

PROGRAM DESIGN

SRI LANKA
SKILLS FOR INCLUSIVE ECONOMIC
GROWTH

MAY 2016

The views expressed in this document are those of the design team alone and do not necessarily reflect the views or policies of the Government of Australia or of any organisation or individual consulted.

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Acronyms

ACRP	Australian Community Rehabilitation Program
ADB	Asian Development Bank
ASSET	Advancing Specialised Skills for Economic Transformation
CSO	Civil Society Organisations
DFAT-D	Canada Department of Foreign Affairs and Trade – Development
DFAT	Australia Department of Foreign Affairs and Trade – Sri Lanka
EDP	Eastern Development Plan
EOP	Economic Opportunities for the Poor
FAO	Food and Agriculture Organisation
GiZ	Gesellschaft für Internationale Zusammenarbeit
GoSL	Government of Sri Lanka
IDB	Industrial Development Board of Sri Lanka
IFC	International Finance Corporation
ILO	International Labour Organisation
ISB	Industrial Services Bureau (Sri Lanka)
MDF	Market Development Facility
MSME	Micro, Small and Medium Enterprise
MSDVT	Ministry of Skill Development and Vocational Training
MTCA	Ministry of Tourism and Christian Affairs
NAITA	National Apprentice and Industrial Training Authority
NVQ	National Vocational Qualifications
SDF	Skill Development Fund
SDP	Skills Development Project (WB)
S4G	Skills for Inclusive Economic Growth
SLGTTI	Sri Lanka German Technical Training Institute
SLITHM	Sri Lanka Institute of Tourism and Hotel Management
SME	Small and Medium Enterprise
SDP	Skills Sector Program (World Bank)
SSDP	Skills Sector Development Program (GoSL)
SSEP	Skills Sector Enhancement Program (ADB)
TVEC	Tertiary and Vocational Education Commission
TVET	Technical and Vocational Education and Training
VTa	Vocational Training Authority
VTC	Vocational Training Centre
WB	World Bank
WUSC	World University Service of Canada

Executive Summary

The Australian Department of Foreign Affairs and Trade (DFAT) in Sri Lanka is establishing a comprehensive integrated program focused on 'Economic Opportunities for the Poor' (EOP)¹. The EOP aims to increase incomes of the poor and marginalised by addressing constraints such as access to finance and markets, market linkages and technology, skills gaps in the workforce and the absence of coordinated and inclusive policy reform development. The first two components of the EOP are the Market Development Facility (MDF) and Skills for Inclusive Economic Growth or S4G, which will be implemented in partnership with the Ministry of Skills Development and Vocational Training with a focus on tourism skills and flexible learning. The EOP is complemented by a DFAT funded Governance Facility which includes a partnership with the World Bank to support national tourism development planning.

The S4G program, which has been designed as a demonstration project to test different approaches to skills development, will support sustainable job creation and inclusive business growth along the tourism value chain in four districts, Batticaloa, Polonnaruwa, Trincomalee and Ampara.

The S4G program will identify skills gaps based on market analysis, and use existing public and private tertiary providers to deliver targeted training to beneficiaries. Where appropriate training courses do not exist, or are not of a sufficient standard, the program will draw on international providers to partner with local providers to build capacity.

Vocational and technical training is the responsibility of the Ministry of Skills Development and Vocational Training. Depending on the skill needs identified through the market analysis and planning, S4G will open the tender process to both public and private providers. The primary purpose of the program is not to create any new training providers (although some may be created through the competitive process), but rather to increase the quality of courses being delivered by existing providers to meet the needs of the tourism industry. It should be noted that the Sri Lankan Government has invested in considerable infrastructure and human resources for vocational training and S4G will need to utilise these facilities where suitable.

Tourism planning and regulation is a shared responsibility between the central and provincial governments in Sri Lanka. Recently a tourism skills board was established to improve consultation between government and industry. S4G will therefore need to work closely with national, sub-national, public and private stakeholders to the extent possible through existing mechanisms to support evidence-based planning, coordination and market analysis of growth opportunities in the tourism sector in the four districts. Although the counterpart for S4G is the Ministry of Skills Development and Vocational Training, S4G will also need to ensure that any analysis is shared with the Ministry of Tourism to inform national tourism policy discussions.

S4G aligns with Australia's new aid paradigm by promoting the role of the private sector in fostering economic growth and reducing poverty, and by improving the access of women and people with disabilities to skills and business development opportunities. S4G directly supports the Government of Sri Lanka's (GoSL) current prioritisation of labour skills development, tourism development and inclusive regional development.

The S4G program has three components:

¹ DFAT, 2014.

- (a) Strengthen coordination and planning, including improving the consultation processes between various parts of government and industry and skills providers, to establish updated tourism skills development plans in the four target districts;
- (b) Provide targeted and inclusive skills development, with financing from a Skills Development Fund, to incentivise providers to offer training and business development support to groups, especially women and people with disabilities, commonly unable to access such opportunities, and
- (c) Strengthen the supply of training and business support, by supporting improvements in national Technical and Vocational Education Training (TVET) standards and incentivising providers to invest in meeting those standards. If necessary, S4G will link local providers with Australian (or international) providers to co-deliver training inputs and build local capacity in the supply of flexible training.

S4G is also intended to be a demonstration project. With the World Bank and ADB both advising the GoSL on national TVET reform, DFAT has concluded it is more strategic for the Australian aid program to invest in models of good practice that provide an evidence base for accelerated reform.

S4G is focused on the achievement of the following **Goal** and **Outcomes**:

Goal	Increase the numbers of poor women and men who, as producers, workers and entrepreneurs, participate in and benefit from the expanding tourism industry through skills and business development programs
End of Program Outcomes	<ul style="list-style-type: none"> – The majority of micro, small and medium enterprises operated by participants in S4G skills and business development programs improve their performance – The majority of participants in S4G skills and business development programs increase their incomes
Intermediate Outcomes	<ul style="list-style-type: none"> – The coordination and planning of skills and business development in target districts is improved and gives equal weight to the skill development priorities of the informal economy as those of the formal economy – Micro, small and medium enterprises are established and developed by relevant participants in S4G skills and business development programs, including women and people with a disability – Participants in S4G skills and business development programs gain or improve their employment, including women and people with a disability – S4G models and learning contributes to the strengthening of the national TVET system and quality standards

1. Background

Australian support for skills development in Sri Lanka has been under consideration for several years. An investment concept to pilot a flexible, market-oriented training program was approved in 2013. In 2015, DFAT mobilised a design team to reaffirm the 2013 concept and prepare a full investment design. A **Skills for Inclusive Economic Growth (S4G)** investment design was developed and subsequently validated at both national and provincial levels. This initiative complements Government of Sri Lanka (GoSL)'s own investment in this sector, including the USD660 million Skill Sector Development Program (SSDP) to reform the TVET sector by increasing access for secondary school graduates to technical training.

2. Analysis and Strategic Context

2.1 Political and economic context

After 26 years of violence, 2009 marked the end of the civil war arising out of the ethnic tension between the majority Sinhalese and the Tamil minority in the North-East. The violence killed more than 70,000 people, damaged the economy and harmed tourism in one of South Asia's potentially most prosperous societies². Since the end of the conflict however, Sri Lanka has experienced a consistent economic growth trajectory, with an average of 6.7% during the last nine years.³ New opportunities have opened up with agricultural lands in conflict-affected areas once again being cultivated, services related to tourism expanding, and manufacturing rebounding as domestic consumers' and investors' confidence is revived⁴.

Economic growth, in fact, has been inequitable with poverty persisting in 'lagging regions' of the Northern and Eastern Provinces. The Sri Lanka Central Bank data reports that the poverty rates in Eastern and Northern Provinces are three to four times greater than in Western Province (which includes the commercial capital, Colombo)⁵. The 2009-2010 data for Eastern Province indicate that the area is economically disadvantaged as compared to other regions; it has the highest unemployment rate in the country - 6.8% compared with 4.2% nationally - and has the second lowest mean monthly per capita income in the country i.e. LKR5,663 in Eastern Province as compared to lowest scoring Northern Province (LKR5,515) and highest scoring Western Province (LKR11,561)⁶. Unemployment rate in Polonnaruwa, North-Central province lies between 6.3 and 7.7%, which is relatively high compared to other districts. The underemployment rate is between 6.5-10.9 % and is one of the highest in the country.

Recent research involving interviews with key national and provincial stakeholders found that 68% of respondents recognised the lack of economic opportunities for war affected communities as a fundamental concern, and the disparity of living standards between the North and the East and the rest of the country was a major issue for nearly all respondents⁷. The GoSL, private sector and civil society have all emphasised the need

² Sri Lanka Country Profile – Overview (BBC News, 2015).

³ Aid Program Performance Report 2013-14, Sri Lanka (DFAT, 2014i)

⁴ Promote Balanced Growth and Improved Livelihoods through Private Sector Development in Agriculture, Tourism and Small Businesses in Sri Lanka (IFC, 2014)

⁵ DFAT, 2014

⁶ Trincomalee Integrated Urban Development Project, (ADB, 2013)

⁷ The Political Economy of Post War Economic Development in Sri Lanka, International Journal of Business and Social Research, Vol 4, Issue 12 (Perera, 2014).

for the lagging regions to catch up if future conflict is to be avoided, with growth and competitiveness of the SME sector identified as an imperative to provide more employment, bridge regional growth disparities and ensure that economic growth is inclusive and widespread⁸.

SMEs play an integral role in Sri Lanka's economy accounting for 80% to 90% of all private sector businesses⁹. They contribute 75% of the 8.1 million workforce, with 66% of the total workforce operating in informal work arrangements¹⁰. A number of key constraints, however, have been identified to private sector led development, particularly in the lagging regions, including: skill gaps in the workforce; access to markets and market linkages; lack of understanding of local and provincial government about the importance of SMEs to economic development; lack of access to finance and quality business development services¹¹.

