THE TOWERS OF LEARNING
PERFORMANCE, PERIL AND PROMISE OF HIGHER EDUCATION IN SRI LANKA

July 2009

The World Bank
Human Development Unit
South Asia Region
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<th>Full Form</th>
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<tr>
<td>AACB</td>
<td>Association to Advance Collegiate Schools of Business</td>
</tr>
<tr>
<td>APIIT</td>
<td>Asia Pacific Institute for Information Technology</td>
</tr>
<tr>
<td>ATi</td>
<td>Advanced Technological Institute</td>
</tr>
<tr>
<td>AUQA</td>
<td>Australian Universities Quality Agency</td>
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<tr>
<td>BoISL</td>
<td>Board of Investment of Sri Lanka</td>
</tr>
<tr>
<td>CHEA</td>
<td>Council for Higher Education Accreditation</td>
</tr>
<tr>
<td>CHEBA</td>
<td>Consortium for Higher Education Benchmarking Analysis</td>
</tr>
<tr>
<td>COPAES</td>
<td>Consejo Para la Acreditación de la Educación Superior</td>
</tr>
<tr>
<td>DCS</td>
<td>Department of Census and Statistics</td>
</tr>
<tr>
<td>EDP</td>
<td>External Degree Program</td>
</tr>
<tr>
<td>ESDFP</td>
<td>Education Sector Development Framework and Program</td>
</tr>
<tr>
<td>ESDP</td>
<td>Education Sector Development Project</td>
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<tr>
<td>FDTL</td>
<td>Fund for the Development of Teaching and Learning</td>
</tr>
<tr>
<td>FIMPES</td>
<td>Federación Mexicana de Instituciones Particulares de Educación Superior</td>
</tr>
<tr>
<td>GEC A/L</td>
<td>General Certificate of Education (Advance Level)</td>
</tr>
<tr>
<td>GER</td>
<td>Gross Enrollment Rate</td>
</tr>
<tr>
<td>GoSL</td>
<td>Government of Sri Lanka</td>
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<tr>
<td>HEI</td>
<td>Higher Education Institution</td>
</tr>
<tr>
<td>HEMIS</td>
<td>Higher Education Information Management Systems</td>
</tr>
<tr>
<td>HEQC</td>
<td>Higher Education Qualification Management System</td>
</tr>
<tr>
<td>ICDL</td>
<td>International Computer Driving License</td>
</tr>
<tr>
<td>INQAAHE</td>
<td>International Network for Quality Assurance Agencies in Higher Education</td>
</tr>
<tr>
<td>IRQUE</td>
<td>Improving Relevance and Quality of Undergraduate Education Project</td>
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<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JISC</td>
<td>Joint Information Services Committee</td>
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<td>KEI</td>
<td>Knowledge Economy Index</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>LKR</td>
<td>Sri Lankan Rupee</td>
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<tr>
<td>MFP</td>
<td>Ministry of Finance and Planning</td>
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<tr>
<td>MHE</td>
<td>Ministry of Higher Education</td>
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<tr>
<td>MIC</td>
<td>Middle Income Country</td>
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<tr>
<td>MQA</td>
<td>Malaysian Qualifications Agency</td>
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<tr>
<td>NDP</td>
<td>National Planning Department</td>
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<tr>
<td>NEC</td>
<td>National Education Commission</td>
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<tr>
<td>ODL</td>
<td>Open and Distance Learning</td>
</tr>
<tr>
<td>OUSL</td>
<td>Open University of Sri Lanka</td>
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<tr>
<td>QAA</td>
<td>Quality Assurance Agency</td>
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<tr>
<td>QAAC</td>
<td>Quality Assurance and Accreditation Council</td>
</tr>
<tr>
<td>SDI</td>
<td>Staff Development Center</td>
</tr>
<tr>
<td>SEDA</td>
<td>Staff and Educational Development Association</td>
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<tr>
<td>SLAIHEE</td>
<td>Sri Lankan Association for the Improvement of Higher Education Effectiveness</td>
</tr>
<tr>
<td>UHEMIS</td>
<td>University-Higher Education Management Information System</td>
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<tr>
<td>UGC</td>
<td>University Grants Commission</td>
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<td>U-HEMIS</td>
<td>University-Higher Education Management Information System</td>
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TEAM MEMBERS
This report was written by a team consisting of co-Team Leaders Harsha Aturupane (Senior Economist, SASHD) and Benoit Millot (Lead Education Specialist, SASHD), team members Lianqin Wang (Senior Education Specialist, MNSHD) and consultants Mohammed Allak, Sunil Chandrasiri, John Fielden, Sam Mikhail, Norman Laroque, Ralph Rawlinson and Upul Sonnadara. The peer reviewers were Chris Thomas (Sector Manager Human Development, AFTH1), Kurt Larsen (Senior Education Specialist, WBIHD). Prof. Narada Warnasuriya, former Chairman, Committee of Vice-Chancellors and Deans (Sri Lanka) also provided peer review comments at the concept stage of the report.
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EXECUTIVE SUMMARY

Sri Lanka is poised on the crest of two great waves of opportunity. The first wave can transform the nation from a low-income country to a middle-income country. The second wave can transform the nation from a country in conflict to a country at peace.

The higher education sector can and must lead Sri Lanka successfully over the crests of these two waves of golden opportunity. Higher education institutions should drive and accelerate the country’s ascent to middle-income (MIC) status. Also, the higher education system should inspire the country’s values, ethics and social institutions so that Sri Lanka becomes celebrated as an enlightened and peaceful multi-ethnic, multi-religious and multi-cultural society.

Sri Lanka Should Enhance Relevance and Quality of Higher Education Institutions and Produce World-Class Graduates

Sri Lanka’s future in the global knowledge economy of the twenty-first century depends critically on the country’s intellectual and human capital. Currently, Sri Lanka ranks 82 out of 140 countries on the Knowledge Economy Index (KEI), and is below the average KEI for middle-income countries (Figure 1). It ranks 77 out of 134 countries on the Global Competitiveness Index. To ascend to the level of a prosperous MIC, the country needs research and innovation capacity capable of promoting dynamic economic development. The ability of people to think and act creatively, work industriously and productively, and innovate and adapt available technologies to strengthen economic activities is

Figure 1: Knowledge Economy - Sri Lanka and MICs

Sri Lanka, Lower Middle Income

<table>
<thead>
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<th>Metric</th>
<th>Value</th>
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<tr>
<td>Annual GDP Growth (%)</td>
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<td>Human Development Index</td>
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<td>Tariff &amp; Nontariff Barriers</td>
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<td>Regulatory Quality</td>
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<td>Rule of Law</td>
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<tr>
<td>Total Royalty Payments and receipts (US$/pop.)</td>
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<tr>
<td>Technical Journal Articles / Mil. People</td>
<td></td>
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<tr>
<td>Patents Granted by USPTO / Mil. People</td>
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Comparison Group: All Type   Weighted Year: most recent (KAM 2008)

cardinally important to achieve this objective. In this context, Sri Lanka needs a higher education system that can produce skilled, hard-working and enterprising graduates.

The economic relevance and quality of the higher education sector at present is substantially below the level required of a middle-income country. There are three broad levels of quality among higher education institutions (HEIs). At the low end of the quality scale there are poor quality education institutions, programs and courses. The large majority of graduates from these HEIs find it nearly impossible to obtain jobs in the private sector, and are eventually employed through make-work public sector schemes. The external degree programs (EDPs) of universities are the clearest and sharpest example of low quality, and the source of the bulk of unemployed and under-employed graduates in the country. In addition, there are many other HEIs, especially in the lagging regions such as the Northern and Eastern Provinces and among the newly established universities and ATIs, which fall into this class of low-performing institutions.

At the middle of the quality scale, there are higher education institutions, program and courses that are of moderate quality. Some graduates from these institutions find employment in the private sector. But a sizable proportion of the graduates of these HEIs, too, do not get jobs in the private sector and are eventually absorbed in make-work Government employment. Postgraduate education opportunities for the graduates of both the low and middle-performing HEIs are scarce.

At the top end of the quality scale there are a few higher education institutions, programs and courses that are of relatively good quality for a lower-middle income country. Graduates of these HEIs enjoy strong demand from the private sector labor market, both within Sri Lanka and overseas, including in OECD countries. In addition, the best graduates from these institutions find it easy to obtain positions for postgraduate studies in the best universities in countries such as the U.S.A., the U.K., Australia, Japan and a host of other OECD countries. This small, well-performing segment shows the long-term promise and potential of the HE sector. The challenge is to transform the large number of low performers and middle level performers to become high-performers.

Challenges

There are deep and persistent challenges to the economic relevance of the higher education sector. The long-standing problem of unemployment among university graduates needs to be addressed urgently. This problem appears to be caused by several factors, including: (a) the relatively poor skills of graduates, especially from external degree and distance mode degree programs, and from some arts, commerce and science courses; (b) a perception among many private sector employers that graduates lack the type of attitudes and skills needed to work efficiently in the private sector; and (c) periods of slow economic growth in the past, when job creation was stifled, and the Government provided employment in make-work schemes of recruitment to the public sector. The knowledge and skills of graduates, particularly in the external degree and distance mode degree programs, and the arts, commerce and science courses, as well as their work attitudes and aspiration need to be oriented more strongly to needs of the economy.

General skills are critically important for the labor market of a middle income country, but also especially scarce in Sri Lanka. Highest among these scarce general skills are English Language and Information and Communications Technology (ICT) skills. A graduate who lacks fluency in an international language and ICT skills is cut-off from much of the world of twenty-first century knowledge
and information. And his or her productivity and performance at work would fall well below the level required by reputed private sector firms from their managerial staff and technical specialists. The English language skills of a large proportion of graduates are well below the threshold expected by private sector firms. And access to ICT facilities and e-learning resources and e-teaching material in higher education institutions is totally inadequate for a middle-income economy.

Strong science, technology and innovation linkages between higher education institutions and industry are a vital need for middle-income countries: but university-industry linkages are only at an infant stage in Sri Lanka. The economic path to a prosperous middle-income Sri Lanka will be based on knowledge-intensive activities such as information technology and software development, engineering, industrial processing, banking, finance and insurance. At present the country’s capacity and position in these areas are well below the average for comparable developing and exemplar middle-income countries (see Table I). Close partnerships between universities and industries in these knowledge-intensive and technology-intensive activities are urgently needed to increase the performance and competitiveness of firms in the country and accelerate economic growth.

### Table 1: Innovation Capacity and Competitiveness: Sri Lanka in Global Perspective

<table>
<thead>
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<th>Country</th>
<th>UNCTAD Innovation Capability Index</th>
<th>UNIDO Competitiveness Index</th>
<th>WEF Global Competitiveness Index</th>
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<tr>
<td>Bangladesh</td>
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<td>Vietnam</td>
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<td>-</td>
<td>68</td>
</tr>
</tbody>
</table>


Note:

**Strategic Development Options**

A deeper involvement of universities offering external degree programs in their functioning is vitally important to strengthen these programs. There are several strategies to raise the quality of EDPs. A licensing scheme needs to be introduced for private institutions which prepare students for the EDP qualification and certification process. This would ensure that such institutions have a required minimum level of quality, and also provide consumer protection to students enrolled in EDPs. Greater reliance can also be placed on the Open University to deliver the services currently provided through EDPs, as one option to improve the quality of EDP programs. In addition, a more systematic use of university e-materials is necessary.
will be a rational approach to improve the quality of these EDPs. In this context, the School of Computing of the University of Colombo provides a good example for other universities.

Developing the English language and ICT skills of students would dramatically improve their employment prospects and productivity at work. This initiative is especially needed for the arts, humanities, commerce and social science students, as a key weakness of these graduates, according to employers is their low stock of English language and ICT skills. The universities and faculties that offer arts, humanities, commerce and social science degrees should target additional resources, including ICT equipment and staff-student contact time, and develop quality processes, such as student support for the acquisition of language skills, to improve the English language and ICT skills of their students. This is a strategic initiative that would generate clear, multiple benefits. It would be popular among students, have a high impact on their future performance in the world of work, and contribute positively to the quality of the country’s future labor force. The existence of a population fluent in English and ICT would also help attract foreign firms to locate operations in the country.

