SUMMARY SECTOR ASSESSMENT: EDUCATION (TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING)

A. Sector Performance, Problems, and Opportunities

1. **Context.** Sri Lanka is a middle-income country with a per capita income of $3,889 in 2015, which is projected to increase to $4,622 by 2020.[1] The economy grew by 5.1% on average between 1980 and 2008, and with the end of civil conflict in 2009 rebounded to above 8.0% for 2009–2012. Since then, gross domestic product growth has slowed to about 5% as global economic growth remained sluggish.[2] Both the World Bank and the Asian Development Bank (ADB) project that Sri Lanka's economy will continue to grow at above 5% over the immediate term (2017–2019). The country clearly needs to invest in human capital to remain competitive globally in the rising competition and to avoid the middle-income trap. Recent government policy statements have indicated a renewed focus on increasing social sector spending, including a gradual increase in education spending from about 2% of the gross domestic product toward a 6% target by 2020.

2. Sri Lanka's workforce is better educated than that of other countries in the South Asia region. However, significant room remains to translate the high education attainments into economic competitiveness. On average, students attend school for about 10 years, which is comparable to developed countries. The 2016 Global Competitiveness Index by the World Economic Forum ranked Sri Lanka 38th for skills of the current workforce, which is higher than some Organisation for Economic Co-operation and Development countries, but Sri Lanka is ranked 71th out of 138 countries in the overall competitiveness index (footnote 1). The World Bank also notes that many firms list "inadequately educated labor" as one of the key constraints to their business.[3] Sri Lanka has a relatively low unemployment rate, 4.2% in the fourth quarter of 2016, but youth unemployment is significantly higher at 21.0% (ages 15–24) and 9.6% (25–29).[4] In 2015, of the almost 7.8 million workers, 22.6% were engaged in unskilled or low-skilled occupations where productivity is low and jobs are mostly in the informal sector. Informal sector employment accounts for 60% but varies across economic subsectors (86% in agriculture, 56% in food and accommodation services, 49% in manufacturing).[5] In 2015, an additional 245,998 workers found jobs overseas, of whom about 60% were employed as household help or unskilled workers.[6]

3. Increasing the competitiveness of the economy requires an efficient technical and vocational education and training (TVET) system to support skills formation linked with movement up the value chain (footnote 1). The need for cutting-edge improvements in TVET is further promoted by the government so as to curb (i) high youth dropouts from formal education without employable skills; (ii) high unemployment among educated youths, particularly women; and (iii) shortages in skilled labor and a low labor force participation rate (54%), which is among the lowest in South Asia. The government proposes in its Public Investment Programme, 2017–2020 to improve the TVET system to better meet industry skills needs and support economic

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1 World Economic Forum. 2016. *The Global Competitiveness Report 2016–2017.* Geneva; and International Monetary Fund. 2017. World Economic Outlook Database (accessed in April 2017).
2 ADB. 2017. *Asian Development Outlook*. Manila.
3 World Bank. 2013. *Sri Lanka: Building the Skills for Economic Growth and Competitiveness*. Washington, DC.
4 Government of Sri Lanka, Ministry of Finance and Mass Media, Department of Census and Statistics. 2016. *Quarterly Report of the Sri Lanka Labour Force Survey, Fourth Quarter.* Colombo.
5 Government of Sri Lanka, Ministry of National Policies and Economic Affairs, Department of Census and Statistics. 2015. *Sri Lanka Labour Force Survey, Annual Report*. Colombo.
6 Government of Sri Lanka, Tertiary and Vocational Education Commission. 2015. *Labor Market Information Bulletin Vol 02/15.* Colombo.

transformation through higher inclusive growth.[7] The government is also considering a 13-year mandatory education policy, which would significantly increase TVET intake.