At the governance and administrative level, one of the observable trends in Sri Lanka, particularly over the last two decades has been a dominant move towards decentralisation and devolution. The Thirteenth Amendment to the Constitution and the accompanying Provincial Councils Act (1987) introduced Provincial Councils with legislated powers and functions. However, decentralisation reform in Sri Lanka has been challenged by a dualistic system of de-concentrated government (secretariats at the district and town level which are agents of the central Government), years of conflict, a lack of coordination and a high degree of political influence. Both Provincial Councils and Local Authorities are involved in services and planning, which confuses the public and increases opportunities for corruption, political conflict, and wasteful duplication in service delivery¹².

A relatively recent DFAT regional evaluation reported challenges in supporting decentralisation and more efficient service delivery in Sri Lanka due to the onerous nature of bureaucratic procedures leading to significant delays in service delivery project start-ups¹³. Importantly in this regard, in the pre-election 'Manifesto' of the new government, explicit focus was placed on a commitment to maximum power devolution to the provinces within a framework of reconciliation, national unity and regional development¹⁴.

2.2 The Technical and Vocational Education and Training (TVET)/Skills Sector

Based on recent research and analysis conducted by the World Bank¹⁵, Sri Lanka has underperformed in reforming its TVET system to meet the current demand of the 'world of work' and is not catching up with fast-growing East-Asian countries. While overall literacy rates are relatively high (91.2%)¹⁶, employers complain that mainstream courses

⁸ Sri Lanka Economic Opportunities for the Poor Program Pre-Scoping Mission: Final Report (DFAT, 2014ii).

⁹ DFAT, 2014ii.

¹⁰ Informal Employment in Sri Lanka: Nature, Probability of Employment, and Determinant of Wages (Gunatilaka, 2008).

¹¹ DFAT, 2014ii.

¹² Incentivizing Better Local Governance in Sri Lanka (The Asia Foundation, 2011).

¹³ South Asia Regional Program Evaluation, Independent Evaluation Report (AusAID 2012).

¹⁴ DFAT Colombo briefing 31 August 2015.

¹⁵ Building the Skills for Economic Growth and Competitiveness in Sri Lanka (The World Bank, 2014).

¹⁶ http://www.unicef.org/infobycountry/sri_lanka_statistics.html

provided are out-of-date and do not provide the practical skills they require and industry involvement in the planning and management of TVET has been minimal.

Recent mile stones in the sector have include the development of the National Vocational Qualification (NVQ) Framework which has led to setting national skills standards in consultation with industry and national quality standards for teaching and assessment using a competency-based approach. The Cabinet in 2012 also developed a framework (Sri Lanka Qualification Framework) to provide flexible pathways between vocational education and higher education, and a basis for recognising prior learning and credit transfer.

Following the parliamentary elections in August 2015, responsibility for TVET was shifted to the Ministry of Skills Development and Vocational Training (MSDVT). The new government has emphasised the need for strengthened policy coordination within the TVET sector and committed to increasing education expenditure (including TVET) to 6% of GDP (it is currently at 1.8%)¹⁷.

The Tertiary and Vocational Education Commission (TVEC) remains the national TVET regulator, facilitator and standards setter, with responsibility for carrying out the policy formulation, coordination, and planning of the sector. TVET as a whole is largely a centralised national function and has not been constitutionally devolved to the Provincial Councils. However, decentralised management arrangements are proceeding and attempts are being made to prepare training plans based on district needs and use them to allocate human and physical resources. Capacity building for Provincial Councils in identifying, responding to, and evaluating training needs within a coordinated framework has been identified as a priority for the sector¹⁸.

There is a complex range of public and private TVET providers operating in Sri Lanka. The main public providers are as follows:

- Department of Technical Education and Training (DTET) – operates 29 Technical Colleges and 9 Colleges of Technology, one in each province.
- Vocational Training Authority (VTA) – manages over 250 training centres that offer around 100 programs up to NVQ Level 4, ranging from a minimum of 6 months up to 12 months of institution-based training.
- National Apprenticeship and Industrial Training Authority (NAITA) – coordinates industry-based on-the-job-training with 3 national institutes and 54 regional apprenticeship-training centres.
- University of Vocational Technology (UNIVOTEC) – provides degree level programs for those who come through the NVQ Framework or who work in industry.
- National Youth Services Council (NYSC) – provides full-time NVQ Level 1-Level 4 programs in both urban and rural areas.
- The Sri Lanka Institute of Tourism & Hotel Management (SLITHM) - managed by Sri Lanka Tourism Board under the newly established Ministry of Tourism and Christian Affairs (MTCA) - provides specialised tourism and hospitality training in Colombo. Six provincial campuses have been set up with the most recent in Passikudah in Eastern Province.

The private training sector consists of for-profit private businesses and other non-profit organisations and overall accounts for about one third of student enrolments. Though

¹⁷ DFAT Colombo briefing 31 August 2015.

¹⁸ The World Bank, 2014.

small in scope, NGO providers have been recognised for their outreach to marginalised groups¹⁹. Most private providers are not registered with TVEC and many private courses are not classified under the NQV system. Sri Lanka has one of the lowest incidences of employer-provided in-service training, however, this is changing with some of the larger hotel chains. The network of Chambers of Commerce provides small-business support training in a variety of areas.

Although the VTA is nominally responsible for training for the informal sector, there remain limited systematic opportunities for skills development for informal workers and entrepreneurs. Constraints around the cost, length, educational pre-requisites and inflexible provision of traditional formal training approaches have been identified, with issues of access particularly for people in disadvantaged rural areas, women, and people with disabilities a major concern. The GoSL continues to recognise that the TVET system is not yet geared to support the economic development of disadvantaged groups, specifically those operating in the informal sector and in the conflict-affected regions²⁰.

In 2010 the Government, through TVEC, developed the first 'National Strategy on TVET Provision for Vulnerable People in Sri Lanka' which acknowledged the need to extend the outreach of the current formal training system. The 'guiding strategic framework' was developed through in-depth stakeholder collaboration at national and provincial level and provides a number of proposed interventions to 'open up' the mainstream training system (with primary focus on the VTCs) to the hitherto disadvantaged/marginalised - particularly in the East and North. However, in its 2014 report, the World Bank notes that the lack of training opportunities for the informal sector remains a primary challenge for the TVET system, and implementation of the strategy has not significantly progressed, despite the continuing validity of the strategy's recommendations²¹. Similarly, the lack of qualified Tamil-speaking instructors is an additional challenge to facilitating greater access to training opportunities in the conflict-affected regions.

The World Bank and the ADB are partnering with the Government to support the USD660 million Skills Sector Development Program (SSDP) with the provision of loans of USD 101.5 million and USD 100 million respectively. A key objective of the SSDP is to improve coordination of TVET/skills policies and programs at the national level and to advance the systemic reform agenda related to relevance, quality, access and efficiency. Implementation will also include the introduction of incentives for public and private providers using an 'Employment-linked Training Agreement' (ETA) to 'purchase' demand-driven training, and the piloting of performance-based financing to support providers performing well. However the focus of this significant investment is predominantly targeting skills development for the formal economy; flexible training tailored to the skill demand of the informal sector in disadvantaged regions is not the priority consideration for the SSDP.

2.3 Inclusion in the TVET sector – women and people with disabilities

The 'National Strategy on TVET Provision for Vulnerable People in Sri Lanka'²² identifies women (specifically heads of single parent households, young unemployed women, and women in informal sector employment) and people with disabilities as severely disadvantaged, both in general terms and specifically in terms of access to vocational

¹⁹ NVQ Implementation by NGO Vocational Training Providers in Sri Lanka (WUSC, 2011).

²⁰ TVEC, 2010; Briefing with the Secretary, MSDVT, Colombo, 18 September 2015.

²¹ The World Bank, 2014.

²² TVEC, 2010

training and employment opportunities.

At the national policy level in Sri Lanka, the importance of gender equality and the mutually reinforcing links of gender equality, economic growth and sustainable development have been consistently highlighted²³. However, the World Economic Forum Global Gap Gender Report 2013 ranks Sri Lanka 109 out of 142 countries for women's economic participation and opportunities. Of all Asian countries, Sri Lanka has one of the highest proportion of female-headed poor households (22%), with the majority of these in conflict-affected northern and eastern provinces²⁴. While the employment rate of women has nearly doubled over the past two decades, social norms that stereotype training and employment as either 'male' or 'female' has meant that women are often excluded from the higher paying jobs in the formal economy. Negative attitudes towards women working in the tourism industry are particularly prevalent, particularly among Muslim communities. The significant majority of the workforce operating in the informal economy is made up of women where they are engaged in subsistence level economic activities with minimal skills and low productivity resulting in low incomes that perpetuates their poverty²⁵. Women-led SMEs account for only 10% of the total SMEs, however women's participation in micro-enterprises is significant.

The pressure placed on women for their household responsibilities (child carer, elderly carer, cook, cleaner, etc.) prevents women from growing their businesses and from taking time away from their family to learn new business and technical skills, and access to finance is exacerbated for women with banks insisting on excessive documentation when compared to men²⁶. Additionally, women's vulnerability is increased by the fact that they lack the support of organisations and networks. They are often excluded from existing entrepreneurship programs as the informal economic activities in which they are engaged are often not perceived to be viable micro enterprises on which the programs are focused. Finally, the absence of flexible and creative training arrangements within the mainstream TVET system to support women's enrolment and participation are a major barrier²⁷.

There are few accurate statistics on disability prevalence in Sri Lanka. The World Report on Disability identifies a prevalence rate of 12.9%, based on the findings of the World Health Survey. Pilot surveys carried out for various community-based rehabilitation projects estimate approximately 7% of the population have a disability and the majority are poor.²⁸ It is, however, widely acknowledged, that the actual figure is much higher, with an over-representation in the eastern and northern provinces²⁹. People with disabilities have the right to work as enshrined in several national Acts and international Conventions, but policy implementation measures are still inadequate to enable them to exercise that right. People with disabilities have extremely limited opportunities to access skill development services, and what is available lacks quality and does not meet the current labour market demands. Many of the mainstream training providers have not been sufficiently sensitised to understand the issues to facilitate the participation of people with disabilities and financial constraints prevent physical facility and training resource modifications that would be required to expand access³⁰.