Developing soft-skills as a part of degree programs would considerably enhance the employability of graduates. The degree programs of universities have focused mainly on the subject content and technical skills of students. Employers, however, require attitudes and skills such as initiative, trainability, flexibility, team-orientation, communication, positive work attitudes and discipline. Developing such attitudes and skills among students, would strongly enhance the employability of graduates.

Expanding internship programs to provide work experience to students would strengthen the relevance of higher education programs. Such internship programs have dual sets of benefits. On the side of industry, they enable employers to inculcate, train and assess students for their industrial needs during in-plant training. This builds specific human capital and reduces search and sorting costs. On the side of students it provides an opportunity to learn the skills and culture of private sector work places, and enables the development of attitudinal and technical skills for private sector employment.

Increasing private-sector partnerships in career guidance programs could make these programs more relevant. University career guidance programs would be enriched by increased participation of representatives from the private sector. These representatives would be able to communicate in advance the type of opportunities likely to arise in the private sector, as well as the skills that students need to benefit from such opportunities. Students would then be able to make choices, such as the types of courses to offer, with such opportunities and skills in mind.

Promoting industry-university linkages in science, technology, and research and development is of cardinal importance for Sri Lanka to be a high-performing middle income country. Sri Lanka’s economic advancement as a MIC will depend critically on the acquisition, operation and use of technologies at increasing levels of complexity, quality and productivity, as well as the generation of a continuous stream of improvements and innovations. The research skills and capacity of universities can uniquely support firms in technology acquisition, utilization and adaptation, as well as in innovation and knowledge creation. The promotion of such industry-university linkages in science, technology, and research and development would be greatly assisted through the development of professionally managed university business centers, technology commercialization offices and technology broker programs.
The Governance Framework for Higher Education Needs to be of International Standard

Figure 2: A Typology of Higher Education


Governance is one of the most complex areas in the world-wide landscape of higher education systems. This is due to the rich variety and diversity of higher education institutions, with their horizontal and vertical linkages and relationships (Figure 2). Sri Lanka’s higher education sector has many of the institutions of this typology, but the overall sector needs greater coherence and internal consistency. The main debate on higher education governance is the degree of autonomy that individual institutions should enjoy, and the systems of accountability and responsibility that should accompany this autonomy. The general global trend favors greater autonomy, which is seen as conducive to better performance.

The institutional structure of the higher education sector in Sri Lanka is poised between a centralized, top-down model and a decentralized model where higher education institutions are both largely autonomous and empowered. The degree of autonomy and accountability varies considerably within the higher education sector. The SLIATE system is a highly centralized top-down model. The public universities enjoy greater autonomy than the SLIATE institutions, especially in relation to the recruitment of academic staff, curriculum development, and teaching and research activities. However, many other aspects of public universities that are autonomous in developed and middle-income countries are centralized in Sri Lanka. The private higher education sector operates mainly under institutional mandates for the non-profit institutions and under market forces for the for-profit institutions, and is almost fully autonomous from the State.

Challenges

Pathways and mobility between across different types and levels of higher education are very limited. The Sri Lankan higher education sector has a wide and diverse range of institutions, on the lines of the typology presented in Figure 1, and can be seen as transitioning from a binary system to a tri-partite system. However, clear learning pathways providing access to and mobility and progression within education, training and career paths, are extremely scarce. Given that modern thinking has shifted from
Consultations with academics and university staff suggest that excessive central control can, in many cases, constrain performance. The Ministry of Higher Education (MHE) and the University Grants Commission (UGC) are faced with an unnecessary administrative workload due to the number of operational decisions that need to be taken, and this in turn limits their time and attention for high-level policy matters. Entrepreneurialism and initiative are reduced in universities because of central controls and the need to obtain approvals. Delays can also accumulate while the central institutions make decisions. And, as a result of the long administrative chains caused by the centralized elements of the system, personal authority and informal relationships can play a role, hindering procedural efficiency.

The governance of universities is based on the classical Commonwealth model, but misses some of the modern developments that currently characterized this model. For instance, unlike in the more advanced higher education systems in the Commonwealth, such as the U.K., Australia, and Canada, there is no normative funding system for public universities; instead recurrent funding among individual universities in Sri Lanka is largely based on historical levels, and capital funding is based mainly on negotiations between individual institutions, the MHE/UGC and the Ministry of Finance and Planning (MFP). The institutional structure of higher education institutions is characterized by a greater degree of intervention by central authorities than is common in more advanced higher education systems. In consequence, the current management and administrative capacity of universities are comparatively under-developed. This is especially the case with the newer, more recently established universities and the universities in the lagging regions, especially the Northern and Eastern Provinces.

Quality assurance mechanisms have narrow coverage, and should be considerably broadened. The country lacks quality assurance mechanisms for the alternative higher education sector, the private higher education sector, and the external degree programs. Within the public universities, quality assurance mechanisms are only just commencing for postgraduate education programs, and will require substantial future development. At the undergraduate level quality assurance processes have been introduced during the recent past, but these now need to be developed and strengthened to become an integral part of the university system.

**Strategic Development Options**

There are a variety of initiatives and reforms to modernize the governance of the higher education sector.

The development of a National Qualification Framework is a high priority to strengthen the governance framework of the higher education sector. This framework should cover the universities, the alternative higher education institutions, and the distance mode and external degree programs (see Box 1 for some international examples of national qualification frameworks). It would establish pathways for access and mobility within the various different types of institutions. It would also link the higher education sector to the career paths of individuals, so that individuals could move flexibly between the higher education sector and their work lives, depending on their needs for skill acquisition and vertical and horizontal job mobility.
The tightly centralized SLIATE structure needs to be lightened, with greater empowerment of the Advanced Technological Institutes (ATIs). In particular, the ATIs should have more autonomy and responsibility for academic activities such as curriculum development, and assessment and examinations. The head office of SLIATE should evolve into a higher-level body for planning, monitoring, analysis and policy development. Such changes in the head office of SLIATE and the ATIs must be preceded and accompanied by staff development, organizational strengthening and capacity building to enable these agencies to play their new roles effectively.

The quality improvement of the SLIATE institutions is a high priority. The alternative higher education sector has received less policy attention than the university sector, and is comparatively under-developed. Considerable institutional development is needed in the future to strengthen SLIATE. At the central level, an academic staff leadership institute should be set up for SLIATE with a mandate to support teaching staff with learning innovations and work-based teaching and assessment methodologies. The private sector should also be involved in the design of curricula, and examinations and assessment methods. In this context, Program Advisory Committees, with representation from the private sector and employers federations, would be extremely useful to support SLIATE institutions to better serve labor market needs.

Greater devolution of powers to universities can be considered in several areas. These include the promotion of academic staff; the determination of academic salary levels, especially in shortage subjects; the recruitment of non-academic staff; the development of new academic courses; the creation of new academic positions within a standard budget; and decisions regarding the governance structure of the institutions. For devolution to be effective, first it would be necessary to establish clear accountability mechanisms. Second, the managerial capacity of the university leadership and

Box 1: International Examples of National Qualification Frameworks

The Australian Qualification Framework (AQF)
The AQF has the following objectives.
Bringing together the qualifications issued by the higher education and vocational education and training systems into a single comprehensive system of titles and standards.
Supporting flexible education and training pathways between sectors and lifelong learning.
Encouraging parity of esteem between academic and training qualifications.
Supporting the diversity of purposes of providers in the education and training sectors.
Encouraging cross-sector partnerships.
Underpinning national policies on quality assurance, articulation and credit transfer.

The Irish National Framework of Qualifications (INFQ)
The INFQ is a structure of ten levels ranging from basic certificates to doctoral awards.
Levels are defined by “level indicators” which are broad descriptions of learning outcomes.
“Award types” are defined based on the level indicators, as classes of named awards sharing common features and levels.
The INFQ is not credit-based. However, a credit arrangement is being developed to take into consideration the European Credit Transfer System (ECTS) and the European Credit for Vocational Education and Training (ECVET).
administration needs to be built up if universities are to be endowed with greater responsibility and accountability.

The establishment of a quality assurance system for the full higher education sector is of great importance. The country needs quality assurance mechanisms covering the programs and courses in the alternative higher education sector, postgraduate education, undergraduate education, distance learning, and the private higher education sector. International practice shows that there are a number of models for quality assurance and accreditation. The report discusses models seen in several countries, from which Sri Lanka can draw (Box 2). Whichever model is chosen, it is important that common standards and criteria, and similar processes, are applied by the quality assurance agencies (or agency) for both the public and private higher education institutions.

**Box 2: International Models of Quality Assurance**

- **U.S.A.:** An autonomous organization (Council for Higher Education Accreditation) maintained by its 3,600 member HEIs
- **South Africa:** A sub-committee of an independent statutory Advisory Council to the Minister of Education with a role of providing advice to the Minister on quality in higher education (HEQC)
- **Malaysia:** A QA division of the Ministry of Higher Education
- **New Zealand:** An independent body established by the Committee of Vice-Chancellors
- **UK, Australia, Thailand:** An autonomous organization with its own independent Act of Parliament or charter

**The Structure of Higher Education Access and Coverage Needs to be Transformed**

The perception of Sri Lanka as a country with low higher education enrollment is incorrect. Some popular accounts have Sri Lanka with a gross higher education enrollment ratio (GER) which does not exceed 5 percent. But this number is likely to be a gross underestimate, as it does not account students enrolled in EDPs and the private higher education sector. Were these students to be accounted for, the GER would reach about 21 percent, placing Sri Lanka on par with countries such as Brazil, El Salvador and Jamaica, all of which are considerably wealthier countries. However, this figure also needs to be adjusted to account for the fact that all students enrolled in EDPs are not actively pursuing higher education: when this is done, the GER is around 10-12 percent, which similar to the Indian or Moroccan rates, and is still respectable.

**Challenges**

The structure and composition of Sri Lanka’s higher education enrollment has multiple defects. First, the largest share of Enrollment, nearly 60 percent, is in the external degree programs, where students are enrolled in universities and sit examinations, but do not follow lectures or classes, and receive no academic support from the university. This has been a low-cost option for the Government to expand higher education access and coverage: but it is at the expense of quality. The greatest proportion of unemployed graduates is drawn from these EDPs.

Second, the balance between enrollment in the public sector and in the private sector is heavily skewed against the private sector, which has only 12 percent of enrollment. This is due to Sri Lanka’s strong state-centered higher education system. However, it forces Sri Lanka’s enrollment in internal higher
education programs to be lowered to only about 40 percent of all enrollment, with the balance 60 percent in EDPs. This, as discussed above, lowers the overall quality of the sector. And it prevents Sri Lanka from exploiting the potential of the private sector to contribute to the expansion of higher education access and coverage.

Third, Enrollment in employment-oriented alternative higher education institutions in the public sector is small. This is an important and growing sub-sector of the global higher education landscape. Yet, the potential of this very important sub-sector is under-utilized in Sri Lanka. Enrollments in SLIATE remain marginal, only 3 percent of total higher education enrollment.

Fourth, the composition of students in the conventional degree programs of the universities is still dominated by disciplines such as the liberal arts, management, commerce and law, with under-representation of scientific and technical fields. A middle-income country, if it is to grow fast, needs a higher proportion of skilled and competent science and technical graduates.

**Strategic Development Options**

As the country develops, the demand for higher education will rise, and Sri Lanka will need to find ways of expanding the supply of places in the higher education system. This will provide an excellent opportunity to strengthen the structure and composition of the higher education sector. There are several policy initiatives available to the Government to achieve this objective.

Enrollment in job-oriented alternative higher education programs, such as the courses offered by SLIATE, should be expanded over time. The alternative higher education sector courses are directly job-oriented, and fit a key market niche. Also, these institutions are usually more flexible and can respond to changing labor market needs faster than conventional universities. They also have a lower unit cost than universities, so that enrollment expansion will be less costly for the Government.

