



Report and Recommendation of the President to the Board of Directors

Project Number: 42251-019
Loan Numbers: 3119-SRI and 3120-SRI
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Proposed Results-Based Loans and Administration of Grant for Additional Financing Democratic Socialist Republic of Sri Lanka: Skills Sector Enhancement Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 February 2018)

Currency unit	–	Sri Lanka rupee/s (SLRe/SLRs)
SLRe1.00	=	\$0.00645
\$1.00	=	SLRs154.93

ABBREVIATIONS

ADB	–	Asian Development Bank
DLI	–	disbursement-linked indicator
ESMF	–	environmental and social management framework
GESIF	–	gender equity and social inclusion framework
ISSC	–	industry sector skills council
MIS	–	management information system
MSDVT	–	Ministry of Skills Development and Vocational Training
M&E	–	monitoring and evaluation
NVQ	–	national vocational qualification
PAP	–	program action plan
RBL	–	results-based lending
SSDD	–	Skills Sector Development Division
SSDP	–	Skills Sector Development Program
TVET	–	technical and vocational education and training

NOTE

In this report, “\$” refers to United States dollars.

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RESULTS BASED PROGRAM AT A GLANCE

1. Basic Data		Project Number: 42251-019	
Project Name	Skills Sector Enhancement Program - Additional Financing	Department/Division	SARD/SAHS
Country	Sri Lanka	Executing Agency	Ministry of Skills Development and Vocational Training
Borrower	Democratic Socialist Republic of Sri Lanka		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Technical and vocational education and training		100.00
		Total	100.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Gender equity (GEN)	✓
Knowledge solutions (KNS)	Pilot-testing innovation and learning		
Partnerships (PAR)	Implementation		
Private sector development (PSD)	Private Sector Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG4, SDG8		
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: B	Involuntary Resettlement: C	Indigenous Peoples: C
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		100.00	
Sovereign Results Based Lending (Concessional Loan): Ordinary capital resources		60.00	
Sovereign Results Based Lending (Regular Loan): Ordinary capital resources		40.00	
Cofinancing		3.00	
Japan Fund for Poverty Reduction - Results Based Lending (Full ADB Administration)		3.00	
Counterpart		472.50	
Government		472.50	
Total		575.50	

Note: The World Bank's \$101.5 million was approved in 2014 for 2014–2018 to support the government's sector program. It was counted as parallel cofinancing for the Skills Sector Enhancement Program approved in 2014. In the program financing plan (table 4 of RRP) of the additional financing, the full amount is divided into \$60 million for 2014–2016 and \$41.5 million for 2017–2020 for data presentation to be consistent with the Skills Sector Enhancement Program. For the program at a glance, the World Bank's financing is not reflected to avoid double counting.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on proposed results-based loans to the Democratic Socialist Republic of Sri Lanka for the additional financing of the Skills Sector Enhancement Program. The report also describes the proposed administration of a grant to be provided by the Japan Fund for Poverty Reduction (JFPR) for the additional financing of the Skills Sector Enhancement Program, and if the Board approves the proposed loans, I, acting under the authority delegated to me by the Board, approve the administration of the grant.

2. The Asian Development Bank (ADB) approved the program for \$100 million equivalent on 28 March 2014 to support the first phase (2014–2016) of the government’s 7-year Skills Sector Development Program (SSDP), 2014–2020.¹ The SSDP aims to build an efficient skills development system to meet labor market demand. The proposed additional financing will enable the government to implement the SSDP through 2020 and add value by scaling up successful program interventions and accelerating the pace of reform initiatives.²

II. THE PROGRAM

A. Strategic Context

3. Sri Lanka’s economy grew by 6.7% per year from 2003 to 2012 but has slowed down to 4.4% since 2013. The government envisions to transform its economy into a knowledge-based one and achieve upper middle-income status by 2025.³ For this, the government plans to increase investment in human capital to support economic diversification and enhance productivity.⁴

4. Sri Lanka has achieved universal primary enrollment, high secondary enrollment, gender parity in access to all levels of education, and a high adult literacy rate. But it faces significant mismatches between youth competencies and labor market demand as well as between youth aspirations and the jobs available in the market. The private sector sees the lack of skilled labor as a key constraint to business growth. One out of five men or women aged 15–24 years is unemployed, and the youth unemployment rate is more than four times higher than the overall unemployment rate. At 35.9%, Sri Lanka also has a low female labor force participation rate. Female students are outperforming male students in academic achievement at every level up to tertiary, but their labor market outcome is poor. The female youth unemployment rate is twice as high as that of male youths.⁵ Equipping youths, especially young women, with employable skills is an important strategy to decrease youth unemployment and prepare the workforce for a high value-adding economy.

