analyses, commissioned to a private consulting firm by MSDVT, were not satisfactory mainly because the employer survey failed to collect adequate data. The ISSCs also questioned the sampling for the survey, and the projection of skill gaps. The revised skills gap analyses for the construction and ICT sectors were endorsed by the National Steering Committee in September 2017.</p> <p>ISSCs are still at an early stage of</p>

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
		<p>skilled workforce among industry members (DLI 4 and grant support). Such support will be provided by ADB and other development partners (e.g., the Government of Australia for the tourism ISSC). MSDVT will continue engaging ISSCs in TVET planning and provision (DLI 4).</p>	<p>development. Their performances vary – some are good, and some are not yet functioning well. MSDVT's budget to support the ISSCs' operations is limited to office set up and two staff, and expenses to cover specific tasks such as national competency standard or curriculum development. Private sector partners may lose their interest in ISSCs as they function more like government contractors rather than strategic partners.</p> <p><i>Risk rating changed to substantial.</i></p>
<p>Sector program planning—the program will require a more integrated annual planning exercise to ensure coherence between (i) annual agency plans and the overall SSDP targets, and (ii) plan and budget estimation.</p>	<p>Substantial (2014) Moderate (2017)</p>	<p>2014: SSDD will issue an annual planning guidance note to IAs in the second quarter of the year, to help them develop their annual plan and budget submissions on time. SSDD will coordinate and adjust the agency plans to fit within SSDP's framework, ensuring strong focus on DLI areas. Over time, within the RBL program period, MSDVT's and IAs' 5-year strategic planning and the 3-year rolling expenditure framework will be fully in line with the SSDP.</p> <p>2017: same mitigation measures to continue.</p>	<p>The PPAs introduced as DLI 9 helped MSDVT and the IAs align their annual workplans and budgets with SSDP priority areas. Further efforts should be made to integrate SSDP into the regular workplans as SSDP is still being regarded as a project, parallel to their regular program.</p> <p><i>Risk rating changed to moderate.</i></p>
<p>Implementation capacity—the program is increasing the MSDVT's skills development budget and this will strain the ministry's and TVET agencies' implementation capacity.</p>	<p>Substantial (2014) Moderate (2017)</p>	<p>2014: MSDVT established SSDD with 35 cadre and professional staff led by an additional secretary to expedite and coordinate implementation of SSDP.</p> <p>Most IAs have flexibility in hiring contractual teaching and operation staff, and can quickly expand training capacity to meet labor market requirements if funding is available.</p> <p>2017: SSDD is staffed with better-qualified and experienced people hired from the market on a contractual basis, which will accelerate implementation pace.</p>	<p>Implementation capacity was adversely affected by the frequent turnover of leadership and staff in 2015 and 2016. SSDD staffing is almost complete in the beginning of 2017, with people hired from market on contractual basis, with fewer number of people are seconded from civil service.</p> <p>Most IAs' human resource capacity has improved with adequate number of procurement and accounting staff.</p> <p><i>Risk rating changed to moderate.</i></p>

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
<p>Implementation capacity in new areas and reform agenda—the program covers several new areas and a reform agenda where MSDVT has little experience, and mechanisms should be detailed with clear implementation plans.</p>	<p>Substantial (2014) Substantial (2017)</p>	<p>2014: MSDVT already began detailing the mechanisms for a purchasing model and a business planning process for performance management. DLIs are constructed to set logical paths for achieving the reform results, with built-in review and improvement process.</p> <p>Development partners (World Bank and German development coordination through GIZ) will deploy technical experts and long-term advisors to MSDVT to support implementation in complex reform agenda and new initiatives.</p> <p>2017: Stronger capacity at the leadership level is required to use the new mechanisms strategically to resolve existing and emerging issues, and create synergies across different aspects of the program to achieve higher value addition from ADB's Skills Sector Enhancement Program. Steering committee to focus on strategic issues and bottlenecks in reform agenda and create synergies with other initiatives.</p>	<p>Several new initiatives, such as PBF, PBA, ETA, etc., were piloted and revised based on reviews of the pilot phase. An international technical expert was provided by the Government of Germany, and ADB also provided technical inputs to develop and improve new mechanisms.</p> <p>While pilots were carried out and mechanisms are improved for better performance and higher target achievement, there are large room for creating synergies between different initiatives – e.g., PBF can be linked with QIS, ETA training information can be monitored with MIS, etc.</p> <p><i>Risk remains substantial.</i></p>
Expenditure and financing			
<p>Inadequate budget allocation—ADB financing will not be used to enhance the TVET system outputs, and will partially or entirely replace existing government funding.</p>	<p>Substantial (2014) Moderate (2017)</p>	<p>2014: Detailed analysis was performed on TVET budgetary requirements against historical and forecast budget allocations, and funds released in prior years. Based on this, the required allocations and releases, as reflected in the DLI matrix to ensure donor funds, represent adequate support to the government budget.</p> <p>Furthermore, accounting staff's capacity will be built in the areas of budget preparation.</p> <p>2017: same mitigation measures to continue.</p>	<p>The budget allocations/utilizations for recorded continuous year on year growth: SSDP expenditures were 49%, 19% and 15% vs the budget allocations for 2014, 2015 and 2016 respectively.</p> <p>Alignment between annual workplan and budget has been improved with further improvement required to ensure key priority areas are adequately resourced.</p> <p><i>Risk rating changed to moderate.</i></p>
<p>Delay in budget release and low absorption capacity—the efficiency of the expenditure framework is affected by the evolving MTEF for the skills development sector, with limited</p>	<p>High (2014) Substantial (2017)</p>	<p>2014: The RBL program preparation process initiated an exercise to rationalize the MTEF for the skills sector, establishing a results chain of inputs, process, output, and outcome, with the provision of DLI as an incentive to follow the MTEF in</p>	<p>The delays in budget release were not observed. The budget absorption (capital and recurrent expenditures) was 190%, 114% and 110% for 2014, 2015 and 2016, respectively. However, during 2014 to 2016, only 29% of the MTEF was realized as actual</p>

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
commitment by Ministry of Finance and Mass Media to allocate the required amounts and ensure timely release of funds, and low absorptive capacity of the implementing agencies.		budget allocation, release and spending. 2017: MSDVT should further improve its and the IAs' absorption capacity so that the Ministry of Finance and Mass Media can allocate and release funds aligned with MTEF.	expenditure. <i>Risk rating changed to substantial.</i>
Fiduciary			
Weak internal audit capacity—noncompliance with policies and uneven implementation of key controls can lead to misuse of funds or assets, or low value for money.	Substantial (2014) Substantial (2017)	2014: Internal audit department of each TVET agency involved to be strengthened through implementation of a recruitment and training plan. In addition, external periodic fiduciary reviews will be conducted. 2017: Related PAP action will be followed up further to ensure that this risk does not adversely affect the program performance.	No satisfactory progress was observed over internal auditors' capacity strengthening in terms of performance, apart from their participation in financial management and procurement training. The staffing in internal audit units, particularly in the TVET sector was observed to be inadequate, with very low percentage of professionally qualified internal auditors at senior level. <i>Risk rating remains substantial.</i>
Weak financial reporting—use of funds will not be reported transparently in line with international best practice to allow for optimal decision making.	Substantial (2014) Moderate (2017)	2014: Agreement struck with MSDVT and the Auditor General's Department on detailed Statement of Audit Needs, incorporating the preparation of financial statements in line with international accounting standards and for timely submission. In addition, accounting staff's capacity will be built in the areas of financial reporting. 2017: same mitigation measures to continue, In addition, preparing financial statements at least to comply with Sri Lanka Public Sector Accounting Standards will be prioritized.	Statement of Audit Needs was adopted. Training conducted for accounting staff in financial reporting. <i>Risk rating changed to moderate.</i>
Weak procurement capacity—smaller TVET agencies have weak capacity to carry out procurement along procurement rules and regulation.	Substantial (2014) Moderate (2017)	2014: Almost 75% of procurement (civil works and equipment) will be carried out by DTET, MSDVT, UNIVOTEC, and VTA. Smaller agencies (including newly considered SLIOP) will be supported by the SSDD, while the larger agencies will hire additional staff and conduct staff training to strengthen implementation capacity.	MSDVT and larger TVET institutions have adequate procurement capacity while smaller institutions need further improvement to deliver new capital expenditure plans. The AFR, which included sample-based post procurement review, provided recommendations for further improve procurement capacity and practices, and

Risk	Rating Without the Mitigating Measures ^a	Key Mitigating Measures (2014) and Updated Mitigation Measures (2017)	Status in Implementing Mitigation Measures
		2017: SSDD, which is adequately staffed with significant past performance, should extend support to respective IAs through expert staff, technical inputs, resources, and direct involvement in procurement processes. This measure would be appropriate, particularly where the planned procurement volumes are limited and far between, and would not warrant permanent augmentation of procurement capacity. AFR will be carried out to measure capacity improvement.	MSDVT and institutions are committed to follow them up. <i>Risk rating changed to moderate.</i>
Weak procurement capacity—existing procurement staff may be strained because the RBL program will double the procurement requirements.	Substantial (2014) Moderate (2017)	2014: The SSDD will provide technical support to IAs to carry out procurement activities. IAs' capacity, especially on procurement, will be strengthened by recruiting additional staff and providing training. 2017: AFR will include post-procurement review to inform the areas for further improvement in procurement capacity.	Annual/program specific training plans have been developed by the SSDD, clearly identifying needs of each agency and staff concerned. Training program has helped procurement staff gain better understanding of the NPA guidelines and good practices in public procurement. The AFR, which included sample-based post procurement review, provided recommendations for further improve procurement capacity and practices, and MSDVT and institutions are committed to follow them up. <i>Risk rating changed to moderate.</i>
Overall RBL program risk	Substantial (2014/2017)		

ADB = Asian Development Bank, AFR = annual fiduciary review, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ETA = employment training agreement, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, HRD = human resource development, IA = implementing agency, ISSC = industry sector skill council, MIS = management information system, MTEF = medium-term expenditure framework, MSDVT = Ministry of Skills Development and Technical Training, NVQ = national vocational qualification, PAP = program action plan, PBA = performance-based allowance, PBF = performance-based financing, QIS = quality improvement system, QMS = quality management system, RBL = results-based lending, SLIOP = Sri Lanka Institute of Printing, SSDD = Skills Sector Development Division, SSDP = Skills Sector Development Program, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training, UNIVOTEC = University of Vocational Technology, VTA = Vocational Training Authority.

^a Risk factors are assessed against the (i) likelihood that the risk will occur, and (ii) impact of the risk on the outcome.

Rating scale: low = low likelihood and low impact, moderate = substantial to high likelihood but low to moderate impact, substantial = low to moderate likelihood but substantial to high impact, high = high likelihood and high impact.

Source: Asian Development Bank.

VI. PROGRAM ACTION PLAN

57. The original PAP was updated to complement the new DLI targets, further improve program systems, and address risks. The revised PAP (Table 9) includes key actions in specific

technical areas, fiduciary management, M&E, safeguards, and gender and social equity to ensure that key SSEP results will strengthen the program systems, and make SSDP more sustainable.

Table 9: Revised Program Action Plan and Status
(as of October 2017)

Action	Responsible Agency	Time Frame for Implementation	Status
1. Technical Actions			
1.1 Coordinate and monitor SSDP implementation.	MSDVT	Continuously	MYASD renamed to MSDVT.
1.2 Update QA system, and strengthen TVEC's implementation capacity: (i) Strengthen provider registration and accreditation requirements. (ii) TVEC's QA division to have seven additional staff to manage the registration, accreditation, quality improvement systems.	TVEC with MSDVT's support	(i) Continuously (ii) By 2018	(i) QA functions integrated under one division of TVEC (ii) Staff for TVEC QA functions should be increased (assessment division - 12 additional staff, QA division - 7 additional staff)
1.3 Specify articulation and credit transfer arrangements in the revised NVQ level descriptors, and update qualification accreditation system: (i) Clearly specify progression between levels to support multiple entries and pathways. (ii) Reflect occupation skills competencies in articulation and credit transfer system to form close links to career ladder / progression in the job market.	TVEC with MSDVT's support	By 2020	New NVQ operation manual introduced in 2016 with some elements to improve NVQs such as: (i) Access of industry workers to NVQ 5 and 6 programs with credits enabled for acquired competencies. (ii) Auto mechanic NCS aligned with industry practices as example
1.4 Strengthen skills assessment, including RPL, to ensure consistency between training providers and training agencies: (i) (a) Review the assessment system and best practices to come up with a new assessment system for the increasing number of NVQ students in a cost-effective way while ensuring quality of training and (b) implement revised assessment system to all TVEC-accredited training courses. (ii) At least 35,000 people to obtain skills certificates through RPL (of which at least 30% women). (iii) TVEC's assessment division to have 12 additional staff to effectively administer assessment and certification.)	TVEC with MSDVT's support	(i) (a) by 2018, (b) from 2019 onwards (ii) by 2020 (iii) by 2018	Consistency across different training providers has been achieved for NVQ programs as TVEC-licensed assessors carrying out assessment of students, and TVEC issues certificates. (i) Assessment system needs to cope with expanding TVET system where enrollment would increase from 148,000 in 2012 to 250,000 in 2020 and NVQ program share also increases (in 2013, it was 14% and it has increased to 66% by 2016). Current assessment practices are centralized and costly. (ii) 25,878 people obtained skills certificate through RPL (21.8% women). For the remaining program period, the number may not increase too much, but more focus should be given to existing women workers.
1.5 Middle-level skills development: (i) Expand mid-level skills training opportunities by, among others, establishing university colleges (up to nine) and upgrading existing training centers.	IAs with MSDVT's support	By 2020	As of 2015, three PPP UCs established but their MOUs with MSDVT expired. Only two PPP UCs remain operational, sustained by private sector entities. Enrollment in public UCs increased from 652 in

Action	Responsible Agency	Time Frame for Implementation	Status
(ii) Explore mechanisms to encourage mid-level skills training by the private sector.			2015 to 1,379 in 2016, indicating increasing recognition of UCs as a choice for A/L graduates who cannot go to state universities. It is proposed to open three additional public UCs—one for each province.
1.6 Establish industry sector skills councils in at least four sectors as industry think tanks on human resource development matters (JFPR grant support).	TVEC / MSDVT /	2018–2020	ISSCs operational for construction, ICT, and manufacturing and engineering services sectors. An ISSC for tourism and hospitality sectors was also established, but not yet operational.
1.7 Encouraging participation in TVET, especially among women and disadvantaged groups: (i) Continue scholarship programs. (ii) Develop a targeted stipend program and other supporting mechanisms to ensure increased participation of women, disadvantaged groups (including PWDs or ethnic minority groups), and rural residents in the TVET system (JFPR grant support).	(i) DTET, VTA and CGTTI with MSDVT's support (ii) MSDVT with JFPR IA's support	(i) Continuously (ii) 2018–2020	DTET, VTA, and CGTTI provided scholarships and bursaries to 47,200 students between 2014 and 2016 to encourage students to enroll in TVET, and retain them until completion. Other institutions provided various scholarships. In 2017, the Government introduced an allowance of SLR10,000 per month for three months for those on OJT in the construction sector where there is a large shortage of workers. This would benefit 10,000 people as per the budget allocation. Around 6,000 applications are already received by MSDVT.
1.8 Strengthen district coordination committees to maximize training capacity across different agencies through rationalization and resource sharing, and provide locally relevant training programs in consultation with local employers.	MSDVT and IAs	By 2020	Baseline survey of public training providers completed in 2015. Each IA implementing measures to improve utilization rate by transferring instructors and equipment to training centers where demand is higher. District coordination committees are being strengthened to maximize training capacity across different IAs.
1.9 Adequate resources for SSDD implementation: (i) Have adequate staff and operational resources to achieve SSDD results. (ii) Allocate sufficient budget for SSDD's activities by adding a separate budget item for SSDD operations in MSDVT's annual budget, and for IAs if required as part of the AFR.	(i) MSDVT's SSDD and IAs (ii) MOF&MM	Continuously	(i) 21 of 24 SSDD positions filled. The career guidance specialist, HRD officer, and technical assistant positions are still vacant. More recent staff have higher qualification/experience to match the size of the program as per the Government circular. (ii) SSDD has separate budget item for activities such as capacity development training, and ELTP.
1.10 Conduct a capacity assessment of participating training agencies before signing memorandums of understanding.	MSDVT	Continuously	In 2015, CGTTI was added as IA. In 2017, Sri Lanka Institute of Printing added as IA. Procurement capacity and financial management assessments carried out.
2. Financial Management			
2.1 Satisfy overall financial reporting requirements following the Statement of Audit Needs.	MSDVT	Continuously	All IAs, except CGTTI, submitted financial statements on time as of 2017. MSDVT's responses to ADB's feedback on the 2015 and 2016 audit

Action	Responsible Agency	Time Frame for Implementation	Status																
			reports being followed up as of October 2017.																
2.2 Conduct AFR satisfactorily.	MSDVT and IAs, AFR firm	Annually	AFR conducted satisfactorily covering FY 2014 and FY 2015																
2.3 Continue monitoring recurrent budget and expenditures (at least 95%) as well as capital budget and expenditures (increase to more than 85% by 2020).	MSDVT and IAs	Continuously	<p style="text-align: center;"><u>Expenditures vs Budget</u></p> <table border="1"> <thead> <tr> <th></th> <th>Recurrent</th> <th>Capital</th> <th>Overall</th> </tr> </thead> <tbody> <tr> <td>FY 2014</td> <td>108%</td> <td>79%</td> <td>94%</td> </tr> <tr> <td>FY 2015</td> <td>143%</td> <td>77%</td> <td>105%</td> </tr> <tr> <td>FY 2016</td> <td>123%</td> <td>61%</td> <td>83%</td> </tr> </tbody> </table>		Recurrent	Capital	Overall	FY 2014	108%	79%	94%	FY 2015	143%	77%	105%	FY 2016	123%	61%	83%
	Recurrent	Capital	Overall																
FY 2014	108%	79%	94%																
FY 2015	143%	77%	105%																
FY 2016	123%	61%	83%																
2.4 Develop internal auditor capacity to support fiduciary management capacity of MSDVT and IAs.	MSDVT and IAs	Continuously	MSDVT and IAs' internal auditors trained in internal audit functions and procurement																
2.5 Develop and approve a recruitment–training plan that would include training units on preparing financial statements following national reporting and accounting standards, and preparing a budget aligned with the SSDP.	MSDVT and IAs' accounting and planning staff	Continuously	<p>Adequate accounting staff in SSDD and IAs in the system:</p> <ul style="list-style-type: none"> (i) SSDD with FA (1), accountant (1) and supporting staff (3) (ii) NAITA (23 in finance division), UNIVOTEC (2 assistant bursars, 7 management assistants) (iii) CGTTI (8 management assistant, 2 accountant) (iv) DTET (4 accountant, 34 supporting staff) (v) OUSL (director finance (vacant), 1 accountant, 1 accounting officer, 5 management assistant) (vi) VTA (1 finance director, 5 assistant directors, 32 finance officers) 																
2.6 Report resolution of external audit recommendations in timely manner.	MSDVT and IAs	Annually	Followed-up annually.																
2.7 Coordinate capacity development programs based on the IAs' needs.	MSDVT and IAs	Continuously	SSDD staffed with FA (1), accountant (1) and supporting staff (3)																
3. Procurement																			
3.1 Maintain and strengthen procurement capacity at all IAs, especially OUSL, UNIVOTEC, and NAITA.	IAs with SSDD support MSDVT and IAs	By 2018 and onwards	<p>On-track with additional actions required for OUSL, UNIVOTEC and NAITA.</p> <p>SSDD - procurement specialist (1), assistant procurement specialist (2), supporting staff (1)</p> <p>VTA - assistant director procurement (1), procurement officer (1), and procurement staff (4)</p> <p>CGTTI - accountant (1), management assistant (1)</p> <p>DTET - director, Procurement (1), 7 staff</p> <p>OUSL - 1 development officer (1), management assistants (2) (in the process of recruiting assistant bursar and additional staff for procurement division up to 8 persons)</p>																

