

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Sri Lanka	Program Title:	Skills Sector Enhancement Program – Additional Financing
Lending Modality:	Results-based lending for programs	Department/ Division:	South Asia Department Human and Social Development Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY**Targeting classification:** general intervention**A. Links to the National Poverty Reduction and Inclusive Growth Strategy, and Country Partnership Strategy**

In its Public Investment Program, 2017–2020, the Government of Sri Lanka emphasizes the need for the modernization of the country's skills sector to ensure access, quality, and relevance.^a In this context, the government expects technical and vocational education and training (TVET) to provide the competencies and technological skills required for rapid economic growth and social development by continuing to implement the strategies outlined in the Skills Sector Development Program (SSDP), 2014–2020.

The proposed additional financing to the Skills Sector Enhancement Program of the Asian Development Bank (ADB) aims to further strengthen the implementation of the SSDP by better aligning the national TVET system with industry requirements, expanding equitable access, improving quality, and improving coordination and management for more efficient and effective use of resources to meet the skills requirements of the national economy for accelerated growth. The program is expected to lower youth unemployment and help Sri Lankan workers gain higher levels of skills to access higher-paying jobs, both in domestic and overseas markets, thus contributing to the medium-term development objectives. The program is consistent with ADB's country partnership strategy (CPS), 2017–2021 for Sri Lanka and aligns with its two major pillars—strengthen the drivers of growth along with promoting diversification of economic activities and enhance productivity (pillar 1), and improve the quality of growth to promote inclusiveness (pillar 2).^b

B. Results from the Poverty and Social Analysis during Assessments of the Program and its Systems

1. Key poverty and social issues. Rapid economic growth in the post-conflict era, along with extensive coverage of government-financed education and health-care systems, led to a significant drop in poverty from 15.2% in fiscal year (FY) 2007 to 6.7% in FY2013. However, poverty reduction was uneven spatially. It was relatively high in the estate sector (10.9%) and the rural sector (7.6%), while being low in the urban areas (2.1%). Some districts in the Northern, Eastern, and Uva provinces have high incidence of poverty ranging from 19% to 29%. It is estimated that a significant percentage of the population is just above the official poverty line, making them vulnerable to an adverse exogenous or endogenous economic shock, or natural calamity. Inequality remains high and persistent, too. The share of income of the bottom two deciles has declined somewhat from 4.8% in FY1996 to 4.5% in FY2013, while that of the top two deciles increased from 51.3% to 52.9%. The general unemployment rate was 4.5% (7.1% female) in 2017, but it was higher among the youths (at 20.0% for those aged 15–24 years and 11.3% for those aged 25–29) and especially among young women (29.1% and 17%). Unemployment for educated youths was at 6.0% (ordinary level) and 8.2% (advanced level or above), or 8.3% and 11.8% for women.^c Increasing youth unemployment, especially among the educated, concerns the government as large public financing goes to education. Most informal workers have less education than formal workers. It is estimated that over 2 million Sri Lankan workers are employed abroad at any given time, but most of them are categorized as unskilled workers. Training the new entrants and the existing workforce in job-relevant, higher-level skills will increase their employability, income, and bargaining power in overseas labor markets. The social value system, however, prioritizes university degrees over TVET qualifications; and parents, school teachers, students, and school leavers are not aware of the employment prospects and potential economic benefits of TVET training and qualifications. The government is committed to transforming, through the SSDP, the current TVET system for better industry relevance, quality, and equitable participation across the country. It will also increase the efficiency of public expenditure by introducing strong performance orientation through results-based financing.

2. Beneficiaries. Target beneficiaries include over 300,000 school leavers and graduates joining the labor market each year, as well as the existing workforce, especially those engaged in informal sector and overseas jobs (footnote a). As the current TVET system offers 174,000 seats, training capacity should be increased drastically to cater for the skills development needs. The program will step up private sector training provision to expand the capacity and increase the relevance of TVET. The program will expand flexible delivery and recognition of prior learning for the existing workers to access the TVET system. The program will also introduce a targeted stipend program to encourage disadvantaged groups and women to participate in training for emerging and skills-shortage areas that offer high employment chances. Career counseling and social marketing will also be strengthened to prepare TVET entrants and graduates for training and ensuing jobs, and increase social awareness of the benefits of TVET. Human resource services of the industry sector service councils (ISSCs) will be strengthened to engage in TVET planning and provision and to promote the importance of a skilled workforce among industry members. The accompanying grant will pilot innovations that promote women's employment, especially in nontraditional jobs and in the private sector.

3. Impact channels. The program will increase access to TVET, improve quality and relevance of the training, and improve the efficiency of public spending on TVET. The program is expected to increase youth employment and contribute to higher incomes (associated with higher qualification and skills) of new and existing workers (direct impact on poverty reduction). It will also improve health and safety of trainees during on-the-job training, improve self-esteem and social status of workers, and increase productivity of public expenditure (indirect impact). The accompanying grant will further support female enrollment and employment in nontraditional jobs, through a set of pilot initiatives, leading to

the economic and social empowerment of women and girls.