²³ 26th Session of the Human Rights Council, Statement by Sri Lanka, 12 June 2014.

²⁴ The World's Most Deprived: Characteristics and Causes of Extreme Poverty and Hunger (Hill et al, 2007).

²⁵ TVEC, 2010.

²⁶ DFAT, 2014ii.

²⁷ TVEC, 2010.

²⁸ This is also the estimate of the 2006 Household and Population Survey.

²⁹ Briefing with Handicap International, Colombo, 9 September 2015.

³⁰ TVEC, 2010.

2.4 Tourism as a driver of economic growth

The tourism sector has been identified as a priority industry that is capable of making an above average contribution towards the economy in the overall GoSL national plan, and as a driver with significant potential for inclusive growth, particularly if supported by an effective skills development system. It has been ranked as a 'high priority' industry as it has the capability to boost the economy through mass scale employment creation through both large corporations and SMEs (the latter in both the formal and informal economies), foreign exchange earning capacity, strong sectoral linkages (particularly with agricultural production), regional and rural development and the ability to bring about ethnic harmony among the communities through the interactions brought about by tourism related activities³¹. Total tourist arrivals have increased from 0.5 million tourist arrivals in 2010 to an anticipated 2.2 million in 2016. The hotel and restaurant sub-sector has recorded the fastest growth among all sectors with a post-conflict growth of 112% between 2009 and 2012.

The tourism industry generates annually USD1.4 billion, is the fourth largest foreign exchange earner and has created employment for around 160,000 people. However, the sector suffers from several challenges: insufficient trained personnel in tourism and hospitality; weak SME sector; inadequate diversification of product offering and promotion activities; and inequitable role of women.

The GoSL is currently working on a new national tourism strategy but is committed to expanding tourism-based enterprises and services island wide as well as distributing economic benefits of tourism to a larger cross-section. The tourism sector on the eastern flank of Sri Lanka, which was a popular destination prior to the conflict, is widely acknowledged as largely untapped with beautiful beaches and wildlife. But there is a pressing need for the inclusive growth potential along the tourism value chain to be leveraged through a comprehensive planning approach to unlock the broad-based economic growth opportunities available to hitherto disadvantaged groups. Polonnaruwa district is already a destination for tourism, forming part of the cultural triangle. However, significant potential remains to diversify and improve the tourism experience and to increase the inclusion of poorer people in the tourism value chain.

With the change in government in Sri Lanka last year, for the first time there is now a dedicated Ministry of Tourism and recognition that the 'boom' in tourism needs to be supported by a clear national value proposition and a coordinated implementation plan to achieve strategic goals. The new Ministry is currently working with a tourism unit in the Prime Minister's office on a vision statement and national Tourism Master Plan.

Importantly, stakeholders from both government and non-government agencies have flagged the potential negative social aspects of the development of the tourism industry that is poorly managed, including increases in prostitution, access to drugs, environmental degradation and increased school drop-outs from those seeking quick income.

The Eastern Development Plan (EDP), 2011-2016, developed by the Eastern Provincial Council identifies sustainable and culturally-sensitive tourism development as a key priority and important post-conflict reconstruction strategy for the three districts that make up the province. The EDP confirms that the potential for future development of tourism is still very high and the plans of large hotel chains to further invest in the province, with a specific focus on 'authentic, experience-based' tourism confirms this³².

³¹ Report on Value Chain Analysis of the Tourism Sector in Ampara and Batticaloa Districts (ILO, 2014).

³² Meeting with Head of Brand Marketing/Vice President, John Keells Group, Colombo, 14 September,

The gap analysis conducted as part of the EDP highlighted a number of priority constraints: a) absence of institutional arrangements for the promotion of tourism in the Eastern province; b) poor access to the province through land, sea, or air; c) lack of supportive infrastructure/utilities; d) human resource development. These constraints were validated by the recent 'Destination Audit' of the Eastern Province, undertaken by the International Finance Corporation (IFC), which also emphasised the lack of awareness on the part of both external stakeholders and the province's residents as to the province's tourism assets, and the benefits that their promotion and development could accrue.

A recent International Labour Organisation (ILO) analysis of the sector similarly confirmed the high growth potential of the industry in the province - particularly along the value chain, including agriculture, fisheries, handicraft production, local tours and transportation - but found that there were no significant supply or value chain linkages among local communities, producer associations, SMEs, local entrepreneurs and the larger and better established tourist sector operators³³.

Large hotel chains that have already established operations in the prime locations along the coast also systematically comment on the difficulty in engaging and retaining locals from the province to work within their businesses, and subsequently often bring in staff from other areas, usually Colombo. While many of the managers of these firms have a stated desire to support the local communities through employment, factors such as a lack of the required skills and attitudes; misunderstandings around working in the sector and career progression possibilities; negative attitudes towards women in the industry; and a lack of English language skills combine to prevent this from occurring on a wide scale.

For the last three years a statute for the Eastern Province Tourism Promotion Bureau has been in draft form, but its practical establishment will take time. 'Development and control of the Tourist Industry in the Province' is on the concurrent list of responsibilities under the Constitution, meaning that it is a shared responsibility between the relevant provincial and national government authorities. S4G will seek to facilitate support for building the capacity of the Bureau (once established) from the central Ministry and will look to a similar arrangement for Polonnaruwa district during the mobilisation phase.

2.5 Skills and Tourism related donor activity in the Eastern and North-Central Provinces

Given the widespread acknowledgement of the potential of the tourism industry to support inclusive economic growth, significant skill and SME development-related activity has taken place in this sector, particularly in the coastal areas. Key current actors are summarised below:

Organisation	Activity Focus
ILO	<ul style="list-style-type: none"> • Development of the Vocational Education and Training Plan for the Eastern Province (2010). • 'Local Economic Development through Tourism' project (ACRP). • 'Improving Access to Quality Vocational Training in Batticaloa, Manna, Vavuniya, Ampara' (Component 8 - EU-funded, 'Support to

2015.

³³ ILO 2014.

	District Development Program' (SDDP) 2012-2017).
FAO/UNDP	<ul style="list-style-type: none"> Up-skilling agriculture and livestock extension services and strengthening the capacity of Local Producer Organisations (SDDP).
IFC	<ul style="list-style-type: none"> Small-scale activities to promote access to finance, business skills, marketing and supply chain development across the province, particularly in the tourism sector; targeted BDS assistance to selected local tourism businesses (SDDP). Collaboration with John Keells Group for further destination marketing.
World University Service of Canada (WUSC)	<ul style="list-style-type: none"> Support for application of the NVQ system, specifically by NGO training providers, and linking formal training with on-the-job training, and strengthening connections with credit providers and private sector firms, tracer studies and labour market surveying. Focus on women, people with disabilities and ex-combatants. Also includes establishment of Business Stakeholder Forums in key industry sectors.
The Asia Foundation	<ul style="list-style-type: none"> Small-scale tourism promotional activities. Previous landmark political economy analysis project in the province including assessment of local economic governance and the enabling environment for private enterprise.
Plan	<ul style="list-style-type: none"> 'Youth Economic Leadership' project offering alternative pathways to build skills for employment or self-employment.
USAID	<ul style="list-style-type: none"> Provides capacity development and financial assistance to the entrepreneurs and SMEs in the North, East and North Central to create employment and income earning opportunities

There is insufficient planning and coordination between the wide range of project-based donor activity underway in the tourism skills space to ensure a systematised, sustainable and synergistic approach to skill development service delivery within the four target districts. This is raising concerns within government at both provincial and national levels. Similarly, in recent years, through these activities, a large quantity of valuable evidence-based research on issues related to labour market surveys, training skill needs, value chain analyses, tourism destination audits, etc. have been produced, however, there are no robust coordination mechanisms in place to collate, systematise and prioritise the findings and recommendations of these reports. Finally, concerns have also been raised for the need to shift community attitudes from donor-dependency in a post-humanitarian emergency environment to self-reliance and resilience supported through sustainable development assistance³⁴.

³⁴ Briefings with Plan International, Colombo, 7 September 2015; Meeting with the Eastern Province Chief Minister, Trincomalee, 16 September 2015.

2.6 The Australian Aid policy context in Sri Lanka

In line with the overarching Australian Government aid policy³⁵ and its objective to stimulate inclusive private sector led growth, and given a number of discrete post-conflict responsive initiatives are coming to an end, DFAT in Sri Lanka is in the process of establishing a comprehensive integrated program focused on catalysing and sustaining 'Economic Opportunities for the Poor' (EOP)³⁶. This is articulated as Objective 1 in the Aid Investment Plan (AIP) Sri Lanka Program: 2015-2019³⁷. The 'Skills for Inclusive Economic Growth' (S4G) program will be a key component of this program and will complement other core components including the 'Market Development Facility' (MDF)³⁸. The EOP program is guided by a set of overarching principles:

- Focus on addressing constraints and sectors that are most relevant to the poor, particularly vulnerable groups and women;
- Take a systemic approach;
- Focus on innovation;
- Have a strong focus on results measurement;
- Take a flexible approach.

Objective 3 of the AIP for Sri Lanka is to 'increase gender equality' with a focus on addressing the underlying drivers of gender inequality, including social exclusion and inter-communal and domestic-based violence. S4G will explicitly address the aim to expand women's economic opportunities as well as increase women's participation and voice across all aspects of program implementation. Similarly, with regard to its inclusion focus, S4G will be guided by Australia's new disability-inclusive development strategy, 'Development for All 2015-2020'³⁹, which affirms the priority of the aid program to improve participation by people with disabilities in productive economic activity. The strategy highlights better access to flexible, demand-driven skills training as critical to achieve this.

In terms of the strategic technical framework for S4G design, all proposed implementation arrangements will be guided by the recently released 'Strategy for Australia's aid investments in education 2015-2020'⁴⁰, specifically as it relates to 'Priority 4 – Skills for Prosperity' and the broader principles of i) being fit-for-purpose; ii) taking a systems approach; iii) promoting policy dialogue and transformative reforms; and iv) prioritising the use of evidence for decision making. S4G will also be informed by, and inform, targets for the post-2015 UN Sustainable Development Goals⁴¹, with a particular focus on Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all and Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all.