The share of enrollment in internal degree of programs of higher education institutions must increase, and enrollment in the poor quality external degree programs needs to decrease over time. Enrollment in external degree programs need to be carefully controlled, with stringent entry and progress criteria, which are tied to the ability of the universities to provide a good quality education for the EDPs. And as internal degree programs expand these should partially substitute for the positions in EDPs. In addition, the expansion of enrollment in the SLIATE ATIs will also enable substitution of EDPs in favor of the ATIs.

The private higher education sector needs to be encouraged to grow and expand. Countries around the world, including former communist countries in Asia and Eastern Europe, as well as many South Asia countries such as India, Pakistan and Bangladesh, encourage and foster the growth of the private sector to increase access and coverage of higher education (Box 3). Private HEIs mainly offer employment-oriented programs and courses, and graduates obtain jobs with relative ease. The expansion of the private higher education sector also does not cost the Government much, as these are self-financing institutions.
Within the university sector, the share of enrollment in employment-oriented science and technology programs must rise. The space for higher enrollment and growth within the university sector is mainly in the newly established regional universities. The expansion of enrollment in these institutions should be in directly job-oriented programs, linked to the evolving economic needs of Sri Lanka as a middle-income country. These are mainly likely to be in the scientific and technology oriented disciplines, as has been the case in countries such as Malaysia, South Korea, Thailand, Brazil, Chile and Argentina.

A key prerequisite for the formulation of policy options to expand higher education access and coverage is to establish a sound higher education management information system (HEMIS). Without a solid HEMIS planning and monitoring the system is not possible. The Ministry of Higher Education (MHE) and the University Grants Commission (UGC) are establishing a HEMIS which covers the universities. Over time, the MHE should expand the HEMIS to include SLIATE and the private higher education sector.

A New Paradigm is Needed for Planning and Financing Higher Education

The development of the higher education sector, across all its dimensions of access and coverage, quality, governance and relevance, will require substantial resources. The resource envelope available will determine which options for development are feasible. In consequence, it is important to mobilize resources for the development strategy, as well as to ensure that the resources available are efficiently utilized.

Challenges

Sri Lanka under-invests in higher education in comparison to middle-income countries and other developing countries. The country spends a substantially smaller portion of its national wealth, and an even smaller proportion of its total public budget, on education than its comparators (Figure 3). South
Asian countries as a whole under-invest in education relative to other developing countries. And Sri Lanka invests less in education than the South Asia average. Public investment on university teaching and research, and the alternative higher education institutions, is low both in terms of the share of GDP (under 0.5 percent) and the share of the public budget allocated for higher education (less than 18 percent). The country also faces a difficult fiscal environment in the current global economic context, and will not have much room to expand public funding for the higher education sector over the short-term.

**Figure 3: Public Education Expenditure as a Proportion of National Income and Government Budget**

![Figure 3: Public Education Expenditure as a Proportion of National Income and Government Budget](image)

Investments in higher education should be preserved during the global economic and financial crisis so that the necessary skilled human resources will be available when the economy rebounds. Sri Lanka is already being affected by the recent global crisis, as most countries in the world and in the region. In fact, under a pessimistic assumption of a growth rate of about 4 percent for the next 8 years, in order for the higher education system to achieve the same objectives, its share of the GDP should increase up to one percent of GDP over the period. This is not impossible, and would put Sri Lanka at par with those countries it is competing with. But it would definitively mean that the share of other, less productive sectors would need to be reduced accordingly. These simulations also strongly suggest that additional creative ways to supplement state funding are necessary and unavoidable.

**Sri Lanka fails to tap the potential of the private sector for the financing of higher education.** The private higher education sector exists, and plays an important role in providing access to higher education, whether at the level of (overseas) university degrees or professional diploma and certificate courses. The graduates from private higher education institutions also generally find employment relatively easily. However, the policy environment focuses mainly on the public higher education sector, and tends to ignore the private higher education sector. This contrasts with the global trend in higher education to encourage private investment and to forge public-private partnerships in higher education. Hence, as noted earlier and should be re-emphasized, Sri Lanka has one of the least developed private higher education sectors among all middle-income countries. Further, many considerably poorer low-income
countries, including India, Pakistan and Bangladesh, outperform Sri Lanka in attracting private sector investment to higher education.

**Strategic Development Options**

The new paradigm for the allocation of Government resources to higher education should focus chiefly on quality and relevance, rather than access. Over the past ten to fifteen years, the main policy priority of the Government was the expansion of access to university education, principally through the creation of new regional universities so that each province would have at least one university. The Government now needs to rise to a higher stage of development, and award the highest priority to the improvement of quality, and economic and social relevance, in the higher education sector. In this context, there are several key measures that are needed. Combining all these measures, while also increasing efficiency in the system will need a higher share of the national wealth to be invested on higher education, especially if the current rate of economic growth cannot be sustained (Figure 4).

**Figure 4: Higher Education Expenditures as a share of GDP (Projected, 2012)**

The alternative higher education sector should be allocated a higher share of public resources for the higher education sector. Greater priority should be given to developing the alternative higher education sector. This sector provides, in principle, directly job-oriented courses. The duration of these courses are typically shorter than university degree programs, and have a lower unit cost. Therefore, the expansion of this sector is a cost-effective and economically efficient option.

Financing innovative initiatives to enhance student learning and improve teaching and research should be the top policy priorities for university funding. This would mean that university corporate plans and budget proposals should be funded chiefly for their impact on quality, rather than their impact on access and coverage. In addition, a share of the resources made available for universities, say about 10-15 percent, should be set aside to fund performance-based initiatives to improve the quality and relevance of faculty programs.

Higher education institutions need to be encouraged to generate revenues for development. There is a variety of revenue generating services offered by higher education institutions. These include the income
earned through research and consultancy services, extension and short-courses, and fees from postgraduate and undergraduate degrees, and diploma and certificate courses. The Government needs to encourage higher education institutions to increase their own revenues, through suitable policy initiatives. In this context, it is very important that the income generated by higher education institutions is additional to the state grant, and that an HEI budgeted funds are not reduced as its own income rises. In addition, the institutional environment for revenue raising activities needs to be developed, through for example the establishment of business centers and technology commercialization offices.

**Measures to improve internal efficiency and reduce costs in the system need to be implemented.** This includes a variety of possible measures, such as a higher academic staff to non-academic staff ratio, a higher staff-student ratio, and increased procedural efficiency in activities such as the procurement of equipment. However, it is important that costs savings generated within the higher education sector are retained within the sector. And whatever costs savings are generated within a higher education institution need to be available for re-investment within that institution.

Creating a favourable environment for public-private partnerships and private sector investment in higher education has helped other countries, including former communist countries in Asia and Europe, to mobilize greater resources and develop their higher education sectors. This option needs to be taken forward by policy makers in Sri Lanka. An important measure to expand private sector participation in higher education would be the establishment of a sound accreditation system, which would facilitate the entry and growth of good quality private higher education institutions. Sri Lanka could also consider the option of a public sector subsidy to private higher education institutions, as in Sweden, Chile, Poland and some states in the U.S.A. In addition, to promote equity and social justice, the country could introduce voucher, stipend and loan schemes for poorer students enrolled in private higher education institutions.

**Higher Education is in a Unique Position to Enrich Sri Lanka’s Culture and Society**

Higher education institutions are of central importance for the cultural, political and social life of a country. They shape the values and norms of a society, and create the space for enlightened citizenship and democracy. This aspect of higher education is particularly important for a country, such as Sri Lanka, which has a variety of ethnic and religious groups, and is emerging from a long-standing ethnic-based secessionist conflict.

The higher education sector can and must lead the creation of a favorable climate for a peaceful, multi-ethnic, multi-religious and multi-cultural Sri Lanka. The greatest challenge facing the country today is to build a society in which individuals from different ethnic and religious groups can live and interact together; with dignity and trust, and in peace; in all parts of the country. The higher education institutions can contribute to the construction of such a society through a number of avenues. First, the content of academic courses and research activities, especially in the arts, humanities and social sciences, can explain and highlight the positive characteristics of multi-ethnic and multi-religious societies, and the requirements for stability and cohesiveness in such societies. Second, nearly all the higher education institutions contain a mix of ethnic and religious groups among their students and staff. These provide an excellent environment for collaboration and cooperation among the different groups. Third, higher education institutions engage in intellectual, cultural and sporting activities among each other. These enable students of different ethnic and religious communities from different parts of the country to meet
and interact together. Fourth, higher education institutions provide a climate for collaborative research among academics of different ethnic and religious groups.

The higher education sector should be at the forefront in the creation and promotion of the enlightened citizens needed for a democratic country. A long period of armed conflict, as in Sri Lanka, erodes the norms and attitudes required for a well-functioning civil administration and political democracy. The higher education institutions, through their teaching and research, need to enhance and strengthen the values and norms, such as pluralism, social tolerance, respect for diversity, and reasoned debate, that are at the heart of political democracy.

**Leading Change and Accelerating Development**

The development of the higher education sector will be of immense benefit and value to Sri Lanka. It will also be a complex and challenging process, and require visionary leadership from political authorities and policy makers, and ownership and long-term commitment from the higher education community.

Higher education development requires sustained, long-term commitment from political authorities. In particular, innovative initiatives in governance can be difficult, as these often involve devolving power and authority from central levels of Government to individual institutions, such as the universities and advanced technological institutions. In addition, modern innovations in university financing, such as introducing revenue systems that range broader than tax financing, and introducing performance-based funding as an incentive and reward, can be controversial as it pushes some traditional-minded individuals out of their comfort zone. Hence, such policy initiatives need visionary and sustained leadership from the highest levels of the political system.

The higher education development strategy in Sri Lanka should be broadly communicated, especially among the academic community, and widespread ownership generated. The individual academic staff members are of central importance to the delivery of good quality higher education services. Therefore, the ownership and commitment of academics is a necessary condition for the successful development of a higher education strategy. The Ministry of Higher Education, the NEC and the UGC need to communicate the scope, objective and rationale for the higher education development program to the academic community. The choice of strategies to implement, and their ordering and sequencing, will need to be accomplished with the participation, ownership and commitment of the academic community.

The higher education institutions in lagging regions, such as the Northern, Eastern and other outlying Provinces, require special and priority policy attention. The higher education development strategy has to be differentiated according to the level of development of the various higher education institutions. The older, well-established higher education institutions in the neighborhood of cities such as Colombo, Kandy and Matara are at a more advanced stage of development. As a result, they can undertake ambitious development initiatives. In contrast, the higher education institutions located in lagging regions, such as the Northern, Eastern and other distant provinces, are relatively under-developed, with less qualified staff, poorer facilities, and academic and managerial systems and processes that are still being established. These higher education institutions need greater policy attention and strategic financing.
The media needs to be allies in the process of implementation of the higher education development strategy. The popular media plays a vital role in providing information and shaping the perceptions of the general public. It is important that the achievements of the higher education system, its future challenges, and the strategies adopted to address these challenges, are communicated to and understood by the media. This, in turn, will enable the leaders of change and development to communicate to the general public their vision of the future of the higher education system, and their strategy to achieve that vision. The support and understanding of the public will be of great importance to generate long-term political interest and commitment to the higher education development strategy.

The higher education community contains the cream of the country’s intelligentsia, and has unique potential to contribute to the economic and human development of the country. However, this is a potential that has been substantially under-utilized in the past, partly due to the various constraints faced by the sector, and partly due to the weaknesses within the sector. The academic community of the country needs to lead, participate in and support the process of higher education development. This process of development will have to be at multiple levels, including the level of the entire sector, the level of individual institutions within the sector, and the level of individual programs and courses within institutions. The higher education community operates at each of these levels, and can and should generate and sustain development in each sphere, and of course, over all spheres.

