



# Technical Assistance Report

---

Project Number: 39293  
December 2005

## Technical Assistance Democratic Socialist Republic of Sri Lanka: Preparing the Education Sector Development Program

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 7 November 2005)

|               |   |                               |
|---------------|---|-------------------------------|
| Currency Unit | - | Sri Lanka rupee/s (SLRe/SLRs) |
| SLRe1.00      | = | \$0.0098                      |
| \$1.00        | = | SLRs 101.95                   |

## ABBREVIATIONS

|       |   |  |
|-------|---|--|
| ADB   | - | Asian Development Bank                             |
| ESDFP | - | education sector development framework and program |
| ESDG  | - | Education Sector Development Grant                 |
| ESDP  | - | education sector development program               |
| ICT   | - | information and communication technology           |
| MOE   | - | Ministry of Education                              |
| MTEF  | - | Medium Term Expenditure Framework                  |
| PRSP  | - | poverty reduction strategy paper                   |
| Sida  | - | Swedish International Development Agency           |
| TA    | - | technical assistance                               |
| TEVT  | - | technical education and vocational training        |

## TECHNICAL ASSISTANCE CLASSIFICATION

|                       |   |                              |
|-----------------------|---|------------------------------|
| <b>Targeting</b>      | - | Targeted intervention        |
| <b>Classification</b> |   |                              |
| <b>Sector</b>         | - | Education                    |
| <b>Subsector</b>      | - | Education sector development |
| <b>Themes</b>         | - | Inclusive social development |
| <b>Subthemes</b>      | - | Human development            |

## NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

|                         |   |
|-------------------------|---|
| <b>Vice President</b>   | L. Jin, Operations Group 1                    |
| <b>Director General</b> | K. Senga, South Asia Department (SARD)        |
| <b>Director</b>         | H. Kim, Social Sectors Division, SARD         |
| <b>Team leader</b>      | A. Inagaki, Senior Education Specialist, SARD |

## I. INTRODUCTION

1. The Asian Development Bank (ADB) has provided broad-based assistance to the Government of Sri Lanka for the education sector, covering secondary education, post-secondary education and technical education and vocational training (TEVT). Building on its achievements, the Government requested, with ADB concurrence, inclusion of an Education Sector Development Program (ESDP) loan in the Country Strategy and Program Update (2006–2008)<sup>1</sup>. The Fact-Finding Mission for the project preparatory technical assistance (TA), conducted from 17–25 October 2005, reached an understanding with the Government on the objectives, scope, methodology, implementation arrangements, cost estimates, financing plan, and consulting services required for the proposed TA.<sup>2</sup>

## II. ISSUES

2. The goal of education in Sri Lanka is to produce skilled citizens who are capable of competing in the global market and contributing to the country's economic growth and knowledge development. Education also supports the upward socioeconomic mobility of the poorest segments of the population and increases equity of opportunity across regions and among genders and ethnic groups. Sri Lanka has made remarkable strides in increasing literacy and improving gender equity in compulsory basic education enrollment. However, key challenges remain. At the junior secondary level, 18% of children do not complete grade 9, with the poor and the disadvantaged affected disproportionately. At the senior secondary level, only 42% of students pass the ordinary level (O-level) national examination, while only 40% of advanced level (A-level) students pass the A-level national examination. At the tertiary level, the university system has such limited intake capacity that only 11% of those who qualify enroll. The unemployment rate for O-level graduates is 12%, while unemployment for A-level and above is 17%. That is partially because the labor market does not grow fast enough to absorb the graduates, and partially because the education system fails to equip graduates with the knowledge and skills required to get jobs.

3. The high dropout rates at the junior secondary level and poor performance in O-level and A-level qualification exams result from a lack of investment in quality educational facilities and capable, motivated teachers. Key subjects like mathematics, science, and languages have been particularly neglected. While the problems affect schools across the country, the conflict-affected North Eastern Province and resource-starved rural and plantation areas are hardest hit. The shortage of teachers in science, mathematics, and English is especially acute in the Tamil medium, while almost all poor regions lack access to science and technology subjects. The unequal distribution of teachers among different regions of the country exacerbates such regional disparities. Ultimately, children from disadvantaged districts have little chance to break into areas with better income and employment prospects.

4. Those who fail their O-level and A-level examinations have few options to continue their education. Not only is TEVT substandard, but there are also few chances to move up within the existing TEVT system. This hampers TEVT's potential to address unemployment, build skill-based competitiveness, and develop students with the right combination of attitude and vocational aptitude. In general, there is no systematic link between TEVT and the higher education system. This makes it hard for students to forge upwardly mobile, life-long career paths. The intake capacity of tertiary education is well below the average for South Asia. Those

---

<sup>1</sup> ADB. 2005. *Country Strategy and Program Update (2006–2008): Sri Lanka*. Manila.

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* (internet edition) on 14 November 2005.

who cannot enter public universities enroll in external degree programs or in non-degree private post-secondary institutions or private institutions affiliated with foreign universities. However, few regulatory impediments are placed in the way of establishing private post-secondary institutions and no quality standards or accreditation system exists. External degree programs suffer from poor quality and weak administration. The curriculum of the current university system should be upgraded and tailored to equip graduates with marketable skills.

5. The Government is committed to improving the quality of education by making the curriculum more relevant, improving teaching, assessment, and educational management, and extending educational opportunities to the poor and disadvantaged. The Government recently developed an education sector development framework and program (ESDFP) that aims to improve the delivery of primary and secondary education services. The ESDFP is supported by several external funds, including the World Bank-funded Education Sector Development Grant (ESDG) and ongoing ADB loans on secondary education.<sup>3</sup> ESDG uses an outcome- and performance-based allocation system to provide budgetary support to both central and provincial education budgets. It focuses on improving the quality of schools, teachers, and non-formal education. A number of bilateral agencies and United Nations agencies support the same areas through teacher training, education for social cohesion, and support to schools in conflict-affected areas.