DFAT also recognises that Sri Lanka's middle income status and increasing sources of external finance means that there is a need for the aid program to strengthen its emphasis on policy dialogue and influence⁴². As a result, DFAT will build on its

³⁵ Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability (DFAT, 2014iii).

³⁶ DFAT, 2014.

³⁷ Aid Investment Plan – Sri Lanka Program 2015-2019 (DFAT, 2015).

³⁸ It is anticipated that the BEE initiative will be designed at a later stage, informed by results, constraints and opportunities identified through S4G and MDF.

³⁹ Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program (DFAT, 2015e).

⁴⁰ Strategy for Australia's aid investments in education 2015-2020 (DFAT, 2015)

⁴¹ <http://www.undp.org/content/undp/en/home/mdgoverview.html>

⁴² DFAT, 2014.

established expertise and partnerships in this area. S4G operations will explore potential innovative ways to continue existing constructive DFAT partnerships, including ensuring that evaluations of other partner activities previously funded through the Australian Aid program in Sri Lanka are drawn from, with successful strategies, networks and outcomes sustained wherever possible.

Finally, S4G will also contribute towards achieving Australia's Aid for Trade Policy⁴³ aims. It will do this by supporting tourism development as a global value chain, by supporting the empowerment of women, by building the capacity of the private sector through skills development. It should also provide opportunities to link with the work of Austrade and of Australian training providers operating in Sri Lanka and well as actively identifying opportunities for partnerships in Australia through the Australia Awards.

3. Investment Description

3.1 Problem specification

Based on the above contextual analysis, the S4G design seeks to address the high unemployment and low income levels that characterise the four target districts through a demonstration project that is consistent with the GoSL objective to reduce the economic growth disparity between the 'lagging regions' and the rest of the country.

Specifically, it seeks to address the lack of access to quality skills development services linked to the economic opportunities that have been identified within the tourism sector value chain in the target districts in both the formal and informal sectors.

In line with the 'systems approach' advocated by the Australian aid policy, S4G will concurrently address the identified inflexibility and lack of responsiveness of the national TVET system, to skill demand particularly with regard to the informal sector. As this is not a priority of the national SSDP, without S4G investment, this systemic problem will continue. Through a focus on increasing access to the TVET system and complementing formal skills training with tailored entrepreneurial support, S4G aims to increase the participation of groups marginalised by gender, disability and geography, and maximising their post training (self)employment outcomes.

Linked to this, S4G seeks to address concerns around a lack of planning and coordination related to the wide range of donor and private sector activity, particularly in the tourism sector, taking place in the four districts (particularly those in Eastern Province) and the need for more sustainable and synergistic approaches.

3.2 Logic and Expected Outcomes

On the basis of the analysis above, the proposed Australian investment in Sri Lanka, Skills for Inclusive Economic Growth (S4G) – will demonstrate how an integrated approach to skills development can support inclusive economic growth opportunities along the tourism value chain.

3.2.1 Building on Lessons

The approach is premised on an understanding that:

1. at the macro level the tourism and hospitality sector is recognised as a primary economic driver that can generate both foreign investment and foreign exchange earnings;

⁴³ Strategy for Australia's Aid for Trade Investments (DFAT, 2015)

2. at the micro level it generates opportunities not only for hospitality and tourism providers but also for those enterprises which service the tourism sector, e.g. agriculture and food services, construction and maintenance services, transport and vehicular maintenance, furniture, souvenir and handicraft production, etc;
3. the tourism sector in the target districts has untapped high growth potential, with significant opportunities for women's participation along the value chain; and
4. a flexible approach to training delivery outside institutional boundaries and closer to people's place of residence substantially improves economic outcomes from training for females, those living in remote areas and those with disabilities as evidenced by the Vanuatu TVET Program ⁴⁴.

The proposed S4G investment will draw heavily on these factors and the eight lessons derived during the 2015 independent evaluation of the Vanuatu TVET Program ⁴⁵.

1. In decentralised contexts with relatively large rural populations, a simultaneous bottom-up and top-down implementation strategy is more likely to support the development of a 'joined-up' TVET system in which the three TVET dimensions of strategy, oversight and service delivery are aligned and mutually reinforcing.
2. Cross-sector cooperation amongst a diverse range of public and private stakeholders is essential to the development of an effective TVET system; where this cooperation does not yet exist, it can be facilitated by programs that are sufficiently nimble to work at national, provincial and sectoral levels simultaneously to create critical breakthroughs.
3. A value-chain approach which links the formal and informal economies but which is grounded in the existing customary order of informality can be a powerful means of transforming sectoral skills development while also facilitating changed behaviour in both economies and fostering private-sector engagement in skills agendas.
4. Programs that focus on long-term transformations but persistently work day-to-day with the grain of local custom and culture rather than from an externally devised blue-print are more likely to achieve their outcomes and be sustainable.
5. An incremental, iterative, participatory and adaptive approach to both system and organisational change is more likely to ensure those changes are locally sustainable.
6. Consistent, regular, relevant and respectful two-way communication between development programs and country partners helps build consensus and facilitates the emergence of resilient local coalitions and leadership genuinely committed to better development outcomes.
7. Long-term continuity of both program personnel and DFAT personnel in program design, management, implementation and review allows for the growth of deep local knowledge and skills and the development of mutual trust between the Program and its implementation partners.
8. The wider relationship between Australia and partner governments can be strengthened through actions that demonstrate a long-term commitment to supporting a mutually agreed development agenda and in doing so opens up new opportunities to work cross-sectorally both in the country and regionally and enhances Australia's reputation as a trusted, committed, and knowledgeable development partner.

⁴⁴ The Australian Office of Aid Effectiveness (Smart economics: evaluation of Australian aid support for women's economic empowerment (Office of Development Effectiveness, DFAT 2014) has cited the Vanuatu program for effectively addressing gender in design and implementation through creative and innovative gender-responsive approaches. The Program's inclusion strategies have resulted in participation by people with disabilities in Program facilitated training increasing from 3% to 8% of all trainees between 2013 and 2014

⁴⁵ Schofield, Kaye; Minford, Mark; and Epstein, Andrew (DFAT, 2015)

3.2.2 S4G Theory of Change

Skills for Inclusive Economic Growth will take a theory of change approach to implementation. This means that the program will take a critical and adaptive approach in its implementation⁴⁶ – a necessary approach to achieving developmental outcomes in a complex context.

The S4G theory of change is based on the broad hypothesis that:

- Improved provincial skills development planning and coordination will improve the match between skills demand and skills supply
- More flexible and demand-driven skills supply will improve productivity and incomes along the tourism value chain, in both the formal and informal economies
- Improved access to skills development opportunities for men, women, people with disabilities and other disadvantaged groups will deliver equitable economic benefits along the tourism value chain

The theory of change is focused on contributing to a Goal and achieving a set of End of Program Outcomes:

Goal	Increase the numbers of poor women and men who, as producers, workers and entrepreneurs, participate in and benefit from the expanding tourism industry through skills and business development programs
End of Program Outcomes	<ul style="list-style-type: none">– The majority of micro, small and medium enterprises operated by participants in S4G skills and business development programs improve their performance– The majority of participants in S4G skills and business development programs increase their incomes
Intermediate Outcomes	<ul style="list-style-type: none">– The coordination and planning of skills and business development at sub-national level in target areas is improved and gives equal weight to the skill development priorities of the informal economy as those of the formal economy– Micro, small and medium enterprises are established and developed by relevant participants in S4G skills and business development programs, including women and people with a disability– Participants in S4G skills and business development programs gain or improve their employment, including women and people with a disability– S4G modelling and learning contributes to the strengthening of the national TVET system and quality standards

From a global perspective, the goal and outcomes of Skills for Inclusive Economic Growth will ultimately contribute towards the new Sustainable Development Goals, particularly the targets associated with:

- By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (4.3)
- By 2030, eliminate gender disparities in education and ensure equal access to all

⁴⁶ Overseas Development Institute. 2015. Four principles for Theories of Change in development. www.odi.org/comment/9882-four-principles-theories-change-global-development

levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations (4.5)