4. **Sector constraints and challenges.** At the time of the program appraisal in 2013, several studies highlighted the constraints and challenges of the TVET system. Some improvements were made under the Skills Sector Development Program (SSDP, 2014–2020). These underpin this sector assessment.[8] The key problems were:

(i) **Limited access and focus on mid-level skills training.** In 2012, about 148,000 people were enrolled at public, private, and nongovernment organization training providers. Each year, about 245,000 students who enroll in secondary school will become available for skills training either as a result of dropping out of the school system or through graduating and not being able to secure a place in higher education locally or abroad. Annually, about 64,000 youths enter the workforce without vocational skills and remain less paid or underemployed. By 2016, the enrollment capacity had increased to about 189,000. Current capacity (staffing, workshop facilities, and equipment) needs to expand further to train those additional students seeking TVET services. TVET courses should better reflect industry needs and provide opportunity for mid-level skills, particularly for students who graduate from the school system. In 2012, only 2.2% of the workforce was trained in mid-level skills (compared with 23.0% in the Republic of Korea).[9]

(ii) **Relatively low market relevance of TVET provision.** Employment outcomes for TVET graduates average about 57%, which is higher than 50% in 2012 and compares favorably with other countries in the region but remains uneven across different agencies. While the Ceylon German Technical Training Institute performs well with 73% of graduates securing jobs, some other training agencies achieve employment outcomes of only about 48%.[10] This indicates lack of relevance of skills training to actual labor market demand. Of total enrollments, electrical, electronics and telecommunication, information technology, finance, languages, and management courses account for 31% of public provision (29% of private provision) (footnote 6). The system has been classroom-bound and inflexible with little emphasis on structured on-the-job training. Course contents were not linked to known occupational outcomes or skills sets required by employers. Improvements are being made, so that a greater variety of training and more flexible delivery mechanisms would benefit the economy and increase access to TVET by disadvantaged groups, school leavers, and in-service workers who wish to upgrade their skills.

(iii) **Inadequate quality of TVET provision.** The TVET system has been constrained by limited availability of instructors, assessors, and training managers; and inconsistent quality in training provision. In addition to improving salaries and recruitment practices to ensure that qualified practitioners with industry experience are deployed throughout the TVET system, systemic improvements to strengthen teaching performance and quality have been implemented, such as (i) expanded use of contractual instructors and industry

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[7] Government of Sri Lanka, Ministry of Finance and Mass Media. 2016*. Public Investment Programme, 2017–2020 (Chapter 2: Knowledge and Skills for Excellence).* Colombo.

[8] These have been summarized from ADB. 2013. *Sri Lanka: Country Report on TVET.* Consultant's Report. Manila (RETA-6337); reports from development partners such as the Government of the Republic of Korea, the World Bank, and from several Sri Lankan studies (such as Government of Sri Lanka, Ministry of Youth Affairs and Skills Development. 2011. *TVET Task Force Report.* Colombo).

[9] International Labour Organization. 2013. *Labour Force Statistics*. Geneva.

[10] ADB; Government of Sri Lanka, Ministry of Skills Development and Vocational Training; and Tertiary and Vocational Education Commission. Tracer Study on Technical and Vocational Education Graduates' Employment in Sri Lanka. Unpublished.

specialists; (ii) performance-oriented teaching provision with a greater emphasis on graduate employment outcome; and (iii) systematic professional development that links salary progression to completion of continuous technical upgrading by instructors through return-to-work programs and further education. These were incorporated in the TVET human resource development policy and are being implemented since 2014. TVET instructor vacancies have decreased from 44% in 2014 to 32% in May 2017. Through improvement and regular maintenance of training programs, practitioners should be able to work with employers to adjust training materials and provision to ensure that they remain linked to employment and industrial development objectives. These reforms are critical to improving the quality, the results, and the efficiency of public expenditure in the TVET system.