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*. Manila; and Government of Sri Lanka, National Planning Department. 2014. *National Skills Development Plan of Sri Lanka, 2014–2020*. Colombo. The Skills Sector Development Program was published as the National Skills Development Plan of Sri Lanka, 2014–2020.

² ADB provided program preparatory technical assistance through ADB. 2012. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Human Capital Development Capacity and Implementation Support*. Manila.

³ Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. Colombo.

⁴ Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of National Planning. 2016. *Public Investment Programme, 2017–2020*. Colombo.

⁵ Government of Sri Lanka, Department of Census and Statistics. 2017. *Sri Lanka Labour Force Statistics Quarterly Bulletin: 2nd Quarter 2017*. Colombo.

5. Sri Lanka has a good foundation for technical and vocational education and training (TVET), including a dedicated ministry, an apex regulatory body, a training institution for TVET instructors, and several agencies to deliver TVET at different levels using diverse training delivery methods. But the TVET system faces many challenges,⁶ particularly the need to increase market relevance through private sector participation in a system dominated by public institutions. Attracting more young women into the labor force and equipping them with employable skills to increase their labor market participation is another challenge.

6. The government approved the SSDP in 2013. It is the first comprehensive, medium-term, and sector-wide development program aiming to (i) transform TVET into a market-responsive, equitable, and quality system; and (ii) improve recognition of TVET through better policies, systems, and structures. It will expand training capacity by almost 100,000 seats, while increasing private sector participation and improving quality. ADB supported the government in preparing the SSDP and a medium-term expenditure framework, building on its past assistance to TVET development. Strengthening the TVET system fully aligns with ADB's country partnership strategy, 2018–2022 for Sri Lanka and contributes to pillar 1 (promoting economic diversification and productivity enhancement) by upgrading human capital.⁷

B. Program Rationale

7. The current Skills Sector Enhancement Program supported SSDP implementation from 2014 to 2016. When the program was approved by the Board in 2014, additional financing of \$100 million was envisaged to continue supporting SSDP implementation up to 2020, subject to good performance. The program has been performing well. The program made good progress toward outcome and output targets. The employment rate of TVET graduates increased from 50% in 2012 to 57% in 2015, exceeding the target of 55%. The program exceeded or fully achieved 12 of the 17 output indicators in the design and monitoring framework, and is on track to achieve the remaining indicators. Capacity development activities and risk mitigation measures have been effective in keeping program performance on track.⁸ As of December 2017, ADB disbursed 90.5% or \$87.0 million out of \$96.1 million against 30 out of 33 disbursement-linked indicator (DLI) targets; the remaining targets are on track for achievement.

8. Beyond the results achievement, the program has clear value addition, by helping stakeholders stay focused on results rather than transactions and inputs. Focusing on results encouraged a spirit of enquiry, a willingness to learn, an openness to try new approaches and, ultimately, a greater sense of ownership of the progress achieved.⁹ This was evident in the employment-linked training program for private training providers, the performance allowance scheme for instructors, and the performance-based financing mechanism for selected training centers.

9. Continued improvement of the TVET system remains the government's top priority, as reflected in the Public Investment Programme, 2017–2020 and Vision 2025. The midterm review of the SSDP confirmed that its scope and key interventions remain technically sound, and ADB's

⁶ The challenges include the lack of qualified TVET instructors and training managers, outdated training programs and facilities, lack of coordination among many public agencies, a rigid and largely ineffective regulatory framework, limited investment to upgrade facilities and human resources, and social stigma associated with TVET and technical jobs.