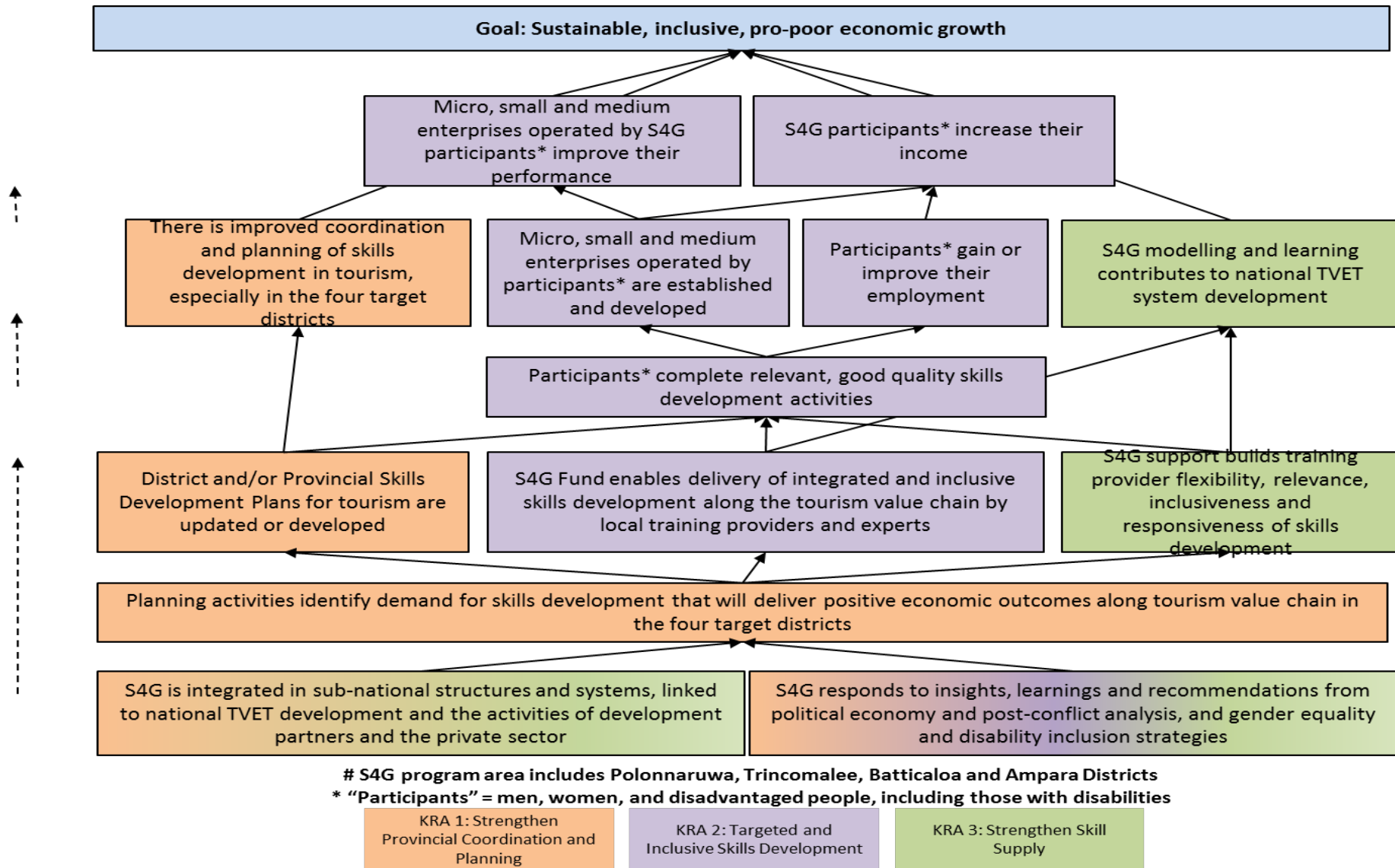
- By 2030 substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship (4.4)
- By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. (8.5)
- By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products (8.9)

Beneficiaries in the target districts will include individuals, associations and businesses with clear economic growth potential along the tourism value chain that could be maximised with customised skill development support. Particular focus will be directed to the inclusion of disadvantaged men and women from all three ethnic groups. Selection of target beneficiaries will be guided by a robust analysis of economic drivers and opportunities (see 4.3 below).

The two end-of-program outcomes demonstrate that the program has a dual intent of supporting inclusive economic growth outcomes for participating men, women, and disadvantaged people, and outcomes for the MSME that these participants operate.

Implementation will prioritise the establishment of successful small-scale models of skill development approaches and outcomes with relatively small cohort groups before more extensive downstream scale-up. Outcomes for individuals and their businesses will be achieved through the support they receive to participate in relevant, good quality skills development activities. In doing so, the program will support the progressive achievement of the important intermediate outcomes for participants: Micro, small and medium enterprises operated by participants are established and developed; and Participants gain or improve their employment, as well as the intermediate outcomes for Sri Lankan systems: there is improved coordination and planning of skills development, particularly at a sub-national level, and S4G modelling and learning contributes to national TVET system development.

Skills for Inclusive Growth – Program Logic



3.3 Investment Options

The Sri Lanka TVET Investment Concept (2013) and the subsequent Scoping Study in 2015 considered a range of options for Australia's entry into the TVET sector including:

Option 1: Piloting of flexible learning through a targeted approach

Pilot a flexible, market-oriented training program to improve access to quality TVET training, primarily for those in the informal sector in lagging regions of Sri Lanka.

Option 2: Expertise to support policy level reform, including flexible learning

Support several aspects of the Government of Sri Lanka (GoSL) Skills Sector Development Plan (SSDP) to complement the loan funds from the Banks primarily through the provision of technical assistance (TA) – possibly focused in the M&E area.

Option 3: Delay investment in TVET

Adopt a watching brief until there was greater clarity around the GoSL capacity/commitment to TVET Reform.

The 2013 Investment Concept recommended Option 1 as preferable. This was reassessed and confirmed by the 2015 Scoping Study which reiterated the view that:

- Innovative approaches to flexible, demand driven training represents a promising niche for the Australian Government which builds on Australian experience and expertise, particularly in a development context.
- It is a prudent entry point to the complexities of the Sri Lankan TVET system and offers the opportunity for Australia to model alternative approaches to skill development and inform the broader SSDP reform agenda.
- It responds to the needs of the informal economy which, given that two-thirds of the workforce is considered to be operating in that space, would appear to receive disproportionately low attention through the SSDP.
- With a provincial and sectoral focus it represents a real opportunity to demonstrate results and make a significant contribution to growth in an historically lagging economic region of Sri Lanka.
- Is consistent with the implementation approaches within the Aid Investment Plan for the Sri Lanka Program 2015-19

3.4 Implementation/delivery approach

3.4.1 An overview of Key Result Areas

S4G will be organised around three inter-related and inter-connected key result areas (KRAs). To maximise Australia's contribution to improved economic outcomes in selected districts in Sri Lanka it will be essential to target skill development interventions that:

- are consistent with Government and enterprise economic development plans,
- are commensurate with the quality levels required for effective outcomes, and



- are delivered in ways that maximise access particularly for disadvantaged and marginalised groups.

The three KRAs of a) Strengthen Provincial Coordination & Planning; b) Targeted Inclusive Skill Development; and c) Strengthen Skill Supply are based on the premise that if inclusive economic growth outcomes are to be sustained and systematised, better targeted investment in skill development requires an holistic approach to improving demand-side analysis and planning and, as required, strengthening local training supply, and delivery mechanisms.

Critically, implementation needs to be programmatic in nature, with a clear intention to work within Government policies and processes, building on existing strengths and initiatives, with the objective of establishing models and approaches that can influence broader system change. Each KRA is described in detail in Section 3.3.3.

3.4.2 Investment Description

The S4G Program is structured around 3 key result areas (KRAs) and outlined below.

KRA 1 Strengthen Provincial Coordination and Planning

In line with a) the systems approach advocated through Australia's strategy for investments in education and training, b) international evidence that demonstrates that improved information, coordination and relationships are central to improving the match between skills demand and skills supply, and c) the gap in this regard for the inclusive development of the tourism sector in the Eastern and North Central Provinces, S4G will be programmatic in nature with core activities directed to strengthening provincial coordination, including the prioritisation of planning and partnerships.

These activities will include:

- Identify and work within effective and contextually appropriate provincial and district coordination structures consistent with the decentralisation agenda of the national government.
- Map current skill development support activity in the Eastern and North Central Provinces relevant to the tourism sector value chain.
- Map and systematise skills demand along the tourism sector value chain with a particular focus on economic opportunities for women and people with disabilities.
- On an annual basis support the preparation of an integrated Skill Development Plan (SDP) for the Eastern and North Central Provinces tourism sector value chain to guide targeted Australian investment as well as be a reference for other skill development investment/service delivery.
- Catalyse improved coordination between key stakeholders at the provincial level, particularly between 'demand' and 'supply', as well as improved coordination within the TVET and Tourism sectors between sub-national and national levels.
- Strengthen the evidence base for policy and planning and build key personnel capacity for improved provincial governance and coordination.

At an operational level, S4G will be positioned alongside the respective provincial councils (Eastern and North Central), and, as requested by the Eastern Provincial Council (EPC) Chief Secretary, will assist with building the coordination infrastructure envisioned through the establishment of the 'Provincial Tourism Promotional Bureau' and contributing to the implementation of the Eastern Development Plan (EDP) 2012 -2016 and its five thrust areas:

- Provincial planning process and systems
- Coordination and monitoring of programs and projects

- Information management, innovation and dissemination
- Institutional capacity development
- Good governance

While the S4G will support the key coordination role of the Eastern and North Central Provincial Councils at the sub-national level, it will also initiate constructive relationships with the national Skills Sector Development Program (SSDP) to facilitate ‘two-way’ national system development.

KRA 2 Targeted & Inclusive Skill Development

At the heart of the S4G will be a Skill Development Fund (SDF) that will be utilised to leverage targeted responses to the skill development needs along the tourism value chain in the four target districts, with a particular focus on the inclusion of disadvantaged groups and flexible learning. Skill development activity facilitated through S4G will comprise training and business development support (BDS) services. Funding criteria (to be detailed in the SDF Fund Manual) will be established to ensure that the services financed by the SDF:

- are identified as a priority within the integrated SDP,
- are relevant to labour market demand and enterprise development plans,
- meet the quality standards required by employers and users of end products and services and where appropriate are in line with NVQ standards,
- are weighted to target the disadvantaged and marginalised including women, people with disabilities, and ex-combatants (for example SDF could cover the costs of child care),
- are weighted to ensure equitable distribution across different ethnic communities,
- are weighted to ensure equitable distribution throughout the four districts and are weighed to ensure equitable distribution between coastal and inland tourism sector initiatives,
- provide incentives for greater efficiency in the delivery of skill development services,
- provide incentives for growth of the private sector training provider market to supplement the over-stretched public provider system,
- foster partnerships between national and Australian/international training providers where applicable,
- foster partnerships and support complementary DFAT, development partner and NGO initiatives,
- incorporate comprehensive and disaggregated baseline data collection, progress monitoring, analysis and reporting, and
- ensure no negative environmental impact.

On the basis of identified priorities, the S4G team will prepare Skill Development Activity Designs in collaboration with relevant stakeholders. Once these Designs are endorsed by the Operational Management Group (see below), service agreements for the delivery of the respective activities will be concluded with selected training and BDS providers. The latter could also include industry ‘coaches’ and mentors. Service agreements will include a funding approach that supports full cost recovery plus a management fee.

It is anticipated that individuals and businesses could benefit iteratively from a series of complementary and mutually-reinforcing training and BDS, phased over time. Follow up training and BDS will reflect the changing needs of participants as their circumstances change and ensure optimal returns on the skill development investment.