**Key Development Initiatives**

This paper has laid out a number of key development measures and initiatives that would enable Sri Lanka to keep abreast of the tide of modern higher education strategy and development. These include policies and initiatives to improve the quality of the higher education system and make it more responsive to the needs of the labor market. The agenda is comprehensive and all these policies and initiatives cannot be implemented immediately. Given this, the report presents below some of the critical initiatives and measures that need to be undertaken in the medium-term (first phase) followed by others that need to be implemented over the long-term. However the initial work required to undertake reforms over both the medium-term and long-term should commence immediately. All the measures proposed below are discussed in more detail in the main body of the paper.
## Strategic Initiatives for the Development of the Higher Education Sector

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<th>Higher Education Development Needs</th>
<th>Key Potential Development Initiatives</th>
<th>Benefits of these Development Initiatives</th>
<th>Challenges to Implementation</th>
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<tr>
<td>Strategic expansion of access to higher education in areas of economic and social importance.</td>
<td>Increase intake capacity in the Advanced Technical Institutes (ATIs), over the medium-term.</td>
<td>Higher intake into the ATIs will increase the pool of human resources with advanced technical qualifications.</td>
<td>Resources for the expansion of the ATI network are constrained.</td>
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<td></td>
<td>Expand Enrollment in employment-oriented programs in universities, over the medium-term.</td>
<td>The human capital required for high-level technical and managerial jobs will be produced.</td>
<td>Funds to increase enrollment are scarce.</td>
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<td></td>
<td>Facilitate private investment and private public-partnerships in the higher education sector, over the medium-term.</td>
<td>Enrollment will be increased in economically important higher education programs and courses.</td>
<td>There are influential groups in the country who are ideologically opposed to private sector involvement in education, and will obstruct measures to create an enabling environment for the private sector.</td>
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<td>Improved teaching and learning in the higher education institutions.</td>
<td>Introduce performance-based incentives to improve the quality of curricula, teaching and assessment, in the medium-term.</td>
<td>The universities will produce more graduates with international quality skills and expertise.</td>
<td>The notion of performance-based funding can be opposed by academics unused to the concept.</td>
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<td>Strengthen the skills of academic staff for student-centered and activity based teaching, and modern assessment methods, over the medium-term.</td>
<td>Students will benefit from modern pedagogical and assessment methods.</td>
<td>Conservative academics may find it difficult to change older work attitudes and styles.</td>
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<td>Improve, over the long-term, the English language and ICT skills of staff, where needed.</td>
<td>Staff will be better able to access and utilize modern global knowledge.</td>
<td>Acquiring new skills may be difficult for older staff.</td>
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<td>Increase, over the long-term, the educational facilities, equipment and technology in HEIs.</td>
<td>Staff and students will acquire the skills to use modern equipment and technology.</td>
<td>Resources to invest in modern facilities, equipment and technology are scarce.</td>
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<td>A national qualification framework for the full higher education sector.</td>
<td>Develop and implement, over the long-term, a qualification framework covering the higher education and training sectors.</td>
<td>Greater flexibility, choice and consistency within and between the higher education and training sectors.</td>
<td>The development of national qualification framework covering all the vertically and horizontally differentiated HEIs and training institutions is a complex task.</td>
</tr>
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<td>A quality assurance and accreditation system for the full higher education sector.</td>
<td>Establish, over the long-term, a quality assurance and accreditation mechanism for the total higher education sector.</td>
<td>There will be a mechanism to promote quality, and to facilitate the entry and development of good quality HEIs.</td>
<td>Groups opposed to the private sector will be reluctant to allow a quality assurance and accreditation mechanism for private HEIs.</td>
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<td>The empowerment of HEIs through strategic decentralization and autonomy.</td>
<td>Institute a mechanism to gradually devolve more powers to ATIs for curriculum development and assessment over the long-term.</td>
<td>ATIs will be able to assume greater initiative and develop faster.</td>
<td>The managerial and academic capacity of ATIs may be inadequate to assume the new roles and responsibilities for a devolved system.</td>
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<td></td>
<td>Strengthen the capacity of universities to generate and utilize revenues, over the long-term.</td>
<td>Greater resources will be available for universities to invest in development.</td>
<td>Managerial capacity for revenue generation and use of funds is limited in some universities.</td>
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<td>A comprehensive and reliable Higher Education Management Information System (HEMIS).</td>
<td>The establishment of a HEMIS covering the full range of HEIs in the public and private sectors in the medium-term.</td>
<td>This will establish a solid foundation for sector-wide planning as well as HEI planning and evidence-based decision making.</td>
<td>There is a shortage of technical staff to manage the HEMIS systems, to design the indicators, to collect and process the data.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The monitoring and evaluation function will be significantly strengthened at both the national level and the institutional level.</td>
<td>Some policy makers may not have the habit of using data for decision making.</td>
</tr>
<tr>
<td>Increased research and development.</td>
<td>The establishment and strengthening of business centers to promote university-industry collaboration in research and development activities over the medium-term.</td>
<td>The country would benefit from being able to tap the intellectual resources available in the HEIs for economic development.</td>
<td>Some of the newer universities do not have adequately qualified academic staff to engage in research and development activities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The industrial community would benefit from their collaboration with HEIs to improve the knowledge and skill intensity of their activities.</td>
<td>The geographical location of some HEIs in small towns and rural areas does restrict access to industry.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The HEIs would receive extra income from research and consultancy services.</td>
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<td></td>
<td></td>
<td>The academics in the HEIs would be able to contribute to their full potential.</td>
<td></td>
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<tr>
<td></td>
<td>Promote a culture of research among academics, over the long-term, through suitable staff development and the provision of incentives.</td>
<td>The recognition and respect for Sri Lankan HEIs would improve.</td>
<td></td>
</tr>
</tbody>
</table>
An expansion of the resource envelope available to develop the higher education sector.

<table>
<thead>
<tr>
<th>An expansion of the resource envelope available to develop the higher education sector.</th>
<th>The higher education institutions can expand their incomes beyond the funds that the state can provide through research and consultancy activities and revenue generating programs over the medium-term.</th>
<th>Higher education institutions will have more resources for investment, innovation and development.</th>
<th>Groups opposed to non-tax financed sources of income for higher education may hinder such activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The state can promote more public-private partnerships and private sector participation in higher education over the medium-term.</td>
<td>The higher education sector will have a greater resource envelope for growth and development.</td>
<td>Groups ideologically opposed to the private sector will seek to obstruct greater involvement of the private sector.</td>
<td>---</td>
</tr>
<tr>
<td>Greater economic relevance of degree programs and courses.</td>
<td>Increase the share of enrollment of students in employment-oriented programs and courses over the medium-term.</td>
<td>The higher education sector will become more responsive to the needs to the economy.</td>
<td>Employment oriented courses often have a higher unit cost and require more funds.</td>
</tr>
<tr>
<td>Universities could increase their involvement to make external degree programs more relevant to the labor market over the medium-term.</td>
<td>The most significant source of graduate unemployment will be addressed.</td>
<td>Universities will require more resources to address the needs of external degree programs.</td>
<td>---</td>
</tr>
<tr>
<td>Increase interactions between HEIs and the private sector in course and content design and delivery, over the medium-term.</td>
<td>This will enable the courses of HEIs to reflect the requirements of employers.</td>
<td>The balance between academic rigor and labor market requirements can be difficult to achieve.</td>
<td>---</td>
</tr>
<tr>
<td>Increase student placements in industry as part of degree programs, over the medium-term.</td>
<td>Students will be oriented to the world of work.</td>
<td>There may be insufficient placements in industry, especially for more general programs.</td>
<td>---</td>
</tr>
<tr>
<td>Strengthen career guidance and counseling for students, over the medium-term.</td>
<td>Students will be able to make more informed career choices.</td>
<td>Adequate capacity may not be available for guidance and counseling in all HEIs.</td>
<td>---</td>
</tr>
<tr>
<td>Improve the English language and ICT skills of students, where needed, over the long-term.</td>
<td>---</td>
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</tr>
<tr>
<td>The promotion of social cohesion among the different ethnic, religious and cultural groups in the country.</td>
<td>Promote HEIs as multi-ethnic and multi-religious institutions in the composition of students and staff over the medium-term.</td>
<td>The promotion of conditions for a socially stable and cohesive multi-ethnic, multi-religious and multi-cultural society would help address what is arguably the single most important problem facing Sri Lanka society at the present time.</td>
<td>Tensions caused by a lengthy ethnic-based secessionist conflict could restrict opportunities for collaborative activities among students and staff from the various ethnic groups in the country, especially in the areas most affected by the conflict.</td>
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<tr>
<td>---</td>
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<td>---</td>
</tr>
<tr>
<td>Present the positive aspects of multi-ethnic and multi-religious societies, and their requirements for social stability, in academic courses, over the medium-term.</td>
<td>Encourage collaborative research between academics from different ethnic and religious communities, over the medium term.</td>
<td>Special attention is required for the development of higher education institutions in lagging regions, such as the Northern, Eastern and other outlying provinces.</td>
<td>Human resource development of the young staff members in these HEIs.</td>
</tr>
<tr>
<td>Human resource development of the young staff members in these HEIs.</td>
<td>Accelerating the development of higher education institutions in the lagging regions will enable greater equity of access to higher education across the country.</td>
<td>Special attention is required for the development of higher education institutions in lagging regions, such as the Northern, Eastern and other outlying provinces.</td>
<td>Well qualified staff are reluctant to work in the higher education institutions located in the lagging regions.</td>
</tr>
<tr>
<td>Facilitation of partnerships and link institution arrangements between the HEIs in the lagging regions and other parts of the country, as well overseas HEIs.</td>
<td>Improving the quality and relevance of higher education institutions in the Northern, Eastern and other outlying provinces will raise the overall level of development of the higher education sector, as these institutions are below the national average.</td>
<td>Special attention is required for the development of higher education institutions in lagging regions, such as the Northern, Eastern and other outlying provinces.</td>
<td>The Government’s budget constraint makes it difficult to meet the development needs of these institutions.</td>
</tr>
<tr>
<td>Expansion of the network of ATIs in underserved areas.</td>
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Chapter One

THE HIGHER EDUCATION SECTOR IN SRI LANKA

Introduction

1.1 Sri Lanka is poised on the crest of two great waves of opportunity. One wave can transform the nation from a low-income country to a middle-income country. The second wave can transform the nation from a country in conflict to a country at peace.

1.2 The higher education sector can and must lead Sri Lanka successfully over the crests of these two waves of golden opportunity. Higher education institutions should drive and accelerate the country’s ascent to middle-income (MIC) status. Also, the higher education system should inspire the country’s values, ethics and social institutions so that Sri Lanka becomes celebrated as an enlightened and peaceful multi-ethnic, multi-religious and multi-cultural society.

The Economic and Sector Context

1.3 Sri Lanka’s future in the global knowledge economy of the twenty-first century depends critically on the country’s intellectual and human capital. The ability of people to think and act creatively, work industriously and productively, and innovate and adapt available technologies to strengthen economic activities is cardinally important in the modern world. In this context, Sri Lanka needs a higher education system that can produce skilled, hard-working and enterprising graduates. Also, the country needs research and innovation capacity capable of promoting dynamic economic development.

1.4 The economy has been expanding relatively strongly in the recent past, with an average annual growth rate in excess of six percent during the five year period 2004-2008.1 The composition of the national economy has been changing over time in favor of services and industry. The share of the service sector in GDP has increased from 48 percent in 1990 to 60 percent in 2007. The share of industry has risen slightly from 26 percent to 28 percent over the same period, while the share of agriculture has fallen from 26 percent in 1990 to 12 percent in 2007. Around 42 percent of the labor force is employed in the service sector, with a further 27 percent employed in the industrial sector and 31 percent employed in the agriculture sector. Incomes and living standards are normally higher among individuals engaged in service or industrial sector activity. Conversely, poverty and deprivation levels are higher among individuals working in agriculture.

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1 Sri Lanka has been affected adversely by the global downturn in 2009. However, past experience suggests that growth would be reasonably strong again when the global economy recovers.
1.5 The Government’s policy for national development seeks to promote equitable, broad-based economic growth through the expansion of infrastructure, rural development and investment in human capital. Priority areas for growth include agriculture, and services such as banking, finance and insurance, telecommunications, and ICT and software development. All of the priority service areas require well-educated professionals, technical staff and managers. The country faces a challenging macroeconomic and external economic environment, with the downturn in the global economy. However, notwithstanding the negative impact of the current global economic crisis, the prospects for economic development over the long-term are better, especially through the promotion of policies favorable to private-sector led growth. The economic performance of the country has also been weakened over the past twenty-five years due to a secessionist conflict in the Northern and Eastern Provinces. The Government’s stated policy is to award priority policy attention the development of these two provinces, combined with political reforms to meet the social and economic aspirations of the people living in these areas.