⁷ ADB. 2017. *Country Partnership Strategy: Sri Lanka, 2018–2022—Transition to Upper Middle-Income Country Status*. Manila.

⁸ Summary of Program Performance (accessible from the list of linked documents in Appendix 2).

⁹ ADB. 2017. *Results-Based Lending at Asian Development Bank: An Early Assessment*. Manila.

results-based lending (RBL) modality has been effective in supporting the implementation. In the beginning of 2017, the government provided the Skills Sector Development Division (SSDD) under the executing agency, the Ministry of Skills Development and Vocational Training (MSDVT), with more experienced professionals competitively sourced from the market to strengthen the SSDD's capacity and accelerate implementation progress.

10. The program used DLIs to focus the stakeholders' efforts on critical reform areas, while strengthening program systems in fiduciary management, safeguards, monitoring and evaluation (M&E), and gender and social inclusion. It helped reorient the TVET system to focus on the employment outcome. The additional financing will scale up key interventions and achieve a higher level of outcome and output targets. It will also incorporate new results areas as DLIs to exert more influence over the SSDP. These will help deepen the ongoing reforms and ensure their sustainability beyond the program period. The additional financing will be accompanied by a grant project for women's empowerment and private sector engagement, where the government has started important reforms under the current program but needs to build up experience in successful innovations to gain momentum for larger-scale interventions.

11. Additional financing is most suitable for this support because the ongoing government program and well-established implementation arrangements promise large efficiency gains. The RBL modality will continue because it effectively promotes critical changes to the TVET system in an adequately phased but flexible manner by focusing on results rather than inputs and transactions. Stakeholders have gained significant experience in the modality. The additional financing builds on current program achievements but with necessary updates reflecting lessons so far. It will enable ADB to effectively support SSDP objectives, improve program systems, and increase their sustainability beyond the program period. The additional financing is included in ADB's country operations business plan, 2018–2020 for Sri Lanka.¹⁰

C. Program Scope

12. The scope of the current program covers the first phase (2014–2016) of the SSDP. The overall program, including additional financing (Table 1), will have the same program scope as the SSDP, except for high-value procurement contracts as 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.

¹⁰ ADB. 2017. *Country Operations Business Plan: Sri Lanka, 2018–2020*. Manila.

D. Program Results

13. The impact, outcome, and outputs of the current program will be retained for the overall program, but with scaled-up and additional targets. The overall program impact will be increased employability of the Sri Lankan workforce, particularly youths. The outcome will be a market-responsive and inclusive TVET system. Outcome achievement will be measured by the increase in TVET graduates' employment rate and successful business creation (DLI 1). The primary beneficiaries will be Sri Lankan youths who seek gainful employment. DLI targets are carefully selected to ensure (i) greater value addition from ADB financing in transforming the TVET system by setting increasingly higher targets in key results, and (ii) synergy with other ADB interventions in Sri Lanka.¹¹ The overall program outputs are described in paras. 14–17, and the DLIs are summarized in Table 2.¹²

14. **Output 1: Quality of TVET provision improved.** This output will strengthen the capacity of the Tertiary and Vocational Education Commission as the regulatory body. It will reorient the quality assurance system to focus on training outcome (i.e., student and employer satisfaction from quality training delivery) and not on training inputs and processes (DLI 2, program action plan [PAP] 1.2). MSDVT will introduce a recognition and award program for quality training centers and individual quality champions to promote a system-wide quality culture (DLI 2). It will improve the (i) articulation of competencies within the national vocational qualification (NVQ) framework for multiple, flexible pathways (PAP 1.3); and (ii) efficiency of the assessment process (PAP 1.4). The program will continuously monitor the availability of an adequate number of instructors and the performance allowance scheme that was introduced under the current program to ensure the quality of TVET provision (DLI 3).