In time it is expected that SDF funding will be on a competitive basis, with the S4G designing activities in priority areas and through open tender calling for proposals from

training, BDS and employment service providers. In the interim, while a competitive training market emerges, the most likely scenario is for the S4G program to identify specific providers and procure directly.

While the main function of the SDF is to fund the costs of training and BDS, should the purchase of small-scale tools and equipment be required for the purpose of training, it is considered appropriate that the SDF could also accommodate these costs. It is also planned that SDF funds could be used to cover travel and meal costs of disadvantaged participants, as well as costs of reasonable adjustments required to facilitate involvement of people with disabilities, e.g. sign interpreters, personal assistants or translation of materials into Braille, and costs of child care arrangements for women.

It is not intended that the SDF be used as a loan scheme/seed-funding mechanism; rather, through its business development services (BDS) the program will link training participants with existing micro-financing opportunities.

The SDF will be managed within strict governance and probity mechanisms to ensure transparency and equitable distribution of funds, in line with S4G objectives.

Assessment of Skill Activity Development Designs and recommendations for S4G funding approval will be made by an Operational Management Group (OMG) at the provincial level in line with the criteria stipulated in the SDF Fund Manual. Membership of the OMG will be determined in consultation with respective provincial Chief Secretaries, including the S4G Team Leader as the delegate on behalf of DFAT. As much as is practicable, the OMG should comprise representatives from the three major ethno-religious groups and the four districts (with possible rotations) and ensure women's equitable participation. It is expected that, given the workload associated with this process, sitting fees would apply for OMG members. The SFIEG Team Leader will have final authority for the approval of all SDF expenditure, accountable to DFAT.

Consistent contracting, financial and risk management procedures will be adopted and embodied in financial and operations manuals for all SDF performance based disbursements and acquittals. All contracts with providers will incorporate clauses to mitigate fraud and corrupt practices including strict disclosure and audit access requirements.

KRA 3 Strengthen Skill Supply

Sri Lanka's TVET institutions lack the flexibility and capacity for the delivery of targeted short course delivery in response to specific skill demand in the workplace, particularly for the informal economy. The World Bank Skill Development Program (SDP) is piloting a performance based funding model through Employment linked Training Agreements (ETAs) for 'eligible TPs ... registered and accredited by TVEC that can demonstrate their capacity to deliver training additional to what they already deliver'⁴⁷. S4G will have opportunity to support, inform and expand the roll-out of the ETA approach through its service agreements with registered public and private providers.

It is expected that the S4G will identify substantial demand for flexible delivery of short courses in a range of settings – in workplaces, community settings and other conveniently located training spaces. To respond to this demand and enable delivery of tailored courses within the NVQ system, S4G will need to work closely with the TVEC to ensure such practice is fully compliant with TVEC policies and processes. It will also need to encourage providers who wish to pursue the increased revenue opportunities available through the SDF, to invest in their own capacity development in order to meet

⁴⁷ Skills Development Project Appraisal (World Bank, 2014) P49

the required standards.

Where required the S4G will support the professional development of trainers either through the University of Vocational Technology (UNIVOTEC) where applicable courses are available or through other national and international providers including Australia. Support will include both pedagogical and technological skill upgrading.

It is also conceivable that in some circumstances it may not be possible for a local provider to deliver training in a specific area to the standard required. Should this be the case, the S4G could engage an Australian or other international provider, conditional on an agreement to partner with a national provider to deliver the required program. The dual objective is to respond to the skill demand and to provide capacity building support for a national provider. Any international provider engaged in this manner would need to have TVEC registration and be fully compliant with TVEC regulations regarding international providers. Critically, the international provider would need to clearly document, as part of a contractual process, how the capacity building of the national provider would occur and with what concrete outputs/outcomes.

The Sri Lanka Institute of Tourism and Hotel Management (SLITHM) will be an important partner for S4G. A campus has recently been developed in Passekudah and while it is still in a formative stage there are opportunities for S4G support where there is alignment between skill demand and the programs offered by SLITHM.

There is high demand for workplace English training, particularly in the hotel, restaurant and tour guiding sub-sectors throughout the four target districts. This demand will no doubt be reflected in the SDP and S4G will respond by purchasing required levels of workplace English language training from local and international providers as required.

S4G's value chain approach is in recognition that formal skills training is not sufficient in its own right and that it needs to be supplemented by additional support to facilitate employment and self-employment outcomes that increase productivity and increase income. A number of proposed S4G strategies to supplement formal training include:

- Engagement of industry specialists as coaches and mentors to support SME development, with a particular focus on engaging women as positive role models
- Affiliating industry specialists with training providers to expand instructor resources and enable accredited course delivery by experts with current industry experience, as well as facilitate the transfer of current industry expertise to existing trainers
- Link with other DFAT, development partner and NGO programs offering employment and business development support (BDS) services, including credible micro-finance/loan scheme opportunities and the Market Development Facility
- Purchase employment and BDS services where appropriate

In addition, a formal communication mechanism will be established for S4G with the Ministry of Skills Development and Vocational Training. This mechanism will facilitate alignment where appropriate between S4G operations at the provincial level and the national reform agenda, as well as opportunities for meaningful demonstration of effective models and cross-program learnings.

3.4.3 Duration, Timing and Resourcing

Within the broader Economic Opportunities for the Poor (EOP) framework, DFAT is considering a ten year horizon for support to the Sri Lanka skill development sector. S4G will be the first phase over a planned four year period commencing in October 2016.

In the first instance, an extended inception period is envisaged to enable the development of a deep understanding of the political economy and to develop the

necessary relationships, contextual understanding and linkages upon which the success of Program interventions will be built.

The first year is seen as being an establishment period focusing on the development of partnerships, governance and coordination arrangements, strategic analysis and capacity building, and skill development planning.

4. Implementation Arrangements

4.1 Management and Governance Arrangements and Structure

Following the rationale outlined in Section 3.2 – Investment Options, the management modality considered most appropriate for S4G is the engagement of a Managing Contractor (MC) to deliver the program based on a contract negotiated following an open international tender process.

All governance and management arrangements that are strengthened and established by the S4G program will be supported by a robust communications strategy that will clearly detail lines of reporting, accountability and information-sharing processes and modalities. Stakeholders included in this strategy will include at a minimum DFAT, government officers at district, provincial and national levels; industry associations; other donor partners; relevant NGOs and CSOs (particularly those supporting women); and Disabled People's Organisations in targeted districts in Sri Lanka.

DFAT Colombo will have overall authority for managing the contract for S4G, for policy and strategic direction, and for high level engagement with the Government of Sri Lanka on strategic and official matters. An Activity Manager at DFAT Colombo Post will be the operational contact point for the program. The Activity Manager will be responsible for contract and performance management of the managing contractor, and for utilising information generated through the program's monitoring, evaluation and learning system.

The **Managing Contractor (MC)** will be responsible for engaging and mobilising the S4G team as well as additional technical input required through a Technical Assistance Discretionary Pool. The S4G team will be led by the Team Leader who will work closely with DFAT Colombo and have overall management responsibility for the strategic direction, planning, financial and human resource management of the S4G program as well as all program deliverables. The MC will also ensure that the in-country team is supported by the necessary program management systems and appropriate staff from the MC's Head Office. The MC will be required to participate in coordination events to ensure complementarity between all components of the EOP program, particularly between S4G and the Market Development Facility.

The **Ministry of Skills Development and Vocational Training** will play a key role in the program. The Secretary and senior management from the SSDP will be key representatives on the Strategic Advisory Group (see below). Training institutes under the Ministry (NAITA and VTCs) will bid to deliver training as it is identified through the planning process. The Ministry (and especially VTEC) will play a key role in facilitating any international vocational training providers that S4G has identified as necessary to build the capacity of local providers.

The **Eastern and North Central Provinces Chief Minister's Secretariat** and the **Chief Secretary's Secretariat**, as well as **four district Government Agents** will be key operational counterpart agencies/offices for S4G, particularly those departments associated with planning, tourism, local government and rural development, as well as

the Ministries of Education, Tourism and Agriculture respectively. As offered by the Chief Secretary of Eastern Province, DFAT will explore the possibility of establishing the S4G office within or close to the facilities of the Eastern Provincial Council so that, from the outset, the S4G operations established by the MC are physically embedded within local government systems.

A **Strategic Advisory Group (SAG)** will meet six-monthly to bring together key decision-makers and stakeholders within the skills development and tourism sectors at national and sub-national level. The key function of the SAG would be to enable reporting on S4G progress in line with the Monitoring, Evaluation and Learning Plan, and enable collegiate and strategic discussion and guidance around successes, blockages, risks and opportunities. Initially the SAG will be convened by the S4G Team Leader, to ensure that the purpose and operations of the SAG are clearly established while understanding of S4G and its objectives is built, and potential conflicting agendas are managed. However, it is anticipated that over time a key local stakeholder – possibly one of the respective provincial Chief Secretaries - would assume the chair of this group to minimise the program operating as an external, parallel structure. DFAT Colombo would also be a member of the SAG (most likely at Counsellor level) along with the Secretary MSDVT and a senior representative from the SSDP Program Management Unit. Priority should be directed to ensuring these meetings are kept at a strategic level with information shared in a dynamic and targeted way, with the possible inclusion of multi-media reporting mechanism, to enhance stakeholder buy-in (eg: video footage of significant changes made). Efforts will also be directed to promoting female participation within the SAG.

An **Operational Management Group (OMG)** at the provincial level will be established to endorse the priority skill development activities funded through the SDF, in line with the Skills Development Plan, and the administration processes and criteria stipulated in the SDF Fund Manual. Membership of the OMG will be determined in consultation with respective provincial Chief Secretaries and district Government Agents; however, the program will promote women's participation. The Team Leader as the delegate on behalf of DFAT for these groups will have ultimate approval for all SDF disbursement.

4.2 Implementation Plan – Inception Phase

As indicated, the underlying complexity of mobilising a new Australian aid program focused on four districts on the eastern flank of the island will require careful consideration and an iterative approach at a pace that is mindful of the absorptive capacity of key counterparts and agencies at national and sub-national levels. It will be essential to provide the S4G team maximum opportunity to appreciate the political and economic context as well as build the foundations for a continuing and close professional relationship with all key stakeholders at sub-national and national levels.