1.6 Policy makers are aware of the key importance of education for long-term economic and human development. The country is implementing an Education Sector Development Framework and Program (ESDFP) to address the long-term challenges of equitable access, quality, efficiency and good governance in basic and secondary education. Higher education is also an area of intense public interest. The Government, under the leadership of the National Education Commission (NEC), and in partnership with the Ministry of Higher Education (MHE), the Ministry of Finance and Planning (MFP), the University Grants Commission (UGC) and other stakeholders in the higher education system, such as academics, researchers and development partners, is developing a policy framework for Higher Education.

The Structure of the Higher Education Sector

1.7 The higher education sector has a high degree of horizontal and vertical differentiation, with a wide and varied range of institutions. There are both public sector and private sector higher education institutions (Figure 1.1). The public sector consists of universities, research and postgraduate institutes, and advanced technical institutes. The research and postgraduate institutes are normally specialized institutions. The universities deliver both undergraduate and postgraduate degree programs. The postgraduate degrees range from diplomas to masters degrees to PhDs. The undergraduate degrees are normally three or four year programs, except the medical degree which takes five years. Both conventional degree programs and distance mode degree programs are available in the universities. The advanced technical institutes provide employment-oriented courses at diploma and higher national diploma level. These typically range between 2-3 years.

1.8 The private sector consists of both degree awarding institutions and providers of alternative higher education qualifications, such as professional certificates and diplomas. The private degree awarding institutions usually offer the degrees of overseas universities, from a diverse range of countries, including the U.S.A., the U.K., Australia, Singapore and China. The institutions that prepare students for professional certificates and diplomas often provide training for foreign professional qualifications, particularly in fields such as accounting, IT and marketing. The countries whose professional qualifications are most in demand include the U.K. and Australia.

1.9 In addition, more and more students travel overseas for their higher education studies. Again, the range of countries in which students seek higher education is broad and varied, and covers countries as diverse as the U.S.A., U.K., Japan, Canada, Germany, Australia, New Zealand, Russia, Malaysia,
India and Cuba. The university students studying overseas follow both undergraduate degree programs and postgraduate degree programs. The types of courses followed are varied, including the natural sciences, the biological sciences, engineering, medicine, IT, management, arts, humanities and social sciences. At the undergraduate level most students would pay for their education abroad, although in some cases financial aid may be available in the host country or institution. At the postgraduate level a higher proportion of students would be funded through fellowships, scholarships, research assistantships and teaching assistantships in the overseas locations.

The Time Trend of Enrollment in Higher Education

1.10 Enrollment in higher education has been rising over time (Table 1.1). The higher education GER for the country has increased from slightly under 10 percent in 1990/91 to over 21 percent in 2007.  

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2 There is a general issue with data regarding enrollments in higher education in Sri Lanka. This issue is linked both to the diversity of institutions which compose the sector, and to the lack of an established higher education management information system (HEMIS) capable of producing comprehensive, reliable, and timely data on the sector. It is not possible to obtain reliable data for all institutions for the same academic year at the same time. This situation is to be kept in mind when comparing national data over time, and in comparing Sri Lanka with other countries. It means that figures must be used with caution, and comparisons must be made with caution. Interpreting enrollment data in Sri Lanka requires serious cross-checking. More profoundly, this situation is a major hindrance to any information based, systematic and rigorous sectoral forecasting, planning and monitoring, and decision making.

3 See para. 1.15 for a discussion on GER estimates.
Table 1.1: Time Trend of Gross Higher Education Enrollments 1990/91-2007 (percent)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Higher Education Enrollment</td>
<td>9.5</td>
<td>15.0</td>
<td>18.0</td>
<td>21.2</td>
</tr>
<tr>
<td>Male Higher Education Enrollment</td>
<td>10.0</td>
<td>15.4</td>
<td>16.7</td>
<td>19.6</td>
</tr>
<tr>
<td>Female Higher Education Enrollment</td>
<td>9.7</td>
<td>14.7</td>
<td>19.3</td>
<td>22.4</td>
</tr>
</tbody>
</table>

Source: World Bank staff estimates, based on MHE and UGC Statistics, population information from the University of Colombo, and Household Income and Expenditure Surveys.

This enrollment increase is seen among both men and women. The male GER has risen from 10 percent in 1990/91 to about 20 percent in 2007. The female GER has increased from slightly below ten percent in 1990/91 to over 22 percent in 2007. This suggests a high degree of gender parity in higher education enrollment, with in fact a higher percentage of women enrolled than men.

1.11 The increase in enrollment can be attributed to both demand and supply side factors. On the demand side, as the general education system has developed the number of students completing secondary education and seeking higher education has increased. In addition, as the economy has grown and household incomes have improved. Further, the ability and willingness to pay for higher education, whether within the country or overseas, has risen. On the supply side, the quantity of both public and private higher education institutions (HEIs) has expanded. Also, the enrollment capacity of these HEIs has grown over time.

The Composition of Higher Education Enrollment

1.12 The distribution of higher education enrollment among the different types of institutions and the various modes of delivery is shown in Table 1.2. There are at least 390,000 students enrolled in higher education, of whom 88 percent are in the public sector and 12 percent in the private sector. About 58 percent are enrolled as external degree students in universities, with another eight percent following distance mode programs through the Open University. The conventional university system enrolls about 73,000 students, approximately 19 percent of total enrollment, in undergraduate degree programs. Around 9,000 thousand students, two percent of total enrollment, are enrolled in postgraduate and other institutes. The alternative higher education sector, SLIATE, is small, accounting for just two percent of total enrollment.

Higher Education in Sri Lanka in International Context

1.13 The gross higher education enrollment rates and GDP per capita of middle and low-income developing countries are presented in Figure 1.2. The regression line shows the expected higher education enrollment rate of a country in relation to its per capita income.

1.14 Points over the regression line represent countries with higher education enrollment rates above the expected value, and points under the regression line represent countries with higher education enrollment rates below the expected value, given their respective levels of per capita income. Sri Lanka’s position is above the regression line, indicating that the higher education enrollment rate, at 21 percent, is above the expected value for the country’s level of per capita income. Among developing countries at approximately Sri Lanka’s level of economic development, the country has the third highest higher education enrollment rate. Only the Philippines and China, which have vibrant and growing
Table 1.2: Higher Education Enrollments by Type of Institution and Mode of Delivery, 2006/2007

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Enrollment Number</th>
<th>Share of Enrollments %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Universities</td>
<td>73,491</td>
<td>19</td>
</tr>
<tr>
<td>Open University</td>
<td>28,569</td>
<td>7</td>
</tr>
<tr>
<td>Postgraduate and Other Institutes</td>
<td>9,015</td>
<td>2</td>
</tr>
<tr>
<td>External Degrees</td>
<td>225,208</td>
<td>58</td>
</tr>
<tr>
<td>SLIATE</td>
<td>8,135</td>
<td>2</td>
</tr>
<tr>
<td>Private Higher Education Institutions</td>
<td>45,700</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>390,118</td>
<td>100</td>
</tr>
</tbody>
</table>


On the one hand, the statistics in the Table underestimate higher education Enrollment in two ways. First, the number of students studying overseas is not included, since such information is not available. Second, the number of students enrolled in private higher education institutions is not complete. In particular, students enrolled in professional diploma and certificate level programs are not included. On the other hand, however, the statistics in the Table may also overestimate Enrollment as not all students who are registered as external degree candidates may actually be following the degree program. Also, some students registered as external degree candidates may have multiple registrations in public and private higher education institutions. Thus, on balance, the “real” gross higher education enrollment rate may be close to about 11-12 %, which is similar to the gross higher education enrollment rate in India.

Figure 1.2: Higher Education Enrollment in Relation to GDP Per Capita of Middle Income and Low Income Countries


private higher education sectors, have a greater higher education enrollment rate than Sri Lanka. Other countries with high rates of higher education enrollment in relation to per capita income, such as Thailand, Panama and Uruguay, also have dynamic private higher education sectors.

1.15 However, the gross higher education enrollment rate of 21 percent may well over-estimate the
number of students actively enrolled in the higher education sector. A sizable proportion of students enrolled in the external degree programs (and perhaps the distance education programs) may not actually be actively pursuing their studies, but only be nominally enrolled. In this case, the actual GER would fall, perhaps to about 15 percent. Sri Lanka would then be slightly higher than the predicted level of enrollment for a country at her level of per capita income. This would still place Sri Lanka ahead of the rest of the countries in South Asia, with India as the country with the next highest GER in the region.

1.16 Sri Lanka ranks eighty-second in the Knowledge Economy Index (KEI) out of approximately one hundred and forty countries (Figure 1.3). The KEI represents the overall level of development of a country towards the knowledge economy. It measures the extent to which a country has a conducive environment for knowledge to be effectively utilized for economic development. It is calculated using the four pillars of the knowledge economy: the incentive and institutional regime, education and human resources, the innovation system and ICT. Sri Lanka has the highest KEI among South Asia countries. However, the KEI for Sri Lanka is below the average for lower-middle income countries. It is also significantly lower than the KEI for several exemplar countries for Sri Lanka, such as South Korea (KEI rank 31), Malaysia (KEI rank 48), and Thailand (KEI rank 60). The country’s performance is weakest in royalty payments and receipts, which is a key outcome of a strong research and innovation system and tertiary Enrollment. On some dimensions (e.g. GDP growth, secondary education GER), the country’s performance is better than average MICs. If the research and innovation system could be strengthened, Sri Lanka would occupy a KEI rank substantially above its present position.

1.17 On the Global Competitiveness scale developed by the World Economic Forum (WEF), Sri Lanka also ranks in a median range (77 out of 134), slightly lagging behind Vietnam and Philippines (Table 1.3). It is symptomatic that, while Sri Lanka is almost a pace-setter in areas such as innovation (rank 36),

Figure 1.3: Knowledge Economy - Sri Lanka, Malaysia, Lower MICs


http://www.weforum.org/documents/GCR0809/index.html
it performance in higher education enrollments, education expenditures, and labor market efficiency is weak (respectively 102, 109 and 115), – three intertwined issues which this report discusses.

Public Investment in Higher Education

1.18 Sri Lanka under-invests in education compared to other middle-income countries and developing countries (Table 1.4). The share of public education expenditure in GDP is about 2.8 percent. The class of lower-middle income countries, to which Sri Lanka belongs, devotes about 4.3 percent of national income to public investment in education. Among the set of comparator developing countries all nations except Pakistan, Bangladesh and Indonesia invest a greater proportion of GDP in education. Public investment in education as a share of total Government expenditure, 8.3 percent, is lower in Sri Lanka than all the other comparable developing countries. Only one other country, Indonesia, spends less than ten percent of the Government budget on education. Countries such as South Korea, Malaysia and Thailand, whose economic performance is of interest for Sri Lankan policy, invest over four percent of GDP and between 15 and 28 percent of Government expenditures on education.

1.19 The relatively low public investment in education is also reflected in the higher education sector. Higher education expenditure per student, as a proportion of GDP per capita, is approximately thirty three percent, which is a little under the proportion for lower-middle income countries. Countries such as Malaysia, India, Costa Rica, Pakistan, Bangladesh and Nepal devote a higher share of GDP per capita to public investment in higher education. There are other countries, though, such as South Korea, Philippines, Thailand and Indonesia, where this ratio is lower than in Sri Lanka. However, these latter countries have a large private sector presence in higher education, which accounts for their lower public investment per student.

Future Challenges for the Higher Education Sector

1.20 The higher education sector faces several critical challenges for the future. As the economy grows, the demand for higher education will rise. In addition, when the economy moves up the value chain
from a low-middle income country to an upper-middle income country, the need for well-educated professional and managerial staff will increase. As a result, the in-take capacity of the higher education system will have to expand over time. However, given that Sri Lanka has a relatively high rate of higher education Enrollment for its level of economic development, there are several more urgent challenges, such as those outlined below.