(iv) **Weak quality assurance system.** The Tertiary and Vocational Education Commission (TVEC) is the apex body for TVET, and custodian of the national vocational qualification (NVQ) system. Limited staff within TVEC reduces its regulatory capacity and undermines its potential to inform policymakers. By 2014, among TVET training institutions, only 40% (or 1,084) had been registered with TVEC.[11] Registered training institutions increased to 1,353 by the end of 2015. Quality in training provision is managed through the NVQ system. NVQ certification is a requirement for employment in the public sector and, since September 2012, is a requirement to access overseas employment through the Bureau of Foreign Employment. A baseline survey of the TVET system commissioned in 2014 by TVEC reveals that only 26% of the 9,522 training programs in the overall TVET system are conducted in line with NVQ standards (footnote 11). In 2016, NVQ-accredited training programs increased to 66%. While flexible service delivery approaches should be supported, consistent quality and performance standards should be applied to ensure that users have clarity on what skills result from training programs, with clear industry endorsement to improve graduate employability.

(v) **Limited private sector engagement.** Progress was made under the SSDP to involve private participation, but the role of the private sector needs further expansion in the largely supply-driven system. Employers are not encouraged to drive policy, guide service delivery, or monitor quality. Low job placements, lengthy delays in securing employment, and limited availability of higher skills training programs to acquire skills in demand have meant that the public perception of TVET as a credible alternative to formal education at a post-secondary level remains low. The lack of mid-level skills training available for employers continues to feed perceptions that TVET is for low skills only. Employers are increasingly frustrated by the lack of attention to meeting their skills requirements, particularly mid-level skills. There is little provision for industry to deliver training or assess skills. The newly established industry sector skills councils started to guide the setting of training standards or approve training courses. Through this formal and coordinated industry engagement, the TVET system is expected to be better aligned with industry development.

(vi) **Sector management, coordination, and planning.** Skills development in Sri Lanka is delivered by myriad agencies within a complex web of governance systems (e.g., registration, accreditation and certification requirements, agency laws and regulations). As the government has transferred key TVET delivery agencies to the Ministry of Skills Development and Vocational Training (MSDVT), the benefits of (i) coordinated delivery nationwide, (ii) economies from shared resources, (iii) consistent outcomes from training

[11] TVEC. 2015. *Baseline Survey of the TVET Sector*. Colombo.

provision, (iv) employer engagement, and (v) expansion of the quality-assured NVQ system have progressed under the SSDP. The SSDP is implementing an integrated and coordinated management information system to enable graduate tracking, skills-gap analysis, provision planning, teacher training, and the linking of agency performance to funding. Efforts are being made to remove duplication of regulatory systems and training programs offered by training agencies, particularly the National Apprentice and Industrial Training Authority, Vocational Training Authority, and Department of Technical Education and Training. The TVET system will benefit from continued efforts for better planning, coordination, and management capacity to remove duplication and accelerate skills development activities that support business development and focus on graduate employment.

(vii) **Low and inefficient TVET financing.** In 2015, public expenditure allocated to the TVET system through MSDVT was SLRs8 billion or 0.37% of total government expenditure (3.6% of total education expenditure).[12] More investment is required in districts where training opportunities are limited, and efforts should be made to increase enrollment of women and the poor in areas where employment opportunities are high. Through results-based lending from ADB and the World Bank, the TVET budget is increasingly linked to performance or achievement of results. Innovation in TVET provision gets more funding, and agencies are encouraged to introduce new programs. More incentives should be introduced for employers to engage in the public TVET system, to upskill the existing workforce, or to create opportunities for new entrants to gain skills.