As a consequence it is expected that the Inception Phase will extend over at least the initial 6 months of program implementation and comprise a range of primary activities including:

- Initial Briefing – Colombo,
- Mobilisation of key personnel,
- Establish sub-national coordination arrangements,
- Skills Development Plan - Tourism Sector Value Chain,
- Mapping of Provincial Skills Supply,
- Gender Equality Strategy, comprising an analysis of the specific issues facing women in engaging with the tourism value chain and skills development opportunities, and actions to overcome these,

- Disability Inclusion Strategy, comprising a situational analysis of people with disabilities in Eastern and North Central Provinces and actions to increase their participation in skills development opportunities, and productive employment within the tourism value chain,
- MEL system development, including review and re-confirmation of the theory of change and program logic.

Importantly at the beginning, the S4G team will, in consultation with key government representatives, review and update the Implementation Plan taking into account the breadth of activity that will need to be undertaken including recruitment and induction of core national staff, recruitment of ancillary staff, establishment of financial and operational systems, the development of associated manuals, the location and establishment of district offices in Batticaloa, Polonnaruwa and Ampara and the procurement of vehicles, office materials, equipment and furniture as required.

The establishment of coordination arrangements, predicated on the principle of building on existing practice and process, will take some time and involve close consultation with respective Chief Ministers, Chief Secretaries and Government Agents. Once these arrangements are drafted, they will need to be circulated for input from provincial, district and peak private sector bodies as well as key national agencies. Once finalised, the agreed coordination structures should be communicated broadly to principal stakeholders throughout the four districts and the key national agencies such as the MTCA and the MSDVT.

Provincial Skills Planning for the tourism sector value chain will commence in the program's second quarter. In collaboration with provincial council counterparts, extensive research will be undertaken to identify and collate relevant data recently produced by government, private sector, non-government and development partner sources. Consultation with the private sector (peak body and enterprise levels) will be conducted to identify and quantify skill development requirements. Further consultation will occur with development partners and NGOs engaged in MSME development to identify and quantify skill development and business development support needs with a specific focus on opportunities in the informal sector especially for women, people with disabilities and other marginalised people. A Gender Specialist and a Disability Inclusion Specialist will lead the development respectively of Gender Equality Strategy and a Disability Inclusion Strategy which will be designed to identify ways in which the S4G can work most effectively to overcome barriers to the successful participation of women and people with disabilities in the tourism sector.

On the basis of this research, comprehensive and user-friendly Tourism Skills Development Plans (SDP) for the districts will be developed including priority recommendations. Coincidental with the development of the SDP a Skill Development Fund (SDF) Manual will be developed that includes governance arrangements, funding criteria, pro forma service agreements. Once the SDF Manual has been endorsed, a communication plan for implementation early in 2017 to inform key stakeholders at both national and sub-national levels about the nature and operational aspects of the SDF will also be prepared.

During this period preparatory work will also commence to establish a deep understanding of EP skill supply capacity. Importantly this research will commence with liaison and the establishment of formal communication links with the SSDP Program Management Unit (as well as key agencies such as the TVEC, VTA, NAITA, and UNIVOTEC) in Colombo.

Extensive mapping of provincial skill providers will identify those providers (public and

private) with potential capacity to deliver quality assured, demand-driven, flexible, modular/short-cycle programs to support the tourism value chain and small business growth. In addition, potential TVC 'industry coaches' with expertise to address the skill gaps emerging from the development of the skills plan will be identified possibly through an expression of interest process. All data related to providers and industry coaches will be compiled into a database for ready access as skill development initiatives are progressed. An explicit focus will be directed to the identification of female industry coaches where possible.

The foundations of the monitoring, evaluation and learning (MEL) system that will underpin all S4G activity will also commence with the early fielding of the MEL Specialist to assist with the recruitment of the MEL manager and then collaboratively develop the MEL Plan.

Mobilisation of staff will be phased over time with the Team Leader and key international technical assistance being fielded early in the Program to establish S4G operational systems and processes and to sensitively build the necessary structural relationships with Government agencies at national, provincial and district levels.

4.3 Procurement Arrangements

The proposed S4G implementation modality is twofold:

1. The program of assistance to specifically support economic growth in the tourism sector value chain through targeted skill development will, for the most part, be implemented by an Australian appointed managing contractor.
2. Concurrently, DFAT will continue complementary initiatives that maintain and strengthen S4G's national policy dialogue with the Government of Sri Lanka, particularly the Ministry of Skill Development and Vocational Training and the Ministry of Tourism and Christian Affairs. Such initiatives will supplement S4G ongoing interaction with the national agencies such as the Tertiary and Vocational Education Commission (TVEC) and the Vocational Training Authority (VTA) in support of national reforms through the Skill Sector Development Program.

The Managing Contractor (MC) modality will deliver the Program based on a contract negotiated following an open international tender process.

4.4 Monitoring, Evaluation and Learning

The conception of S4G rests on an intention to demonstrate a new approach to skills development which will support greater flexibility, responsiveness, and access for women and other disadvantaged and marginalised people. Achieving the demonstration effect, and influencing the broader development of the skills development sector in Sri Lanka, will require a strong approach to building the evidence base. The program will also take an emergent and iterative approach that enables it to respond to opportunities as they emerge. For these reasons S4G will invest strongly in monitoring, evaluation and learning (MEL) from the outset, starting with the program logic and its clear statement of program intent, and building on this throughout implementation.

The purpose of the MEL system for S4G is therefore fourfold: to support well-informed management, to enable rigorous accountability for performance, to support learning, and to contribute evidence to the national process of policy development and reform in skills development and tourism. The MEL system must:

- Provide the information needed by program personnel, by DFAT, and by partners in the Government of Sri Lanka at national and Eastern Province levels, to make day-

- to-day and strategic management decisions on the basis of timely and well-founded evidence;
- Support accountability to the people of Sri Lanka and to DFAT about the use of program resources and the achievement of positive intended and unintended program outcomes;
- Enable program personnel, participants and stakeholders to learn from the program, to apply that learning to ongoing efforts, and to capture and communicate those learnings so the wider development community can make use of them; and
- Contribute evidence and analysis to the broader national process of policy development and reform addressing the skills development sector and the tourism sector.

It will also be essential that the MEL arrangements for S4G align with, and articulate into, the results measurement and M&E arrangements for DFAT’s overarching Economic Opportunities for the Poor (EOP) portfolio.

Principles

Across program monitoring, evaluation and learning, a number of important principles will guide the development and implementation of the MEL system. These principles includes the commitment to:

1. Address gender, disability and other inclusiveness variables in all MEL activities;
2. Involve program personnel, participants and stakeholders in ‘sense-making’;
3. Value both qualitative and quantitative data and use a variety of methods;
4. Support the flow of information in multiple directions, and using a range of communication and reporting tools;
5. Meet the reporting needs of the Australian government and the Government of Sri Lanka; and
6. Comply with international standards for ethics, evaluation methods and results measurement⁴⁸.

Approach

The approach to monitoring, evaluation and learning for S4G will build a comprehensive, multi-method system on the program’s theory of change, utilising aspects of the Donor Committee for Enterprise Development (DCED) results measurement standard as well as broader approaches to evaluation, review and learning.

The DCED Standard is premised on a pragmatic approach to results measurement that balances being “complex enough to be credible, yet simple enough to be practical”⁴⁹. It is designed for private sector development programs, and as such is relevant to some activities of S4G. Certainly the core elements of the DCED Standard will underpin the entire MEL system, and will underpin the intention that the whole system achieves quality, credibility and practicality.

However the approach of S4G is broader than private sector development, requiring a broader approach to monitoring, evaluation and learning. Therefore the MEL system will also embed action research, which is well aligned with the theory of change approach that is fundamental to the program design. The DCED approach is underpinning DFAT results measurement arrangements for aspects of the Economic Opportunities for the

⁴⁸ These include the OECD DAD Quality Standards for Development Evaluation 2010 (www.oecd.org/development/evaluation/dedndep/36596604.pdf); the DFAT Monitoring and Evaluation Standards 2014; and the DCED Standard for Measuring Results

⁴⁹ DCED. 2015. *The 2015 Reader on Results Measurement*.

Poor portfolio, so such alignment is essential.

The Team Leader will be instrumental in establishing and maintaining a culture of learning, analysis, and the utilisation of evidence across the program. In support of this, a part-time MEL Specialist and full-time MEL Manager will develop and implement the MEL system for S4G. This MEL team will be progressively expanded to include two MEL Officers, and will also have access to funding and resources to support database development, additional input for case studies and thematic evaluation studies, creation of multi-media communications, and the auditing of results data in line with DCED guidelines.

As part of developing the MEL system, the program will undertake participatory **theory of change workshops**, which the MEL Specialist will design and facilitate. The workshops will bring together program personnel, DFAT, and key partners, to review the theory of change and program logic and ensure it reflects current and shared understanding of the program and how it will operate. This approach will ground the assumptions of the theory of change in local realities.

The program will demonstrate good practice in using a diversity of data and analysis methods to inform program planning and management. There is evidence of a culture of referring to evidence in policy and planning in Eastern Province on which to build. The program will work closely with Provincial and District level statistics and planning offices to integrate as much as possible with existing mechanisms for data collection and use, and to broaden the nature and kind of data that is valued.

The MEL team will develop a comprehensive **Monitoring, Evaluation and Learning Plan** that specifies the approach to action research, results measurement (complying with DCED standards), learning and reporting.

Beyond the creation and analysis of evidence is the need to communicate effectively with stakeholders – essential to achieve the influencing aims of S4G. The M&E approach in the program will thus also involve a range of reporting and communication methods, including audio-visual media. These will underpin all engagement activities by the contractor and by DFAT, both at the national and provincial levels in Eastern and North Central provinces.