Action	Responsible Agency	Time Frame for Implementation	Status
			UNIVOTEC - procurement officer (1), associate officer (1), management assistant (1) (to recruit deputy VC on procurement and engineering to strengthen the capacity for UNIVOTEC and UC, cadre position to be requested) NAITA - procurement officer (1) under director finance (SSDD to carry out capacity gap assessment and NAITA to come up with action plan to strengthen procurement capacity)
3.2 Follow NPA guidelines and ICTAD standard bidding documents.		Continuously	Simplified document adopted
3.3 Prepare and disseminate procurement plans, bid invitations, and bid documents in a timely manner on the websites of MSDVT and IAs to improve transparency.		Continuously	MSDVT on-track, but not all IAs have their procurement plans online
3.4 Continue with the current practices of bid packaging to maximize economy and efficiency, and explore ways to further improve procurement efficiency.		Continuously	Procurement of contracts over SLR100 million elevated to MSDVT with SSDD's support. MSDVT is exploring using turnkey contracts. For equipment, aggregated packages done.
3.5 Continue with the current practices of need-based training for procurement capacity development.		Continuously	Training program addressing weaknesses in TEC, procurement committee, contract management, etc. conducted
3.6 Develop a more effective document management system.		Continuously	SSDD improved document management system. SSDD/ MSDVT will explore ways to introduce online/electronic system and support IAs in improving document management practices.
3.7 Continue with the current practice of publishing procurement-related information. IA practices should improve further.		Continuously	MSDVT on track, but not all IAs follows the practice.
3.8 Continue with AFR, including procurement review (DLI 8).		Continuously	An AFR covering FY 2014 and FY 2015 completed.
3.9 Civil works contracts to ensure that contractors adequately deal with safeguard matters.	MSDVT and IAs	By 2018	
4. Safeguards			
4.1 Adopt and implement an SSDP ESMF to ensure that upgrading or developing of TVET facilities is consistent with ADB's Safeguard Policy Statement (2009).	MSDVT/IAs/SSDD's safeguard cell	Continuously	ESMF adopted and being implemented
4.2 Establish a safeguard cell in MSDVT with at least one full-time safeguard specialist.		Continuously	Safeguard Officer engaged since September 2016, chief engineer, and engineers at SSDD formed safeguard cell. IA focal persons appointed.
4.3 Ensure that SSDP excludes any activities involving (i) any involuntary resettlement or impacts on indigenous peoples in anticipation of, or prior to, handing over land to the program; and (ii) any significant		Continuously	Safeguard screening carried out for all subprojects. So far, no involuntary resettlement and indigenous peoples safeguard policy triggered. Environment screening informed

Action	Responsible Agency	Time Frame for Implementation	Status
environmental impacts.			which subproject would require IEE and environmental management plan. Two IEEs completed, and three more ongoing
4.4 Conduct training on safeguard issues every year for agency officers, consultants, and contractors (budget allocated for 30–50 people).		Continuously	Safeguards training conducted in 2015. Site-based workshop for new construction carried out in 2016 for 22 officers from DTET and VTA where most construction activities.
4.5 Disseminate the awareness-raising materials to agencies, consultants, and contractors.		Continuously	Two video clips for environmental safeguards developed to improve understanding among site supervision consultants and agency officers for better monitoring
4.6 Review at least five NCSs for construction-related trade for improvement.	TVEC with MSDVT support	By 2020	Discussion ongoing.
5. Monitoring and Evaluation			
5.1 Implement the M&E plan under SSDP by deploying adequate staffing and resources for the MIS.	TVEC with MSDVT support	Continuously	Additional staff for integrated MIS required (new action 5.3)
5.2 A comprehensive management information system, including decision support module, and reporting tools are completed	MSDVT and TVEC	By 2020	Integrated MIS in process.
5.3 (i) Conduct independent verification of data reliability from the graduate tracking module in the MIS and (ii) provide a technical expert to help the MIS team complete the integrated MIS.	ADB	(i) By March 2020 (ii) By March 2018	
6. Gender and Social Equity			
6.1 Adopt and implement MSDVT-wide GESIF and monitor key gender indicators in DLI and DMF.	MSDVT and IAs	From 2017 onwards	GESIF developed in May 2017.
6.2 Appoint gender focal points at agency level to implement GESIF at MSDVT in coordination with agency-level focal staff.		Continuously	A gender focal person (assistant program manager) was appointed in 2016 and another person (social security officer) was assigned to support the GESIF implementation
6.3 Allocate and execute budget to aid GESIF implementation.		Continuously	Budget allocated for GESIF activities in 2017
6.4 Include gender-sensitive training materials in the GESIF mainstreaming competency standard and training program.		By 2020	GESIF includes related actions
6.5 Renovate and construct TVET facilities that are sensitive to the security needs of girls or women and PWDs.		By 2020	GESIF includes related actions
6.6 Provide career guidance and counseling that is sensitive to the distinct interests and concerns of female and male students, and students from vulnerable groups. (JFPR grant support).		By 2020	Improvement in career guidance has been delayed.
6.7 (i) MIS to provide sex-disaggregated data and (ii) to set and annually monitor institutional gender target.		By 2020	Sex-disaggregated data are being collected by MIS. Institutional data are being collected to set the gender target

ADB = Asian Development Bank, AFR = annual fiduciary review, CGTTI = Ceylon-German of Technical Training Institute, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ESMF = environmental safeguards management framework, GESIF = gender equity and social inclusion framework, IA = implementing agency, ICTAD = The Institute for Construction Training and Development, JFPR = Japan Fund for Poverty Reduction, M&E = monitoring and

evaluation, MIS = management information system, MOF&MM = Ministry of Finance and Mass Media, MSDVT = Ministry of Skills Development and Vocational Training, NAITA = National Apprentice and Industrial Training Authority, NCS = national competency standard, NPA = National Procurement Authority, NVQ = national vocational qualification, OUSL = Ocean University of Sri Lanka, PSSA = program safeguard system assessment, PWD = person with disability, QA = quality assurance, RPL = Recognition of Prior Learning, SSDD = Skills Sector Development Division, SSDP = Skills Sector Development Program, TVEC = Tertiary And Vocational Education Commission, TVET = technical and vocational education and training, UNIVOTEC = University of Vocational Technology, VTA = Vocational Training Authority

Source: Asian Development Bank.

VII. TECHNICAL ASSISTANCE

58. **Summary.** ADB has been supporting SSDP implementation through a capacity development technical assistance (TA 8235) aiming to promote education and skills development in Sri Lanka.²⁰ Among the TA outputs are (i) improved policy and technical capacity for planning human capital development programs, and (ii) strengthened institutional and fiduciary capacity for planning, coordinating and implementing sector programs which are included in the SSEP DLIs and PAP. MOF&MM is the TA executing agency, and MSDVT is one of the implementing agencies.

59. **Implementation status.** The TA provided consultant inputs to (i) assist MSDVT in achieving the DLIs and PAP actions in (a) quality assurance, (b) ISSCs, (c) financial management, (d) gender, (e) safeguard, (f) coordination and M&E, (g) other reform areas; (ii) conduct independent DLI verification, including the 2016 tracer study to track graduates' employment; and (iii) conduct AFRs of SSDP as described in the DLI verification protocol.

60. **Issues and changes.** Some minor changes to the TA implementation arrangements were undertaken in 2015 and 2016 to provide the consultant inputs for SSDP, including extending the TA completion date from 31 December 2014 to 31 December 2017. Additional consultants will be mobilized to support MSDVT in developing and rolling out the integrated MIS and QIS.

61. The TA's limited resources need to be rationalized to support SSEP implementation until 2020. The Government and other development partners will mobilize their own resources for capacity strengthening to achieve SSDP objectives.

VIII. JAPAN FUND FOR POVERTY REDUCTION GRANT

62. **Summary.** A JFPR grant for up to \$3 million will support SSDP and complement SSEP by promoting private sector participation and women's empowerment in TVET, and employment of TVET graduates. The grant outputs are (i) private sector engagement in TVET strengthened; (ii) an entrepreneurship development program for self-employment enhanced with a focus on women; (iii) women-targeted incentives, mentoring and on-the-job training provided to attract more women into jobs, especially in non-traditional areas; and (iv) gender-inclusive recruitment and working environment practices demonstrated in the private sector. The grant document is in Annex.²¹

63. **Implementation arrangements.** MSDVT will be the executing agency for this project within the overall SSDP following ADB's relevant rules and procedures. The project will be implemented from May 2018 to April 2021. Procurement and disbursement will be in line with

²⁰ ADB. 2012. *Technical Assistance to Sri Lanka for Human Capital Development Capacity and Implementation Support*. Manila.

²¹ Also accessible from Appendix 2 of the RRP for the additional financing [footnote 3]).

ADB's Procurement Guidelines (2015, as amended from time to time), Guidelines on the Use of Consultants (2013, as amended from time to time), and Loan Disbursement Handbook (2015, as amended from time to time).

64. ADB will assist MSDVT in engage an experienced entity (grant implementation firm or nongovernmental organization) to carry out the activities under the grant project up to the contract negotiation. The assignment would require consultant inputs of around 270 person-months (20 person-months international, and 250 person-months national). With the approval of the grant by the Government of Japan in January 2018, advance actions to select the grant implementation firm were commenced in February 2018. The implementation arrangements are summarized in Table 10.

Table 10: Implementation Arrangements

Aspects	Arrangements		
Implementation period	May 2018–April 2021		
Estimated completion date	30 April 2021 (grant closing date: 31 October 2021)		
Management			
(i) Oversight body	Project Steering Committee providing overall direction of the project in consideration of the government's priorities in workforce development Secretary MSDVT (chair), DTET, CGTTI, NAITA, NYSC, OUSL, UNIVOTEC, VTA, SLIOP, industry councils (members), which are the implementing agencies under the main loan to deliver public technical and vocational training programs and benefiting from the grant project support		
(ii) Executing agency	MSDVT ensuring the project activities are delivered in line with the agreed project objectives and supporting the project activities in coordination with other ministries as necessary		
(iii) Implementation unit	A grant implementation firm (consultant) under MSDVT carrying out project activities as per the project document (DMF, cost estimates, etc.) under the guidance of the executing agency. Key experts will include a project manager, gender and entrepreneurship expert, technical advisor–private sector engagement and three district coordinators.		
Procurement	QCBS method (90:10) CQS method	1 contract 1 contract	\$ 2,925,000 \$75,000
Advance contracting	Advance action to select the grant implementation firm will be taken, but contract will be signed after the grant become effective		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, CGTTI = Ceylon-German Technical Training Institute, CQS = consultants' qualifications selection, DTET = Department of Technical Education and Training, MSDVT = Ministry of Skills Development and Vocational Training, NAITA = National Apprentice and Industrial Training Authority, NYSC = National Youth Service Council, OUSL = Ocean University of Sri Lanka, QCBS = quality- and cost-based selection, SLIOP = Sri Lanka Institute of Printing, UNIVOTEC = University of Vocational Technology, VTA = Vocational Training Authority.

IX. MONITORING KEY PROGRAM COVENANTS

65. ADB loan covenants are being complied with. MSDVT, ADB and Department of Project Management and Monitoring will continue to monitor compliance for the remaining SSEP period.

X. KEY OUTSTANDING ISSUES

66. There are no outstanding issues.

XI. GUIDELINES TO PREVENT OR MITIGATE FRAUD, CORRUPTION AND OTHER PROHIBITED ACTIVITIES IN RESULTS-BASED LENDING FOR PROGRAMS

67. The government is responsible for the implementation of programs supported by RBL. ADB has a fiduciary responsibility to ensure that its loans and other forms of financing are used only for the purposes for which they were granted, in accordance with the Agreement Establishing the Asian Development Bank (the Charter). To uphold that obligation, ADB presents these guidelines to prevent or mitigate fraud, corruption, and other prohibited activities in RBL operations financed in whole or in part by ADB. These guidelines build upon the legal obligations presented in the loan agreement and apply to operations funded by the RBL (the programs). The guidelines are in Appendix 4.

68. These guidelines do not limit any other rights, remedies, or obligations of ADB or the government under the loan agreement or any other agreement to which the ADB and the government are both parties.

69. All persons and entities participating in the programs must observe the highest ethical standards; take all appropriate measures to prevent or mitigate fraud, corruption, and other prohibited activities; and refrain from engaging in actions described in these guidelines in connection with such programs.

XII. ACCOUNTABILITY MECHANISM

70. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted operations can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures.²² People who are, or may in the future be, adversely affected by a program supported by RBL may submit complaints to ADB's Accountability Mechanism (2012).

71. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to resolve their problems and/or issues by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, they approach the Accountability Mechanism.

XIII. CHANGES IN PROGRAM SCOPE AND IMPLEMENTATION ARRANGEMENTS

Table 11: Changes in Scope and Implementation Arrangements
(as of February 2018)

	Changes and Key Reason	Date	Document
1	Added CGTT as IA per MSDVT's request. CGTTI signed a PPA with MSDVT to achieve some DLIs.	23 November 2015	Minor change approved by ADB
2	Modified wording of DLI 9 targets relating to the PPA to ensure that budget allocation aligns with SSDP requirements, and agencies commit to monitoring progress.	23 November 2015	Minor change approved by ADB
3	Dropped the graduate tracking system as a verification	9 December	Minor change

²² ADB. 2012. *Review of the Accountability Mechanism Policy*. Manila.

	Changes and Key Reason	Date	Document
	protocol for DLI 1, as it has not been put in place. The independent tracer study was retained to verify the DLI.	2016	approved by ADB
4	Extended the closing dates of Loans 3119 and 3120 from 30 June 2017 to 31 March 2018 to achieve outstanding DLIs, and ensure continuity until the additional financing becomes available.	30 June 2017	Loan extension approved by ADB
5	Added SLIOP as IA per MSDVT's request.	November 2017	Additional financing RRP

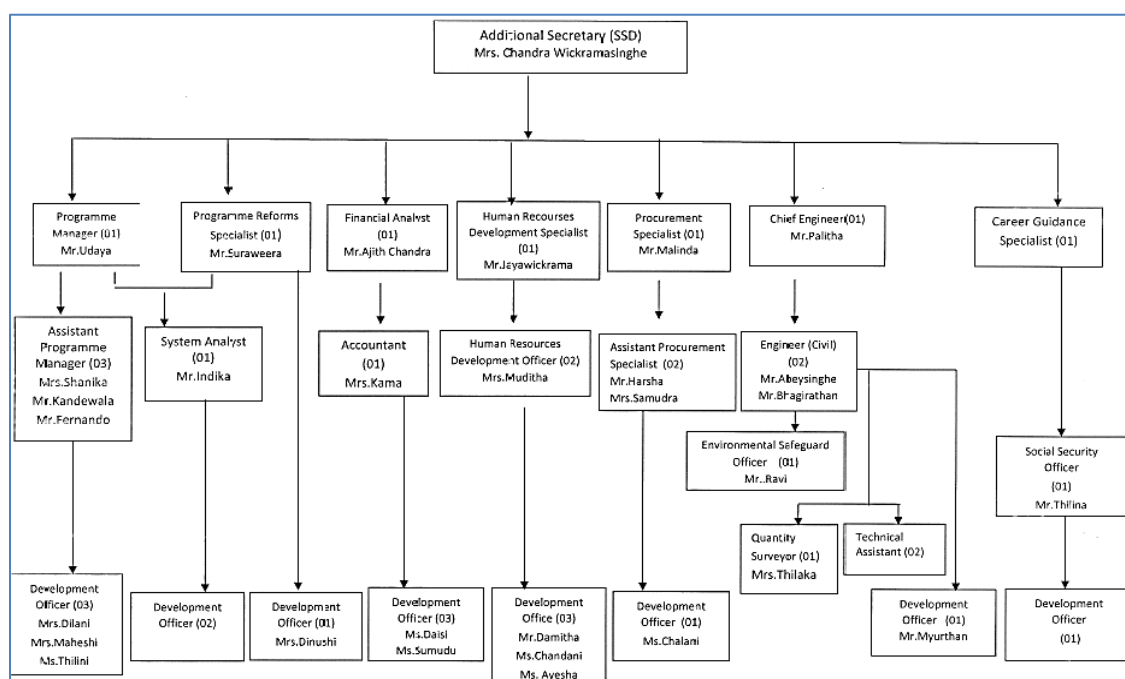
ADB = Asian Development Bank, CGTTI = Ceylon-German Technical Training Institute, DLI = disbursement-linked indicator, ETA = employment training agreement, IA = implementing agency, MSDVT = Ministry of Skills Development and Vocational Training, RRP = report and recommendation of the President, PPA = performance partnership agreement, SLIOP = Sri Lanka Institute of Printing.

Source: Asian Development Bank.