B. Sector Strategy

5. **The Skills Sector Development Plan.** The government's development vision up to 2020 stresses the importance of its commitment to TVET expansion and improvement (footnote 7). Restructuring and repositioning of the TVET system to better meet the needs of the industry and national development objectives began in 2012 and resulted in a clear reform agenda and development strategy. A TVET Sector Development Plan was completed in August 2013 and was then subsumed into the broader SSDP, incorporating the activities of key ministries in November 2013 and reflected in the 2014 budget. The Ministry of Youth Affairs and Skills Development, later renamed MSDVT, is the main line ministry to coordinate the implementation of the SSDP. An interministerial committee consisting of key ministries in skills development was established and had the first meeting in 2014 to coordinate and monitor the implementation of the SSDP with representation from eight ministries. The SSDP has also set up a program steering committee chaired by the secretary, MSDVT to coordinate interagency activities to improve the program synergies and to closely monitor the implementation of activities of each agency.

6. **Key features of the government's development program.** The SSDP is a comprehensive 7-year road map that articulates the skilling strategy of the government and features a series of policy reforms, key sector result indicators, and performance objectives to be monitored by a high level interministerial committee chaired by the secretary, Ministry of National Policy and Economic Affairs. Five key result areas established in the SSDP are: (i) improving quality; (ii) improving relevance; (iii) improving access; (iv) improving recognition of vocational education and training; and (v) improving supportive policies, systems, and structures. To support achievement of the specified targets in each result area, the government has aligned investment to underpin implementation of the SSDP through (i) introduction of a technology stream in the

[12] Government of Sri Lanka, Ministry of Finance and Mass Media. 2012. *Annual Report 2012 (Chapter 8: Expenditure Review).* Colombo.

secondary schooling system, which is being supported through ADB's Education Sector Development Program;[13] (ii) recruitment of qualified trainers and a system for ongoing professional development linked to performance allowance; (iii) establishment of industry skills sector councils to determine training standards and improve curricula; (iv) provision of modernized equipment aligned to identified skill needs; and (v) improved TVET management, i.e., planning, monitoring, and delegation of responsibility with greater autonomy to training agencies and providers to achieve sector results. A comprehensive management information system is being implemented to ensure TVET-wide data availability and enable performance monitoring and reporting of progress in meeting specified SSDP objectives and targets.

C. ADB Sector Experience and Assistance

7. ADB has supported TVET since 1982 through a series of investment projects. Two earlier ADB projects—the Skills Development Project and the Technical Education Development Program—provided the building blocks for the Skills Sector Enhancement Program.[14] The Skills Development Project was implemented between 2000 and 2007 with the goal of enhancing youth employment. It had four components: (i) improving quality and relevance of skills development, among others by introducing a competency-based training system—this included developing 45 NVQs for levels 1–4; (ii) upgrading facilities and the capacity of institutions and training centers or colleges; (iii) ensuring efficient resource mobilization and sustainability; and (iv) strengthening nongovernment organization and public sector participation. A validation report on this project concluded that significant progress had been made toward a national TVET system with the development of frameworks and competency standards. The Technical Education Development Program was implemented in 2006–2011 and focused on developing and implementing NVQs for levels 5 and 6. Nine technical colleges under Department of Technical Education and Training—one in each of the nine provinces, including three with funds from Japan International Cooperation Agency and from German development cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit—were upgraded to offer NVQ 5 and 6 programs and were classified as colleges of technology. The existing instructor training and curriculum development institution, the National Institute of Technical Education in Sri Lanka, was upgraded to offer degree-level programs and renamed University of Vocational Technology.

8. ADB assisted the government in formulating a TVET system development plan, which later evolved into the SSDP. ADB's results-based lending program—the Skills Sector Enhancement Program—has supported the first phase of SSDP implementation from 2014 to 2017. Building on the previous project lending support, it leverages the government's sector expenditure framework and other development partners' support to push the system transformation as envisioned by the SSDP. The implementation is on track with strong country ownership. The proposed additional financing will enable ADB to continue supporting the SSDP until 2020, significantly contributing to the transformation of Sri Lanka's TVET system.

[13] ADB. 2013. *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 Education Sector Development Program*. Manila.

[14] ADB. 1999. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Skills Development Project*. Manila; ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Technical Education and Development Project.* Manila.