The program will produce one major formal report: the **Annual Program Report**. It will be designed to meet the reporting requirements of DFAT, including the information needed to complete the annual Aid Quality Check against Australia's aid quality criteria: relevance, effectiveness, efficiency, sustainability, gender equality, monitoring and evaluation, innovation and private sector, and risk management and safeguards. In addition to the Annual Program Report, the contractor will provide a brief Mid-Year Update, regular financial reports, and exception reports when required.

4.5 Sustainability

Australia's investment in skills for inclusive economic growth is a long-term commitment to contributing to sustained economic benefits for men, women, people with disabilities and other disadvantaged groups. The approach of S4G is predicated on a sustainability principle: working within existing systems, networks and processes – both formal and informal – will be the most effective way to influence long-term change. There is now wide acceptance that institutional factors are often the really binding constraints to

development⁵⁰. Therefore, for S4G to achieve lasting change in skills development it will work with institutions, not just provide skills development opportunities in isolation from those institutions. That said, skills development: support for the development of enterprises operated by poor men, women and people with a disability, and opportunities to access new or improved employment linked to the tourism sector, will all contribute to sustainable economic outcomes for program participants.

The intention to take a politically-informed approach to the program is also an important element of the sustainability strategy. It will strengthen the capacity of the program to work 'with the grain' of skills development and the tourism sector in Sri Lanka, and in the four districts especially. It will improve the opportunities to influence lasting change by building coalitions rather than working in isolation. S4G's focus on local leadership, flexible and responsive implementation, and deep partnerships with local stakeholders, emphasise its approach to sustainability.

4.6 Inclusiveness

The design of S4G responds to the reality that women (specifically heads of single parent households, young unemployed women, and women in informal sector employment) and people with disabilities are severely disadvantaged, both in general terms and specifically in terms of access to vocational training and employment opportunities⁵¹. The program is centred on supporting *inclusive* economic growth – as articulated in the program logic – and will thus make an extensive investment in understanding exclusion, and supporting and advocating for inclusion in skills development, economic opportunities, and in decision-making.

Gender

Men and women in Sri Lanka, and specifically in the Eastern and North Central Provinces, face complex social, economic and institutional circumstances that affect the extent to which they can participate in economic activity, and in skills development. Looking specifically at the tourism sector, Sri Lanka is notable in the low participation of women in direct tourism businesses (mainly accommodation and hospitality) compared to most other countries⁵². This points to unique social factors that must be understood by the program. Therefore, early in the implementation of S4G the program will develop a Gender Equality Strategy, grounded in contextual analysis of the specific issues facing women in engaging with the tourism value chain and skills development opportunities, and which identifies practical ways in which the program can work most effectively to support women's participation. This reflects Australia's understanding that advancing gender equality requires practical action based on careful, politically astute gender analysis⁵³.

The development of the Strategy will be led by a dedicated Gender Specialist. It will seek to explore the underlying drivers of gender equality and identify relevant strategies and actions in several different domains:

- Women's participation in training delivered through the formal TVET system, including training activities in non-traditional professions and trades;
- Women's participation in tourism sector employment, specifically accommodation

⁵⁰ Booth, D. ODI. 2013. *Facilitating development: an arm's length approach to aid*.

⁵¹ TVEC, 2010

⁵² Global Report on women in Tourism 2010, World Tourism Organisation and UN Women, cited in International Finance Corporation. 2014. Sri Lanka Private Sector Development Proposal.

⁵³ DFAT. 2015. *Gender Equality and Women's Empowerment Strategy*

and hospitality employment, and the issues associated with social norms, safety and access;

- Broader participation in the tourism value chain, such as handicrafts producers, service providers such as laundries, agricultural producers and processors, and transport operators, and the extent to which these offer more accessible opportunities for women to benefit from a growing tourism sector in Eastern and North Central Provinces;
- Women's participation in the informal economy and the extent to which skills development can support growth and increasing formalisation;
- Economic and financial systems that affect the extent to which women can participate in enterprise development;
- Regulatory and institutional arrangements that influence women's and men's roles in the private sector
- Potential links between economic empowerment and increased vulnerability to gender-based violence;
- Intersections between gender, disability and poverty, and ethnicity and/or religion, where applicable;
- Exploration of opportunities for collaboration and harmonisation with other agencies/initiatives.

The extent to which the program seeks to work actively to achieve or influence change in these domains will also be guided by the broader political economy analysis, as well as the emergence of active and supportive partners in the private sector, government and training providers. The program will also seek to engage with national-level work underway through the SSDP which aims to increase the participation of women and other disadvantaged groups in formal TVET skills development. Critically, the Strategy will inform the development of the Skills Development Plan and thereby ensure that priority activities to be funded through the SDF focus on women's economic empowerment. The Gender Specialist will provide intermittent support to the program team in the ongoing monitoring and implementation of the Strategy as required.

The overall program approach to monitoring, evaluation and learning will not only shed light on outcomes for women, but will enable deep analysis of the factors influencing women's economic participation and outcomes through targeted investigation and evaluative research.

Disability

S4G will work within Australia's strategic framework for disability inclusive development, with a particular focus on ensuring inclusive access to skills development and private sector participation.

Concurrent with the development of a Gender Strategy, the program will develop a Disability Inclusion Strategy which will comprise a situational analysis of people with disability in the four districts and specifically the barriers that prevent their participation in skill development activity and productive employment, including self-employment, along the tourism sector value chain. Based on this analysis, the Strategy will then outline opportunities and approaches to minimise these barriers, which will be used to inform the Skills Development Plan and S4G operations more broadly. The Strategy development will be led by a dedicated Disability Inclusion Adviser who will provide intermittent support to the program team in the ongoing monitoring and implementation of the Strategy as required.

The development process will draw from other successful DFAT disability inclusive skills programs (e.g.: Vanuatu TVET Program) and will reflect the twin-track approach of both

mainstreaming and targeting, meaning (i) actively including men and women with disabilities in program activities and ensuring all program activities create opportunities for them to benefit; and (ii) undertaking specific activities designed to support men and women with disabilities and address the barriers they face.

It will address a number of key areas, including:

- Understanding of social norms and stigma related to disability inclusion;
- Participation by people with disability in skill development activity delivered through the formal TVET system and non-formal training mechanisms;
- Participation by people with disability in employment along the tourism value chain;
- Exploration of opportunities for collaboration and harmonisation with other agencies/initiatives;
- Participation by people with disability in MSMEs, including identification of specific barriers (eg: access to finance, social norms) and opportunities;
- Participation by people with disability in the informal economy and ways by which skills development can support growth and increasing formalisation;
- Specific consideration of the specific disadvantage faced by women with disability;
- The role of advocacy and communication;
- Support to training providers to adjust their programs, pedagogical approaches, and physical facilities to better enable men and women with disabilities to participate, as well as support to cater for low levels of literacy and formal education experience frequent in the outer islands.

The overall program approach to monitoring, evaluation and learning will not only shed light on outcomes for men and women with disabilities, but will enable deep analysis of the factors influencing their participation in the program, and the extent to which people with disabilities are reaping the rewards of program investments in skills development and the tourism value chain through targeted investigation and evaluative research. It is also hoped that strategic communication by S4G of the inclusion of people with disabilities in mainstream skill development activities and the successful outcomes achieved will play an advocacy role in changing social and political attitudes.

Social Inclusion

Sri Lanka is strongly multi-linguistic and multi-ethnic and Batticaloa and Trincomalee districts were deeply affected by the long conflict in Sri Lanka. The program will work sensitively in this complex environment, as demonstrated by its commitment to, and investment in, political economy and conflict analysis, flexibility, and ongoing learning and adaption. Aspects of the approach have been described throughout the design document and reflect the intention to work in a politically informed and cautious manner.

Program staffing, planning and implementation will demonstrate good practice in social and ethnic inclusion, seeking to establish a diverse program team and to operate effectively in all three languages. It will operate with a robust code of conduct and a commitment to Do No Harm. S4G will also ensure that the multi-ethnic context is not solely seen as a risk to be managed, but rather, through the establishment of its coordination mechanisms and its inclusive approach to skill development delivery, will seek to bring together constructively members of different community groups and actively seek opportunities to promote social cohesion and peaceful co-existence.

4.7 Risk Assessment and Management

Overall, risk assessment indicates that S4G will be a low risk, low value investment.

Operating Environment. The operating environment for the program poses a number of risks. The multi-ethnic post-conflict context in Sri Lanka, and particularly in Eastern Province, does give rise to issues relating to ethnic minorities that will require care and understanding. The generally centralised nature of government policy and decision-making in Sri Lanka – regardless of the decentralisation agenda – creates risks in working at the sub-national level. With substantial sector reform underway in TVET, the sector context for the program is also in transition, creating a moveable environment for the program.

The program will respond to these risks in the operating environment by working politically, informed by political economy analysis and committing to the development of broad and deep stakeholder relationships. An iterative design, localised program staffing, extensive monitoring, evaluation and learning, and engaging across the tourism value chain to respond to opportunities where they arise will also contribute to risk management in the environment.

Results. S4G, through its modest contribution seeks to influence the national reform agenda. This creates risks, but this is inevitable in a program that seeks to innovate and demonstrate a new way of delivering skills development in Sri Lanka. The design is based on proven approaches in other contexts supported by deep analysis of the political and social contexts and the other design features highlighted above, and it will continue to adapt to what it learns through implementation, supported by monitoring and evaluation and action research.

Fraud. S4G will include a contestable Skills Development Fund (SDF), there are some risks associated with potential funds diversion or inappropriate allocation of funding. The program will establish strong and transparent arrangements for the management and allocation of SDF funds that involve all relevant stakeholders and that comply with Australian Government requirements.

Safeguards. The activities of S4G are not expected to raise any safeguard issues relating to child protection although all position descriptions will include a requirement for a working with children check.

With the development of the tourism industry, risks related to displacement and resettlement, or environmental protection will be considered in the preparation of the SDP and that all SDF funded initiatives will include criteria to ensure mitigation of these risks.

There may also be risks associated with possible negative social impact of tourism development. The program flexibility will ensure that the program team has scope to direct resources towards understanding and managing safeguards issues throughout implementation.