6. Between 1999 and 2010, ADB is investing in several spheres of secondary and post-secondary education, including TEVT, through a series of five investment loans.<sup>4</sup> These projects have been relatively successful so far. However, the limited scope of these projects makes them islands of excellence within a system that remains inefficient and slow to improve. Therefore, future ADB investments in education should move gradually away from projects and toward sector-wide program investment. A program framework that spells out goals and strategies, including existing investments in secondary and post-secondary education (including TEVT), will be developed. The ESDP, which will be integrated into, and linked, with the ESDFP, will address the gaps in investment between the ongoing loans and support key priority areas through subprojects and subprograms. It has been suggested that the ESDP become a cluster of sector-wide program investment with a longer span.

7. The ultimate goals of ESDP (or cluster of ESDP loans) will be: An education system that provides a variety of learning options in each cycle of education and equips all children with the knowledge and skills they need to compete in and benefit from the knowledge economy. The ESDP will have a two-pronged strategy: (i) improved education designed to supply a strong base of human capital to a knowledge-based economy; this will be achieved through expanded secondary and tertiary education, provision of technical skills training, and expanded use of information and communication technology (ICT); and (ii) reducing poverty, minimizing regional and ethnic disparities, and bridging the digital divide by providing the poorest segments of the population with equal access to high quality, relevant secondary and tertiary education.

---

<sup>3</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Secondary Education Modernization Project (SEMP)*. Manila; ADB. 2004. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Secondary Education Modernization Project II*. Manila.

<sup>4</sup> ADB. 1999. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Skills for Development Project*. Manila; SEMP; ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Distance Education Modernization Project*. Manila; SEMP II; ADB. 2005. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Democratic Socialist Republic of Sri Lanka for the Technical Education Development Project*. Manila.

8. The ICT components of most ongoing projects have focused on supplying PCs and software and providing in-service teacher training, usually managed by the project management office. Although some schools have effectively used ICT in teaching, challenges remain to make ICT components effective. These components tend to place a heavy burden on the project management office, and entail risks for the Government for irregularities related to procurement of PCs. The ESDP will establish a Fund for Innovative ICT for Learning (FIIL), to be managed by the Executing Agency, that will call for public and private institutions to propose innovative approaches for using ICT in schools. The proposals will be selected on a competitive basis by a selection committee based on a comprehensive set of criteria that includes: (i) relevance; (ii) quality of services; (iii) cost-effectiveness; and (iv) sustainability. The selected institution(s) will provide a complete package of services that includes (a) needs assessment, (b) supply of hardware and software; (c) training and coaching for schools and teachers, (d) maintenance, and (e) monitoring and evaluation. The Government will commission a process and impact evaluation study of the services provided before deciding whether to terminate the contract or scale up the initiative. Foreign institutions that form partnerships with local institutions will also be eligible to bid under FIIL.

9. In Sri Lanka, the HIV infection rate among adults between the ages of 15 and 49 is estimated to be less than 0.2%.<sup>5</sup> Though the number of HIV/AIDS<sup>6</sup> cases in Sri Lanka is still low, extensive HIV risk factors are prevalent. These include unsafe sexual behavior and drug-injecting practices, and a high degree of migration for employment. Without vigorous action to prevent the spread of HIV, Sri Lanka is susceptible to an AIDS epidemic. Low HIV/AIDS awareness is the main challenge. Youth, women, and underserved communities are particularly unaware of the problem and particularly vulnerable. A comprehensive HIV/AIDS preventive education program at the national level has yet to be established. ESDP will support the integration of HIV/AIDS education in the school curriculum, pre-service and in-service teacher training. A separate TA funded by the Swedish International Development Agency (Sida) will undertake an in-dept assessment of the priority areas of intervention.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Impact and Outcome**

10. The TA will help the Government: (i) develop an overall framework for the ESDP in line with and/or building upon existing policy documents, studies, programs, and projects related to education; and (ii) design ESDP as a sector development program or other suitable lending program. The TA will assess the ongoing projects supported by ADB and other donors and identify the major gaps. It will identify priority areas of investment that may be supported as subprojects or subprograms within the ESDP. Areas of priority interventions may include: (i) quality improvement of secondary schools, (ii) expansion of non-state tertiary education provision, (iii) support for innovative approaches to expand ICT for learning, and (iv) a special component on HIV/AIDS preventive education. The TA will study the feasibility of establishing FIIL. It will assess possible funding mechanisms for ESDP and identify suitable lending modalities. The outcomes of the TA will be: (i) an ESDP overall framework that covers secondary education and post-secondary education, including TEVT; the ESDP will include goals, two-pronged strategies, a plan, and outcome indicators for the education sector; it will be consistent with the strategies, monitoring framework, and goals of the ESDFP; (ii) an agreed

<sup>5</sup> Estimate made by the Joint United Nations Program on HIV/AIDS (UNAIDS).

<sup>6</sup> HIV (Human Immunodeficiency Virus) is the virus that causes AIDS (acquired immunodeficiency syndrome).

ESDP loan design that includes the rationale, objectives, subprojects, costs, implementation arrangements (including a fund-flow mechanism), procurement modalities, and economic, financial, and social analyses. The ESDP design will include a special component on HIV/AIDS preventive education. It is expected that future ADB investment in education and training will comply with the education sector strategy laid out under the ESDP. The design and monitoring framework is in Appendix 1. The initial conceptual design for the ESDP is in Supplementary Appendix 1.

## **B. Methodology and Key Activities**

11. The TA will help the Government review existing national policy documents and sector and subsector studies. It will assess the progress, achievement, and challenges of ongoing projects supported by ADB and other donors. It will review the existing labor market analysis, assess industrial needs, and review the strategic link between human capital growth and economic development. It will review the ESDFP and assess how the ESDP can be linked to the strategies and goals of the ESDFP. This analysis will help stakeholders design the ESDP. Based on the ESDP, the TA will further help identify the major gaps of the ongoing projects. It will help stakeholders identify priority areas of intervention and develop subprojects and subprograms. It will assess the funding mechanism initiated by ESDG and the performance of both central and provincial government institutions in program and financial management. Based on the analysis, it will suggest possible funding mechanisms and implementation arrangements for ESDP.