XIV. PROGRAM ORGANIZATIONAL STRUCTURE AND FOCAL STAFF

A. Organizational Structure

Figure 2: Organogram of Skills Sector Development Division



B. Program Officers and Focal Persons

Table 12: Program Officers and Focal Persons
(as of February 2018)

Number	Key Government Staff and Positions	Key ADB Staff and Positions
1	Chandra Wickramasinghe Additional Secretary (SSD), MSDVT	Sungsup Ra Director Human and Social Development Division (SAHS), South Asia Department (SARD)
2	Udaya I De Silva Programme Manager, SSDD	Gi Soon Song Principal Social Sector Specialist, SAHS, SARD
3	Ms. Shanika Wijesinghe Assistant Programme Manager, SSDD	Sudarshana Anojan Jayasundara Halgamage Don Social Development Officer (Gender), Sri Lanka Resident Mission

REVISED DESIGN AND MONITORING FRAMEWORK

Impact the RBL Program is Aligned with			
Current RBL program Increased employability of the Sri Lankan workforce, particularly youths			
Overall RBL program Employability of the Sri Lankan workforce, particularly youths, increased (Public Investment Programme, 2017–2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Current RBL program Market-responsive and inclusive TVET system Overall RBL program Market-responsive and inclusive TVET system developed	Current RBL program By 2016, 55% of graduates (at least 40% of female graduates) are employed 6 months after training completion (2011 baseline: 47.5%—male 55.8%, female 34.8%) (DLI 1) Overall RBL program By 2020, 62% of graduates (50% of female graduates) with NVQ employed 6 months after training completion (2011 baseline: 47.5%—male 55.8%, female 34.8%; 2015 update: 57%—male 64%, female 47%) (DLI 1)	Student tracking system at TVEC and/or MSDVT Third-party validation through tracer study in 2016 and 2019	Lower-than-expected economic growth reduces employment opportunities.
Output 1 Current RBL program Improved quality of TVET provision Overall RBL program Quality of TVET provision improved	Current RBL program By 2016, 1a. At least 15% of TVET providers (or 162 centers) of NVQs 1–6 have established QMS (2013 baseline: less than 1%) (DLI 2) 1b. Revised NVQ framework applied to all TVEC-accredited programs and registered training providers (2013 baseline: not applied) (PAP 1.3) 1c. 72% of TVET enrollees, both male and female, graduated (2012 baseline: 71.3%—male 70.8%, female 71.9%) 1d. Comprehensive vocational teacher development policy and plan implemented (2013 baseline: not implemented) (DLI 3) Overall program 1a. By 2020, at least 300 TVEC-registered TVET providers (cumulative) certified in Quality Improvement System (2013 baseline: eight QMS-certified providers) (DLI 2) 1b. By 2020, revised NVQ framework reflecting skills needed by the industry adopted in at least two industry sectors (2013 baseline: no revised NVQ framework) (PAP 1.3) 1c. By 2020, 80% of TVET enrollees, both male and female, graduated	1a. TVEC reports on quality assurance system performance 1b. TVEC reports on quality assurance system performance 1c. Student tracking system at TVEC and/or MSDVT 1d. SSDD's ASPR, third-party validation	Frequent changes in leadership and staff turnover delay program implementation. Commitment to implement key reform agenda among sector stakeholders, especially TVET agencies, is not sustained. An adequate number of qualified instructors and assessors is not available for recruitment, especially in priority sectors. Perception among youths (especially young women), parents, and industry about the value of TVET changes slowly.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Output 2 Current RBL program Enhanced industry partnership for TVET planning and provision</p> <p>Overall RBL program Industry partnership for TVET planning and provision enhanced</p>	<p>(2012 baseline: 71.3%—male 70.8%, female 71.9%)</p> <p>1d. By 2015, comprehensive vocational teacher development policy and plan adopted (2013 baseline: not adopted) (DLI 3)</p> <p>1e. By 2020, vocational teacher vacancy ratio maintained at less than 20% (March 2017 baseline: 32%) (DLI 3)</p> <p>Current RBL program By 2016, 2a. At least two sector training plans developed from industry-validated sector skills gap analyses (2013 baseline: none) (DLI 4)</p> <p>2b. At least 4,000 people trained using employment-linked training agreements (2013 baseline: none) (DLI 5)</p> <p>2c. Three university colleges established through PPPs to deliver mid-level skills (2013 baseline: none) (PAP 1.5)</p> <p>Overall RBL program By 2020, 2a. (i) At least four ISSCs established to provide workforce planning services to industry groups and the government (2014 baseline: none) (PAP 1.6); and (ii) skills forecasting report for at least six priority sectors developed, and at least 15 training programs updated or developed based on the skills forecasting report (2017 baseline: none) (DLI 4)</p> <p>2b. Employment-linked training agreements made to train at least 8,000 people (at least 20% of whom are women) (2016 baseline: 768 trainees enrolled, of whom 4.5% are women) (DLI 5)</p> <p>2c. At least nine university colleges established, at least two through PPPs (2014 baseline: none) (PAP 1.5)</p> <p>2d. At least 75% of instructors (cumulative) attended industry exposure training (2016 baseline: 25.7%) (DLI 3)</p>	<p>1e. SSDD's ASPR</p> <p>2a. SSDD's ASPR on ISSC activities, new and/or revised training programs in line with Colombo-Trincomalee Economic Corridor initiatives</p> <p>2b. Agreements executed, SSDD's ASPR on the number of people trained</p> <p>2c. MOU executed, SSDD's ASPR on the number of PPP universities</p> <p>2d. SSDD's ASPR on human resource development and/or training records</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Output 3 Current RBL program Increased participation and improved equity in TVET</p> <p>Overall RBL program TVET participation and equitable access increased</p>	<p>2e. At least 80% of NVQ 4–6-level program graduates completed on-the-job training (2014 baseline: not available)</p> <p>2f. At least 4,000 private sector workers (cumulative) participated in skills-upgrading training aligned with NVQ (2016 baseline: none) (DLI 6)</p> <p>Current RBL program By 2016, 3a. At least 187,000 students (of whom 50% are female) enrolled in quality-assured TVET (2012 baseline: 148,131 students, of whom 45.3% are female) (DLI 6)</p> <p>3b. At least 12,500 existing workers (of whom at least 30% are female) assessed and certified through recognition of prior learning during 2014–2016 (PAP 1.4)</p> <p>3c. At least 18,000 students from poor, disadvantaged groups (of whom 50% are female) benefited from targeted stipend program to bridge critical skills gap during 2014–2016 (PAP 1.7)</p> <p>Overall RBL program By 2020, 3a. At least 224,000 students (of whom 45% are female) enrolled in quality-assured TVET (2012 baseline: 148,131 students, of whom 45.3% are female) (DLI 6)</p> <p>3b. At least 35,000 existing workers (of whom at least 30% are female) assessed and certified through recognition of prior learning during 2014–2020 (2014 baseline: not applicable) (PAP 1.4)</p> <p>3c. At least 60,000 students from poor, disadvantaged groups received stipends to bridge critical skills gap during 2014–2020 (of whom 30% are female) (2014 baseline: not applicable) (PAP 1.7)</p> <p>3d. At least 675 TVET graduates received SEPI loan (of whom at least 50% are female) during 2017–2020 (2017 baseline: not applicable) (DLI 1)</p> <p>3e. At least five new training programs conducted to improve</p>	<p>2e. Student tracking system at TVEC and/or MSDVT</p> <p>2f. SSDD's ASPR</p> <p>3a. TVEC Labour Market Information Bulletin</p> <p>3b. SSDD's ASPR</p> <p>3c. SSDD's ASPR</p> <p>3d. SEPI loan report from the Central Bank of Sri Lanka</p> <p>3e. SSDD's ASPR</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>Output 4 Current RBL program Improved TVET sector management to implement policy, institutional, and operational reforms</p> <p>Overall RBL program TVET sector management to implement policy, institutional, and operational reforms improved</p>	<p>employability of 1,300 women (2016 baseline: none) (DLI 1, PAP 1.7)</p> <p>Current RBL program</p> <p>4a. National skills development strategy adopted by the high-level interministerial committee by 2015 (2013 baseline: not adopted) (DLI 8, DLI 9)</p> <p>4b. Annual plans and monitoring reports produced by SSDD under MSDVT from 2015 onward (2014 baseline: not available) (PAP 1.9, PAP 5.2)</p> <p>4c. TVET capacity rationalization plan approved by 2016 (2014 baseline: approved) (PAP 1.8)</p> <p>4d. At least 80% of the annual budget for the SSDP expended by 2016 (DLI 9)</p> <p>4e. Performance partnership agreement between MOF&MM and MSDVT established by September 2014 and updated annually (2013 baseline: not available) (DLI 9)</p> <p>4f. Performance-based financing pilot-tested in at least 20 Vocational Training Authority centers by 2016 (2014 baseline: none) (DLI 7)</p> <p>4g. MSDVT-wide gender and social equity framework operational by 2016 (2014 baseline: none) (PAP 6)</p> <p>Overall RBL program</p> <p>4a–c. Unchanged</p> <p>4d. At least 85% of the annual budget for the SSDP expended by 2020 (2013 baseline: 68.7% MSDVT spending rate) (PAP 2.3)</p> <p>4e. Annual government budget reflecting SSDP resource requirements, and performance partnership agreements between MSDVT and implementing agencies established by September 2014 and updated annually (2013 baseline: SSDP not adopted and no agreement made) (DLI 9)</p> <p>4f. Performance-based financing pilot-tested in at least 100 training centers by 2020 (2014 baseline: no centers) (DLI 7)</p>	<p>4a. National skills development strategy; regular progress reports on MOF&MM website</p> <p>4b. SSDD's ASPR; ADB review missions</p> <p>4c. SSDD's ASPR on facility utilization</p> <p>4d. MOF&MM annual report (expenditure analysis section)</p> <p>4e. Signed performance partnership agreement; annual budget estimates published on MOF&MM website, SSDD's ASPR</p> <p>4f. SSDD's ASPR and third-party validation</p> <p>4g. SSDD's ASPR, ADB review missions</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>4g. MSDVT-wide gender and social equity framework approved for implementation with annual budget for activities by 2018 (2014 baseline: no framework) (PAP 6)</p> <p>4h. MIS developed to track graduates' employment data by 2019 (2016 baseline: graduates' employment not tracked) (DLI 8)</p> <p>4i. Significantly negative findings from sample-based procurement review reduced to less than 20% of reviewed contracts by 2019 (2015 baseline: 51%) (DLI 8, PAP 3.8)</p>	<p>4h. SSDD's ASPR, independent validation of MIS data</p> <p>4i. Annual fiduciary review</p>	
<p>Key Program Actions (Overall RBL Program)</p> <ol style="list-style-type: none"> 1. Technical: improve assessment system and strengthen TVEC capacity (unchanged) 2. Financial: allocate annual budget in line with the SSDP, and monitor recurrent and capital expenditures (unchanged) 3. Procurement: improve transparency in procurement, conduct need-based capacity development programs, and conduct procurement review to monitor improvement in procurement capacity (unchanged) 4. Safeguard: establish a safeguard cell to strengthen environmental safeguard practices at implementing agencies, contractors, and construction-related training programs (unchanged) 5. Monitoring and evaluation: develop a comprehensive MIS, and conduct independent verification of graduate tracking module employment data (unchanged) 6. Gender and social: implement a ministry-wide gender equity and social inclusion framework (unchanged) 			
<p>Inputs</p> <p>Total program financing, 2014–2020: \$874 million</p> <p>Government: \$74.9 million (current), \$472.5 million (additional), \$547.4 million (overall)</p> <p>ADB (loans): \$96.1 million (current), \$100.0 million (additional), \$196.1 million (overall)</p> <p>Japan Fund for Poverty Reduction (grant): \$3 million (additional), \$3 million (overall)</p> <p>World Bank (loan): \$60.0 million (current), \$41.5 million (additional), \$101.5 million (overall)^b</p> <p>Export-Import Bank of Korea (loan): \$26 million (current), \$26 million (overall)</p>			
<p>Assumptions for Partner Financing</p> <p>For both current and overall programs</p> <p>The World Bank contributes toward the same program results framework using harmonized or complementary DLIs under the ADB program. The Export-Import Bank of Korea contributes to upgrading two technical colleges, also contributing to SSDP implementation.</p>			

ADB = Asian Development Bank, ASPR = annual sector performance report, DLI = disbursement-linked indicator, DMF = design and monitoring framework, ISSC = industry sector skills council, MIS = management information system, MOF&MM = Ministry of Finance and Mass Media, MOU = memorandum of understanding, MSDVT = Ministry of Skills Development and Vocational Training, NVQ = national vocational qualification, PAP = program action plan, PPP = public-private partnership, QMS = quality management system, RBL = results-based lending, SEPI = Self Employment Promotion Initiative, SSDD = Skills Sector Development Division, SSDP = Skills Sector Development Program, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training.

Note: The current program DMF has been updated in line with the 2015 DMF guidelines for the overall program.

^a Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of National Planning. 2016. *Public Investment Programme, 2017–2020*. Colombo.

^b Approved in 2014 for 2014–2018. In the financing plan, the full amount is divided into \$60.0 million for 2014–2016 and \$41.5 million for 2017–2018 for data presentation to be consistent with the Skills Sector Enhancement Program.

Source: Asian Development Bank.

DISBURSEMENT-LINKED INDICATORS, VERIFICATION PROTOCOLS, AND ALLOCATION TABLE

Table A2.1: Disbursement-Linked Indicators

Disbursement-Linked Indicators	Baseline Value and Year	Target Values			
		Prior Results	2018	2019	2020
Outcome					
DLI 1. Employability of graduates from quality assured TVET programs increased	Employment rate baseline: 57% (47% women in 2015)	At least 200 NVQ program graduates (at least 50% women) created their own business availing SEPI loan	Employment rate of TVET graduates increased to at least 59.5% (at least 48.5% women)	At least 225 NVQ program graduates (at least 50% women) created their own businesses with SEPI loans	(i) At least 250 NVQ program graduates (at least 50% women) created their own business, availing SEPI loan (ii) Employment rate of TVET graduates increased to at least 62% (at least 50% women)
Outputs					
Quality DLI 2: Improved quality assurance mechanism	In 2013, only 8 training providers of NVQ 5-6 have established QMS	(i) National Coordination Unit for QIS implementation established (ii) QIS manual approved by TVEC	At least 100 centers certified in the new enhanced QIS, following the manual. Criteria and categories of the quality recognition and award program finalized, and at least 50 quality ambassadors (cumulative) trained and appointed.	(i) At least 200 centers (cumulative) certified in the new enhanced QIS, following the manual. (ii) Quality recognition program implemented (1 st national quality awards ceremony held), and at least 100 quality ambassadors (cumulative) trained and appointed	(i) At least 300 centers (cumulative) certified in the new enhanced QIS, following the manual. (ii) Quality recognition program implemented for the second year (2 nd national quality awards ceremony held), and at least 200 quality ambassadors (cumulative) trained and appointed (iii) QIS implementation reviewed for further

Disbursement-Linked Indicators	Baseline Value and Year	Target Values			
		Prior Results	2018	2019	2020
					improvement based on the lessons.
DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas	In 2013, no vocational teacher development policy and plan to address shortage of qualified teaching staff	At least 1,250 instructors received industry exposure training	Across all IAs, at least 75% of needed vocational teacher positions filled	At least 2,500 instructors received industry exposure training, and a review of training program effectiveness completed	Across all IAs, at least 80% of needed vocational teacher positions filled
Relevance DLI 4: TVET provision based on industry demand ¹	In 2013, strategic skills gap analysis at each industry sector is not available to support informed TVET provision	MSDVT submitted a strategic plan to NPD to address the future skills needs to support Colombo-Trincomalee Economic Corridor development plan	ISSCs and other private sector partners reviewed training programs where employment rate or enrollment / completion rate is low to provide concrete steps for improvement in at least two sectors, and at least three IAs commenced at least 15 revised or new programs.	At least 5 training programs developed or revised and commenced for economic corridor development	Skills forecasts in 4 priority sectors updated, and in 2 additional sectors developed by ISSCs and other private sector partners to inform training provision.
DLI 5: Private sector engagement in TVET delivery strengthened	No model exists to increase private sector participation in TVET planning and delivery in 2013			ETAs signed between SSDD and private sector training providers in priority skill areas for additional 2,000 trainees (at least 20% women) targeting at least 70% job placement rate	ETAs signed between SSDD and private sector training providers in priority skill areas for additional 2,000 trainees (at least 20% women) targeting at least 70% job placement rate

¹ This DLI target is reworded from “TVET provision based on skills gap analysis” under the current RBL program to “TVET provision based on industry demand” for the overall RBL program.

Disbursement-Linked Indicators	Baseline Value and Year	Target Values			
		Prior Results	2018	2019	2020
Increase in participation DLI 6: Enrolment of students in TVET programs increased	148,131 were enrolled at public and private sector training institutes registered by TVEC in 2012	(i) Total enrolment increased to 187,000 or more (at least 40% women) (ii) At least 300 industry workers participated in skills upgrading training	(i) Total enrolment increased to 204,000 or more (at least 40% women) (ii) At least 700 additional industry workers participated in skills upgrading training	(i) Total enrolment increased to 214,000 (at least 40% women) (ii) At least 1,000 additional industry workers participated in skills upgrading training	(i) Total enrolment increased to 224,000 or more (at least 40% women) (ii) At least 2,000 additional industry workers participated in skills upgrading training
Sector Management DLI 7: Increased efficiency in utilization of TVET sector resources through performance-based financing	No mechanism to monitor performance and allocate financing to encourage quality and efficiency of training in 2013	PBF model implemented in at least 40 TVET training centers (cumulative from 2014)	PBF model implemented in at least 80 TVET training centers (cumulative)	PBF model implemented in at least 100 TVET training centers (cumulative)	PBF model to institutionalize the practices reviewed, and action plan to institutionalize PBF model approved
DLI 8: Coordination and implementation capacity strengthened	Insufficient institutional capacity for coordinating sector program and inadequate procurement capacity in 2013	(i) AFR for FY2016 completed, and not more than 50% of reviewed contracts have critical findings. (ii) Graduate tracking module within MIS completed, and data collection protocol finalized	(i) AFR for FY 2017 completed, and not more than 40% of reviewed contracts have critical findings. (ii) DTET and TVET centers in Western Province (phase 1 for MIS) have commenced graduate tracking	(i) AFR for FY2018 completed, and not more than 30% of reviewed contracts have critical findings (ii) At least 75% TVET centers island-wide are using student tracking system	AFR for FY2019 completed, and not more than 20% of reviewed contracts have critical findings
DLI 9: Improved medium-term skills sector budgeting and expenditure	MSDVT budget does not reflect the medium-term sector development targets in 2013.	(i) MOF&MM has ensured that funding allocations for FY2018 are in line with SSDP	(i) MOF&MM has ensured that funding allocations for FY2019 are in line with SSDP	(i) MOF&MM has ensured that funding allocations for FY2020 are in line with SSDP	(i) A multi-stakeholder evaluation of SSDP implementation conducted

Disbursement-Linked Indicators	Baseline Value and Year	Target Values			
		Prior Results	2018	2019	2020
		(ii) PPAs executed between MSDVT and TVET agencies in line with 2018 workplan and budget	(ii) PPAs executed between MSDVT and TVET agencies in line with 2019 workplan and budget	(ii) PPAs executed between MSDVT and TVET agencies in line with 2020 workplan and budget	(ii) A new sector strategy for 2021 to 2030 along with medium-term implementation plan and expenditure framework developed

AFR = annual fiduciary review, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ETA = employment-linked training agreement, FY = fiscal year, IA = implementing agency, ISSC = industry sector skills council, MIS = management information system, MOF&MM = Ministry of Finance and Mass Media, MSDVT = Ministry of Skills Development and Vocational Training, NPD = Department of National Planning, NVQ = national vocational qualification, PBF = performance-based financing, PPA = performance partnership agreement, QIS = quality improvement system, QMS = quality management system, SEPI = Self Employment Promotion Initiative, SSDD = Skills Sector Development Division, SSDP = Skills Sector Development Program, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training.

Source: Asian Development Bank.