1.2.1 The quality of higher education has to be substantially strengthened to produce international quality graduates and research. Presently, the country has some centers of high quality, such as the University of Moratuwa, and certain Faculties and Departments in the other universities. However, these are concentrated in a relatively few degree programs, especially in engineering, IT, medicine and the sciences. Over time, the higher education system will face multiple challenges related to quality. High performing academics and researchers are in demand world-wide and attracting and retaining good faculty staff, already a significant problem, will be a major challenge. The technology levels and skill-intensity of degree programs and higher education courses will increase, and the cost of delivering programs at international levels of quality will be an important challenge. Further, as the system expands and Enrollment numbers increase, the average level of capability among students is likely to decline, so that extra effort will be required just to maintain quality, and even greater effort will be needed to improve it.

Table 1.4: Investment in Education and Higher Education in International Context

<table>
<thead>
<tr>
<th>Country</th>
<th>Public Education Expenditure as a Proportion of National Income %</th>
<th>Public Education Expenditure as a Proportion of Government Expenditure %</th>
<th>Public Higher Education Expenditure per Student as a Proportion of GDP per capita %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>2.8</td>
<td>8.3</td>
<td>32.5</td>
</tr>
<tr>
<td>India</td>
<td>3.7</td>
<td>10.7</td>
<td>68.6</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2.5</td>
<td>14.2</td>
<td>49.7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.3</td>
<td>10.9</td>
<td>Na</td>
</tr>
<tr>
<td>Nepal</td>
<td>3.4</td>
<td>14.9</td>
<td>71.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8.0</td>
<td>28.0</td>
<td>93.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>4.2</td>
<td>27.5</td>
<td>23.0</td>
</tr>
<tr>
<td>South Korea</td>
<td>4.6</td>
<td>15.0</td>
<td>9.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>3.2</td>
<td>17.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>4.9</td>
<td>18.5</td>
<td>36.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.9</td>
<td>9.0</td>
<td>13.3</td>
</tr>
<tr>
<td>South Africa</td>
<td>5.4</td>
<td>17.9</td>
<td>Na</td>
</tr>
<tr>
<td>South Asia</td>
<td>2.9</td>
<td>12.8</td>
<td>68.6</td>
</tr>
<tr>
<td>Lower Middle Income Countries</td>
<td>4.3</td>
<td>na</td>
<td>36.6</td>
</tr>
<tr>
<td>Upper Middle Income Countries</td>
<td>4.6</td>
<td>na</td>
<td>26.3</td>
</tr>
</tbody>
</table>


In some subject areas, such as ICT, and in several disciplines at the higher technical level, the labor market already experiences acute shortages.
1.22 The governance of the higher education sector will need to evolve in line with world-wide trends and developments. In this context, the country needs well-functioning quality assurance systems for the overall higher education sector, including university undergraduate degrees and postgraduate degrees, distance education programs, alternative higher education courses, and private sector degree programs. Competent and credible quality assurance systems will benefit policy makers, higher education providers, students and parents. The country also needs a national qualification framework, covering both the higher education sector and the training sector. A qualification framework would present clear learning pathways, providing access to and mobility and progression within education, training and career paths. This, in turn, would provide scope for horizontal and vertical linkages between higher education, training and the labor market. The monitoring and evaluation of higher education, which is a complex and rapidly evolving sector, also needs strengthening. Monitoring is needed, at both the national and institutional levels, to obtain information on the performance of policies and programs, and to receive feedback for future policy and program development.

1.23 The economic and social relevance of the higher education sector needs to be transformed to enable Sri Lanka to meet the challenges of a dynamic global economy and world order. The higher education institutions provide the professional, managerial, administrative and higher technical skills required for the private and public sectors. In this context, there are important challenges for the future. A considerable proportion of university graduates, especially among graduates of distance mode programs, and in the arts and management degrees, fail to obtain jobs in the private sector in line with their expectations as graduates. Inadequate English language and IT skills, and poor adaptability to the working environment and culture of the private sector, appear to be major constraints. The composition of university degree programs between employment-oriented programs and other programs needs to be shifted more in favor of the former. Further, the alternative higher education sector, which mainly targets the higher-level technical skills needed for the labor market, is small in comparison with the traditional university sector. Over time, there will need to be greater balance between the university sector and the alternative higher education sector.

1.24 The research and innovation capacity of the higher education system should be dramatically strengthened to support, and eventually lead, the development of Sri Lanka as a MIC. The long-term economic progress of Sri Lanka, especially to become a member of the community of high-middle income and advanced economies, will require substantial research and innovation capacity in the country. The higher education sector will need to produce human resources for knowledge-intensive industries and services. The capacity for rapid technology adoption and adaptation, as well as innovation, will play a crucial role in development. In addition, close linkages need to be promoted between universities and industries. This will be mutually beneficial, as it will enable industries to draw on the intellectual resources available in the university community, while providing universities an extra source of research funding and income.

1.25 The development of a dynamic and vibrant higher education sector will require adequate funding. Expansion of enrollment, improvement of quality and labor market relevance, and the promotion of research and innovation, will generate pressure on the resources available to the higher education sector. As resources are always constrained, the Government will need to make choices between various policy options, based on their estimated costs and anticipated benefits. Further, to expand the resource envelope available to the sector, the framework for private-public partnerships in the financing and delivery of higher education, and for private sector investment in various modes of higher education, may need to be strengthened.
Government’s Response to Address the Challenges

1.26 The high-level policy makers in the higher education sector are fully aware of the importance of introducing strategic reforms and policy initiatives to enable the sector to meet the future economic and social needs of the country. The MHE states on its website that: “Education and knowledge have become the key for development in the 21st century and the prosperity of the next generation depends to a great extent on education. Higher education can be considered as the key to economic prosperity in a country as human capital has been recognized as the key element in the process of development. Higher education institutions, therefore, need to be transformed in such a way so as to ensure that they become great partners in development”. Further, the UGC, which has the policy mandate for the overall public funding of universities, states that: “Over the years many have contributed to the expansion of higher education in our country… However, our system of higher education is now facing a host of challenges, the salient issues being the quality, relevance and equity of higher education and… the ever growing demand for higher education”.

1.27 The National Education Commission (NEC), which advises the President on education policy, has prepared a draft policy framework on higher education, in consultation with MHE, UGC, Sri Lanka Institute for Advanced Technological Education (SLIATE), universities and other higher education providers, academics, researchers and development partners. This draft, which is extensive and wide-ranging, contains important policy recommendations on such topics as: (i) the expansion of higher education; (ii) academic programs; (iii) quality assurance, assessment and accreditation; (iv) development of linkages within different types of higher education institution; (v) development of linkages between higher education and industry; (vi) research, innovation and creativity; (vii) higher education and national development; (viii) postgraduate education; (viii) administration and management; and (ix) financing. Once the policy framework has been finalized and adopted, MHE, UGC and SLIATE will implement the reforms through a strategic development program.

The Contribution of the World Bank Higher Education Report

1.28 This report, which has been prepared in consultation with senior higher education policy makers, academics, researchers, employers, higher education providers, and students, serves several purposes. First, the report contains rigorous technical analyses and provides an understanding of the higher education sector based on factual evidence. Second, the report presents and discusses the rich variety of higher education systems, policies and reforms observed in the modern world. The discussion has a special focus on those areas where Sri Lanka faces its most important higher education policy challenges. Third, based on international and global experience, the report presents several policy and program options for the consideration of the policy makers, stakeholders and beneficiaries of the higher education sector. Finally, the information and analysis in the report can contribute to the preparation and implementation of a long-term higher education development strategy in Sri Lanka.

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7 http://www.mohe.gov.lk/minMsg.php
8 UGC Corporate Plan, 2008-2010
Chapter Two

ACCESS TO, AND COVERAGE OF, HIGHER EDUCATION

Introduction

2.1 Enrollment in higher education has been increasing rapidly around the world in recent decades. This increase has been produced by a combination of causes, including the expansion of primary and secondary education which has flowed over into higher education, greater economic benefits which have generated strong demand for higher education from individuals, and a rapid rise in the number of institutions providing higher education services. Sri Lanka has experimented a similar expansion, with aggregate enrollment in higher education rising sharply in recent years. This chapter examines the size and composition of higher education access and coverage, and discusses possible policy options for the future to address the key access related challenges faced by the country.

A. SITUATION, ACHIEVEMENTS AND ISSUES

The Current Situation and Recent Trends

A Global View

2.2 There are two ways to look at enrollment in the higher education sector: the first one is a comparison with the relevant age group, the second a comparison with the pool of secondary education graduates. In both cases, international comparisons allow a useful perspective.

2.3 The overall gross enrollment rate (GER) in higher education of about 21 percent of the relevant age group puts Sri Lanka ahead of the South Asia Region, on par with countries such as China, Brazil, El Salvador and Jamaica, all of which are wealthier countries. Sri Lanka’s higher education GER is similar to countries such as Thailand, South Africa, Hungary, and the Czech Republic in the mid-1990s [Table 2.1]. It is also similar to the GER of OECD countries in the 1980s. However, as mentioned above (para. 1.16), this rate may be overestimated because it includes EDP students. Not including the latter would lead to a GER less than 5%, which in turn would be an underestimate. As a large proportion of the EDP students is not attending classes on a full time basis, it is fair to consider that the “real” GER is probably hovering in the 10 to 12 percent range. This would correspond to the rate which can be expected from Sri Lanka, which is now a lower middle-income country.

2.4 In Sri Lanka higher education enrollments began increasing in the 1980’s, but their most substantial expansion dates from the early 2000’s. Since then enrollment has been steadily increasing.
Table 2.1: Higher Education Enrollments in Selected Countries

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>10</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>India</td>
<td>6</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>4</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Nepal</td>
<td>5</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7</td>
<td>12</td>
<td>32</td>
</tr>
<tr>
<td>Thailand</td>
<td>16</td>
<td>20</td>
<td>43</td>
</tr>
<tr>
<td>Philippines</td>
<td>28</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>China</td>
<td>3</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td>Indonesia</td>
<td>9</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Algeria</td>
<td>11</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>South Africa</td>
<td>13</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Argentina</td>
<td>38</td>
<td>36</td>
<td>64</td>
</tr>
<tr>
<td>Brazil</td>
<td>11</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>Chile</td>
<td>21</td>
<td>28</td>
<td>47</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>27</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>El Salvador</td>
<td>16</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Uruguay</td>
<td>30</td>
<td>28</td>
<td>39</td>
</tr>
<tr>
<td>Jamaica</td>
<td>7</td>
<td>8</td>
<td>19</td>
</tr>
<tr>
<td>Hungary</td>
<td>14</td>
<td>21</td>
<td>69</td>
</tr>
<tr>
<td>Poland</td>
<td>22</td>
<td>25</td>
<td>66</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>16</td>
<td>22</td>
<td>50</td>
</tr>
</tbody>
</table>


In 1990, the gross enrollment rate for the entire sector was only 9.5 percent, but rose to 18 percent in 2002 to reach its current level. For universities, the gross enrollment rate slowly rose from 1.2 percent in 1980 to 1.6 percent in 1990 and 2.3 percent in 2000 before reaching its current 3.5 percent level. The annual intake in public universities has increased from about 12,000 in 2000 to a little over 17,000 in 2006, (Table 2.2).

2.5 However, not all secondary education graduates eligible to continue to higher education make it to that level. At the outset, it is important to make a distinction between individuals who complete secondary education and then seek higher education opportunities, and those who are content with secondary education. The latter, after their secondary education, may decide to join the labor market.
and become employed, or they may decide not to participate in the labor market in order to pursue
other careers, such as home making and child rearing. These are perfectly legitimate choices. Among
the pool of individuals who complete secondary education and seek higher education, however, there
is an issue if not all such individuals are able to access higher education opportunities. Seen from this
angle, higher education opportunities are still limited. The pool of such potential entrants to higher
education is not fully absorbed, and this raises two sets of questions: (a) how can access to higher
education be widened? and (b) what are the prospects for those who fail to obtain entrance to university
education ? The first question is addressed in Chapter 6 of this report. The second question has to do
with the development of alternative pathways to higher education, which is discussed further in this
chapter.