12. The TA will adopt a stakeholder-led approach. It will involve officials from the Ministry of Education (MOE), Ministry of Skills Development and Vocational Training, Ministry of Finance, provincial authorities, public and private tertiary education institutions, the industry sector, ICT training institutions, and stakeholders involved in the ongoing projects. It will facilitate thematic working groups in the following suggested areas: (i) secondary education; (ii) tertiary education; (iii) ICT for learning; and (iv) industry needs and links with education. Stakeholders involved in the Skills for Development Project and the Technical Education Development Project will join the TA to form a thematic working group on TEVT and linkage with general education. Key stakeholders involved in ESDFP will also be invited to join the discussions. The TA will further organize seminars, zonal and school-level consultations, and surveys and data collections as necessary. As donor harmonization is critical, the TA will organize donor consultative meetings at each key milestone of the ESDP development process.

## **C. Cost and Financing**

13. The TA is expected to cost \$870,000 equivalent, of which ADB will provide \$700,000 to cover the entire foreign exchange component of \$478,000 and local currency costs of \$222,000 equivalent. The TA will be financed on a grant basis by ADB's TA funding program. ADB will finance domestic and international consulting services, production of reports, equipment, organization of workshops, studies, field surveys, and administrative and support services. The Government will support the TA with an in-kind contribution estimated at \$170,000 equivalent. It will include the provision of counterpart staff, office accommodation and meeting space, and general office support. A detailed financing plan and cost estimates are in Appendix 2. The Government has been advised that approval of the TA does not commit ADB to financing an ensuing lending program.

#### **D. Implementation Arrangements**

14. MOE will be the Executing Agency for the TA. At TA inception, an ESDP steering committee will be established. It will be chaired by the Secretary of Education and will include representatives from the Ministry of Finance, Ministry of Skills Development and Vocational Training, National Education Commission, National Institute of Education, National Examination and Testing Services, University Grant Commission, and chambers of commerce. A monthly steering committee meeting will be organized and chaired by the secretary of education. MOE has nominated two managers to form an ESDP task force, to be supervised by a senior MOE advisor. Biweekly meetings of the ESDP task force will be held and chaired by the senior MOE advisor. The ESDP task force will lead the TA process, guide the consultants, and liaise with senior MOE officials, other Government officials, and other stakeholders. The Secondary Education Modernization Project management office will provide overall assistance to the TA and the ESDP task force.

15. A team of five international and 10 domestic consultants will be recruited to provide specialist services totaling 66.5 person months (19.5 international, 47 domestic). ADB will engage consultants through a firm using quality- and cost-based selection and the simplified technical procedure in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. One or two consultants will be recruited individually and mobilized before the rest of the consultant team. Indicative terms of reference for the consultants are in Appendix 3. Office equipment will be procured by the consultants in accordance with ADB's *Guidelines for Procurement* and will be turned over to MOE upon TA completion.

16. The TA will begin in January 2006 and end in October 2006. One or two individual consultants will be mobilized in January 2006 to initiate the sector-wide work and policy dialogues, while the consultant team will be mobilized around March 2006. An inception report will be submitted at the end of the 1st month of the TA. A draft of the ESDP framework will be completed and submitted as a first interim report within 2 months after the first consultant team has been mobilized. A revised ESDP framework and an initial ESDP loan design will be submitted as a second interim report by the end of the 4th month. A draft final report will be submitted along with a draft ESDP loan design by the end of the 6th month. One or more consultation workshops involving all stakeholders, including donors, will be held after the submission of each report. A complete final report, incorporating comments from all parties concerned, should be submitted by the TA completion date.

#### **IV. THE PRESIDENT'S DECISION**

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$700,000 on a grant basis to the Democratic Socialist Republic of Sri Lanka for Preparing the Education Sector Development Program, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

| Design Summary   | Performance Targets/Indicators   | Data Sources/Reporting Mechanisms  | Assumptions and Risks  |
|--|--|--|--|
| <p><b>Impact</b><br/>An improved education system that provides a variety of learning options at each level and equips all students with knowledge and skills that will enable them to compete in and benefit from the knowledge-based economy.</p>  | <ul style="list-style-type: none"> <li>• 7% decrease in unemployment rates from the baseline (2007) for graduates of A-level and above by 2013.</li> <li>• Increase in O-level and A-level pass rates by 7% from the baseline (2007) by 2013.</li> </ul>     | <ul style="list-style-type: none"> <li>• Labor market statistics.</li> <li>• National Examination and Testing Services statistics.</li> </ul>                          | <p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Stable economic growth.</li> <li>• Stakeholders' commitment to effectively implement the education sector development program (ESDP).</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Political instability and fragile peace situation.</li> </ul>                      |
| <p><b>Outcome</b><br/>Loan design for the Education Sector Development Program (ESDP) agreed upon.</p>   | <ul style="list-style-type: none"> <li>• Memorandum of understanding signed by the Government and Asian Development Bank (ADB) at loan appraisal, by December 2006.</li> </ul>   | <ul style="list-style-type: none"> <li>• Memorandum of understanding.</li> </ul>   | <p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Effective stakeholder participation and ownership developed.</li> <li>• Government's commitment to improve performance of education sector remains strong.</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Political instability and fragile peace situation.</li> </ul> |
| <p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. ESDP framework developed.</li> <li>2. Technical assessment completed. ESDP loan design requirements accomplished.</li> </ol>   | <ul style="list-style-type: none"> <li>• ESDP goals, strategies, and priority areas for investment identified by July 2006.</li> <li>• ESDP loan components, costs, implementation arrangements, and other conditions identified by October 2006.</li> </ul> | <ul style="list-style-type: none"> <li>• Interim reports.</li> <li>• Regular review missions.</li> <li>• Draft final report.</li> <li>• Tripartite meeting.</li> </ul> | <p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>• Obtaining competent consultants on time.</li> </ul> <p><b>Risk</b></p> <ul style="list-style-type: none"> <li>• Initial start-up delays in launching the technical assistance (TA).</li> </ul>   |
| <p><b>Activities with Milestones</b></p> <ol style="list-style-type: none"> <li>1. Individual consultants hired, and work of ESDP task force and thematic working groups initiated, by February 2006; consultant team hired by March 2006.</li> <li>2. Draft ESDP framework ready by May 2006.</li> <li>3. Revised ESDP framework and initial ESDP loan design submitted by July 2006</li> <li>4. Draft final report submitted by September 2006.</li> <li>5. Steering committee meetings held monthly, and ESDP task force meetings held biweekly, during TA period.</li> </ol> |  |  | <p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>• ADB: \$700,000 in the form of technical assistance.</li> <li>• Government: \$170,000 in kind.</li> </ul>   |

## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

|   |     |  |     |
|---|-----|--|-----|
| Sector identified as a national priority in country poverty analysis?   | Yes | Sector identified as a national priority in country poverty partnership agreement? | Yes |
| <p><b>Contribution of the sector/subsector to reduce poverty in Sri Lanka:</b></p> <p>Since the government introduced compulsory education for the 5–14 age group in 1939,<sup>1</sup> Sri Lanka has achieved remarkably high enrollments for basic education and adult literacy (92%) compared with countries at similar stages of economic development. About 3.9 million students—or about 95% of the total students in grades 1–13—are enrolled in about 9,800 government schools in Sri Lanka. Female students make up around 50% of total student population. The net enrollment rates for primary education (ages 6–10 or grades 1–5) were 95.7% in 1996, and 96.3% in 2002. The net enrollment rates for junior secondary education (ages 11–14, or grades 6–9) were 93.8% in 1996, and 96.3% in 2002.<sup>2</sup> While the grade 5 completion rate improved from 68.1% in 1990 to 95.6% in 2002, about 18% of children still fail to complete compulsory education up to grade 9.<sup>3</sup> In 2002, 41.6% of school candidates who sat the O-level examination were qualified for A-level, and 55.7% of those who sat the A-level examination were qualified for university, of whom only 13.3% were admitted in universities.</p> <p>Despite the relatively high achievement in terms of enrollment and literacy, it has not substantially contributed to poverty reduction. In 2002, 23.9% of the population remained poor in the country.<sup>4</sup> The poverty rate is much smaller in the urban sector (7.6%) than in the rural sector (26.4%). In the Uva and North Central provinces, the number of poor households increased between 1995 and 2002. The ongoing civil conflict in the North and East has adversely affected the population in those areas. Poverty in the region has increased significantly, disrupting children's education.</p> <p>Sri Lanka's poverty reduction strategy paper (PRSP)<sup>5</sup> points out that the quality of education provided in rural schools remains very poor. Many remote schools suffer from severe teacher shortages. About 20% of the country's 9,800 primary and secondary schools lack basic facilities such as desks, chairs, blackboards, and teaching materials. Absenteeism is extremely high in rural areas, and many poor students learn little in school. In 2004, 5.2% of 185,955 teachers were untrained, but the proportion of untrained teachers was higher in the North Eastern and Uva provinces, and in the Nuwara Eliya and Puttalam districts. The O-level pass rate was 44.0% on average in 2003, ranging from 61.7% in Colombo and 49.6% in Ampara, to 29.3% in Mullaitivu and 27.7% in Kilinochchi. There are 621 Type 1AB schools in the country, which enroll 29.5% of total students in the country—ranging from 49.1% of students in Colombo and 44.5% in Galle, to 19.0% in Nuwara Eliya and 16.3% in Mullaitivu. The proportion of students in the science stream at A-level was 23.0% on average in 2004, but much lower in Kilinochchi, Vavuniya, Mullaitivu, Trincomalee, and Nuwara Eliya Districts. The PRSP recognizes that limited access to quality education for the poor in rural areas is one of the fundamental causes of poverty, and stresses the need to create opportunities for pro-poor growth by improving the quality of rural education, which will empower the rural youth with skills applicable to employment.</p> <p>Wage statistics clearly illustrate that education is an important way out of poverty. For instance, the average annual wage differential between grade 6–9 and O-level achievers is SLRs43,056 (\$430); between O-level and A-level achievers it is SLRs33,108 (\$331).<sup>6</sup> The incidence of poverty is the highest in households whose principal income earner has no schooling (58%), and lowest in households whose principal income earner is a graduate (5%). Almost 90% of the total poor come from households whose principal income earner left school at some stage prior to O-level;</p> |     |  |     |

<sup>1</sup> Government of Ceylon. 1945. *The Education Ordinance, No. 31 of 1939*. Government Press. Colombo.

<sup>2</sup> Department of Census and Statistics. 2005. *Selected Millennium Development Goals (MDG) Indicators*; and World Bank. 2002. *Sri Lanka Poverty Assessment*, World Bank. Washington, DC. It must be noted that these statistics do not include the North Eastern Province because data was not available. However, according to the World Bank (2005), administrative data on North Eastern Province suggest that net enrollment in this region is likely to be over 90% (World Bank. 2005. *Attaining the Millennium Development Goals in Sri Lanka*).

<sup>3</sup> World Bank. 2005. Sri Lanka: Education Sector Development Framework and Program, pre-appraisal mission, 6–27 June 2005, Draft Aide Memoire.

<sup>4</sup> Department of Census and Statistics. 2002. *Summary Findings: Household Income and Expenditure Survey—2002*.

<sup>5</sup> Government of Sri Lanka. 2002. *Regaining Sri Lanka: vision and strategy for accelerated development*. Colombo: Government Press.

<sup>6</sup> Department of Census and Statistics. 2004. *Household Income and Expenditure Survey 2002*. Colombo: Government Press. Original figures were monthly averages. The annual averages were calculated by multiplying the monthly figures by 12.