Table A2.2: Verification Protocols

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
Outcome DLI 1: Employability of graduates from quality assured TVET programs increased			
<p>Targets Prior result, 2019, 2020 (i): At least 200, 225 and 250 NVQ program graduates (at least 50% women) created their own business availing SEPI loan</p> <p>Definitions The target achievement will be verified based on a report on SEPI implementation. The report will include the list of beneficiaries with name, sex, contact address/number, TVET institution, training program/certificate obtained, industry sector, loan amount, geographic location of business, SEPI scheme bank (including the name of responsible bank officer) providing the loan to the beneficiary, etc.</p>	SEPI implementation monitoring reports by Vocational Training Division of MSDVT compiled from monthly reports (annual)	<p>The AFR team¹ will review the report on SEPI implementation, check the records at the participating banks, and confirm the achievement of target for disbursement.</p> <p>The tracer study team² will also carry out a study of the effectiveness of the entrepreneurship training and SEPI loan in 2018 by conducting a survey of the SEPI loan beneficiaries in the last 3–4 years to inform further improvements to the entrepreneurship development training from 2019.</p>	Q1 2018/ /2020/2021
<p>Targets 2018, 2020 (ii): Employment rate for TVET graduates increased to at least 59.5% and 62% (48.5% and 50% for women) (2015 baseline of 57% [47% for women])</p> <p>Definitions The tracking system should cover at least 75% of TVET centers island-wide under MSDVT. Responsible officers in each institution should report on data every quarter to a committee coordinated by TVEC Information, Research and Planning Division.</p>	Reports generated from graduate tracking module in MIS (twice).	<p>The tracer study team will carry out independent validation of the graduate tracking system data by checking 500 randomly selected graduates' data in the system.</p> <p>For disbursement, employment rate achievement will be verified using the graduate tracking system.</p> <p>The tracer study team will carry out an independent tracer study to reconfirm the employment rate as</p>	Q3 2018/ 2020

¹ The AFR team is a firm engaged by ADB under TA8235 to carry out the annual fiduciary review of which scope includes sample based procurement review, selected financial management issues, and necessary verification of program results.

² The tracer study team is a firm engaged by ADB under TA8235 to carry out tracer studies of the TVET graduates to provide regular feedback to the TVET system improvement.

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>Employment rate is calculated by taking the number of NVQ graduates who got jobs within 6 months from training completion. The denominator will exclude voluntary unemployed graduates.</p> <p>Independent validation of graduate tracking system will be carried out on data entry for 500 randomly selected graduates.</p>		<p>well as provide qualitative feedback from graduates, employers, and trainers.</p> <p>These activities will be closely coordinated with TVEC Information, Research and Planning Division.</p>	
<p>Outputs DLI 2: Improved quality assurance mechanism</p>			
<p>Targets Prior results: (i) National Coordination Unit for QIS implementation established (ii) QIS Manual approved by TVEC</p> <p>Definitions TVEC to develop and adopt an enhanced QA system (quality improvement system: QIS), and the QIS manual should include the following aspects: (a) further integrating registration, accreditation, and QMS with streamlined requirements (by end of 2017, registration and accreditation already online system, integration of QMS should be done); (b) integrating and institutionalizing QiF steps (such as QA committee and QiF Ambassadors) into the QA/QMS process (two discussions carried out on the details for implementation); (c) head office of each institution to be part of the quality process by elevating relevant aspects of QMS requirements from center to head office level (examples include providing latest templates and processes, document control, timely assessment, supporting and encouraging centers in carrying out QMS functions especially focusing students and employer feedback, analysis of progress and feedback data, actively participating in the coordination unit, etc. Responsibilities of center, institutions and TVEC to be mapped in a matrix for clarity in division of labor and coordination); (d) TVEC to focus more on monitoring (e.g., random checks) while empowering head offices of the</p>	<p>Circular issued by Secretary, MSDVT or other relevant authority to establish the national coordination unit for QIS (once)</p> <p>TVEC board minutes recording the QIS Manual approval (once)</p>	<p>ADB will commission an independent expert³ to review the manual, and the formation / functioning of the coordination unit to assess the effectiveness in achieving the intended results, along with the approved manual and circular.</p>	<p>Q1 2018</p>

³ This will be a TVET expert engaged under ADB's TA 8235, periodically reviewing the progress in QIS implementation and recommends further improvements as necessary.

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>institutions and lead auditors under each institution to carry out audits (to elaborate requirements for delegating authority to audit to head offices and how TVEC will ensure standards met); and (e) recognition of quality assured centers (three levels of certification for motivating for continuous improvement) for better visibility and public awareness, and quality champions for higher motivation for quality improvement (national coordination unit to administer the recognition programs), etc.</p> <p>National coordination unit is responsible for coordinating and facilitating the implementation of QIS program</p>			
<p>Targets 2018 (i), 2019 (i) and 2020 (i): At least 100, 200, 300 centers (cumulative) certified in the new enhanced QIS following the manual.</p>	<p>TVEC monitoring reports and visits to randomly selected centers (annual)</p>	<p>AFR team will verify the number of training providers which are certified in the new enhanced QIS by (a) reviewing TVEC record and (b) visiting randomly selected training providers with QIS certificate.</p> <p>An independent expert to review progress in QIS implementation from organizational and qualitative aspects to provide feedback for further improvement of QIS implementation.</p>	<p>Q4 2018/ 2019/2020</p>
<p>Targets 2018 (ii) Criteria and categories of the quality recognition and award program finalized, and at least 50 quality ambassadors (cumulative) trained and appointed. 2019 (ii) By July 2019, quality recognition program implemented (1st national quality awards ceremony held), and at least 100 quality ambassadors (cumulative) trained and appointed 2020 (ii) By July 2020, quality recognition program implemented (2nd national quality awards ceremony held), and at least 200 quality ambassadors (cumulative) trained and appointed</p> <p>Definitions</p>	<p>MSDVT endorsed criteria (circular approved by the Secretary) (once)</p> <p>Annual Sector Performance Report, including the recognition program and quality ambassador program implementation (annual)</p>	<p>ADB to confirm the implementation of recognition program based on SSDD/MSDVT furnished reports along with media coverage.</p> <p>AFR team will confirm the list of quality ambassadors through desk reviews and spot checks.</p>	<p>Q4 2018/ 2019/2020</p>

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>SSDD/TVEC to furnish ADB with the criteria and categories of the quality recognition program for review and comments before it is finalized, and circular approved by the Secretary.</p> <p>SSDD/TVEC to furnish ADB with the report on the recognition program report along with relevant media coverage</p> <p>SSDD/TVEC to furnish ADB with the list of quality ambassadors trained and appointed along with their activity reports and contact details.</p>			
<p>Target 2020 (iii) A review of QIS implementation completed for further improvement based on the lessons.</p> <p>Definition MSDVT/TVEC to conduct a review of the QIS implementation, and provide a report with recommendations to ADB. ADB to mobilize an independent expert to support the review process</p>	<p>MSDVT review report with recommendation (once)</p> <p>Independent consultant review report (once)</p>	<p>By September 2020, MSDVT will review the implementation of QIS program, and submit a report with recommendations for further improvement as validated by independent expert inputs. The report should be satisfactory to ADB.</p>	<p>Q4 2020</p>
DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas			
<p>Targets Prior result: At least 1,250 instructors received industry exposure training</p> <p>2019: At least 2,500 instructors received industry exposure training, and a review of training program effectiveness completed</p> <p>Definitions Industry exposure training is mandatory for all TVET instructors as per the human resource development policy. The number of instructors (cumulative) who completed industry exposure training (excluding language or IT for non-IT instructor training) at least once during the program period will be counted.</p> <p>In 2019, a report on the effectiveness of industry exposure training will be completed, including feedback from training participants, peer instructors, students and center managers (supervisors) as well as employers offering industry attachment.</p>	<p>Annual Sector Performance Report including the human resource development plan implementation (annual)</p> <p>A review of training effectiveness (once in 2019)</p>	<p>AFR team will review the MSDVT certified monitoring reports to confirm the number of instructors which completed the industry exposure training through desk reviews and spot checks.</p> <p>MSDVT will review the effectiveness of industry exposure training. The report should be satisfactory to ADB.</p>	<p>Q1 2018/2020</p>

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>Target 2018: Across all IAs, at least 75% of needed vocational teacher positions filled</p> <p>2020: Across all IAs, at least 80% of needed vocational teacher positions filled</p> <p>Definition Target achievement will be verified based on a MSDVT report on cadre positions, number of permanent and contractual academic staff at the time of review.</p>	Annual Sector Performance Report, including the human resource development plan implementation (annual)	AFR team will review the MSDVT certified monitoring reports to confirm the vacancy ratios against the approved cadre positions through desk reviews and spot checks (i.e., comparing with payroll payments, etc.).	Q1 2019/2021
DLI 4: TVET provision based on industry demand			
<p>Target Prior result: MSDVT submitted a strategic plan to NPD to address the future skills needs to support the Colombo-Trincomalee Economic Corridor development plan</p> <p>Definitions The strategic plan should consider the manufacturing areas identified by the Colombo-Trincomalee Economic Corridor Development Plan and its skills gap analysis. The strategic plan will look at the industrial nodes identified in the corridor, match them with existing and planned training facilities (e.g., existing technical colleges and training centers, new university college proposed for Trincomalee), and develop an action plan to develop highly demanded TVET programs to support the industrial development and attract investments.</p>	MSDVT developed strategic plan to support CTEC (once)	ADB will review whether the strategic plan is well aligned with the CTEC plan.	Q1 2018
<p>Target 2018: ISSCs and other private sector partners reviewed training programs where employment rate or enrollment / completion rate is low to provide concrete steps for improvement in at least two sectors, and at least three IAs commenced at least 15 revised or new programs.</p> <p>Definitions The target is met when the revised training programs are implemented, e.g., new NCS and curriculum developed,</p>	Annual Sector Performance Report, including ISSC activities (annual)	ADB will review the MSDVT-certified monitoring reports to confirm the number of new or revised programs aligned with ISSC inputs and training plans, focusing on improving low-employment or low-enrollment programs. ADB missions, and the AFR team or independent expert engaged under	Q1 2019

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>teachers are trained to deliver new curriculum, and students enrolled in new programs in at least three IAs.</p> <p>For ICT sector, ICT programs offered by VTA, NYSC and DTET or other agency will be reviewed by ISSCs for market-oriented skills to address low employment rate among graduates of the programs based on the findings of the skills gap analysis in ICT sector, and as necessary, incorporate additional skills required by non-IT/IT user sectors such as banking, retail, and tourism. Promote “learn as you earn” concept for continuous workforce development into TVET by raising awareness of career ladder aligned with TVET opportunities.</p> <p>For construction sector and/or tourism sector, develop new or revise training programs informed by skills gap analyses.</p>		TA 8235 may conduct spot checks on the training programs.	
<p>Target 2019: At least 5 training programs developed or revised, and commenced for economic corridor development</p> <p>Definitions At least 5 new programs designed or existing programs updated to provide the skilled workforce required to service the manufacturing areas identified in the Colombo-Trincomalee Economic Corridor Development plan, and with inputs from the relevant ISSCs. The programs commence when the first batch of students are enrolled.</p>	Annual Sector Performance Report, including implementation of CTEC strategic plan (annual)	ADB will review the monitoring reports, and visit selected training centers running the relevant programs developed for CTEC development area.	Q1 2020
<p>Target 2020: Skills forecasts in 4 priority sectors updated, and in 2 additional sectors developed by ISSCs to inform training provision.</p> <p>Definitions Skills forecasting in 6 sectors has been completed with a report on the necessary skill profiles by occupations in each sector, and the existing gaps in supply and demand for those skills.</p>	Annual Sector Performance Report, including ISSC activities (annual) Sectoral skills forecast reports (once)	ADB will review ISSC-certified skills forecast reports submitted to MSDVT for approval.	Q1 2021
DLI 5: Private sector engagement in TVET delivery strengthened			
Targets	Annual Sector Performance Report,	AFR team will review the signed ETAs that requires job placement	Q1 2020/2021

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
2019 & 2020: ETAs signed between SSDD and private sector training providers in priority skill areas for additional 2,000 trainees (at least 20% women) targeting at least 70% job placement rate	including ETA implementation status (annual)	targets at 70% or more, and confirm that at least 2,000 trainees (at least 20% women) are enrolled based on desk reviews and spot checks of selected training programs.	
DLI 6: Enrolment of students in TVET programs increased			
<p>Targets Prior result (i) Total enrolment increased to 187,000 or more 2018 (i) Total enrolment increased to 204,000 or more 2019 (i) Total enrolment increased to 214,000 or more 2020 (i) Total enrolment increased to 224,000 or more (all targets with at least 40% women)</p> <p>Definitions This target is met when the number of students enrolled in public and private training providers registered with TVEC, as reported in TVEC's Labour Market Information Bulletin (Vol2/'16, 17, 18, 19), reaches the set target for each year.</p> <p>Partial disbursement is allowed if 80% or higher percentage of the annual enrollment target is met (e.g., in 2018, if the enrollment achievement is 170,000 (which is 83.33% of the target of 204,000), 83.33% of \$2 million or \$1.67 million will be disbursed. Amount to be rounded up from the third decimal point). If gender target (40%) is not met, 20% of the disbursable amount will be deducted (e.g., disbursement would be \$1.34 million, i.e., \$1.67 million minus \$0.33 million).</p>	TVEC Labour Market Information Bulletin (Vol2/'16/17/18/19)	AFR team will sample 10% of the private sector providers that submitted their training report to TVEC for Information Bulletin. AFR team will visit the sampled centers to verify the enrollment data, based on the administrative information available in the center in comparison to the submission to TVEC.	Q4 2017/ 2018/2019/ 2020
<p>Targets Prior result (ii) at least 300 industry workers; 2018 (ii) at least 700 additional industry workers; 2019 (ii) at least 1,000 additional industry workers; 2020 (ii) at least 2,000 additional industry workers participated in skills upgrading training</p> <p>Definitions The target is met when the required minimum number of existing workers which completed skills upgrading training is reached. MSDVT will provide a certified report on the training program, with the participant list including name, employer, industry</p>	Annual Sector Performance Report, including industry worker training (annual)	AFR review team will review the MSDVT-certified monitoring reports, and confirm the number of industry workers through desk reviews and spot checks.	Q1 2018/ 2019/ 2020/ 2021

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
sector, skills acquired, etc. The report will include feedbacks from participants to improve training programs.			
DLI 7: Increased efficiency in utilization of TVET sector resources including performance-based financing			
<p>Targets Prior result: PBF model implemented in at least 40 TVET training centers (cumulative from 2014) 2018: PBF model implemented in at least 80 TVET training centers (cumulative) 2019: PBF model implemented in at least 100 TVET training centers (cumulative)</p> <p>Definitions For 2018 and 2019, at least 50% of the participating training center managers or senior representatives should be enrolled in the Center Manager Training Program (Diploma).</p> <p>Center Manager Training aims to strengthen the training center manager's capacity in managing overall aspects of effective training center, including but not limited to (i) leadership skills in motivating center staff; (ii) managing effective and conducive learning environment (facility and training management); (iii) ensuring adequate level of student services, including career guidance and coaching/mentoring; (iv) promoting open communication and caring environment for inclusiveness for women, disadvantaged, and differently abled people; (v) utilizing resources efficiently following relevant rules; and (vi) maintaining comprehensive data and information on the training activities to make informed decisions.</p>	Annual Sector Performance Report, including PBF implementation progress (annual)	<p>SSDD will submit a monitoring report of the pilot implementation results based on the participating centers' key performance indicator achievements.</p> <p>AFR team will verify the implementation status by reviewing the monitoring reports and visiting at least 10% of randomly selected centers.</p>	Q3 2017/ 2018/ 2019
<p>Target 2020: PBF model to institutionalize the practices reviewed, and action plan to institutionalize PBF model approved.</p> <p>Definitions The review should be carried out to assess the progress of PBF model and distill lessons. The action plan will include change management to institutionalize the PBF model, including but not limited to (i) center management planning to all TVET centers,</p>	PBF model review report (once)	SSDD/MSDVT will prepare a review of PBF model implementation per the definition, satisfactory to ADB. The final report will be approved / adopted by Secretary.	Q4 2020

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
<p>(ii) strengthening planning division at each institution and MSDVT for coordinating planning process, (iii) monitoring implementation, and (iv) performance management practices along with performance-based budget allocation.</p> <p>The action plan also includes effective ways to incorporate center management planning and other instruments such as Quality Improvement Plans, and HRD policy (performance-based allowance)</p>			
DLI 8: Coordination and implementation capacity strengthened			
<p>Targets Prior result (i): AFR for FY2016 completed, and not more than 50% of reviewed contracts have critical findings. 2018 (i): AFR for FY2017 completed, and not more than 40% of reviewed contracts have critical findings. 2019 (i): AFR for FY2018 completed, and not more than 30% of reviewed contracts have critical findings. 2020: AFR for FY2019 completed, and not more than 20% of reviewed contracts have critical findings</p>	AFR reports (annual)	A third party commissioned by ADB will carry out AFRs and submit reports. Post procurement reviews will confirm the percentage of reviewed contracts with critical (high or very high) findings.	Q4 2017/ 2018 / 2019 / 2020
<p>Targets Prior result: Graduate tracking module within MIS completed, and data collection protocol finalized 2018: DTET and TVET centers in Western Province (phase 1 for MIS) commenced graduate tracking 2019: At least 75% of TVET centers island-wide using student tracking system</p> <p>Definitions For 2018 target, a consolidated report produced from the graduate tracking module will cover at least 50% of all technical colleges, colleges of technology under DTET, and training centers in Western Province which are included in the first phase roll-out of MIS.</p> <p>For 2019 target, a consolidated report produced from the student tracking system, which should cover at least 75% of TVET centers under IAs.</p>	<p>Secretary issued circular on graduate tracking data collection protocol (once)</p> <p>Graduate tracking reports generated from MIS (once in 2018 and 2019)</p>	<p>SSDD and IAs agree on the data collection protocol and submit the document to ADB for review and comment. The target is achieved when Secretary issues a circular to all IAs</p> <p>ADB mission or ADB-commissioned MIS expert will check the MIS and generated reports to confirm at least (i) 50% of the first phase roll-out of MIS (2018), and (ii) confirm at least 75% of the TVET centers under IAs that are using the MIS (2019)</p> <p>A third-party expert commissioned by ADB will validate the data by sampling 500 graduates from the</p>	Q4 2017 / 2018 / 2019

Disbursement-Linked Indicators Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure	Verification Time Frame
		graduate tracking module and check the data reliability (DLI 1)	
DLI 9: Improved medium-term skills sector budgeting and expenditure			
<p>Targets Prior result (i), 2018 (i), and 2019 (i): MOF&MM has ensured that funding allocations for FY2018, FY2019, and FY2020 are in line with SSDP;</p> <p>Prior result (ii), 2018 (ii), and 2019 (ii): PPAs are executed between MSDVT and TVET agencies following the 2018, 2019, and 2020 workplans and budget</p> <p>2020 (i): a multi-stakeholder evaluation of SSDP implementation conducted; and (ii) a new sector strategy for 2021 to 2030 along with medium-term implementation plan and expenditure framework developed</p> <p>Definitions Multi-stakeholder evaluation of SSDP implementation will be coordinated by a taskforce or committee to consult various stakeholders, especially beneficiaries, i.e., students, parents, and employers, and those involved in the implementation. The process and analysis can be supported by independent experts.</p> <p>A new long-term strategy to set the vision of TVET sector will be formulated starting from future visioning, to come up with short-, medium- and long-term plans. A medium-term implementation plan will be developed along with an expenditure framework.</p>	<p>MOF&MM budget estimates approved by the Parliament and published online (annual)</p> <p>PPAs signed between MSDVT and IAs (annual)</p>	<p>ADB missions will verify (i) that budget appropriation for MSDVT for each year adequately reflects the agreed priority areas in SSDP, and (ii) PPAs are signed between MYSDVT and IAs reflecting the annual workplans prioritizing DLI areas.</p>	<p>Q2 2018/ 2019/ 2020</p> <p>Q2 2020</p>

AFR = annual fiduciary review, DLI = disbursement-linked indicator, DTET = Department of Technical Education and Training, ETA = employment-linked training agreement, FY = fiscal year, IA = implementing agency, ICT = information communications technology, ISSC = industry sector skills council, MIS = management information system, MOF&MM = Ministry of Finance and Mass Media, MSDVT = Ministry of Skills Development and Vocational Training, NVQ = national vocational qualification, NYSC = National Youth Services Council, PBF = performance-based financing, PPA = performance partnership agreement, QA = quality assurance, QIF = quality is fun, QIS = quality improvement system, QMS = quality management system, SEPI = Self Employment Promotion Initiative, SSDD = Skills Sector Development Division, SSEP = Skills Sector Enhancement Program, SSDP = Skills Sector Development Program, TVEC = Tertiary and Vocational Education Commission, TVET = technical and vocational education and training, VTA = Vocational Training Authority.