15. **Output 2: Industry partnership for TVET planning and provision enhanced.** This output will increase private sector participation in TVET planning and provision for better alignment with market demand. Industry sector skills councils (ISSCs) will carry out skills forecasting for at least six priority sectors.¹³ MSDVT will start at least 15 training programs aligned with industry demand (DLI 4, PAP 1.6 and 1.8). At least 8,000 trainees will be trained by the private sector, especially in private companies, using an employment-linked training agreement (DLI 5). MSDVT will establish at least nine university colleges to deliver mid-level skills training demanded by the industry (PAP 1.5). This output will also support (i) provision of industry exposure training to more instructors (DLI 3); (ii) completion of on-the-job training by more graduates; and (iii) provision of skills-upgrading opportunities to in-service workers (DLI 6).

16. **Output 3: TVET participation and equitable access increased.** This output will increase TVET program enrollments to 224,000 students (DLI 6); help 35,000 workers obtain NVQ certificates through recognition of prior learning (PAP 1.4); and provide 60,000 school leavers, women, and people from disadvantaged groups with stipends for training in emerging and critical skills gap areas (PAP 1.7). To encourage women to participate in TVET and find jobs,

¹¹ Responding to the government's emphasis on employment creation, the overall program introduced a new target on the self-employment promotion loan scheme, and improved entrepreneurship development programs as well as dedicated support for women's participation in TVET and employment support. Some indicators aim to achieve greater synergy with other ADB interventions, such as (i) creating pathways from school education to TVET, supporting the government's 13-year mandatory education (DLI 6 on enrollment, in synergy with ADB's Education Sector Development Program); and (ii) new or expansion of existing training programs as informed by the Colombo-Trincomalee Economic Corridor study (DLI 4 on skills gap analysis).

¹² The design and monitoring framework is in Appendix 1.

¹³ These include (i) construction; (ii) tourism and hospitality; (iii) information technology; (iv) light engineering and manufacturing; and (v) other strategic areas for the government's economic diversification efforts, and various service sectors with many employment opportunities such as logistics, transportation, and health and care.

this output will support (i) new training programs in emerging service sectors that will hire many women; (ii) scholarship, coaching, and career guidance for women in nontraditional areas; and (iii) pilot interventions with employers to overcome barriers in employing women (PAP 6).

17. **Output 4: Sector management to implement policy, institutional, and operational reforms improved.** This output will strengthen sector management and coordination capacity by establishing a high-level interministerial committee and the SSDD in MSDVT (DLI 9, PAP 1.1 and 1.10). MSDVT will assess capacity utilization among existing facilities and reinvigorate district coordination committees to lead local resource sharing and joint activities across TVET agencies (PAP 1.8). It will pilot and expand performance-based financing in public training centers (DLI 7). This output will improve M&E (DLI 8, PAP 5); planning and budgeting (DLI 9, PAP 1.9); fiduciary capacity (DLI 8, PAP 2 and 3); and safeguards (PAP 4). A sector-wide gender equity and social inclusion framework (GESIF) will guide overall SSDP implementation (PAP 6, DLI 1 and 6).

Table 2: Disbursement-Linked Indicators

Disbursement-Linked Indicators	Disbursement Allocated (\$ million)	Share of Total ADB Financing (%)
Outcome		
1. Employability of TVET graduates	13	13
Outputs		
2. Quality assurance system	18	18
3. Vocational teacher development	8	8
4. TVET provision reflecting industry demand	10	10
5. Private sector engagement in TVET delivery	6	6
6. Increased enrollment	12	12
7. Performance-based financing	15	15
8. Coordination and implementation capacity	10	10
9. Adequate budgeting and improved spending	8	8
Total	100	100

ADB = Asian Development Bank, TVET = technical and vocational education and training.

Source: Asian Development Bank.

18. The additional financing will continue the rigorous verification protocol, including third-party verification. ADB will monitor DLI 1 using an online graduate tracking module within the MSDVT management information system (MIS). A third party will validate the data to assess system reliability, augmented by periodic tracer studies. Another third party engaged under ADB technical assistance will carry out annual fiduciary reviews (DLI 8) and spot checks for other DLIs. Partial disbursement will be allowed for DLI 6.