Each year, around 120,000 people between the ages of 10 and 29 enter the labor force.<sup>7</sup> The unemployment rate was 8.8% for all age groups, but higher among youth: 30.1% for the 15–19 age group, and 20.1% for the 20–29 age group in 2002. About 60% of the unemployed are in the 20–29 age group. The unemployment rate is particularly high among educated youth—16.8% for A-level achievers and above. In other words, almost 50% of the unemployed are either O-level qualified (about 27% of the total unemployed) or A-level qualified (about 20%). These statistics suggest that the present education system, which focuses on traditional courses, may not cater to the emerging needs of the labor market, where demand is growing for science, engineering, information technology, financial management, marketing, and English-language skills. The unemployment rate is also higher among females (12.9%) than males (6.6%), reflecting high gender inequality in the labor market.

Even though high unemployment among educated youth has received high-profile attention as a major social problem, unemployment among less educated people is just as problematic. About 40–50% of all unemployed people have completed only grades 5–10.<sup>7</sup> Given that 18% of students do not complete compulsory education, and only 41.6% pass the O-level examination, as mentioned above, there is a strong need to improve the quality of junior secondary education and the retention of students at that level.

The lack of equitable access to high-quality junior and senior secondary education is largely caused by disparities among schools in terms of infrastructure such as science laboratories; libraries and ICT equipment; teaching and learning materials; the quality and number of teachers in mathematics, science, and ICT; and the ability to raise funds for school development. The lack of access to quality science and technology instruction results in children from disadvantaged districts being excluded from fields like medicine, engineering technology, and information technology, where the best employment and income prospects lie. To address unequal distribution of educational facilities, the National Education Commission in 1998 recommended that education policies be adopted that encourage more equitable distribution of education.

## B. Poverty Analysis

### Targeting Classification: Targeted Intervention

#### What type of poverty analysis is needed?

Because poverty is multidimensional in nature, various aspects of poverty, including spatial, ethnic, and gender characteristics, need to be assessed in order to design a project that will effectively address the multifarious needs of and constraints facing disadvantaged groups in relation to their successful participation in education. Poverty-related factors that affect enrollment, attendance, retention, cycle completion, and progression to higher education rates need to be analyzed. The academic performance of poor, disadvantaged, and ethnic minority children needs to be assessed. Based on these analyses, preventive measures to improve access to high-quality education for disadvantaged students, and measures to lower the dropout rate should be proposed. A review of the impact of the current school financing policies on equity in schooling, and a estimate of the resources required to improve equity should be made.

## C. Participation Process

Is there a stakeholder analysis?  Yes  No

Is there a participation strategy?  Yes  No

Extensive consultations with stakeholders in secondary and post-secondary education need to be conducted to identify the strengths and weaknesses of secondary and post-secondary education from the beneficiaries' point of view. The main stakeholders include direct beneficiaries of education (secondary school students and post-secondary school graduates and indirect beneficiaries (parents, principals, teachers, members of school management committees, and education officials). Stakeholder consultations should discuss the strengths and weaknesses of government decentralization, school governance policies from each stakeholder's point of view, the preparation of school development plans, and the preparation of zonal and provincial educational development plans.

<sup>7</sup> Department of Census and Statistics. 2004. *Employment and Unemployment in Sri Lanka—Trends, Issues and Options*. Colombo: Government Press.

**D. Gender Development****Strategy to maximize impacts on women**

Women in Sri Lanka enjoy universal suffrage, high life expectancy, and high literacy, but there is still a visible gender gap that leaves women with fewer educational and professional opportunities than men. A higher proportion of students—52.0% of O-level students 57.5% of A-level students—are female, but they tend to study more in arts (where 66% of students are women) than in science (where 44.6% are women) or commerce (where 48.6% are women). Fewer women are admitted to universities than men. The lower enrollment of women in the sciences and in universities is partly explained by sociocultural factors. First, stereotypes about the role of women in society pushes women students toward the arts. Second, in rural areas where Type 1AB schools are not available, parents are reluctant to enroll their daughters in schools far from home for security reasons. These factors limit women's options for employment prospects. The labor participation rate was much lower for females (33.6%) than for males (67.9%) in 2002. Furthermore, gender discrimination persists in the form of gender stereotyping in the labor force and wage discrimination. Females tend to be engaged either in low-skilled, low-paid jobs such as domestic service, garment making, and agriculture, or in traditional female occupations such as teaching, nursing, and typing. 60.3% of teachers are women, but women hold only 31.8% of managerial positions at schools. Hence, the Technical Assistance (TA) needs to further investigate the factors causing low enrollment of female students in the sciences and in universities, and suggest strategies to provide women with more opportunities. The TA also needs to analyze the reasons why the gender gap persists in the labor market—particularly in educational administration and school management—and suggest strategies to narrow that gap in the Sri Lankan context.