Source: Asian Development Bank.

Table A2.3: Allocation Table
(\$ million)

DLI		Total ADB Financing					OCR (Regular)					OCR (Concessional)				
		Total Allocation	Prior Results	2018	2019	2020	Total Allocation	Prior Results	2018	2019	2020	Total Allocation	Prior Results	2018	2019	2020
DLI 1	(i)	13.0	1.0	3.0	2.0	2.0	5.2	0.4	1.2	0.8	0.8	7.8	0.6	1.8	1.2	1.2
	(ii)					5.0					2.0					
DLI 2	(i)	18.0	2.0	3.0	3.0	3.0	7.2	0.8	1.2	1.2	1.2	10.8	1.2	1.8	1.8	1.8
	(ii)		2.0	1.0	1.0	1.0		0.8	0.4	0.4	0.4		1.2	0.6	0.6	0.6
	(iii)					2.0					0.8					1.2
DLI 3	(i)	8.0	2.0	2.0	2.0	2.0	3.2	0.8	0.8	0.8	0.8	4.8	1.2	1.2	1.2	1.2
DLI 4	(i)	10.0	2.0	3.0	2.0	3.0	4.0	0.8	1.2	0.8	1.2	6.0	1.2	1.8	1.2	1.8
DLI 5	(i)	6.0	-	-	3.0	3.0	2.4			1.2	1.2	3.6			1.8	1.8
DLI 6	(i)	12.0	2.0	2.0	2.0	2.0	4.8	0.8	0.8	0.8	0.8	7.2	1.2	1.2	1.2	1.2
	(ii)		1.0	1.0	1.0	1.0		0.4	0.4	0.4	0.4		0.6	0.6	0.6	0.6
DLI 7	(i)	15.0	3.0	4.0	4.0	4.0	6.0	1.2	1.6	1.6	1.6	9.0	1.8	2.4	2.4	2.4
DLI 8	(i)	10.0	1.0	1.0	1.0	1.0	4.0	0.4	0.4	0.4	0.4	6.0	0.6	0.6	0.6	0.6
	(ii)		2.0	2.0	2.0			0.8	0.8	0.8			1.2	1.2	1.2	
DLI 9	(i)	8.0	1.0	1.0	1.0	1.0	3.2	0.4	0.4	0.4	0.4	4.8	0.6	0.6	0.6	0.6
	(ii)		1.0	1.0	1.0	1.0		0.4	0.4	0.4	0.4		0.6	0.6	0.6	0.6
Total		100.0	20.0	24.0	25.0	31.0	40.0	8.0	9.6	10.0	12.4	60.0	12.0	14.4	15.0	18.6

STATEMENT OF AUDIT NEEDS¹

A. Program Development Objectives

1. The Skills Sector Enhancement Program (SSEP) that the Government of Sri Lanka and the Asian Development Bank (ADB) are jointly financing is a major public expenditure in the technical and vocational education and training (TVET) sector. The Government and ADB funds are both channeled through government systems of budgetary allocations and accountability. This program relies heavily on government systems, and therefore incorporates planning and monitoring of the contributions of Government and development partners, as well as institutional capacity building measures. This is the second results-based lending of its kind in Sri Lanka funded by ADB.

2. Proceeds from SSEP are used to finance expenditures aimed at achieving the Government's Skills Sector Development Program (SSDP) results, improving SSDP institutions, and providing needed support for achieving SSDP objectives. ADB financing under SSEP is not linked to specific transactions, but is an integral part of program financing as a whole, which will include financing from government's own resources and cofinanciers. The SSDP implementation period is from 2014 to 2020. For SSEP to allow time for results verification and withdrawal application, the implementation period will be until 30 June 2021, with loan closing on 31 December 2021.

3. The Ministry Skills Development and Vocational Training (MSDVT) is the executing agency for the SSEP, and the implementing agencies are the following TVET agencies:

- (i) Ceylon-German Technical Training Institute,
- (ii) Department of Technical Education and Training (DTET),
- (iii) Ministry of Skills Development and Vocational Training,
- (iv) National Apprentice and Industrial Training Authority,
- (v) National Youth Services Council,
- (vi) Ocean University of Sri Lanka,
- (vii) Sri Lanka Institute of Printing,
- (viii) Tertiary and Vocational Education Commission,
- (ix) University of Vocational Technology, and
- (x) Vocational Training Authority of Sri Lanka.

4. As a part thereof, ADB requests submission of audited annual financial statements of the SSEP prepared following international best practices in auditing and financial reporting.

B. Audit Report

5. Financial statements separately for (i) the Central Appropriation Accounts of MSDVT and DTET, and (ii) each of the nine other implementing agencies. MSDVT and DTET's Appropriation Accounts, which are already prepared by the Ministries and audited by the Auditor General's Department (AGD) to meet the statutory requirements, shall be supplemented by additional narrative notes and other disclosures to align them with Sri Lankan Public Sector Accounting Standards. Additional notes showing Eligible Expenditure categories may be included to meet cofinanciers' requirements. Similarly, the statutory audited financial statements prepared in line with Sri Lankan Financial Reporting Standards shall meet ADB's audit needs. No additional special purpose financial statements shall be prepared for the purpose of SSEP, and ADB shall rely on the statutory audited financial statements of MSDVT and the IAs. The auditor will review whether the funds received from all sources and expenditures incurred during the reporting period

¹ This has been updated reflecting the minor changes that incurred during 2014–2016.

are as per agreed terms and conditions. This will include all expenditures to the extent that they relate to MSDVT's activities supporting the TVET sector in Sri Lanka. This will not reflect stand-alone discrete projects. This will include all expenditures incurred. AGD shall perform the audit and express its opinion on MSDVT and DTET's Appropriation Accounts as well statutory financial statements of the implementing agencies as of 31 December of each year.

6. Audited financial statements in English are received by ADB within 6 months of the end of the fiscal year.

7. Financial statements are prepared following the Sri Lankan Public Sector Accounting Standards or Sri Lankan Financial Reporting Standards as relevant

8. A complete set of financial statements for MSDVT and each of the 9 implementing agencies is received which includes the (i) cover letter from AGD and/or MSDVT; (ii) financial statement/Appropriation Account along with the Audit Opinion on whether the financial statements give a true and fair view of the receipts, and payment/ statement of affairs as at 31 December of each year; (iii) Audit Opinion on Specific Donor Requirements; and (iv) Management Letter (Section E).

9. ADB reserves the right to commission supplementary audit, if AGD considers it unfeasible to satisfy specific donor audit needs as part of its constitutional statutory audit.

C. Specific Audit Needs

10. The audit is carried out following Sri Lankan Auditing Standards, which are based on International Standards on Auditing or International NTOSAI Standards.

11. The audit covers the entire SSEP, i.e., covering all sources and application of funds. The Financing Arrangement agreed with ADB does not include any Direct Project Aid i.e., no part of the program financing would be in the form of ADB making any program expenditure on behalf of the recipient. In case this form of financing is agreed any time over the program duration, the Program Director shall provide all pertinent information to the Auditors including preservation and use of resources procured and its reflection in the program accounts, to facilitate comprehensive audit coverage. The audits are carried out annually from commencement of the program on 1 January 2014. The audit for the first year covered transactions, which occurred before the commencement of the program, i.e., all transactions relating to the program for the fiscal year ended 31 December 2014.

12. The auditors' assessment of compliance with provisions of the financing agreement with ADB are provided, especially those relating to accounting and financial matters. This may inter alia include verification that (i) all funds have been used in accordance with the conditions of the loan agreements, with due regard to economy and efficiency, and only for the purposes for which the funds were provided; and (ii) MSDVT and participating agencies were in compliance as at [insert date] with all financial covenants of the loan agreements.

13. ADB expects auditors to advise a calendar for discussion/review of audit observations (particularly serious financial irregularities) through tripartite meetings and review meetings, and facilitate executive follow-up on audit observations and recommendations. Moreover, ADB reviews actions taken on the recommendations presented in the previous audit report on the progress made.

14. As part of its capacity development technical assistance,² ADB provides guidance on complying with donor specific requirements to AGD staff assigned to SSEP audit.

² ADB. 2012. *Technical Assistance to Sri Lanka for Human Capital Development Capacity and Implementation Support*. Manila.

D. Program Financial Statements

15. The program annual financial statements are prepared separately by MSDVT for the two Central Appropriation Accounts. Annual Financial Reports for the five participating TVET agencies shall be prepared separately. All sets of financial statements shall include (i) Sources and Consolidated Uses of Funds showing the funds received and expended from development partners and GOSL for the TVET Sector Development Program; (ii) Statement of Budget Vs. Actual showing expenditure for the current year, for the prior year and cumulative year to date; and (iii) detailed notes to the financial statements including significant accounting policies, breakdown of by program outputs, as well as economic activity.

16. The program financial statements must also reflect the aggregate procurement value from ADB's non-member countries. This disclosure will need to confirm that the amount of total program expenditures on goods, works, and services from ADB member countries (including the borrowing country) is at least equal to, or exceeds, the amount of ADB RBL disbursements during the relevant reporting period. ADB will reserve the right to audit compliance with this requirement. The government will need to adequately track and record contract awards to foreign bidders, particularly those from non-member countries to ensure that this information is readily available for disclosure in the audited financial statements.

E. Management Letter

17. In addition to the audit report, ADB requires a separate management letter in which the auditor (i) gives comments and observations on the notes to the accounts, accounting records, systems, and internal controls that were examined during the course of the audit; (ii) identifies specific deficiencies and areas of weakness in systems and internal controls, and makes recommendations for improvement. The management letter also includes MSDVT/IAs' response to the identified deficiencies; and (iii) communicates matters which might have a significant impact on SSEP implementation to the Government and development partners, and any other matters that the auditor considers pertinent. Where possible, the Management Letter will include auditee responses.

18. Note that serious issues, which affect the auditor's opinion as to whether the financial statements give a true and fair view, should be referred to in the audit opinion. The Management Letter should include only those issues which do not affect the fairness of the financial statements.

F. General Audit Needs

19. In case an external auditor needs to be commissioned for a supplementary audit, the auditor should be given access to all legal documents, correspondences, and any other information associated with the commission and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding with ADB, the Government, etc.

20. The auditor may examine the semi-annual financial reports prepared during the years to assess the methods used to compile them to ascertain that the information on these reports accurately reflects the underlying records and documents to ensure that there are no material misstatements

21. The auditor should also make a follow-up of audit recommendations to their conclusion.

Note: This Statement of Audit Needs does not in any way intend to limit the scope of the statutory audit.

GUIDELINES TO PREVENT OR MITIGATE FRAUD, CORRUPTION, AND OTHER PROHIBITED ACTIVITIES IN RESULTS-BASED LENDING FOR PROGRAMS

A. Purpose and General Principles

1. The government is responsible for the implementation of programs supported by results-based lending (RBL). The Asian Development Bank (ADB) has a fiduciary responsibility to ensure that its loans and other forms of financing are used only for the purposes for which they were granted, in accordance with the Agreement Establishing the ADB (the Charter).¹ To uphold that obligation, ADB presents these guidelines to prevent or mitigate fraud, corruption, and other prohibited activities in RBL operations financed in whole or in part by ADB. These guidelines build upon the legal obligations presented in the loan agreement and apply to operations funded by the RBL (the programs).²
2. These guidelines do not limit any other rights, remedies, or obligations of ADB or the government under the loan agreement or any other agreement to which the ADB and the government are both parties.
3. All persons and entities participating in the programs must observe the highest ethical standards; take all appropriate measures to prevent or mitigate fraud, corruption, and other prohibited activities; and refrain from engaging in actions described in these guidelines in connection with such programs.

B. Definitions

4. These guidelines address the following practices as defined by ADB:
 - (i) A “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
 - (ii) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.³
 - (iii) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influencing the actions of another party.
 - (iv) A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
5. In addition, ADB may investigate conflicts of interest, obstruction, and retaliation:
 - (i) A “conflict of interest” is a situation in which a party has interests that could improperly influence a party’s performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations. To the extent that conflicts of interest may provide an unfair competitive advantage or compromise the integrity of financial and governance systems, conflicted persons and entities must be excluded from participating in relevant program activities.

¹ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

² ADB may support a part (or a slice) of a government program or the entire government program through RBL. The program or the part that is supported by the RBL is the RBL operation. The term “program” in these guidelines refers to the RBL operation as defined unless otherwise specified.

³ To act “knowingly or recklessly,” the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. The inaccuracy of such information or impression, committed through negligence, is not enough to constitute a fraudulent practice.

- (ii) An “obstructive practice” includes deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; making false statements to investigators in order to materially impede an investigation; threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or materially impeding ADB’s contractual rights of audit or access to information.
- (iii) Retaliation against whistleblowers or witnesses is any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness or person associated with a whistleblower or witness in a manner material to a complaint because of the report or cooperation with an investigation by the whistleblower or witness.

C. Developing Member Country’s Actions to Prevent Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs

6. Unless otherwise agreed in writing by the government and ADB, the government will take timely and appropriate measures to:

- (i) ensure that the program is carried out in accordance with these guidelines;
- (ii) avoid conflicts of interest in the program;
- (iii) prevent fraud, corruption, and other prohibited activities from occurring in the program, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the loan are used only for the purposes for which the loan was granted;
- (iv) promptly inform ADB of allegations of fraud, corruption, and other prohibited activities found or alleged related to a program;
- (v) investigate allegations of fraud, corruption, and other prohibited activities and report preliminary and final findings of investigations to ADB;
- (vi) respond to, mitigate, and remedy fraud, corruption, or other prohibited activities that are found to have occurred in a program and prevent its occurrence;
- (vii) cooperate fully with ADB in any ADB investigation into allegations of fraud, corruption, and other prohibited activities related to the program, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to the government’s jurisdiction in such investigation, including, in each case, allowing ADB to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of ADB; and
- (viii) ensure that persons or entities sanctioned by ADB do not participate in RBL supported activities in violation of their sanction.

D. ADB’s Actions to Prevent Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs

7. Unless otherwise agreed in writing by the government and ADB, ADB will:

- (i) inform the government of credible and material allegations or other indications of fraud, corruption, and other prohibited activities related to a program, consistent with ADB’s policies and procedures;
- (ii) have the right to investigate allegations independently or in collaboration with the government;
- (iii) inform the government of the outcome of any investigation, consistent with ADB policies and procedures;
- (iv) have the right to sanction any individual or entity for engaging in practices defined above in accordance with ADB’s prevailing sanctions policies and procedures;

- sanctions may result in that party's exclusion from participating in an RBL-financed activity indefinitely or for a stated period of time;⁴ and
- (v) recognize sanctions determined by other multilateral development banks (MDB) in accordance with the agreement for the mutual enforcement of debarment.

⁴ Participation does not include the performance under contracts entered into or other engagements begun before the date of the loan agreement.

JAPAN FUND FOR POVERTY REDUCTION GRANT

**DEMONSTRATING INNOVATIVE APPROACHES FOR PRIVATE SECTOR AND WOMEN'S
EMPOWERMENT IN TECHNICAL VOCATIONAL EDUCATION AND TRAINING IN SRI LANKA**

I. INTRODUCTION

1. Approved in March 2014, the Skills Sector Enhancement Program (SSEP)¹ is a results-based lending program to support the government's Skills Sector Development Program (SSDP) 2014–2020.² SSEP supported the government's efforts to improve efficiency of the skills education system to meet local and foreign labor market by improving quality, access, relevance and recognition of technical and vocational education and training (TVET) while supporting strengthening policies, systems and structures during 2014 to 2016.

2. The proposed additional financing to SSEP³ will extend ADB's support to SSDP covering the full program period of 2014–2020, covering from 2017 to 2020. Building upon the current program's achievements, the additional financing will (i) encourage continuous system improvement and expansion; (ii) incentivize deepening reform actions; and (iii) help institutionalize key interventions, thus aiming at increasing development results. The Ministry of Skills Development and Vocational Training (MSDVT) is the executing agency, and nine TVET agencies are the implementing agencies covering over 450 training centers across the country. The direct beneficiaries include over 250,000 youth who need vocational skills and 1,000 in-service workers who will avail of skills upgrading training opportunities per year. Employers of skilled workers would also benefit from more skilled workers.

3. This Japan Fund for Poverty Reduction (JFPR) grant will complement the project by demonstrating innovative approaches in promoting private sector participation and women's empowerment in TVET and employments of TVET graduates. It will (i) support the private sector-driven industry sector skills councils (ISSCs) in establishing themselves as competent advisory service providers in human resource development for industry members, advising the TVET system for demand-oriented training services, and creating linkages among industries and TVET graduates for job placement; (ii) promote self-employment among female TVET graduates; (iii) expand women's access to male-dominated and emerging employment opportunities; and (iv) pilot innovative approaches and support expansion of private sector best practices aiming to facilitate women's employment. The design and monitoring framework is in Appendix 1. The project directly targets over 3,500, including at least 2,000 women, TVET graduates from selected districts of Northern, North Western, Uva, and Sabaragamuwa provinces as well as from poverty pockets spread around the Western province.

II. THE GRANT

A. Rationale

4. In Sri Lanka, employers recognize critical skills mismatch between competencies of entry level workers and the required competencies at work places. One out of 5 youth (15–24 years) is unemployed, and youth unemployment rate is five times higher than overall unemployment rate

¹ ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Democratic Socialist Republic of Sri Lanka for the Skills Sector Enhancement Program (RRP)*. Manila.

² Published as: National Planning Department, Government of Sri Lanka. 2014. *National Skills Development Plan of Sri Lanka 2014–2020*. Colombo.

³ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loans to the Democratic Socialist Republic of Sri Lanka for the Skills Sector Enhancement Program Additional Financing (RRP)*. Manila.

in 2016.⁴ The government prioritizes TVET to address skills shortage and youth unemployment. Sri Lanka has a large TVET system that caters to around 173,000 trainees annually, of which over 65% is delivered by the government. Public TVET is tuition-free or with nominal fees, and therefore, it is an option for school leavers from poorer families when they cannot go to state universities. Workers with TVET qualification, in comparison to ones without TVET qualification can earn 17% more.⁵ The government's medium-term sector development plan, SSDP 2014–2020, is to expand the benefits of TVET to more people, especially youth, by increasing enrollment capacity, improving quality and social perception, as well as increasing relevance to the labor market demand. Its outcome target is higher employment rate among TVET graduates.

