

*The views expressed in this case study are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the government they represent. ADB does not guarantee the accuracy of the data included in this case study and accepts no responsibility for any consequence of their use. The countries listed in this case study do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.*

## MATCHING SKILLS AND LABOUR MARKETS IN SRI LANKA: RESULTS-BASED LENDING AS REFORM VEHICLE

### HIGHLIGHTS:

- The technical and vocational education and training (TVET) sector in Sri Lanka is reforming at sector level because of strong early champions in the Ministry of Finance and Planning (MoFP) and, subsequently, change agents at sector level with strong network and knowledge both about the MoFP and the sector agencies.
- Initial roadmaps for reform produced by technical assistance were slowly taken over by government and modified to a better fit to the context.
- Results-Based Lending may under these conditions hold good promises as a vehicle for support to reform – not least if flexibility is maintained to incorporate lessons learned under implementation.

### SUPPLY-DRIVEN TRAINING, QUALITY CONCERNS, LIMITED EMPLOYABILITY – AND A PUSH FOR REFORM

Despite several noteworthy milestones, TVET in Sri Lanka faces unresolved and emerging challenges, including human resource issues, quality and relevance of TVET programs, employability of graduates and the accessibility, efficiency, and effectiveness of training delivery systems. The professional preparation of teachers and inadequate participation by industries (users) in the design and delivery of TVET courses is another concern; and so is the inadequate quality assurance and quality control systems. TVET efforts are fragmented and spread over several ministries, departments and agencies, both private and public, with different and sometimes overlapping legal mandates.

Until 2011, most attempts to improve TVET had been piecemeal and projectized, with limited success at sector and outcome level. Lack of political will and direction, narrower institutional interests and bureaucratic inertia blocked for progress. Given the government's strong commitment to lead Sri Lanka towards becoming a knowledge-based economy where TVET plays important role, the MoFP championed in 2011 a more comprehensive reform, through a Skills Sector Development Programme 2014-2020 to which development partners were invited to contribute. The MoFP was keen on adopting a results-based approach to the reform.

ADB, who has been in the sector since the early 1980's, supported early on with a Project Preparatory Technical Assistance (PPTA) that aimed at designing a Results-Based Lending (RBL) operation in support of the reform. In 2014, the RBL was approved for the period 2014-2016, contributing 100 million US\$. The government contribution was 185 million US\$, the World Bank added 100 million US\$ and bilaterals further 41 million US\$.

### THE REFORM STRATEGY: HOME-GROWN STICKS AND CARROTS

The reform aims at increasing employability of TVET candidates through among others quality assurance, teacher upgrading, involvement of the private sector, skills gap analysis, performance based budgeting and better coordination and budget/expenditure management.

While the MOFP wanted to incentivize reform-willingness through a results-based budgeting system and a clear road map for the reform, it did not go all the way adopting the performance-based system as proposed by the PPTA, nor did it entertain the ideas of offering grants to training centres on a competitive basis. It was also considered too cumbersome, politically and technically, to clean up the various legal and institutional inconsistencies in the sector – instead the choice was to give the Ministry of Youth Affairs and Skills Development (MYASD) a strong coordinating role through the creation of a Sector Development Division (SDD), that would drive the reform from within the key



sector ministry. A senior civil servant (previously employed in the MoFP and involved in the program preparation) was appointed head of the SDD, while an “old hand” very familiar with and respected in the TVET sector (and initially sceptical towards the reform strategy) was appointed as “reform specialist”.

This reform approach, however, was only made effective after internal resistance in MYASD and in various agencies in the sectors had been overcome, mainly through replacing Heads of agencies with incumbents more positive to the reform ambitions.

The results-based approach includes outcomes – better employability – and outputs in different categories, but it is not perceived as a straitjacket. Rather, it is a tool for learning about what works – and for identifying possible root causes of poor performance if the theory of change underpinning the results framework proves ineffective. There are targets for 2014-2016, and tentative targets – to be validated and modified as relevant – for 2017-2018.

### A GOVERNMENT-LED EFFORT

Initially, the reform was driven by the MoFP, with the MYASD coming on board subsequently. Industry representatives were complaining about the poor quality of TVET candidates, but they had no collective voice and instead sought individual solutions. The reform programme and the RBL include indicators for enhanced private sector involvement, both to identify demand and as providers of employment-oriented TVET.

### COMMITMENT, OWNERSHIP AND THE ROLE OF DEVELOPMENT PARTNERS

ADB played a pivotal role helping the government to shape the reform content and road map through the PPTA. But this also meant limitations: The TA contract was time-bound as such contracts often are, and included a road map as a deliverable. So even if the sector ministry and TVET agencies were not yet able and willing to commit and participate fully in preparing what should be *their* reform roadmap, the consultants had to proceed to fulfil their contract.

ADB decided to withdraw temporarily after the completion of the PPTA, giving the government room to sort out its priorities and get the important actors on board – or out of the way. In that process ADB was blamed for coming with this new approach to sector reform while having promoted different approaches in earlier support to the sector. So also in this case, ownership issues were contentious and disputed.

After the MYASD came on board and the road map was modified to suit government perspectives better, the sailing has been more smooth, not least thanks to good relationship building and communication between ADB officers and the key reform champions and change agent. This does not take away challenges – after all, the education sector is in most countries in the world one of the most contested and disputed, and one of the most difficult to reform.

In addition to the RBL, ADB is also supporting the reform process with TA: short term international inputs for specific technical areas where international experience and fresh perspective would be beneficial and more longer term, national inputs for areas where continued day-to-day support is necessary. The accompaniment by ADB staff is rather intensive.

But, says Gi Soon Song, who oversees the programme in ADB, - with the RBL approach, we can delve into the issues when things are not working for achieving results, and adopt a problem-based approach, not being constrained by specific project inputs and transactions. It takes understanding of technical as well as non-technical issues. Most times, non-technical issues such as institutional capacity, motivations of different persons and agencies, etc. matter more. However – we cannot drive these issues, the government has to maintain ownership, and we have to play our supporting role accordingly.

For more information about ADB’s support, see <http://www.adb.org/projects/42251-018/main>, or contact project officer Gi Soon Song ([gssoon@adb.org](mailto:gssoon@adb.org))