**E. Social Safeguards and other Social Risks**

|                                 | <b>Significant/<br/>Non Significant/<br/>None</b>  | <b>Strategy to Address Issues</b>  | <b>Plan<br/>Required</b>  |
|---------------------------------|--|--|---|
| Resettlement                    | <input type="checkbox"/> Significant<br><input type="checkbox"/> Not significant<br><input checked="" type="checkbox"/> None |  | <input type="checkbox"/> Full<br><input type="checkbox"/> Short<br><input checked="" type="checkbox"/> None |
| Affordability                   | <input type="checkbox"/> Significant<br><input type="checkbox"/> Not significant<br><input checked="" type="checkbox"/> None | In the process of preparation of the ESDFP, the Ministry of Finance pledged to maintain domestic funding for the education sector at no less than 2004 levels in real terms. In the preparation and negotiation of the ESDP, it is critical to ensure that the government will maintain the budget allocation to the education sector.   | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No                                      |
| Labor                           | <input type="checkbox"/> Significant<br><input type="checkbox"/> Not significant<br><input checked="" type="checkbox"/> None |  | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No                                      |
| Indigenous Peoples              | <input checked="" type="checkbox"/> Significant<br><input type="checkbox"/> Not significant<br><input type="checkbox"/> None | The largest ethnic minority of Sri Lanka is the Tamils, who are concentrated in northeastern part of the country. The majority of the second largest ethnic minority, the Muslims, reside in the eastern part of the country, but are also scattered across the country. Sri Lanka is recovering from two decades of armed conflict. It is estimated that 65,000 people in North Eastern Province were killed and 800,000 people were internally displaced. The education system in the area was severely damaged. Non-enrollment, dropout, absenteeism, and poor teaching are exacerbated by displacement, poverty, single-headed households, damaged infrastructure, and lack of human resources. The TA will address ethnic minority issues in components of the proposed ESDP that deal with conflict areas so that the ESDP brings maximum benefits to ethnic minorities. | <input checked="" type="checkbox"/> Yes<br><input type="checkbox"/> No                                      |
| Other Risks/<br>Vulnerabilities | <input checked="" type="checkbox"/> Significant<br><input type="checkbox"/> Not significant<br><input type="checkbox"/> None | The presidential election was held on 17 November 2005. There is a risk of political and social instability after the election. The TA was designed to adjust flexibly to changes in investment targets in case the social or political situation changes.   | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No                                      |

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

| Item   | Foreign<br>Exchange | Local<br>Currency | Total<br>Cost |
|--|---------------------|-------------------|---------------|
| <b>A. Asian Development Bank Financing<sup>a</sup></b> |                     |                   |               |
| 1. Consultants   |                     |                   |               |
| a. Remuneration and Per Diem                           |                     |                   |               |
| i. International Consultants                           | 390.0               | 0.0               | 390.0         |
| ii. Domestic Consultants                               | 0.0                 | 141.0             | 141.0         |
| b. Travel  | 50.0                | 0.0               | 50.0          |
| c. Reports and Communications                          | 0.0                 | 5.0               | 5.0           |
| 2. Office Equipment                                    | 5.0                 | 5.0               | 10.0          |
| 3. Workshops, Training, Seminars, and Conferences      | 0.0                 | 30.0              | 30.0          |
| 4. Automotive Rental                                   | 0.0                 | 5.0               | 5.0           |
| 5. Surveys, Research, and Data Collection              | 0.0                 | 12.0              | 12.0          |
| 6. Miscellaneous Administration and Support Costs      | 0.0                 | 8.0               | 8.0           |
| 7. Representatives for Contract Negotiations           | 5.0                 | 0.0               | 5.0           |
| 5. Contingencies                                       | 28.0                | 16.0              | 44.0          |
| <b>Subtotal (A)</b>                                    | <b>478.0</b>        | <b>222.0</b>      | <b>700.0</b>  |
| <b>B. Government Financing</b>                         |                     |                   |               |
| 1. Office Accommodation and Transport                  | 0.0                 | 60.0              | 60.0          |
| 2. Remuneration and Per Diem of Counterpart Staff      | 0.0                 | 50.0              | 50.0          |
| 3. Translation and Services                            | 0.0                 | 20.0              | 20.0          |
| 4. Secretarial Office Support                          | 0.0                 | 20.0              | 20.0          |
| 5. Conference, Seminar, and Workshop Logistics         | 0.0                 | 20.0              | 20.0          |
| <b>Subtotal (B)</b>                                    | <b>0.0</b>          | <b>170.0</b>      | <b>170.0</b>  |
| <b>Total</b>   | <b>478.0</b>        | <b>392.0</b>      | <b>870.0</b>  |

<sup>a</sup> Financed by the Asian Development Bank's technical assistance funding program.  
Source: Asian Development Bank estimates.

## **OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

### **A. International Consultants**

#### **1. Education Planning and Management Specialist (Team Leader) (5 person-months)**

1. The specialist will be responsible for the supervision of the consultant team and overall coordination of the work program and work plan, including completion of agreed activities and outputs, and preparation and submission of reports. He or she will take over the work initiated by the individual education planning specialists to: (i) help organize the task of the Ministry of Education (MOE) Education Sector Development Program (ESDP) task force and other key stakeholders in developing the ESDP framework in line with the Government's Education Sector Development Framework and Program (ESDFP); (ii) help organize, coordinate, and facilitate thematic working groups' discussions, provincial and zonal consultations, other stakeholders consultations, and coordination meetings with development partners; (iii) undertake an in-depth analysis of national education policies, existing sector and subsector studies, and programs and projects; (iv) assess the progress, achievements, and challenges of the ongoing projects supported by Asian Development Bank (ADB) and other donors; (v) together with the education finance specialist, review economic and financial aspects of the ESDFP; identify structural constraints to sector-wide development; and identify medium- and long-term funding gaps in the education sector, focusing on secondary education and post-secondary education, including technical education and vocational training (TEVT); (vi) help the ESDP task force consolidate the results of the thematic discussions and other stakeholder consultations, develop the ESDP framework, and agree on the subprojects; (vii) assure integration, coordination, and synergy between the ESDP and the current sector and subsector programs; (viii) ensure that a comprehensive, outcome-based monitoring and evaluation mechanism is established under ESDP and its subprojects; (ix) coordinate with a Swedish International Development Agency (SIDA)-funded technical assistance (TA) team working on the HIV/AIDS components, and incorporate the outputs in the ESDP design; and (x) together with the ESDP task force and other key stakeholders, prepare a proposed loan design for the ESDP that defines the objectives, rationale, components, subprojects, implementation arrangements, costs, monitoring systems, social safeguard assessment, and economic and financial assessment.