4. Other social and poverty issues. Sri Lanka records one of the lowest rates of labor force participation (54.7%) in South Asia, mainly because of the very low participation by women (35.9%) (footnote c). With slower population growth than in other neighboring countries, Sri Lanka needs to increase overall labor force participation. Creating jobs and increasing job retention for women, in particular, is essential. This will require more comprehensive strategies that may include affirmative action for women's employment, creating respectful jobs to overcome the cultural norms and practices for women, and support mechanisms in families, communities, and public policies to lessen the burden on working mothers.

5. Design features. The program will increase participation of disadvantaged groups in TVET by expanding available seats and providing a targeted stipend scheme. This will be pursued by the implementation of the gender equality and social inclusion framework (GESIF), which underpins strategies to integrate disadvantaged groups into TVET education and employment. It will also expand flexible training delivery and recognition of prior learning for the existing workforce, including those in the informal sector, to increase their chance to upgrade their skills and move to the formal sector. TVET institutions will promote female enrollment in TVET, particularly in nontraditional sectors for girls and women to improve their employment opportunities in higher-income jobs. Entrepreneurship development training and complementing the self-employment loan scheme of the government for TVET graduates to initiate businesses will further enhance opportunities for employments. Career guidance strategies will provide information on high-demand sectors, career pathways, and potential earnings. Social marketing will be used to ensure equal access, encourage female participation in nontraditional vocations, and provide outreach to marginalized communities.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and proposed program activities. Throughout the design phase, regular meetings were held with stakeholders to assess sector issues and discuss the program design. Regular briefings were held with the heads of the Ministry of Skills Development and Vocational Training (MSDVT) and TVET agencies, agencies' higher-level officials, and representatives of development partners. Over 50 private and public training institutes were visited to review the status of training delivery, quality assurance measures, and the operation of career guidance and counseling units; and to assess the existing institutional arrangements and capacity, including accessibility for under-represented groups. A tracer study of over 2,000 TVET graduates (42% female graduates) was conducted in 2016, which collected quantitative and qualitative beneficiary feedback on the TVET system, through telephone-based surveys as well as focus group discussions (in four districts) and life history components. Key person interviews with employers, representatives, and government organizations were also carried out. The program will strengthen the engagement of ISSCs^e in TVET planning and delivery through (i) industry working groups to validate skills gap analysis, training plans, competency standards, and curricula; and (ii) introduction of a purchasing model whereby an employer can deliver training to bridge the skills gaps. A student tracking system will be established to ensure that feedback from students and graduates can inform the TVET system improvement. The program will also introduce a targeted stipend program to encourage the participation of disadvantaged groups, including women in TVET.

2. Civil society organizations. In addition to the engagement of employers' organizations and professional bodies, civil society organizations providing TVET will also benefit from the program through access to curricula, assessment, quality management systems, as well as opportunities for public-private partnerships.

3. Forms of civil society organization participation envisaged during program implementation.

Information gathering and sharing (high) Consultation (medium) Collaboration (medium) Partnership (medium)

4. Participation plan. Yes No The government's SSDP will implement social marketing and stronger career counseling to improve public perception of TVET, increase participation of disadvantaged groups, inform prospective and existing trainees about the benefits of TVET, and the world of work for successful transition from school to job. Therefore, a separate participation plan will not be prepared.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: gender equity

1. Key issues. Unemployment rates of women are more than double those of men at all age levels, and economically active women are concentrated in unpaid family work, especially in agriculture. Over half the female labor force is engaged in economic activities in the low-skill, low-income informal sector. Public TVET providers enrolled 106,683 trainees, of which 41.2% were women. Private providers enrolled 45,522 trainees, of which 54.8% were women. Enrollment patterns indicate gender imbalances in specific courses (nursing, care-giving, and office management) with low levels of female participation in technical courses that would lead to higher-paying jobs. Social barriers on women's employment and gender stereotypes on types of work women should do, lack of jobs outside of Colombo, and socio-cultural and economic challenges associated with rural young girls entering jobs in Colombo further aggravate the problem of female unemployment.

2. Key actions. The program will help solve key gender issues, such as making access to TVET more equitable, boosting female participation in nontraditional vocations, and raising awareness of the potential benefits of TVET education. MSDVT will implement the GESIF, which will deliver a range of activities to address issues of female participation in TVET and employment. The framework will cover strategies to provide equal training opportunities for girls, women, and vulnerable groups in the demand-driven priority occupations. The social marketing campaign will further target these groups. The strengthened career guidance services and TVET teacher training programs will be gender sensitive. Female participation in ISSCs will be encouraged. Qualifications and curriculum development will be