E. Expenditure Framework and Financing Plan

19. **Program expenditures.** The 7-year SSDP expenditure framework was updated to \$874 million to reflect actual expenditure in 2014–2016 and other adjustments (Table 3).¹⁴ The updated framework is financially feasible even under conservative assumptions. Actual expenditures in 2014–2016 account for 29% of the overall expenditure framework, with recurrent expenditures and capital spending in equipment and civil works broadly on track. Spending on knowledge enhancement (i.e., training and staff capacity development) is lower than what was budgeted in the expenditure framework, but it grew more than 15% annually from 2013 to 2016, showing improvement in MSDVT's execution capacity. Total SSDP expenditure during 2017–2020 is expected to increase significantly, subject to supportive budget allocation and further capacity enhancement.

¹⁴ Program Expenditure and Financing Assessment (accessible from the list of linked documents in Appendix 2).

Table 3: Summary of Program Expenditure Framework
(in 2017 prices)

Item	Current Program (2014–2016)		Overall Program (2014–2020)	
	Amount (SLRs million)	Amount (\$ million)	Amount (SLRs million)	Amount (\$ million)
Recurrent budget	18,709	144	47,505	365
Capital budget				
Equipment	3,627	28	14,886	115
Civil works	8,118	62	26,822	206
Knowledge enhancement	2,975	23	24,435	188
Total	33,429	257	113,648	874

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

Sources: Government of Sri Lanka, Ministry of Finance and Mass Media, and Ministry of Skills Development and Vocational Training.

20. **Program financing.** The government will provide \$547.4 million (62.6%) and development partners are expected to contribute \$326.6 million (37.4%) to the overall program. 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% per year during the grace period and thereafter; and such other terms and conditions set forth in the draft concessional loan agreement.

21. JFPR will provide grant cofinancing equivalent to \$3 million to be administered by ADB. The JFPR grant will complement the loans, and support innovative approaches in strengthening private sector engagement and women's participation in TVET and employment.¹⁵ The financing plan is summarized in Table 4. The governments of Australia and Canada, and the United States Agency for International Development provide complementary support for TVET system strengthening, which fully aligns with the SSDP, on a parallel basis.¹⁶

Table 4: 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.

¹⁵ JFPR Grant (accessible from the list of linked documents in Appendix 2).

¹⁶ Development Coordination (accessible from the list of linked documents in Appendix 2).

- ^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.

22. Disbursement arrangements. ADB will disburse its loan proceeds to the government's consolidated fund. The targets can be achieved by the end of each year indicated in the DLI matrix (Appendix 3, Table A3.1), and actual disbursement can be made by the second quarter of the following year to accommodate time taken for reporting, verification, and withdrawal application processing. The first disbursement of up to \$20 million will be after loan effectiveness and the verification of achievement of prior results, which are the targets to be achieved in 2017, as per ongoing SSDP implementation. The loan period will be until 31 December 2021 to allow adequate time for target achievement verification and disbursement. The JFPR grant project will follow the *Loan Disbursement Handbook* (2017, as amended from time to time). The grant will be implemented from 1 May 2018 to 30 April 2021.

F. Capacity Development and Program Action Plan

23. MSDVT and ADB updated the PAP developed under the current program to complement the DLI targets and further improve program systems based on implementation progress and new priorities.¹⁷ It includes key actions in specific technical areas, fiduciary management, M&E, safeguards, and gender equity and social inclusion to ensure that country systems are improved, thus making program results more sustainable. Complementing other development partners, ADB will continue providing catalytic support through an ongoing transaction technical assistance facility.¹⁸ It will also support the independent verification of DLIs and annual fiduciary reviews as described in the DLI verification protocols.

G. Implementation Arrangements

24. Implementation arrangements for the current program will continue for the additional financing loans. MSDVT is the executing agency. MSDVT, the Department of Technical Education and Training, and eight semiautonomous institutions are the implementing agencies.¹⁹ The additional financing will be implemented using the program systems described in the program implementation document.²⁰ For the JFPR grant project, MSDVT will follow ADB's Procurement Guidelines (2015, as amended from time to time), and Guidelines on the Use of Consultants (2013, as amended from time to time). The implementation period would be from January 2017 to June 2021.

¹⁷ The updated PAP, including progress in current PAP implementation, is in Table 9 of the Program Implementation Document (accessible from the list of linked documents in Appendix 2).