#### **2. Education Finance/School Finance Specialist (3 person-months)**

2. The specialist will facilitate dialogue with stakeholders and development partners on the financing of education and schools. He or she will assist the team leader to: (i) review and assess the development of the Medium Term Expenditure Framework (MTEF) and the Public Expenditure Tracking System; (ii) undertake an analysis of education-sector financing as part of the overall sector analysis, identify funding gaps in the education sector based on the MTEF and the ESDFP's financing requirements, and propose the areas to be financed by the ESDP; (iii) analyze the pros and cons of the implementation of World Bank-funded Education Sector Development Grant, and propose suitable funding modalities for the ESDP; (iv) analyze the financial management capacities of the provincial councils and zonal education offices; (v) analyze the capacities of schools in school-based budgeting and the effectiveness of community monitoring of school financing; (vi) analyze the impact of current education financing and school financing policies on poor, disadvantaged, and ethnic minority children, and the effectiveness of existing programs supporting them; (vii) prepare detailed cost estimates for the ESDP; (viii) indicate areas for long-term improvement in education-sector financial planning and management systems in the context of broader government planning, budgeting, and financial

management systems; (ix) indicate specific financial and budgetary actions (and implementation steps) that will be included in the funding modalities of the ESDP proposal, and analyze the budgetary implications of actions identified under ESDP; (x) assess the fiduciary risk associated with budget support by reviewing the country financial accountability assessment, public financial management arrangements, and ongoing reforms; assess whether the financial management arrangements over the program are satisfactory, and identify risks and mitigating measures; and (x) supervise the domestic education finance and school finance specialist.

### **3. Information and Communications Technology (ICT) for Education Specialist (2 person-months)**

3. The specialist will facilitate dialogue with stakeholders in the thematic working group for ICT for learning. He or she will (i) assess the process of and identify challenges associated with expansion of ICT utilization in the education sector funded under the ongoing ADB loan in education and other projects; (ii) review the National Action Plan for ICT for Education and identify areas for further investment in terms of human resource development and capacity building needs in ICT for education in schools; (iii) together with public and private ICT stakeholders, analyze the potential for establishing a Fund for Innovative ICT for Learning (FIIL), including analysis of local-level content development capacities; (iv) suggest any legal and regulatory requirements necessary for the implementation of FIIL; (v) prepare a comprehensive set of criteria for establishing FIIL as an ESDP component, and prepare an implementation mechanism for FIIL.

### **4. Tertiary Education Development Specialist (2 person-months)**

4. The specialist will (i) review the existing policy and regulatory framework governing tertiary education, and identify constraints to expanding non-degree private tertiary education; (ii) assess the quality assurance mechanism developed by University Grant Commission for tertiary education, and assess the quality assurance mechanism for the non-degree private post-secondary institutions or private institutions affiliated with foreign universities; (iii) suggest regulations, quality standards, and an accreditation system for these institutions; (iv) together with the industrial relations specialist, identify strategies to expand and improve the quality of non-degree private tertiary education that is closely linked to industrial needs.

### **5. Industrial Relations Specialist (1 person-month)**

5. The specialist will facilitate dialogue with stakeholders in the thematic working group on industry needs. He or she will develop strategies to strengthen the linkages between education and economic development. He or she will (i) analyze the human resource needs in the labor market through consultations with the private sector; (ii) identify potential job options for students who do not proceed to conventional higher education channels or to existing technical and vocational training channels; and identify the training needs for such students in non-degree tertiary education; and (iii) analyze the legal and regulatory requirements for investment in non-degree tertiary education.

## **B. Domestic Consultants**

### **1. Education Planning and Management Specialist (Local Team Leader) (6 person-months)**

6. The specialist will assist the team leader with the following: (i) organizing the task of the MOE ESDP task force and other key stakeholders in developing the ESDP framework within the Government's existing Education Sector Development Framework and Program (ESDFP); (ii) help organize, coordinate, and facilitate thematic working groups' discussions, provincial and zonal consultations, other stakeholder consultations, and coordination meetings with development partners; (iii) undertake an in-depth analysis of national education policies, existing sector and subsector studies, and programs and projects; (iv) assess the progress, achievements, and challenges of the ongoing projects supported by ADB and other donors; (v) together with the education finance specialist, review economic and financial aspects of the ESDFP, identify structural constraints to sector-wide development, and identify medium- and long-term funding gaps in the education sector, focusing on secondary education and post-secondary education, including TEVT; (vi) help the ESDP task force consolidate the results of the thematic discussions and other stakeholder consultations, develop the ESDP framework, and agree on the subprojects; (vii) together with the provincial education specialists, analyze the strengths and weaknesses of school-based management under the ongoing Program for School Improvement; analyze the strengths and weaknesses of school-based teacher training and suggest strategies to improve school-based management policies, build capacity, and improve the institutional structure of the provincial, zonal, and divisional offices; (viii) lead discussions about and analyze the design of the potential subproject on secondary education; (ix) assure integration, coordination, and synergy between the ESDP and the current sector and subsector programs; (x) coordinate with a SIDA-funded TA team working for the HIV/AIDS components and incorporate the outputs in ESDP design, and (xi) together with the ESDP task force and other key stakeholders, prepare a proposed loan design for the ESDP that defines the objectives, rationale, components, subprojects, implementation arrangements, costs, monitoring systems, social safeguard assessment, and economic and financial assessment; and (xii) undertake any other tasks as required by the team leader. As the deputy team leader, he or she will coordinate the work of the consultants in the absence of the team leader.

### **2. Education Finance/School Finance Specialist (6 person-months)**

7. The specialist will assist the international education finance/school finance specialist, particularly in the following areas: (i) review and analyze the existing education budget and projections, identify funding gaps in the education sector based on the MTEF and the ESDFP's financing requirements, and propose the areas to be financed by the ESDP; (ii) analyze the financial management capacities of the provincial councils and zonal education offices; (iii) analyze the capacities of schools in school-based budgeting and the effectiveness of community monitoring of school financing; (vi) analyze the impact of current education financing and school financing policies on poor, disadvantaged, and ethnic minority children, and the effectiveness of existing programs supporting them; and (v) undertake any other tasks required by the international finance specialist.