### The Composition of the Higher Education Sector

2.6 Higher education in Sri Lanka is made up of a mosaic of institutions, with various affiliations and
catering for different clienteles. These institutions cover a wide variety of subject areas. There is also
considerable vertical differentiation, with study programs ranging from short-term courses to post-
graduate studies. Overall, the higher education sector is fragmented, and considerable progress is
needed to build a rational, structured system that is responsive to the needs of the economy and society.

2.7 There is no simple way to present how students are distributed in the various higher education
institutions. All distinctions and categories, whether by level of education (e.g. undergraduate/post
graduate), by stream of courses (e.g. job-oriented/general academic disciplines), by method of
instruction (e.g. face to face/ distance learning), and by institutional affiliation of the provider (e.g.
public/private) are somewhat blurred, and many institutions are of a mixed nature. A summary of the
enrollment in this variety of types of higher education institutions is shown in Figure 2.1. As can be
seen, conventional degree programs in public universities account for 19 percent of enrollment. The
Open University has 7 percent of enrollment, and external degree programs 58 percent of all
enrollments. About 2 percent of students are enrolled in postgraduate and other institutes. Enrollment in
the alternative higher education institutions within the public sector, SLIATE, accounts for 2 percent of
enrollment. The private higher education sector contains 12 percent of total enrollment. Each type of
higher education institution, and enrollment in these institutions, are discussed in the succeeding
sections.

#### Table 2.2: Intakes and Enrollments in Undergraduate Higher Education, 2000/2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Admitted</th>
<th>Enrolled</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>11,805</td>
<td>49,055</td>
</tr>
<tr>
<td>2005</td>
<td>14,520</td>
<td>63,355</td>
</tr>
<tr>
<td>2006</td>
<td>16,598</td>
<td>65,206</td>
</tr>
<tr>
<td>2007</td>
<td>17,106</td>
<td>71,206</td>
</tr>
</tbody>
</table>

Source: UGC Statistics.
Public Higher Education Institutions

2.8 Between 13 and 15 percent of students who qualify at the GCE A/L examination each year for admission to a conventional university degree program are admitted to a university (Table 2.3). Individuals who qualify at the GCE A/L examination but do not gain admission to a university have a range of options, such as enrolling in an ATI course, entering a private degree awarding institution, attending courses in private institutions preparing students for a professional qualification, traveling overseas for higher education, or entering the labor market. Some individuals may also opt out of higher education and the labor market.

Table 2.3: Expansion of Enrollments in Conventional Undergraduate Programs (Universities)

<table>
<thead>
<tr>
<th>Admission Year</th>
<th>Number selected as a percentage of students satisfying the minimum criteria for admission to universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001/02</td>
<td>13.2</td>
</tr>
<tr>
<td>2002/03</td>
<td>13.0</td>
</tr>
<tr>
<td>2003/04</td>
<td>15.3</td>
</tr>
<tr>
<td>2004/05</td>
<td>13.8</td>
</tr>
<tr>
<td>2005/06</td>
<td>14.6</td>
</tr>
<tr>
<td>2006/07</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Source: UGC Statistics.
Universities

2.9 Access to State universities is extremely competitive, and open only to a minority of eligible secondary education graduates. At the top of the higher education pyramid, there are 15 universities, which currently enroll about 33 percent of the total higher education student population in conventional degree programs (25 percent) or distance mode programs at the Open University (8 percent). This proportion, though, rises to over 82 percent if external degree students are taken into account. Restrictions to entry in universities are the result of the number of places available in these institutions. This number is limited by the resources available to universities, which are funded by the State from tax revenues. The expansion of other types of higher education institutions is correlated with the quantity of places available in universities.

2.10 It should be noted that admissions are also ruled by merit and district criteria. The latter were established as a form of positive discrimination to help students from poorer regions. They are geographical quotas which benefit students from underdeveloped areas, but also penalize higher performing students from more developed districts. As with most forms of positive discrimination measures, there are pros and cons which make the policy controversial.

2.11 Enrollment is unevenly distributed amongst the 15 public universities, with one cluster of five large institutions enrolling more than half of all full time students, and another cluster of smaller institutions serving the rest. Each of the “Big Five” enrolls more than 7,000 students. The other universities accommodate between 1,000 and 5,000 students (Table 2.4). The “Big Five” are the older, more established universities that have been in existence for several decades. The University of Colombo has its genesis in the University College which was established in 1921. The University of Peradeniya was established in 1952, with the Kelaniya and Sri Jayewardenepura universities being established later in the 1950’s. The smaller universities are a set of new universities that were opened in the late 1990’s and in the 21st century, as part of Government policy to expand the availability of universities across the country, with at least one university per province. The small size of these new universities is mainly a reflection of their recent origin. For instance, the first batch of students in Uva Wellassa University entered only in 2007.

11 Colombo, Kelaniya, Peradeniya, Sri Jayewardenepura and Ruhuna
12 With one exception at each end of the spectrum: the new University of Uwa Wellassa enrolls less than 400 students, while 10,000 students are registered in the Open University
The bulk of students enrolled in public universities are following courses in "soft" areas such as arts and management. Almost six out of ten students are currently enrolled in arts, management, commerce or law courses (Table 2.5). The arts and humanities do play an important role in preserving, developing and transmitting the culture of a country, and there is a legitimate role for these disciplines in public universities (World Bank, 2000). However, the balance of university enrollment between these arts subject areas (60 percent) and scientific and technical subjects (40 percent) which are more directly linked to the economic needs of the country is an issue, especially in a country whose university system is mainly tax-financed.

### Table 2.4: Enrollments in Conventional Undergraduate Programs in (Public Universities), 2007

<table>
<thead>
<tr>
<th>Universities</th>
<th>Enrollments (Headcount)</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombo</td>
<td>12,158</td>
<td>17%</td>
</tr>
<tr>
<td>Peradeniya</td>
<td>11,736</td>
<td>16%</td>
</tr>
<tr>
<td>Sri Jayewardenepura</td>
<td>9,291</td>
<td>13%</td>
</tr>
<tr>
<td>Kelaniya</td>
<td>8,071</td>
<td>11%</td>
</tr>
<tr>
<td>Moratuwa</td>
<td>4,718</td>
<td>7%</td>
</tr>
<tr>
<td>Jaffna</td>
<td>6,084</td>
<td>8%</td>
</tr>
<tr>
<td>Ruhuna</td>
<td>7,203</td>
<td>10%</td>
</tr>
<tr>
<td>Eastern</td>
<td>2,242</td>
<td>3%</td>
</tr>
<tr>
<td>South Eastern</td>
<td>1,223</td>
<td>2%</td>
</tr>
<tr>
<td>Rajarata</td>
<td>3,269</td>
<td>5%</td>
</tr>
<tr>
<td>Sabaragamuwa</td>
<td>2,668</td>
<td>4%</td>
</tr>
<tr>
<td>Uva Wellassa</td>
<td>362</td>
<td>1%</td>
</tr>
<tr>
<td>Wayamba</td>
<td>1,833</td>
<td>3%</td>
</tr>
<tr>
<td>Visual Arts</td>
<td>2,633</td>
<td>4%</td>
</tr>
<tr>
<td>All</td>
<td>73,491</td>
<td>100%</td>
</tr>
</tbody>
</table>

a/ Undergraduates
Source: UGC Website

### Table 2.5: Public Universities Student Distribution by Disciplines, 2006

<table>
<thead>
<tr>
<th>Disciplines</th>
<th>Enrollments</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts</td>
<td>21,786</td>
<td>34%</td>
</tr>
<tr>
<td>Management, Commerce and Law</td>
<td>14,802</td>
<td>23%</td>
</tr>
<tr>
<td>Science, Engineering, Architecture and Computer Science</td>
<td>17,253</td>
<td>27%</td>
</tr>
<tr>
<td>Medicine, Dentistry, Veterinary</td>
<td>6,398</td>
<td>10%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3,736</td>
<td>6%</td>
</tr>
<tr>
<td>All</td>
<td>63,975</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: UGC
2.13 Given the pattern of recent intakes, a fairly high proportion of students do enroll in disciplines such as sciences, engineering and medical studies which may be more aligned with the needs of local and international markets (see Table 2.6). The fact that recent intakes are more in favor of these disciplines is an encouraging sign that suggests a turning point in the pattern of enrollment.

<table>
<thead>
<tr>
<th>Disciplines</th>
<th>Enrollments</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Arts</td>
<td>5,100</td>
<td>33.3</td>
</tr>
<tr>
<td>II Management, Commerce, Law</td>
<td>3,500</td>
<td>22.9</td>
</tr>
<tr>
<td>III Science, Eng, Architecture, Computer Science and IT</td>
<td>4,050</td>
<td>26.5</td>
</tr>
<tr>
<td>IV Medicine, Dentistry, Veterinary, Paramedic, Indigenous Medicine</td>
<td>1,750</td>
<td>11.4</td>
</tr>
<tr>
<td>V Agriculture and Food Science &amp; Technology</td>
<td>900</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>15,300</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Adapted from IRQUE (2008): National Admission Policy in Higher Education

2.14 Arts continues to be the single most popular field (about 31 percent of new students are enrolled in “pure” Arts programs), followed by “pure” Management programs (15 percent of new entrants). Yet, the fact that about 18 percent of freshmen are registered in engineering and physical science programs, and that biological studies programs are also attractive for new students, is a good omen. Another positive sign comes from the demand side: while globally 9 percent of applications cannot be accommodated because of a lack of seats, the highest deficit is in the scientific fields, where 15 percent of the applicants cannot get registered in universities due to supply shortages. This suggests that demand, and hence the scope for expansion, is strongest in scientific and technical fields.

2.15 Most countries aiming at performing strongly in the global economy strive to channel a high proportion of their students towards scientific and technical fields. Sri Lanka is following this global trend.

2.16 For the purpose of comparison, three groups of countries are constituted below, based on their GDP per capita. In the first group, Vietnam, India and Pakistan have a GDP per capita lower than Sri Lanka; in the second group are Indonesia, the Philippines and Armenia, with GDP per capita similar to Sri Lanka; Iran, Thailand and Malaysia are clustered in a third, richer group of countries. The available data does not allow a direct comparison of the distribution of intakes in Sri Lankan universities by disciplines with those of the comparative group. Instead, the comparison is done on the basis of the distribution of graduates in the countries of the three “benchmarking groups”. (Table 2.7).
2.17 The current pattern is not accidental: it is the result of a steady increase in scientific fields over the recent past, and a corresponding relative disaffection for arts and management fields. Table 2.8 shows that sciences, engineering and related fields have increased at a much higher speed than all other disciplines.\(^\text{13}\) As a result of this long term trend, the relative share of freshmen enrolled in arts has shrunk from 43 percent in 1981 to 31 percent in 2006 (Figure 2.2)

### Table 2.7: Distribution of Graduates and Intakes, GER and GDP p.c. -Selected Countries, 2006

| Graduates | | Graduates |
|-----------|-----------------|-----------------|---|---|---|
| | Agriculture | Engineering & Sciences | Health | GER | GDP p.c. (constant 2000 USD) | |
| Group I | Vietnam | 4.8 | 21.3 | 2.7 | 15.9 | 576 |
| | India | ... | ... | ... | 11.8 | 633 |
| | Pakistan | ... | ... | ... | 5.1 | 635 |
| Group II | Indonesia | ... | ... | ... | 17 | 983 |
| | Philippines | 3.7 | 24.3 | 8.3 | 24.5 | 1,154 |
| | Armenia | 1.3 | 5.7 | 7.4 | 31.7 | 1,281 |
| Group III | Iran | ... | ... | ... | 26.8 | 1,978 |
| | Thailand | ... | ... | ... | 45.9 | 2,601 |
| | Malaysia (a) | 2.9 | 44.8 | 7 | 28.6 | 4,535 |
| | Sri Lanka | 5 | 42 | 7 | 18 | 1,070 |

(a) Figures for graduates and GER are for 2004  

### Table 2.8: Intake by Disciplines, 2001/2006

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts</td>
<td>3,794</td>
<td>4,039</td>
<td>8,447</td>
<td>4,175</td>
<td>4,363</td>
<td>4,801</td>
<td>27%</td>
</tr>
<tr>
<td>Management, Commerce and Law</td>
<td>2,686</td>
<td>2,568</td>
<td>5,572</td>
<td>3,001</td>
<td>3,105</td>
<td>3,124</td>
<td>16%</td>
</tr>
<tr>
<td>Science, Engineering, Architecture and Computer Science</td>
<td>3,717</td>
<td>3,869</td>
<td>7,911</td>
<td>4,034</td>
<td>4,788</td>
<td>5,567</td>
<td>50%</td>
</tr>
<tr>
<td>Medicine, Dentistry, and Veterinary</td>
<td>1,044</td>
<td>1,044</td>
<td>2,244</td>
<td>1,059</td>
<td>1,066</td>
<td>1,338</td>
<td>28%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>721</td>
<td>624</td>
<td>1,297</td>
<td>747</td>
<td>786</td>
<td>906</td>
<td>26%</td>
</tr>
<tr>
<td>All</td>
<td>11,962</td>
<td>12,144</td>
<td>25,471</td>
<td>13,016</td>
<td>14,108</td>
<td>15,736</td>
<td>32%</td>
</tr>
</tbody>
</table>

\(^{13}\) The academic year 2003 has witnessed an exceptional surge in intakes, due to a double batch enrollment to clear a backlog
2.18 Graduate studies are still at an infancy stage in Sri Lanka, and are heavily concentrated in a handful of universities. About 61 percent of all graduate students in 2007 were enrolled in just two universities (Colombo and Peradeniya). In six of the 14 public universities, graduate students make up less than 5 percent of the total enrollments. With such a tiny pool of students continuing towards higher degrees, Sri Lanka faces a considerable challenge to prepare new generations of academics, researchers, and highly qualified individuals to fuel the knowledge economy.