¹⁸ ADB. 2012. *Technical Assistance to the Democratic Socialist Republic of Sri Lanka for Human Capital Development Capacity and Implementation Support*. Manila.

¹⁹ These are the Tertiary and Vocational Education Commission, Vocational Training Authority, National Apprenticeship and Industrial Training Authority, University of Vocational Technology, Ocean University of Sri Lanka (formerly National Institute of Fisheries and Nautical Engineering), and Ceylon-German Institute of Technical Training, all under MSDVT; and National Youth Services Council under the Ministry of National Policies and Economic Affairs. The Sri Lanka Institute of Printing under MSDVT is added as an implementing agency under the additional financing.

²⁰ Program Implementation Document (accessible from the list of linked documents in Appendix 2).

III. SUMMARY OF ASSESSMENTS

A. Program Technical Assessments

25. The program made good progress toward outcome and output targets. The employment rate of TVET graduates (outcome) increased from 50% in 2011 to 57% in 2016, exceeding the target of 55% as per an independent tracer study. The program achieved, or is on track to fully achieve, most output targets (paras. 26–29).

26. **Output 1.** TVET centers with a quality management system increased from less than 1% in 2013 to 15% in October 2017. As of the end of 2016, 68% of overall TVET enrollees (both men and women) completed training. NVQ-accredited training programs increased from 13% in 2012 to 66% in 2016. MSDVT developed and implemented a comprehensive human resource development plan. The instructor vacancy ratio decreased from 44% in 2014 to 32% in May 2017, while cadre positions increased from 3,418 in 2014 to 4,213 in 2017. With ongoing recruitment efforts, the target of 30% is expected to be met by early 2018.

27. **Output 2.** MSDVT established four ISSCs in 2016 and is finalizing two sector training plans. It introduced a mechanism to outsource training and employment services to the private sector, which will provide employment-oriented training opportunities to 4,000 students by March 2018. In 2015, MSDVT established three university colleges through public–private partnerships, delivering diploma-level training programs for construction, health sciences, and information technology.

28. **Output 3.** The TVET system's capacity increased from 148,131 seats in 2012 to 188,764 seats in 2016 (target: 187,000), of which 41.1% were for women.²¹ As of December 2016, 25,878 people (21.8% women) were certified through recognition of prior learning, against a target of 12,500. During 2014–2016, more than 42,000 students received stipends to encourage TVET enrollment and completion (target: 18,000 students).

29. **Output 4.** The government introduced a sector program in 2014 and established coordination and monitoring mechanisms. MSDVT piloted a performance-based financing model in 41 training centers, against a target of 20. MSDVT and the implementing agencies signed performance partnership agreements for better results accountability and alignment between the annual agency work plan and budget and the SSDP focus. MSDVT also adopted a GESIF and allocated budget and staff for its implementation from 2017.

30. The program achieved 90.5% disbursement against 30 out of 33 DLI targets as of December 2017. Three outstanding targets are on track for full achievement by March 2018. ADB extended the current loans' closing date from 30 June 2017 to 31 March 2018 to allow MSDVT to achieve the remaining targets.

31. The additional financing will help MSDVT achieve new DLI targets for 2017–2020. It will scale up outcome and output performance targets, and add new indicators to seek higher value addition from SSDP implementation. It proposes 51 new DLI targets to (i) encourage continuous TVET system expansion and improvement in quality and relevance, (ii) deepen ongoing reforms and encourage new reforms, and (iii) help institutionalize key interventions for sustainability.

²¹ Tertiary and Vocational Education Commission. 2017. *Labour Market Information Bulletin*, Vol. 02/2016. Colombo.

32. The additional financing is categorized *gender equity as theme* because it will raise women's participation in TVET and more productive employment through self-employment and formal sector jobs. Of the 51 new DLI targets, 10 are for women: four under DLI 1 employment; two under DLI 5 employment-linked training program, and four under DLI 6 enrollment. MSDVT will continue implementing the comprehensive GESIF developed under the current program, and ADB will monitor the progress under the PAP. The accompanying JFPR grant project will enhance female entrepreneurship development, introduce training programs to increase job opportunities for young women and their participation in nontraditional occupational areas (such as auto mechanics or electricians), and pilot innovative approaches with the private sector to increase female employment and retention.