5. Under SSDP, the government facilitated the establishment of four ISSCs to increase relevance of TVET to the needs of employers since 2015.⁶ While ISSCs are private sector-driven, they are non-profit entities and their purpose is public in nature per their establishing articles of association. Their primary objective is to create a skilled workforce for each industry, thus contributing to the overall economy, but more specifically to increase youth employability by supporting “demand-oriented” training planning and provision. To ensure accountability, the board of directors in each ISSC includes at least one government official from relevant line ministries (e.g., ministry of construction for the construction ISSC). The ISSCs receive basic funding from the government per the tripartite agreement among the ISSCs, Technical and Vocational Education Commission (regulatory body of the TVET system), and National Apprenticeship and Industrial Training Authority (government body). In addition to the initial government support that only covers minimum human resource and office operations, the ISSCs deliver services such as developing or updating national competency standards of industrial occupations and training curricula. Over time, it is envisaged to generate incomes from industry memberships, and by delivering specialized services in human resource development, to public and private sector entities.

6. Still in an initial stage of development and faced by lack of understanding on its role in overall industry-specific workforce planning and development, the ISSCs require technical and financial support to establish themselves as trusted organizations in helping employers understand the importance of skilled workers and the need to invest in skills development (higher wages for skilled workers and upskilling of existing workers), and strengthen ties with TVET. Considering the rural population still prefers public jobs, which are decreasing in new recruits, encouraging more young people to take private sector jobs is an important role of ISSCs, too. As it has a public purpose, public support is justified especially at an early stage of development as in the case for many chambers of commerce or business associations in the beginning in developing countries. The government also wants to reach out to industries that are not represented by the four ISSCs, especially those located outside of Colombo, and establish more effective linkages that will support increasing employability of TVET graduates.

7. Despite significant achievements in gender parity in education- and health-related indicators, women's economic and political participation in Sri Lanka are among the lowest in the

⁴ Department of Census and Statistics, Government of Sri Lanka. 2016. *Sri Lanka Labor Force Statistics Quarterly Bulletin (Q1 2016)*. Colombo.

⁵ World Bank. 2013. *Sri Lanka Skills Development Report*. Washington DC.

⁶ The four sectors are (i) building and construction; (ii) light manufacturing and engineering; (iii) information technology; and (iv) tourism and hospitality. One additional ISSC to be established is health and care services, which will be supported by USAID funded YouLead! Project. Tourism and Hospitality ISSC may be supported by an Australian government funded program. The grant will focus on (i) to (iii) ISSCs, and additional two ISSCs to be established branching out from light manufacturing and engineering, which represent wide range of manufacturing and servicing businesses such as auto mechanic, a/c and refrigeration, garment manufacturing, food processing, etc.

region and, for decades, continue to lag without noticeable progress. Although girls outnumber boys in secondary, senior secondary and university education, and outperform boys in all advanced-level subject streams, women's labor force participation in Sri Lanka is less than half of men's (36% of women against 75% of men). Women's unemployment is prevalent across all levels of educational attainment but is higher among those completing secondary education and among women in rural areas. Domestic responsibility almost entirely put on women; social norms and stereotypes associated with women working in professional sectors; constraints in women's physical mobility; lack of working flexibility for pregnant and lactating mothers; and lack of training opportunities, and models and incentives for women to step into professional/technical fields underpin these negative impacts.

8. Although there is some gender parity in TVET enrolment, comparison of annual data from the last few years show that women enrolment is decreasing. Significantly lower percentage of women graduated with National Vocational Qualification certificates, and are employed after the training completion: 39% females and 61% males graduated, and 47% females and 64% males are employed. Female students dominate courses such as dress making, language and information and communication technology which offer few job opportunities in the formal sector. Courses such as automobile repair and maintenance, building and construction, electrical, electronics, and telecommunications are dominated by male students. While there are few female students pursuing these courses, their opportunities to be employed in the same roles as their male counterparts are limited. Employers perceive hiring women as resulting in increased costs and high turn-over for their business not only due to social perception but also archaic labor regulations for women's employment. Lack of encouragement and incentives as well as negative social pressures constrain girls stepping into male-dominated fields of education, training and employment. Working with industries diminishing such negative perceptions and promoting social support will encourage women to take vocational training, especially in non-traditional sectors, and be gainfully employed upon course completion.

9. Women's unemployment rates are higher in rural areas where poverty is more widespread⁷, employment opportunities are less, and gender stereotypes dominate. Self-employments and entrepreneurship are important means to increase employment rates of rural women and girls. However, due to limited access to credit,⁸ technical know-how and business counselling, poor rural women and girls severely suffer from lack of support to start and expand businesses. Studies shows that nearly 80% of women-led enterprises fail at the start phase, and rural women and girls hesitate starting self-employment due to lack of support at the seed phase. Strengthening the TVET system, especially private sector engagement and women's participation, is an important strategy to increase formal employment as well as self-employment of school leavers and women, especially in rural areas.

10. The current trajectory of the demographic transition in Sri Lanka raises considerable socio-economic concerns. The population above the age of 60 years was 12.5% in 2012, and the projection shows that it will increase to 16.7% in 2021 and over 25% in 2041. Its impact on women will primarily include additional burden related to elderly care, further restricting their participation in the labor force and their economic empowerment. Contrarily, a shrinking labor force in a growing middle-income country will place high demand for new and better approaches to substantially increase women's employment rates. This will demand innovations from the private

⁷ Including post-conflict areas. Poverty ratio is highest Mullaitivu (29%), Mannar (20%), Batticaloa (19%), and Moneragala (21%) districts. Of these, the first three districts are in former conflict areas.

⁸ Current concessionary loan program available to TVET graduates is limited to one-time loan before starting their businesses but not available for business expansion.

sector, TVET institutions and other key players in TVET sector in building a skilled and diverse labor force. While SSEP will mostly address supply side issues on the access, quality and relevance of TVET, the grant will complement these improvements by addressing more demand side issues in private sector and women.

11. The proposed piggy-backed grant to SSEP will demonstrate innovative approaches in private sector engagement and women's empowerment, contributing to the achievement of selected SSEP results and building the capacity of private sector and TVET system stakeholders. Demonstration of successful pilot tests in these two areas through the grant fund will help the government gain experience and lessons to replicate and/or scale up successful interventions within the government program. The grant will help the government gain insights for designing and implementing effective demand side interventions (i.e. support for students and graduates, especially women and those in rural areas, as well as interaction with employers) moving away from supply-driven tradition. The grant will target beneficiaries from lagging regions where poverty incidence is higher than the national average. It will contribute to combating discrimination and violence against women, especially by promoting their economic empowerment and diminishing negative social norms related to women's equal access to productive and financial resources. This will lead towards achieving Sustainable Development Goals 5 (gender equality) and 10 (reduced inequalities).

B. Outputs and Key Activities

12. **Output 1: Private sector engagement in TVET strengthened.** The grant project will strengthen private sector involvement in increasing youth employability through industry councils and other skills forums. The project will provide activity/subproject-based support to these industry councils and skills forums in designing and implementing initiatives that will increase employment rates of TVET graduates, primarily women, from lagging regions. These initiatives should target creating linkages between industries and TVET centers, and facilitating industries to create working environments that attract and sustain rural youth, especially girls, in work placements. The following activities under this output will support MSDVT's broader approach to engage with private sector: (i) conduct an assessment on the status of industry participation in TVET sector in Sri Lanka (with a focus on outer regions as well) and provide recommendations on strengthening industry councils and skills forums; (ii) support MSDVT to develop a long-term strategy and an operation plan on engaging with industries; (iii) capacitate industry councils and skills forums for the implementation of operational plan; (iv) provide technical support to industry councils and skills forums in designing and implementing sustainable and innovative activities (subprojects) that increase employability of TVET graduates, especially females; and (v) facilitate setting up an advisory group to promote women's employment and entrepreneurship from the private sector.

13. **Output 2: The entrepreneurship development training program for self-employment enhanced with a focus on women.** Implementing agencies under SSEP offer entrepreneurship development training program (EDTP) for TVET graduates, especially those aiming to avail the Self-Employment Promotion Initiative (SEPI) loan scheme under the Central Bank of Sri Lanka and local banks. The EDTP requires further enhancement with updated program contents and improved instructors/trainers to increase successful TVET graduates in starting their own businesses. Furthermore, a new program of advanced entrepreneurship will be developed and conducted targeting expansion of existing businesses of TVET graduates with improved skills in technology, financial management, marketing and value chains, with a focus on lagging regions, women-led small and medium-sized enterprises (SMEs) and job creation. Some TVET centers already have incubator center/technology parks to support business start-ups, but their capacity

to provide adequate services is limited. These centers will be strengthened to provide business counselling and coaching; and facilitate networking, competitions and awarding of best entrepreneurs, and potential linkages with regional chambers of commerce and industry. By improving the existing program and supporting entrepreneurs expand their businesses, they will generate further employment for TVET graduates. Gender equality trainings, through male engagement approach, will be delivered to male family members of female entrepreneurs to ensure family support for expanding women-led businesses beyond the livelihood stage. Female entrepreneurs would also benefit from additional support to scaling up their businesses as they face more socio-economic barriers than male entrepreneurs.

14. The activities under this component will be: (i) design and deliver a promotional campaign to promote EDTP among females TVET graduates; (ii) improve the EDTP, and conduct training of trainers to expand it (training to be delivered with government funding); (iii) pilot integration of EDTP into potential sector trainings, such as masonry and carpentry; (iv) develop a new advanced entrepreneurship program, and deliver training targeting business expansions;⁹ (v) provide dedicated support to female graduates and entrepreneurs through business counselling, mentoring, networking events, and their participation in trade events; (vi) incorporate modules on gender equality and women's empowerment in existing and new training programs, focusing on training for male family members of women entrepreneurs; (vii) provide additional support to female entrepreneurs to expand their businesses by enabling market research and linkages with industry as well as availing matching funds for enterprises with high prospect of growth and employment opportunities; (viii) strengthen incubation center/innovation parks for business start-up services by training center staff and building networks with resource organizations; and (ix) conduct impact studies (case study, documentaries, etc.), and facilitate symposia to share experiences and impacts of successful female entrepreneurs.

15. **Output 3: Women-targeted incentives, mentoring, and on-the-job training provided to attract women into non-traditional areas.** Stereotypes associated with the types of jobs women should do; family and societal norms on the mobility of girls; lack of opportunities to follow on-the-job training in rural districts, and cost of travel and accommodation to follow such training in cities; and lack of motivation to attract women to non-traditional job areas limit girls from using their skills and knowledge to be productively employed. Maximizing the existing social marketing campaign of SSDP, the grant project will focus on diminishing negative social norms by providing financial and mentoring support for girls with a passion to access training and be employed in emerging and non-traditional jobs. This output will support a range of pilot initiatives benefitting female students, especially in lagging regions, including: (i) identifying emerging employment opportunities for women through ISSCs; (ii) designing and promoting new training programs in emerging areas for high employment opportunities among young women (design, promote and provide training of trainers only, while implementation of program will be under the government funding); (iii) providing incentives for women to enter non-traditional but better paying employments (especially courses on automobile repair and maintenance, building and construction, electrical, electronics, and telecommunications); and (iv) mentoring and coaching, as well as allowance for boarding during on-the-job training, apprenticeship, and job placement.

16. **Output 4: Gender-inclusive recruitment and working environment practices demonstrated in the private sector.** Increasing women's employment requires addressing barriers both in informal institutions (social norms, gender biases in recruitment, discrimination

⁹ The existing EDTP is for newly graduating TVET students who will go for new start-up businesses. The advanced entrepreneurship program is to support those among TVET graduates who already opened business, but would like to expand their business.

and lack of gender equitable measures at workplace, etc.) and formal institutions (regulations and legal issues affecting women's employment). The grant project will promote promising practices among employers by (i) showcasing and recognizing innovative efforts already undertaken; and (ii) supporting employers who promote women's employment through innovations such as flexible working hours, home-based work, and daycares for children. These would be mostly advisory and facilitation services for the employers to consider existing, proven innovative approaches. Small incentive grants can be provided for employers to start innovative approaches, e.g., paying three months to six months' salary of a day care center teacher if the employer decides to open a day care center, and lawyer fee to come up with contract forms for job sharing (part time work). Different kinds of support will be developed per the challenges faced by the employers participating in the pilot. The pilot activities, once successful, are expected to be sustained by the employers, and the grant will ensure that their design will enable them to do so.

C. Cost Estimates and Financing Plan

17. The grant is estimated to cost \$3 million (Table 1). The JFPR will provide grant cofinancing equivalent to \$3 million to be administered by ADB (Table 2). Detailed cost estimates are in Appendix 2. The executing agency, implementing agencies of SSEP, private sector, and other partners will provide in-kind counterpart support in the form of training facilities, staff time, etc.

Table 1: Cost Estimates

Item	Amount (\$ million)	Share of Total (%)
A. Base Cost^a		
Output 1: Private sector engagement in TVET strengthened	0.464	15%
Output 2: The EDTP for self-employment enhanced with a focus on women	0.933	31%
Output 3: Women-targeted incentives, mentoring and on-the-job training provided to attract women into non-traditional areas	0.855	29%
Output 4: Gender-inclusive recruitment and working environment practices demonstrated in private sector	0.306	9%
Subtotal (A)	2.558	85%
B. Project Management and Monitoring	0.353	12%
Subtotal (A+B)	2.911	97%
C. Contingencies	0.089	3%
Grand Total (A+B+C)	3.000	100%

EDTP = Entrepreneurship development training program, TVET = technical and vocational education and training

^a In mid-2017 prices. Applicable taxes and duties will be financed by the grant.

Source: Asian Development Bank estimates.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
JFPR Grant ^a	3.0	100.0
Total	3.0	100.0

^a Administered by the Asian Development Bank (ADB).

Source: Asian Development Bank estimates

D. Implementation Arrangements

18. MSDVT will be the executing agency for this grant project within the overall SSDP following ADB's relevant rules and procedures. The project will be implemented from May 2018 to April 2021. Procurement and disbursements will follow ADB's *Procurement Guidelines* (2015, as amended from time to time); *Guidelines on the Use of Consultants* (2013, as amended from time to time); and *Loan Disbursement Handbook* (2017, as amended from time to time).

19. ADB will assist MSDVT to engage an experienced entity (grant implementation firm) to carry out the activities under the grant project up to contract negotiation. The assignment would require national consultant inputs of 198 person-months for key experts. Upon approval of the JFPR grant by the Government of Japan in January 2018, advance actions to select the grant implementation firm commenced. The terms of reference for the grant implementation firm are in Appendix 3. The grant implementation arrangements are summarized in Table 3.

Table 3: Implementation Arrangements

Aspect	Arrangement		
Implementation period	May 2018–April 2021		
Estimated completion date	30 April 2021 (grant closing date: 31 October 2021)		
Management			
(i) Oversight body	Project Steering Committee providing overall direction of the project in consideration of the government's priorities in workforce development Secretary MSDVT (chair), DTET, CGTTI, NAITA, NYSC, OUSL, UNIVOTEC, VTA, SLIOP, industry councils (members), which are the implementing agencies under the main loans to deliver public technical and vocational training programs and benefiting from the grant project support		
(ii) Executing agency	MSDVT ensuring the project activities are delivered in line with the agreed project objectives and supporting the project activities in coordination with other ministries as necessary		
(iii) Implementation unit	A grant implementation firm (consultant) under MSDVT carrying out project activities per the project document (DMF, cost estimates, etc.) under the guidance of the executing agency. Key experts will include a project manager, gender and entrepreneurship expert, technical advisor – private sector engagement, and three district coordinators.		
Procurement	QCBS (90:10)	1 contract	\$ 2,925,000
	CQS	1 contract	\$75,000
Advance contracting	Advance action to select the grant implementation firm will be taken, but contract will be signed after the grant becomes effective		
Disbursement	The grant proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time), and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, CGTTI = Ceylon-German Technical Training Institute, DTET = Department of Technical Education and Training, CQS = consultant's qualifications selection, MSDVT = Ministry of Skills Development and Vocational Training, NAITA = National Apprentice and Industrial Training Authority, NYSC = National Youth Service Council, OUSL = Ocean University of Sri Lanka, QCBS = quality- and cost-based selection, SLIOP = Sri Lanka Institute of Printing, UNIVOTEC = University of Vocational Technology, VTA = Vocational Training Authority.

20. For the grant project, ADB will arrange direct payments to the grant implementation firm subject to MSDVT's endorsement. The grant implementation firm will open a separate bank account to receive the grant funds, and maintain the bank account statements as well as detailed accounting of financial transactions using the grant proceeds. The financial information will be subject to annual financial audits by an independent auditor following the terms of reference endorsed by the Auditor General of Sri Lanka.

III. DUE DILIGENCE

21. Studies conducted on skills mismatch in Sri Lanka, especially on TVET sector, highlight the gaps between skills developed by TVET graduates and industry needs. Technical and operational capacities of industry councils to address those gaps by advising both TVET

institutions and industries are vital for the country's economic growth. Recognizing industry councils as competent bodies to provide professional services enables their sustainability .

22. The 2014 Annual Report of the Central Bank of Sri Lanka emphasized the need to hasten efforts to reduce gender gaps in labor force participation and occupational choices. The report highlights the results of a study that found Sri Lanka's total per capita income loss due to gender gap in labor force participation at 20% (higher than the world average of 8.5%), and due to gender gap in occupational choices at 6% (higher than the world average of 5%).¹⁰ Increasing women in the labor force has long-term human development impacts for individuals, families, communities and the country. As Sri Lanka struggles to break the middle-income trap and rise to upper middle-income category, effectively using women's skills is indispensable. As the project interventions help overcome informal and formal institutional barriers to female employment, their impact on women, and their families and communities will be far beyond the project's immediate outcome.

A. Technical

23. The grant will support innovations in promoting employability of TVET graduates, especially women. The effects will go beyond the project because of the nature of replicability and scalability by government, private sector and other development partners. Key features of innovations include (i) functioning of industry councils as sharers of knowledge, information and models that fill skill gaps through industry centric research; (ii) exposing and contextualizing international best practices; and (iii) organizing regional, national and international symposia and conferences to facilitate dialogue, interaction and connections between industries, graduates and TVET institutions.

24. The innovative aspects of promoting entrepreneurship among female TVET graduates include supporting expansion and providing mentoring, technical and financial support to current entrepreneurs, enabling them as employers of fresh graduates and role models for starters. Priority will be given to providing equitable opportunities for female entrepreneurs from vulnerable groups and lagging regions while supporting male entrepreneurs who can create jobs for female graduates from vulnerable groups and lagging regions.

25. Private sector efforts to upgrade working conditions to attract skilled women into technical and professional jobs are quite rare, albeit existing, in Sri Lanka. Rewarding, demonstrating and expanding existing and embryonic efforts will highly contribute to increasing women's employment and diminishing social norms that bar women from being employed. Given that female unemployment rates are much higher in rural areas, impacts on rural women will be greater.

26. While MSDVT has adopted a gender equity and social inclusion framework to enable TVET sector development to better cater to the needs of women, MSDVT alone cannot address issues around women's labor market participation. They take multi-faceted efforts as the constraints cannot be resolved by a single entity. Dedicated support would be required to bring different stakeholders together to resolve issues, and demonstrate good practices for possible scaling up by relevant parties, including MSDVT.