### **3. Province/Zonal Consultation Specialists (3 persons, 3 person-months each)**

8. Each of the specialists will be responsible for two or three provinces. Under the guidance of the international and domestic team leaders and education finance and school finance specialists, the specialists will (i) conduct field research at the provincial, zonal, and

school levels, including analysis of the ongoing Program for School Improvement and school-based teacher training in the selected zones; (ii) hold stakeholder consultations on the government's decentralization and school governance policies with provincial officers, zonal officers, school principals, teachers, and parents; (iii) review school development plans and zonal and provincial educational development plans prepared under the ESDFP; and identify funding gaps at each level; (iv) assess the planning and implementation capacities of the provincial education authorities, zonal offices, and schools; (v) study the cost-effectiveness of building teachers' complexes in rural areas as an incentive for teachers to serve in rural areas (two pilot projects in Badulla and Polonnaruwa districts); (vi) suggest suitable funding modalities; and (vii) undertake any other tasks required by the team leaders.

#### **4. ICT Specialist (4 person-months)**

9. The specialist will assist the international ICT specialist in facilitating dialogue with stakeholders in the thematic working group for ICT for learning. He or she will (i) assess the process of expansion of ICT utilization in the secondary education sector funded by the SEMPI/II, DEMP, GEP2, and other projects, and identify the challenges; (ii) identify areas and strategies for further investment, human resource development, and capacity building in ICT for education, focusing on ICT for learning in schools; (iii) together with public and private ICT stakeholders, analyze the potential for establishing a Fund for Innovative ICT for Learning (FIIL), including analysis of the capacities of content development at the local level; (iv) suggest any laws and regulations needed to implement FIIL; (v) prepare a comprehensive set of criteria for establishing FIIL as an ESDP component, and prepare funding strategies and an implementation mechanism for FIIL.

#### **5. Social Development and Gender (3 person-months)**

10. The specialist will facilitate dialogue with stakeholders and development partners on schooling equity. Building upon work already completed by MOE and other development partners on demand analysis, he or she will (i) analyze policies, strategies, and plans for improving retention rates and academic achievement for poor, disadvantaged, and ethnic minority children; (ii) together with the education finance/school finance specialist, review current school financing policies in terms of their impact on equity, and estimate the resources required to improve equity in schooling; (iv) suggest strategies for the ESDP to benefit poor, disadvantaged, and ethnic minority children; (v) analyze the reasons for low enrollment of female students in the sciences and suggest strategies to encourage more female students to study science; (vi) analyze the gender gap in educational administration and school management and suggest strategies to narrow it; and (vii) analyze why ethnic minority schools have teacher shortages, and suggest strategies to increase the number of teachers in such schools. The specialist will also assist the team leader with the production of the proposed ADB loan framework and loan proposal by (i) preparing the section of the ESDP proposal pertaining to poor, disadvantaged, and ethnic minority groups; the section should take current education programs into account and suggest ways to build on the successful programs; (ii) suggesting specific policy options, strategies, implementation steps, and cost implications for inclusion in the ESDP proposal; suggestions should relate to poor, disadvantaged, and ethnic minority children; (iii) analyzing ways to meet ADB's social safeguard requirements; and (iv) identifying specific actions for disadvantaged ethnic minorities, in accordance with the ADB's policy on indigenous people.<sup>1</sup>

---

<sup>1</sup> ADB. 1998. *Policy on Indigenous Peoples*. Manila.

## **6. Industrial Relations (2 person-months)**

11. The specialist will work with the international specialist to facilitate dialogue with stakeholders in the thematic working group on industry needs. He or she will develop strategies to strengthen the linkages between education and economic development. He or she will (i) analyze the human resource needs in the labor market through consultations with the private sector; (ii) identify potential job options for students who do not proceed to conventional higher education channels or to existing technical and vocational training channels; and identify the training needs for such students in non-degree tertiary education; and (iii) analyze the legal and regulatory requirements for investment in non-degree tertiary education.

## **7. Procurement (2 person-months)**

12. The specialist will (i) review the Government's and other donor's procurement rules and regulations, identifying the strengths and weaknesses of each of them; and (ii) suggest suitable procurement rules to be applied to the ESDP.

## **8. Monitoring and Evaluation Specialist (2 person-months)**

13. The specialist will facilitate dialogue with stakeholders on designing monitoring mechanisms and indicators for the ESDP and its subprojects. He or she will review the performance indicators developed under the ESDFP and analyze the suitability of these indicators as funding triggers for ESDP subprojects. In collaboration with the education finance/school finance specialist, he or she will (i) review the existing funding mechanisms for domestic and foreign-funded projects, and design a set of monitoring indicators to be used in establishing a disbursement mechanism for ESDP; (ii) design an impact monitoring and evaluation mechanism; (iii) design a monitoring and evaluation feedback mechanism, and analyze the potential of using this feedback to implement performance-based school financing.

## **C. Pool of International and Domestic Consultants**

14. The number of person-months for international may be extended for up to 4 person-months, and the number of domestic consultants may be extended for up to 10 person-months, contingent on mutual agreement between MOE and ADB.

## **D. The Individual Consultants**

15. One international education planning specialist (2.5 person-months) and one domestic education planning specialist (3 person-months) will be mobilized prior to the mobilization of the consultant team to initiate sector work and policy dialogue. The specialists will (i) help organize the tasks of the MOE ESDP task force and other key stakeholders in developing the ESDP framework; (ii) help produce a work program for the ESDP task force and the thematic working groups; (iii) help produce a conceptual framework for ESDP; (iv) help establish regular consultation with key stakeholders working on the Government's ESDFP; (v) help organize, coordinate, and facilitate the thematic working groups' discussions, provincial and zonal consultations, other stakeholder consultations, and coordination meetings with development partners; (vi) help initiate an in-depth analysis of national education policies, existing sector and subsector studies, and programs and projects; (vii) assess the progress, achievements, and challenges of the ongoing projects supported by ADB and other donors; (viii) submit to ADB a report on the progress achieved; and (ix) overlap with the consultant team and ensure smooth transition of work.