B. Program Systems Assessments

33. ADB reviewed the assessments for the current program and updated them, highlighting (i) the effect of system strengthening through PAP implementation, and (ii) any areas for further improvement during the additional financing implementation. ADB and MSDVT updated the PAP for continued risk mitigation during the remaining implementation period.

34. **Monitoring and evaluation system.** The M&E system improved under the current program. The SSDD is responsible for M&E coordination, supporting regular monitoring meetings and reporting. It is leading the development of a real-time, online MIS, which automates student and resource administration at training centers and provides real-time data that can support decision-making. Under the additional financing, the updated PAP will focus on the remaining MIS development and deployment, data integrity, adoption of a decision support module (i.e., dashboard), and analytical capacity strengthening. The program includes three DLI targets to strengthen the MIS, especially for graduates' employment tracking (DLI 9).²²

35. **Fiduciary systems.** The program followed country public financial management systems, with measures to strengthen the program system included in the PAP and DLIs. The measures to mitigate identified risks proved satisfactory, reducing the overall fiduciary risk rating from *substantial* to *moderate*. The mitigation measures will continue under the additional financing. DLI 8 will motivate MSDVT and the implementing agencies to institutionalize good procurement practices. ADB conducted a financial management and procurement capacity assessment for an additional implementing agency, the Sri Lanka Institute of Printing. The Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs were explained to and discussed with MSDVT.²³

36. **Safeguard systems.** The program's safeguard classification—*category B* for the environment, *category C* for involuntary resettlement, and *category C* for indigenous peoples—will be retained for the additional financing. The program's safeguard performance has been satisfactory. MSDVT (i) adopted an environmental and social management framework (ESMF) for the SSDP; (ii) established a safeguard cell with an environmental safeguard officer and engineers at MSDVT, and focal officers at the implementing agencies; (iii) conducted periodic, needs-based safeguard training for staff, supervision consultants, and contractors on the requirements of the ESMF; and (iv) used a screening checklist for all civil works, and conducted periodic monitoring and random site visits. No outstanding safeguard issues or grievances need to be dealt with. MSDVT will continue with safeguard actions in the PAP. MSDVT updated the ESMF to reflect implementation experience.

²² Program Monitoring and Evaluation System Assessment (accessible from the list of linked documents in Appendix 2).

²³ ADB. 2013. *Piloting Results-Based Lending for Programs*. Manila (Appendix 7).

C. Integrated Risk Assessment and Mitigating Measures

37. The current program's risk mitigation measures through selected DLIs and the PAP were successful. The additional financing will continue the measures with necessary updates. Major risks and mitigation measures are summarized in Table 5.²⁴

Table 5: Summary of Integrated Risk Assessment and Mitigation Measures

Risks	Ratings	Key Mitigation Measures
Results		
Private sector engagement in TVET planning and provision is insufficient to ensure relevance of TVET to market demand.	Substantial	Development partners will support ISSCs in building capacity in human resource development services and promoting the importance of a skilled workforce among industry members. MSDVT will continue to engage ISSCs in TVET planning and provision.
MSDVT lacks experience in several new initiatives and reform agenda within the large sector program context.	Substantial	SSDD is strengthened with market-sourced staff to support SSDP implementation and coordination with the implementing agencies. A steering committee is created to focus on strategic issues and bottlenecks in the reform agenda and create synergies with other initiatives.
Expenditures and financing		
MOF&MM budget allocation may not be aligned with the MTEF requirements.	Substantial	MSDVT and the MOF&MM will adhere to the MTEF for the SSDP. SSDD will continue to support weaker implementing agencies' procurement processes to improve absorption capacity.
Fiduciary		
Existing internal audit, accounting, and procurement capacity of staff has several gaps, especially in smaller implementing agencies and due to staff turnover.	Moderate	Staff capacity development plans, including training and additional staff recruitment, will be implemented. Annual fiduciary reviews will help MSDVT continuously improve the program fiduciary systems.
Overall RBL program risk	Substantial	

ISSC = industry sector skills council, MOF&MM = Ministry of Finance and Mass Media, MSDVT = Ministry of Skills Development and Vocational Training, MTEF = medium-term expenditure framework, RBL = results-based lending, SSDD = Skills Sector Development Division, SSDP = Skills Sector Development Program, TVET = technical and vocational education and training.