¹⁰ M. Teignier, and D. Cuberes. 2014. *Aggregate Costs of Gender Gaps in the Labor Market: A Quantitative Estimate*. UB Economics Working Papers E14/308. Using the span-of-control (occupational choice) model as the theoretical framework and most recent available labor market data of the International Labour Organization for 126 countries, Teigner and Cuberes (2014) quantified the effects of gender gaps in the labor market on aggregate productivity and income per capita. They based their analysis of Sri Lanka on the 2009 country labor market data of the International Labour Organization.

B. Economic and Other Impacts, Financial Viability, and Sustainability

27. SSDP under MSDVT has some provisions to support industry councils which will continue until 2020. There is growing recognition within MSDVT to vitalize the performance industry councils to improve the quality, relevance, access and recognition of TVET, and government is committed to make the required policy and structural changes. There are other development partners such as the World Bank, and World University Service of Canada funded by the Government of Canada, who complement some activities of SSDP and consider extending their support beyond 2020. Other development partners, such as Australia, are willing to contribute towards strengthening the tourism sector ISSC.¹¹ The project will build the ISSCs' ability to provide industry intelligence on human resource development, and services to industry members while generating their operation costs, which are essential for sustainability beyond the project period. Internal resource generation and external support from government and industry members lead to long-term sustainability of ISSCs, and the project will facilitate collaborations among them.

28. MSDVT will improve the existing entrepreneurship program which will naturally pave the way for its sustainability. Technical and economic due diligence will be made case by case before supporting the expansion of existing women-led enterprises. Continued mentoring and business counselling support, linking women entrepreneurs with industry councils and/or chambers of commerce (especially the women's chambers of commerce), and raising women's awareness of available and upcoming credit programs (including ADB's SME credit line and SME credit guarantee institution) are some important measure for their growth and durability.

29. Provision of support to the private sector to establish and/or expand workplace facilities that attract women employees will be made with due economic and financial diligence. It will only include those efforts that can last independently of the project in the long run, and basically be limited to providing infrastructural or technical support for initiatives already undertaken. Collaborative efforts will be taken with other development partners, such as the International Labour Organization, to advocate policy formulation, revision and implementation that will advance private sector employment for women.

C. Governance

30. The fiduciary systems assessment concluded that the program system, following the country's public finance management and procurement system, is robust enough with some weaknesses mainly in staff capacity. Measures to strengthen the system are incorporated in the program action plan of the SSEP. For the grant administration, ADB's rules and procedures will be followed. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MSDVT.

D. Poverty and Social Impacts

31. The overall objective of the grant project is geared towards poverty reduction and social inclusion. The project will provide employment opportunities for female TVET graduates, and young TVET graduates from vulnerable groups, especially from lagging provinces such as North,

¹¹ The World Bank jointly finances the government's SSDP along with ADB until 2018, has a disbursement-linked target for ISSC establishment, and requires the government to provide basic financing to ISSCs. World University Service of Canada/Canada has a volunteer expert who assessed the needs and challenges of ISSCs, and conducted training for ISSCs and the government on the expected role and kind of partnership between industry and government. This support is completed already. The Australian government has a grant project to support tourism industry development in Eastern Province where tourism ISSC will be involved to support youth skills development activities.

North Western Uva, and Sabaragamuwa. Poverty pockets in Western Province would be also targeted. The measurement of employability will be decent work with a monthly income of SLRs25,000 (\$166), opportunities for career growth, and security in the workplace. The project will generate such employment for at least 4,000 women and 1,000 men from vulnerable groups. Creating access to decent work with sustainable income would substantially reduce poverty in their families while recognizing women's skills by the employers and society will generate long-term social impacts on the lives of women and their families.

E. Participatory Approach

32. Wide range of consultations were done during preparation of the grant concept, and will continue during detailed action plan preparation, annual stakeholder reviews of the project implementation, and project monitoring.

33. Major stakeholders consulted during concept preparation were MSDVT, SSDP, TVET institutions, World University Service of Canada, Australian Aid, World Bank, four ISSCs, TVET graduates both male and female, self-employees, TVET graduates and students, district and divisional level government, non-government, and private sector, including chambers.

34. Women's chambers and other women-led organizations, such as Women in Logistic and Transport in Sri Lanka, will provide coaching and mentoring support for female TVET-graduate entrepreneurs while helping them establish strong social network for information, interaction, mutual support and business growth.

35. Industry councils and their members from the private sector will be the primary stakeholder contributing to improve the quality and relevance of TVET, employ TVET graduates, and expand opportunities for female employment. Continues discussions with these stakeholders and TVET students/graduates will be vital to adopt progressive and innovative approaches for expanding women employment, especially in non-traditional sectors.

F. Development Coordination

36. The Japan International Corporation Agency (JICA) and Japanese embassy were consulted on the proposed grant, and their suggestions are incorporated. Partnerships with them and Japanese nongovernment organizations (NGOs) operating in Sri Lanka will be sought to strengthen the work on gender equality during project implementation. Japanese volunteers involved in TVET and the private sector will be engaged. Efforts will be taken to engage Japanese private sector companies in Sri Lanka when supporting employers to pilot and upscale gender equitable employment practices. JICA confirmed the assistance to link the Japanese volunteers, NGOs and private sector companies with the project to maximize coordination, while the Japanese embassy emphasized the need and expressed their support to research and resolve deep-rooted causes that limit women's employment opportunities. Details on the Japanese visibility for the grant project, and coordination with JICA and the Japanese Embassy are in Appendixes 4 and 5.

37. Development partner coordination will be done through the Development Partner Working Group on TVET. The grant proposal will be shared with the working group for consultation and identification of collaborations. Key development partners, such as World Bank, Australian Aid, Canada, Germany, and Deutsche Gesellschaft fur Internationale Zusammenarbeit, will be involved in reconstructing a framework for strengthening ISSCs as self-sustaining entities serving industries and TVET institutions. A gender mainstreaming approach within TVET sector will be

discussed with them for collaborative implementation. Development partners will be major constituents in organizing national and international conferences and symposia that promote private sector engagement to advance employment opportunities for women.

G. Safeguards

38. The categorizations for all safeguards—environment, involuntary resettlement, and indigenous peoples—related to the grant are “C”. No safeguard issues are anticipated relating to resettlement and indigenous peoples, which will require temporary or permanent land acquisition. Minimal environmental impacts are expected when starting and expanding self-employment of TVET graduates, and establishing women-friendly working environments such as day-care centers. Environmental implications of such activities will be assessed during feasibility, and environmental management plans, including grievance redress mechanisms, will be developed during detailed planning of activities with some environmental impacts.

H. Risks and Mitigating Measures

Table 4: Summary of Risks and Mitigating Measures

Risks	Description	Mitigating Measures
Lack of understanding between MSDVT/TVET institutions and ISSCs on the strategic areas for and modalities of private sector engagement, and lack of clarity of their respective roles and function.	MSDVT and TVET institutions face difficulties in facilitating an effective corporate environment for ISSCs to function. Coordination among them are weak resulting in the absence of an effective mechanism to reach expectations of the industries and TVET graduates.	The grant implementation firm will provide advisory and technical support to ISSCs and the government to build strategic partnerships among ISSCs, MSDVT and TVET institutions. The need for industry council sustainability will emerge when stakeholders recognize the importance of ISSCs' existence. Facilitating regular events for sharing ideas and best practices, listening to industries, and developing industry centric action plans will boost the performance and recognition of ISSCs.
Formal and informal barriers continue to surface when promoting women's employment.	Both the government and private sector are sensitive when taking gender equitable measures to positively discriminate women. Industries as well as TVET institutions lag behind accepting that women can enter and progress in non-traditional employment.	International and national best practices will be showcased to break gender stereotypes. Training for ISSCs, industry and TVET institutions will be conducted. Efforts will be taken to form a women's industry council to conduct research, promote best practices, and provide technical support for ISSCs, TVET institutions and industries to increase women in non-traditional jobs.

MSDVT = Ministry of Skills Development and Vocational Training, ISSC = industry sector skills council, TVET = Technical and Vocational Education and Training.

IV. ASSURANCE

39. The government and MSDVT have assured ADB that implementation of the JFPR grant shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement in this document and the grant agreement.

DESIGN AND MONITORING FRAMEWORK

Impact the project is aligned with Employability of the Sri Lankan workforce, particularly youth, increased (Sri Lanka Public Investment Program, 2017–2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Employability of female TVET graduates increased through entrepreneurship promotion and private sector engagement	For all indicators, by 2020 a. At least one industry council has regular sources of income (2017 baseline: 0) b. At least 500 TVET graduates (50% of which are women) find job placements in the private sector through industry councils' interventions (2017 Baseline: 0) c. At least 1,500 new female TVET graduates employed in non-traditional and emerging areas, and by TVET graduate entrepreneurs (2017 baseline: 0) [contributing to main loan outputs 3a and 3e]	a. Annual reports of ISSCs b. Program impact assessment report c. Annual project reports	Economic growth and employment opportunities lower than expected
Output 1 Private sector engagement in TVET strengthened	For all indicators, by 2020 1a. At least three industry councils conducted sector skills forecasting and developed five-year strategic operational plans (2017 baseline: 0) [contributing to main loan outputs 2a (i) and 2a (ii)] 1b. At least three industry councils have implemented at least four sub-projects that promote female employability (2017 baseline: 0) 1c. An advisory group to promote women's employment in non-traditional sector established to provide advisory support to industry councils. (2017 baseline: non-existent) [contributing to main loan output 3e]	For all indicators, annual reports of ISSCs and quarterly project management reports	Slow economic growth does not allow the private sector to invest in human resource development Social norms and gender stereotypes persist. MSDVT discontinues EDTP.
Output 2 The entrepreneurship development training program (EDTP) for self-employment enhanced with a focus on women	2a. By 2018, an updated EDTP has been developed (2017 baseline: non-existent) [contributing to main loan output 3d] 2b. By 2020, at least 50 trainers of EDTP (including 40% of women) are provided advance training and are certified (2017 baseline: 0) 2c. By 2020, at least 1,000 entrepreneurs (minimum 70% of whom are women) are provided business expansion training (2017 baseline: 0)	For all indicators, MSDVT reports on EDTP and quarterly project management reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	2d. By 2020, at least 200 selected entrepreneurs (minimum 70% whom are women) are provided with customized technical training and assistance for business expansion (2017 baseline: 0)		
Output 3 Women-targeted incentives, mentoring and on-the-job training provided to attract women to non-traditional areas	For all indicators, by 2020 3a. Over 1,300 new female students are trained and/or employed in non-traditional and emerging fields (2017 baseline: 0) [contributing to main loan outcome and output 1c and 3a] 3b. Over 1,000 female students (at least 50% of whom trained/employed in non-traditional skills) provided with mentoring and career counselling (2017 baseline: 0) [contributing to main loan outcome and output 1c and 3a]	For all indicators, quarterly project management reports, and project completion report	
Output 4 Gender-inclusive recruitment and working environment practices demonstrated in private sector	For all indicators, by 2020 4a. Two national/international conferences/symposia held to exchange best practices related to private sector involvement in promoting women's employment (2017 baseline: 0) 4b. At least 20 industries pilot/scale up approaches to increase women's employment (2017 baseline: not available)	For all indicators, quarterly project management reports, and project completion report	

Key Program Actions

Output 1: Private sector engagement in TVET strengthened

1. Conduct an assessment on the status of industry participation in TVET sector in Sri Lanka (with a focus on outer regions as well), and provide recommendations on strengthening industry councils and skills forums (by 2018)
2. Support MSDVT to develop a long-term strategy and an operation plan on engaging with industries (by mid-2019)
3. Capacitate industry councils and skills forums for the implementation of operational plan (by 2020)
4. Provide technical support to industry councils and skills forums in designing and implementing sustainable and innovative activities (subprojects) that increase employability of TVET graduates, especially females (by 2020)
5. Facilitate setting up a women's advisory group from private sector to advise on promoting women's employment (by 2020)

Output 2: The EDTP for self-employment enhanced with a focus on women

1. Design and deliver a EDTP promotional campaign (by 2018)
2. Improve the existing EDTP program, and conduct training of trainers to expand it (by 2018)
3. Pilot integration of EDTP into potential sector trainings, such as masonry and carpentry (2019)
4. Develop and provide advance entrepreneurship and technical training for business expansion (by 2020)
5. Facilitate business counselling, mentoring, and networking events for female entrepreneurs (by 2020)

6. Incorporate gender equality and women's empowerment into all training programs (by 2018)
7. Provide additional support to best performing enterprises to absorb more female graduates (by 2020)
8. Establish incubation center/innovation parks to support start-up businesses (by 2020)
9. Conduct impact studies (case study, documentaries, etc.), and facilitate learning events (by 2020)

Output 3: Women-targeted incentives, mentoring and on-the-job training provided to attract women to non-traditional areas

1. Identify emerging employment opportunities for women through ISSCs (by 2019)
2. Design and promote new training programs in emerging areas (by 2020)
3. Provide incentives, on-the-job training and mentoring (by 2020)

Output 4: Gender-inclusive recruitment and working environment practices demonstrated in private sector

1. Recognize private sector innovations for increasing women's employment (by 2020)
2. Support employers to introduce/upscale innovations for increasing women's employment (by 2019)

Inputs

Japan Fund for Poverty Reduction: \$3 million (grant)

Assumptions for Partner Financing

Government continues its entrepreneurship development program and SEPI loan scheme till 2020.
Australia supports the strengthening of tourism sector industry council.

EDTP = entrepreneurship development training program, ISSC = industry sector skills council, MSDVT = Ministry of Skills Development and Vocational Training, NVQ = National Vocational Qualification, SEPI = Self-Employment Promotion Initiative, TVET = technical and vocational education and training, VTA = Vocational Training Authority, WUSC = World University Service Canada.

^a Government of Sri Lanka, Ministry of National Policies and Economic Affairs. 2017. Public Investment Program, 2017–2020. Colombo.

DETAILED COST ESTIMATES

Activity	Item	Unit	Quantity Units	Cost per Unit (USD)	Total (USD)
Component A			Subtotal		2,558,200
Output 1	Private sector engagement in TVET strengthened		Subtotal		464,000
1.2.1	Training for industry council members and staff	Training	10	2,000	20,000
1.3.1	Workshops with employers on workforce planning and development (national and provincial level)	Event	20	2,000	40,000
1.4.1	Conduct market research to promote employability	Research	5	15,000	75,000
1.4.2	Conferences to share learning and best practices	Event	3	3,000	9,000
1.4.3	Grant funding to industry councils for innovative projects to promote employment for women	Project	12	25,000	300,000
1.4.3	Technical advisor- private sector engagement (intermittent)	Person-month	10	2,000	20,000
Output 2	The EDTP for self-employment enhanced with a focus on women		Subtotal		933,200
2.1.1	EDTP promotional campaign	Campaign	4	5,000	20,000
2.2.1	Conduct TOT for delivering EDTP	Training	6	1,500	9,000
2.3.1	Develop advanced entrepreneurs training manual (contextualizing existing manuals)	Training Manual	1	3,000	3,000
2.3.1	Deliver training to existing entrepreneurs on business expansion	Training	40	1,500	60,000
2.4.1	Provide mentoring and business counselling for women entrepreneurs	Event	50	1,000	50,000
2.5.1	Develop a gender training manual for women entrepreneurs and their family members (targeting male engagement for gender equality)	Training Manual	1	3,000	3,000
2.5.2	Gender training to women entrepreneurs and their family members	Event	30	1,000	30,000
2.5.3	Conferences to share experiences of women-entrepreneurs	Event	2	2,500	5,000
2.5.4	Annual award ceremony for young female entrepreneurs	Event	2	3,000	6,000
2.6.1	Provide support for women entrepreneurs to start and expand their business	Entrepreneurs	600	1,000	600,000

Activity	Item	Unit	Quantity Units	Cost per Unit (USD)	Total (USD)
2.6.2	Link women entrepreneurs with international markets	Lump-sum			14,000
2.7.1	Support TVET centers pilot test establishing incubation centers	Center	3	25,000	75,000
2.8.1	Conduct baseline and impact studies	Study	2	7,500	15,000
2.8.2	Gender and Entrepreneurship expert	Person-month	36	1,200	43,200
Output 3	Women-targeted incentives, mentoring and on-the-job training provided to attract women into non-traditional areas		Subtotal		855,000
3.2.1	New programs designed, promoted, delivered focusing on non-traditional and emerging employments for women	Course	6	5,000	30,000
3.3.1	Provide incentives for women to follow courses non-traditional and emerging fields (Accommodation and or travel allowance maximum for a period of six months)	Individual	700	600	420,000
3.4.1	Provide incentives for women to work in non-traditional and emerging fields (Accommodation and or travel allowance maximum for a period of six months)	Individual	600	600	360,000
3.5.1	Provide mentoring and life skill support to pursue working in non-traditional/emerging sectors	Event	30	1,500	45,000
Output 4	Gender-inclusive recruitment and working environment practices demonstrated in private sector		Subtotal		306,000
4.1.1	Recognize employers piloting innovations to promote women's employment (linked to 1.4.2)	Event	2	3,000	6,000
4.2.1	Support private sector employers to pilot/scale-up innovations to promote women's employment, especially in non-traditional fields	Employer	20	15,000	300,000
Component B	Project Management and Monitoring		Subtotal		277,900
B.1	Consulting Services		Subtotal		183,600
B.1.1	Project manager	Person-month	36	2,250	81,000
B.1.2	Per-diem for field visit	Per-week	10	150	1,500
B.1.3	Travel and accommodation for field visit	Per-week	10	300	3,000
B.1.5	Per-diem for field visit	Per-week	20	150	3,000
B.1.6	Travel and accommodation for field visit	Per-week	20	300	6,000
B.1.7	District Coordinators (3)	Person-month	108	700	75,600

Activity	Item	Unit	Quantity Units	Cost per Unit (USD)	Total (USD)
B.1.8	Per-diem for field visit	Per-week	30	150	4,500
B.1.9					
B.1.10	Travel and accommodation for field visit	Per-week	30	300	9,000
B.2	Management and Coordination		Subtotal		94,300
B.2.1	Vehicle rental for daily use	Month	36	800	28,800
B.2.2	Vehicle fuels (for rented car)	Month	36	200	7,200
B.2.3	Fixed-term driver contract	Year	3	3,500	10,500
B.2.5	Accountant salary (intermittent)	Year	3	5,000	15,000
B.2.6	Per diem and accommodation for field visit of project director	Week	10	400	4,000
B.2.7	Copy, paper, printer toners	Month	36	300	10,800
B.2.8	Electricity, water, communication bills	Month	36	500	18,000
Components A + B subtotal					2,836,100
Contingency					88,900
Total for Grant Implementation Firm					2,925,000
Annual Financial Audit					75,000
Grand Total					3,000,000

Source: Asian Development Bank estimates.

Summary of Competitive and Non-competitive Components

Description	Amount
Grant Implementation Firm	
Competitive component	
Consulting services	246,800
Management and coordination	94,300
Subtotal	341,100
Non-competitive component	
Industry councils strengthened	444,000
The EDTP for self-employment enhanced with a focus on women	890,000
Women-targeted incentives, mentoring and on-the-job training provided to attract women into non-traditional areas	855,000
Gender-inclusive recruitment and working environment practices demonstrated in private sector	306,000
Contingency	88,900
Subtotal	2,925,000
Annual Financial Audit	75,000
Grand total	3,000,000

EDTP = Entrepreneurship Development Training Program
 Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE OF GRANT IMPLEMENTATION FIRM

A. Background

1. Asian Development Bank (ADB) supports the government's efforts to improve efficiency of the skills education system to meet local and foreign labor market by improving quality, access, relevance and recognition of technical and vocational education and training (TVET) while strengthening policies, systems and structures through its Skills Sector Enhancement Program (SSEP) running from 2014 to 2021.

2. The program will (i) encourage continuous system improvement and expansion, (ii) incentivize deepening reform actions, and (iii) help institutionalize key interventions, thus aiming at increasing development results. The Ministry of Skills Development and Vocational Training (MSDVT) is the executing agency, and nine TVET agencies are the implementing agencies covering over 450 training centers across the country. The direct beneficiaries include over 250,000 youth who need vocational skills, and 1,000 in-service workers who will avail of skill upgrading training opportunities per year. Employers of skilled workers would also benefit from more skilled workers.

3. Linked to SSEP, a \$3 million grant fund will complement the project by demonstrating innovative approaches in promoting private sector participation and women's economic empowerment, prioritizing employments of female TVET graduates. It will (i) support the private sector-driven industry sector skills councils (ISSCs) in establish themselves as competent advisory service providers in human resource development for industry members to advise the TVET system for demand-oriented training service, (ii) promote self-employment among female TVET graduates, (iii) expand women's access to male-dominated and emerging employment opportunities, and (iv) pilot innovative approaches and support expansion of private sector best practices aiming to facilitate women's employment.

4. ADB will support the government in selecting a grant implementation firm or an international nongovernmental organization (Consultant) with skills sector work experience in Sri Lanka and expertise in private sector engagement and women's economic empowerment to administer the grant project under MSDVT.

B. Scope of Work

1. Objective, outputs and outputs

5. The overall objective of the project is contributing to increased female labor force participation and women's economic empowerment through TVET. This is expected to be achieved through:

- (i) Enhanced skills development and employment opportunities for women in non-traditional and emerging sectors.
- (ii) Increased income of female TVET graduate through self-employment.
- (iii) Greater recognition and receptivity from private sector for women's employment, facilitated by ISSCs.

6. Four outputs and their constituent activities are described below.

7. **Output 1: Private sector engagement in TVET strengthened.** The grant project will strengthen private sector involvement in increasing youth employability through industry

councils and other skills forums. The project will provide activity/sub-project based support to these industry councils and skills forums in designing and implementing initiatives that will increase employment rates of TVET graduates, primarily women, from lagging regions. These initiatives should target creating linkages between industries and TVET centers and facilitating industries to create working environments that attract and sustain rural youth, especially girls, in work placements. The activities under this output will support MSDVT's broader approach to engage with private sector by:

- (i) conducting an assessment on the status of industry participation in TVET sector in Sri Lanka (with a focus on outer regions as well) and provide recommendations on strengthening industry councils and skills forums;
- (ii) supporting MSDVT to develop a long-term strategy and an operation plan on engaging with industries;
- (iii) capacitating industry councils and skills forums for the implementation of operational plan;
- (iv) providing technical support to industry councils and skills forums in design and implement sustainable and innovative activities (sub-projects) that increase employability of TVET graduates, especially of females: and
- (v) facilitate setting up a women's advisory group from private sector to advice on promoting women's employment.

8. Output 2: The entrepreneurship development training program for self-employment enhanced with a focus on women. Implementing agencies under SSEP offer entrepreneurship development training program (EDTP) for TVET graduates, especially those who aim at availing the existing "Self-Employment Promotion Initiative" (SEPI) loan scheme under the Central Bank of Sri Lanka and local banks. The EDTP requires further enhancement with updated program contents and improved instructors/trainers to increase successful TVET graduates in starting their own businesses. The fact-finding mission observed that lack of EDTP trainers in rural districts is a major challenge for graduates to build their entrepreneurship skills and accessing SEPI loans scheme to start businesses. Furthermore, a new program of advanced entrepreneurship will be developed and conducted targeting expansion of existing businesses with improved skills in technology, financial management, marketing and value chains, with a focus on lagging regions, women-led SMEs and job creation. Innovations will be supported in the areas of TVET institute-led incubator centers/technology parks for business germinations with low-risks at start-up phase, business counselling and coaching, facilitating networking, competitions and awarding of best entrepreneurs, and potential linkages with regional Chambers of Commerce and Industry. Gender equality trainings, through male engagement approach, will be delivered to male family members of female entrepreneurs to ensure family support for expanding women-led businesses beyond livelihood stage. By improving the existing program and supporting entrepreneurs expand their businesses it will generate further employment for TVET graduates. Female entrepreneurs would also benefit from additional supports to scaling up their business as they face more socio-economic barriers than male entrepreneurs. The activities under this component will be:

- (i) design and deliver a promotional campaign to promote EDTP among females TVET graduates;
- (ii) improve the existing program and conduct training of trainers to expand it (training to be delivered with government funding);
- (iii) integrate entrepreneurship training program with potential sector trainings, such as masonry and carpentry;
- (iv) develop a new advanced entrepreneurship program and deliver training targeting business expansions;

- (v) provide dedicated support to female graduates and entrepreneurs through business counselling, mentoring, networking events and their participation in trade events;
- (vi) incorporate modules on gender equality and women's empowerment in existing and new training programs, especially focusing on training for male family members of women entrepreneurs;
- (vii) provide additional support to female entrepreneurs expand their business by enabling market research and linkages with industry as well as availing matching funds for enterprises with high prospect of growth and employment opportunities;
- (viii) pilot test incubation centers/innovation parks for business starters attached to training centers; and
- (ix) conduct impact studies (case study, documentaries, etc.) and facilitate symposia to share experiences and impacts of successful female entrepreneurs.

9. **Output 3: Women-targeted incentives, mentoring and on-the-job training provided to attract women into non-traditional areas.** Stereotypes associated with type of jobs women should do, family and societal norms on the mobility of girls, lack of opportunities to follow on-the-job training in the rural districts and cost of travel and accommodation to follow such training in cities, and lack of motivations to attract women into to non-traditional work areas limit girls using their skills and knowledge to be productively employed. Maximizing the existing social market campaign of SSDP, the grant project will focus on diminishing negative social norms by providing financial and mentoring support for girls with a passion to access training and be employed in emerging and non-traditional areas of jobs. This output will support a range of pilot initiatives benefitting female students, especially in lagging regions with:

- (i) identifying emerging employment opportunities for women through ISSCs;
- (ii) designing and promoting new training programs in emerging areas for high employment opportunities among young women (design, promote and provide training of trainers only, while implementation of program will be under the government funding);
- (iii) providing incentives for women to enter non-traditional but better paying employments (esp. courses on automobile repair and maintenance, building and construction, electrical, electronics, and telecommunication); and
- (iv) mentoring and coaching, as well as allowance for boarding during on-the-job training, apprenticeship, and job placement.

10. **Output 4: Gender-inclusive recruitment and working environment practices demonstrated in private sector.** Increasing women's employment requires addressing barriers existing both in informal institutions (social norms, gender biases in recruitment, discrimination and lack of gender equitable measures at workplace, etc.) and in formal institutions (regulations and legal issues affecting women's employment). The project will promote promising practices among employers by:

- (i) showcasing and recognizing innovative efforts already undertaken; and
- (ii) supporting employers who promote women's employment through innovations such as flexible working hours, home-based work, daycare for children, etc.

2. Assignment

11. The grant project will be implemented targeting lagging districts in Northern, North Western, Uva and Sabaragamuwa provinces as well as low-income urban settlements in the Western Province. The Consultant should have considerable experience working in the TVET

sector, private sector engagement, entrepreneurship development, and women's economic empowerment. MSDVT as the executing agency will manage and supervise the Consultant. ADB will be involved in planning activities and regularly monitoring progress towards the project output and outcome targets which must be achieved within three years.

12. The Consultant will be recruited through the quality- and cost-based selection (QCBS) using the quality and cost ratio of 80:20 and the full technical proposal procedures.

C. Required Qualifications and Experience

13. The national key experts of the Consultant will include the (i) Project Manager (Team Leader), (ii) Gender and Entrepreneurship Expert, (iii) Technical Advisor – Private Sector Engagement (intermittent), and (iv) Area Coordinators (3). The non-key experts may include an account and admin officer.

14. The Consultant may hire individual consultants to meet any arising needs – e.g. for evaluation, preparing some multimedia materials for dissemination of achievement. The key team members will plan and organize the activities, and source additional inputs using provisional sums under the contract with prior approval from MSDVT and ADB.

15. The Consultant, as an organization, should have demonstrated, strong organizational capacity in managing and delivering development projects while upholding good management and accounting practices acceptable to ADB. The annual project financial statements shall be subject to financial audits.

16. **Project Manager cum Team Leader (national, 36 person-months).** The Project Manager should have a graduate degree in management, social sciences, economics or other relevant fields. A post-graduate degree is preferred. S/he is expected to have at least 10 years of project management experience. Experience in coordinating with ministries and government institutions, private sector and other stakeholders; and qualifications and experience in project management (including design, monitoring and evaluation) are required. Prior management experience of donor funded project and skills development, entrepreneurship development, private sector engagement is important. The Project Manager will

- (i) lead the team of experts and be responsible for the delivery of the overall management and administration of the project,
- (ii) facilitate the design and implementation of the detailed project plan to ensure achievement of project outputs and outcomes,
- (iii) maintain strong coordination with SSDD/MSDVT and ADB through regular communication, meeting and reporting,
- (iv) lead the project coordination with TVET institutions and other development partners implementing similar projects,
- (v) ensure adequate and timely project monitoring and completion of expected deliverables, and
- (vi) ensure good management practices and accounting of all project expenses.

17. **Gender and Entrepreneurship Expert (national, 36 person-months).** This expert should possess a graduate degree in social science, gender studies and other relevant disciplines. Post-graduate degree in social science or gender studies is preferred. S/he should have at least 7 years of experience in social development, gender analysis and programming.

Experience in designing and delivering gender and/or entrepreneurship training is required. Experience in project design, monitoring and evaluation is an advantage. Prior work experience in skills or education sectors, especially in donor funded projects, is preferred. Ability to converse in both Tamil and Sinhala is important. The Gender and Entrepreneurship Expert will:

- (i) ensure the project identifies and implements innovative interventions to support empowerment of girls and women;
- (ii) design and implement the required entrepreneurship promotion programs with a gendered focus;
- (iii) design and implement interventions that promote girls entering, continuing and being productively employed in non-traditional and emerging sectors of employment;
- (iv) lead the facilitation of mentoring, coaching, and skills development (soft skills and leadership skills) of female TVET graduates;
- (v) lead the development of required training manuals and curriculums;
- (vi) build capacity of stakeholders, especially TVET institutions and ISSCs, on gender equality and women's empowerment; and
- (vii) coordinate with the Private Sector Engagement Technical Advisor in supporting the ISSCs and private sector recognition and incentivization of girl's employment

18. Technical Advisor – Private Sector Engagement (national, 18 person-months intermittently over three years). The Technical Advisor will possess a graduate degree in business administration, economics, public policy or related fields. A post-graduate degree is preferred. S/he is expected to have at least seven years of experience in private sector development, and building partnerships between private and public entities (preferably between TVET providers and industry). Experience in (i) conducting labor market research, skills gap analysis and labor force planning; (ii) working with private sector on promoting women's employment; and (iii) institutional capacity building are required. The Technical Advisor will:

- (i) ensure strengthening, formation, and evolution of ISSCs to meet the objectives of their establishment;
- (ii) facilitate development of five-year strategies, including sustainability and capacity development, of ISSCs'
- (iii) advise ISSCs and MSDVT on conducting comprehensive labor market research and skills gap analysis;
- (iv) support ISSCs to become recognized and reputed private sector organizations that coordinate with the government in addressing labor market demand; and
- (v) engage with private companies in identifying, prioritizing and implementing female-friendly work environments to promote female labor force participation.

19. Area Coordinators (3 nationals, 108 person-months). The Area Coordinators will have degrees in social science, business administration, agriculture or other relevant fields. Post-graduate degrees are preferred. They should each possess at least five years of experience in project management. Experience in project coordination with multiple agencies, skills or education sectors projects, and working with youth are required. They will be based full-time in the selected districts, and coordinate the project interventions in more than one district. The Area Coordinators will:

- (i) coordinate the project interventions with training institutions, private companies, chambers and other stakeholders at field level;

- (ii) support the Gender and Entrepreneurship Expert in designing and implementing relevant project activities on entrepreneurship and empowerment of girls and women within the specific context of given district(s);
- (iii) support the Technical Advisor in successfully designing and implementing interventions that target strengthening ISSCs and leveraging the private sector to promote employment opportunities for female (and male) TVET graduates; and
- (iv) ensure implementation and monitoring of all project interventions at field level.

D. Key Deliverables

- (i) Inception report – within three weeks of contract signing
- (ii) Quarterly progress reports with action plan for the following quarter
- (iii) Six monthly and annual monitoring reports, including review of M&E framework (annex 1)
- (iv) Project completion report
- (v) Revised entrepreneurship development training manual, advanced entrepreneurship training manual and entrepreneurship curriculum.
- (vi) Gender training manual
- (vii) Training manual for soft skills and leadership skills development of female TVET graduates
- (viii) Five-year strategy documents for ISSCs
- (ix) Impact stories and video collection
- (x) Other important documents and reports as requested by MSDVT and ADB

JAPANESE VISIBILITY

1. The Government of Japan (GOJ) is committed to support mitigation of challenges related disparity between urban areas and rural areas in Sri Lanka. It supports the empowerment of women with a primary focus on women headed households in the post-conflict villages in the northern region. Through its Country Partnership Strategy 2017–2021, ADB will assist Sri Lanka by (i) strengthening the drivers of growth aimed at promoting diversification of economic activities and enhancing productivity, and (ii) improving the quality of growth to facilitate poverty and inequality reduction. Focusing on these synergies, ADB will explore opportunities for collaborating with GOJ to promote gender equality and women’s empowerment in Sri Lanka.
2. Both the Japan International Corporation Agency (JICA) and Asian Development Bank (ADB) are members of the Development Partner Gender Working Group (DP-GWG) in Sri Lanka. DP-GWG is designing a long-term strategy to work with the Ministry of Women and Child Affairs (MOWCA) to support the government’s effort for reducing gender inequalities and empowering women. The grant project will be one of the key areas of strategic engagement with the MOWCA and it will demonstrate the contribution of GOJ for the women’s economic development in Sri Lanka.
3. The project will strengthen the existing incubation centers/technology parks which aim to help new and startup business by technical and vocational education and training (TVET) graduates, but with limited experience and capacity. The project will support the incubation centers/technology parks to provide services such as management training, office space, entrepreneurship knowledge and skills, business registration support, marketing and networks, and access to finance. Japanese technology, expertise and human resources will be sought for the establishment of the incubation center/technology park, primarily through Japanese volunteer program.
4. Initial discussion was held with Pacific Asia Resource Center Inter-Peoples Cooperation (PARCIC), a Japanese nongovernment organization (NGO) working for the economic empowerment of the women-headed households in northern Sri Lanka. The project will explore possibilities for supporting PARCIC’s efforts by for business expansions and women’s skills and economic development. The use of other Japanese NGO expertise will also be pursued through collaborative arrangements through JICA the Embassy of Japan in Sri Lanka.
5. Visibility of Japanese aid will also be ensured through the (i) attendance of a representative from the Embassy of Japan in every major event of the Japanese Fund for Poverty Reduction (JFPR) grant and loan implementation with press coverage including loan and grant signing ceremonies; (ii) systematic use of JFPR and Japan aid logos on JFPR grant correspondence, workshop material and banners, training manuals, promotion campaigns and any media publication; (iii) invitation to Japanese representatives to deliver speeches or presentations during important events, such as workshops and conferences; and (iv) clear reference to the financial contribution of the GOJ during major project activities and for major outputs (publications, press releases, speeches).
6. Guided by GOJ’s education cooperation policy launched in 2015, and reflecting commitment to the achievement of the SDG4 by 2030, JICA has set out the new position paper in education cooperation for the next five years. It presents JICA’s new vision for education cooperation: Learning Continuity, and place high value on three guiding principles: (i) trust, (ii) mutual learning for knowledge creation, and (iii) equity and inclusion. The proposed project will contribute to JICA’s four priority areas of the position paper, namely: (i) quality education for

learning improvement, (ii) education for fostering equitable and sustainable growth, (iii) education for knowledge co-creation in societies, (iv) education for building inclusive and peaceful societies. All components of the project have features that support reaching the vision and priority areas set in the position paper. Project progress and completion reports will report against these areas to demonstrate its contribution in achieving JICA's priorities.

SPECIFIC COORDINATION DETAILS WITH THE LOCAL EMBASSY OF JAPAN AND JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

1. Asian Development Bank (ADB) conducted separate meetings with the Embassy of Japan and Japan International Corporation Agency (JICA) in Sri Lanka during the project preparatory period. Mr. Sakae Waratani, First Secretary, and Mr. Kuniyoshi Ito, Second Secretary, of the Embassy of Japan supported the project proposal by acknowledging the need to address the issue of low female labor force participation in Sri Lanka at the meeting held on 20 June 2017. Mr. Waratani suggested that social norms, which are the root causes that bar female labor participation should be addressed. Mr. Ito stressed the need to engage men to promote gender equality within this project. These suggestions have been incorporated into the final design.
2. A consultation meeting was held with Mr. Toru Kobayakawa, Senior Representative, and Ms. Naoko Kato, Project Formulation Advisor, of JICA on 9 June 2017. Mr. Kobayakawa expressed his strong support to the proposed grant project. He also expressed the willingness to provide contacts of Japanese volunteers and NGOs in the skills and women's economic development sectors for coordination and increasing Japanese visibility.
3. Government of Japan's focus on gender emphasizes the need to change the consciousness of men, decision-makers and socially influential people such as administrative officials, educators, politicians and religious leaders to reform the social structure and systems surrounding women. The project will engage male decision makers including family members, educators, trainers and administrators, and policy makers to promote gender equality and diminish social norms restricting women's empowerment.
4. Supporting Sri Lanka in accelerating economic growth, JICA is committed to strengthen infrastructure to promote investment, alleviating poverty and reducing inequalities. JICA also assists the government of Sri Lanka to formulate priority projects in the areas of small and medium-sized enterprise (SME) and to realize the full potential of the tourism sector. Collaborations with these projects, primarily SME and tourism sectors, will be explored to promote women's skills and earning.
5. Another area of collaboration with JICA would be to maximize synergies between the grant project objectives and JICA's focus on poverty alleviation and regional development, and focus on improvement of lives of the conflict-affected population. The project will prioritize post-conflict communities in North and East and other lagging regions of the country. Building synergies with JICA projects having similar priority will constantly be reviewed for future collaborations.
6. The grant project will draw from the lessons and recommendations of the previous Japanese Technical Cooperation Project for the "Establishment of Japan - Sri Lanka College of Technology to Strengthen Technical Education and Training in Sri Lanka". Following one of key recommendations to have a focused and continuous effort for improving the teaching capacity of instructors when a training course is introduced, the proposed project will ensure that continues trainings are provided and competency levels are assessed when delivering trainings on entrepreneurship and gender equality.