Note: Risk factors are assessed against two dimensions: (i) the likelihood that the risk will occur and (ii) the 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.

IV. ASSURANCES

38. The government and MSDVT have agreed with ADB on certain covenants for the RBL program, which are set forth in the loan and grant agreements.

V. RECOMMENDATION

39. I am satisfied that the proposed results-based loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the loan of \$40,000,000 to the Democratic Socialist Republic of Sri Lanka for the additional financing of the Skills Sector Enhancement Program, from ADB's

²⁴ Integrated Risk Assessment and Mitigating Measures (accessible from the list of linked documents in Appendix 2).

- ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 20 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board; and
- (ii) the loan of \$60,000,000 to the Democratic Socialist Republic of Sri Lanka for the additional financing of the Skills Sector Enhancement Program, from ADB's ordinary capital resources, in concessional terms, with an interest charge at the rate of 2% per year during the grace period and thereafter; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

6 March 2018

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)	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>1c. By 2020, 80% of TVET enrollees, both male and female, graduated (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</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</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>exposure training (2016 baseline: 25.7%) (DLI 3)</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</p>	<p>development and/or training records</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>	

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>(2017 baseline: not applicable) (DLI 1)</p> <p>3e. At least five new training programs conducted to improve 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:</p>	<p>3e. SSDD's ASPR</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>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>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.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=42251-019-3>

1. Loan Agreement: Concessional Loan
2. Loan Agreement: Regular Loan
3. Grant Agreement: Japan Fund for Poverty Reduction
4. Country Economic Indicators
5. Summary Sector Assessment: Education (Technical and Vocational Education and Training)
6. Program Soundness Assessment
7. Program Results Assessment
8. Program Results Framework
9. Program Expenditure and Financing Assessment
10. Program Monitoring and Evaluation System Assessment
11. Program Fiduciary Systems Assessment
12. Integrated Risk Assessment and Mitigating Measures
13. Contribution to the ADB Results Framework
14. Development Coordination
15. Summary Poverty Reduction and Social Strategy
16. Program Implementation Document
17. Program Safeguard Systems Assessment
18. Program Action Plan
19. Summary of Program Performance
20. Japan Fund for Poverty Reduction Grant

Supplementary Documents

21. Environment and Social Management Framework
22. Gender Equity and Social Inclusion Framework

DISBURSEMENT-LINKED INDICATORS, VERIFICATION PROTOCOLS, AND DISBURSEMENT SCHEDULE

Table A3.1: 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 A3.2: 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>
<p>DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas</p>			
<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 A3.3: Disbursement Schedule
(\$ million)

Disbursement-Linked Indicators	Total ADB Financing Allocation	Share of Total ADB Financing (%)	Prior Results	2018 ^a	2019 ^a	2020 ^a
DLI 1: Employability of graduates from quality assured TVET programs increased	13	13	1	3	2	(i) 2 / (ii) 5
DLI 2: Improved quality assurance mechanism	18	18	(i) 2 / (ii) 2	(i) 3 / (ii) 1	(i) 3 / (ii) 1	(i) 3 / (ii) 1 / (iii) 2
DLI 3: Increased availability of effective teaching staff in priority and emerging skill shortage areas	8	8	2	2	2	2
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
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
DLI 7: Increased efficiency in utilization of TVET sector resources including performance based financing	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	(i) 1 / (ii) 1	(i) 1 / (ii) 1	(i) 1 / (ii) 1	(i) 1 / (ii) 1
Total	100	100	20	24	25	31

ADB = Asian Development Bank, DLI = disbursement-linked indicators, TVET = technical and vocational education and training.

^a The years are indicative schedules for target achievement. Actual disbursement will be made by the second quarter of the following year to allow verification and withdrawal application processing.

Source: Asian Development Bank estimates.