Other types of post graduate institutions

2.19 Enrollment in postgraduate and related institutes is small, and accounts for only about two percent of total higher education enrollment. The postgraduate and related institutes have been established relatively recently in Sri Lanka’s higher education history. As the higher education system evolves and the economy advances to more sophisticated production techniques and processes, especially in knowledge-intensive services and industries, the postgraduate education system will need to develop further.

Open University

2.20 The Open University enrolls approximately eight percent of all higher education students. In principle, the Open University plays an important role in extending flexible higher education opportunities, especially for those students who would like to work and study part-time, or enter higher education later in their lives rather than directly after school. The Open University model faces the special challenges of distance mode education.
External Degree Programs

2.21 Half the student population in Sri Lanka is enrolled in External Degree Programs (EDP) which offer a second-class type of education compared to full-time degree programs as the EDP system is faced with enormous challenges, including poor academic standards, inadequate academic support, and lack of organizational and financial support.

2.22 At present, eight universities offer EDPs in Arts, Commerce and Management, Science and Information Technology. The total enrollment in 2007 was around 226,000 and new registrations were around 42,300 students (Table 2.9). The most popular EDP is BA degree offered by seven universities with a total enrollment of about 166,000 students. Unlike what is observed in regular full time programs, EDP programs are highly concentrated: three universities (Sri Jayawardenepura, Kelaniya, and Peradeniya) jointly account for about 80 percent of total EDP enrollment as well as new entrants.

Table 2.9: External Degree Programs: Enrollments and Graduation, 2001-07

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Enrollments</td>
<td>86,439</td>
<td>166,763</td>
<td>194,128</td>
<td>225,208</td>
</tr>
<tr>
<td>New Registrations</td>
<td>na</td>
<td>38,990</td>
<td>100</td>
<td>42,277</td>
</tr>
</tbody>
</table>


2.23 The students for EDPs are drawn from a large pool of A/L qualified students who failed to gain admission to full-time campus based study programs. About 54 percent of external students have sat for A/L only once and another 40 percent after the 2nd attempt of A/L and the rest (6 percent) after the 3rd attempt. The EDPs are used by Sri Lankan policy makers to provide broader access to higher education than is possible within the conventional degree programs of universities. Enrollment in EDPs is open to any student who has obtained the minimum requirement for university entrance at the GCE A/L, and most EDPs cost only a few dollars per year for registration and examinations. Given the low cost, and the strong demand for higher education, the number of students enrolling is very large. They also provide the universities with a source of income which, although small on a per student basis, is reasonably attractive given the large number of students enrolled.

Sri Lanka Institutes of Advanced Technological Education (SLIATE)

2.24 SLIATE is representative of the alternative higher education sector which offers opportunities both for increased access and for greater responsiveness to the needs of the labor market. However, the SLIATE ATIs are growing at the margin of conventional universities, and they remain a tiny, under-developed sector. The SLIATE is mandated to establish Advanced Technological Institutes (ATIs) in every province as well advanced technological sections in existing technical colleges. At present, SLIATE manages and supervises eleven ATIs and seven sections housed in the technical colleges under the Department of Technical Education.

2.25 Currently, SLIATE is still a small segment of higher education and enrolls only about 6,000 students in the 11 ATIs and another 2,100 in the sections of the seven technical colleges. This represents only about 3 percent of the total enrollment in higher education, a small percentage that does not reflect the significant potential contribution that this sector can make to the economy.
2.26 Like universities the demand for SLIATE ATIs is competitive, and enrollment is constrained by a lack of available seats. In terms of disciplines, the ATIs presently offer the following range of programs:

- Accounting
- Management
- Business Studies
- Engineering
- Information Technology
- Agriculture
- English.

2.27 At present, a majority of students in SLIATE are enrolled in fields that have no direct links with labor market needs and in disciplines which are not occupation-centered, pointing to a lack of relevance of a sub-sector which, in many countries is precisely the most directly oriented towards providing professional skills. An analysis of new registrations in terms of subject discipline reveals the dominance of Arts stream (73 percent) as against Management (23%), Commerce (1%) and IT (3%). The new registrations for Science based programs in 2007 were very small and accounted for less than one percent of new registrations (Figure 2.3). This is mainly due to the fact that students find it easy to get some employment with A/L qualifications as against their counterparts in the arts stream. Similarly, commerce students have many other options which offer better employment prospects than the external degrees.

![Figure 2.3: SLIATE: New Registrations, 2005/2006](image_url)

2.28 The public HE sector is complemented by a growing private fee-paying HE institutions sector which, however, still remains relatively small, enrolling only about 15 percent of all students. There are at least 45,700 students attending private sector HEIs and professional associations in Sri Lanka [Peiris (2007)], and more than 50 private institutions engaged in the provision of higher education. The private higher education sector encompasses a diversity of providers, including degree-granting institutions, institutions offering lower-level diplomas, certificates, short courses, and qualifications from professional associations such as the Society of Certified Management Accountants of Sri Lanka. Most private providers are located in large cities and towns such as Colombo and Kandy, although some have branch campuses in several centers. The degree-granting segment of the private HE sector is small, consisting of some 10 institutions, with enrollments of about 2,500, most of which offer degrees through affiliations with foreign universities. The bulk of these foreign universities are based in countries such as the United Kingdom, the United States, Australia, China, Singapore and Malaysia.

2.29 The private HE sector in Sri Lanka is relatively recent, with much of the development and expansion of the sector dating back only to the 1990s. Private HEIs are generally small in size – with most having fewer than 1,000 students enrolled. For example, the Imperial Institute of Higher Education and APIIT enrolled 400 and 700 students, respectively, in 2007. A few providers – such as Aquinas College – are much larger, with 10,000 enrollments. Aquinas College is a non-profit higher education institution which has been in existence for many years, in contrast to the majority of other private higher education institutions.

2.30 There are many factors which account for the growth in the private HE sector in Sri Lanka. The first is of course the limited number of places at public universities. The private tertiary education sector plays a significant role in absorbing qualified high school graduates who are unable to gain admission to Sri Lanka’s public universities. Several other factors are at play. These include the fact that: (a) many students are not admitted to their preferred programs and universities and hence opt for a private HEI over their free public place; (b) private HEIs offer more applied and job relevant curricula; (c) private HEIs turn out graduates with better command of English, and better developed ‘soft skills’ – which are important to employers; (d) strikes in public universities force their regular closure, resulting in a lengthening of the time it takes students to complete a degree; (e) there are concerns about political influence in student affairs and student safety at public universities given campus violence and unrest, and the practice of ‘ragging’; and (f) there is high unemployment among public university graduates.

2.31 Compared with other MIC such as those in East Asia or Latin America, the private sector in Sri Lanka still has a lot of room to grow. While public higher education remains the norm in many countries, the private sector plays a significant and growing role [Table 2.10]. In countries as diverse as Japan, Taiwan, South Korea, the Philippines, Chile, Brazil, Bangladesh, or Pakistan, the private sector...
commands more than half of total HE enrollments. Even in the South Asia Region, Pakistan has 21 percent of HE students enrolled in private universities, and the number for Bangladesh is around 49 percent.

Table 2.10: Private HE Enrollments and HEIs as a Share of Total Enrollments, Various Years

<table>
<thead>
<tr>
<th>Country</th>
<th>Private University Enrollments as a Share of all University Enrollments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh (2005)</td>
<td>48.6</td>
</tr>
<tr>
<td>Brazil (2005)</td>
<td>57.8</td>
</tr>
<tr>
<td>Chile (2000)</td>
<td>58.9</td>
</tr>
<tr>
<td>Dominican Republic (2005)</td>
<td>50.1</td>
</tr>
<tr>
<td>Japan (2000)</td>
<td>73.3</td>
</tr>
<tr>
<td>Kenya (2005)</td>
<td>12</td>
</tr>
<tr>
<td>Latvia (2004/05)</td>
<td>47.7</td>
</tr>
<tr>
<td>Malaysia (2005)</td>
<td>7.5</td>
</tr>
<tr>
<td>Mexico (2003)</td>
<td>41.8</td>
</tr>
<tr>
<td>Pakistan (2003/04)</td>
<td>23.1</td>
</tr>
<tr>
<td>Philippines (2001/02)</td>
<td>67.2</td>
</tr>
<tr>
<td>Poland (2000)</td>
<td>3.5</td>
</tr>
<tr>
<td>Portugal (2004/05)</td>
<td>27.9</td>
</tr>
<tr>
<td>Russia (2000)</td>
<td>9.9</td>
</tr>
<tr>
<td>South Korea (2002)</td>
<td>75</td>
</tr>
<tr>
<td>Taiwan (2004)</td>
<td>66.8</td>
</tr>
<tr>
<td>Thailand (2001)</td>
<td>16.8</td>
</tr>
<tr>
<td>USA (2000)</td>
<td>35.3</td>
</tr>
<tr>
<td>Venezuela (2005)</td>
<td>21.2</td>
</tr>
</tbody>
</table>


Overseas studies / Cross Border Higher Education

2.32 In addition to the large number of students studying at private HEIs, a significant number of students choose to study outside the country. Parents with the capacity to choose are increasingly opting for foreign education for their children. In 2005, it is estimated that more than 10,000 Sri Lankans were studying abroad, an increase of 46 percent from 2001 (Table 2.11). Broadly speaking, the demand for portable international qualifications is being driven by growing concern over the limited quantity of places, and the moderate quality, of public higher education. It has also occurred in part because of the practice of foreign universities developing partnerships with local providers to offer programs under which students can study in Sri Lanka for a part of the degree and complete the remaining part of the degree at the parent foreign institution. Some foreign institutions also allow the entire degree program to be followed in Sri Lanka.
Table 2.11: Number of Sri Lankans Studying Abroad, 2001-2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Sri Lankan Students Studying Abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>7,187</td>
</tr>
<tr>
<td>2002</td>
<td>8,765</td>
</tr>
<tr>
<td>2003</td>
<td>9,665</td>
</tr>
<tr>
<td>2004</td>
<td>9,263</td>
</tr>
<tr>
<td>2005</td>
<td>10,466</td>
</tr>
</tbody>
</table>

Source: UIS/UNESCO

**Student Distribution**

2.33 The equity of access and coverage can be analyzed across many dimensions. In the present section, access and coverage are discussed in relation to two dimensions of equity: gender and economic class.\(^{18}\)

**Gender**

2.34 Female students substantially outnumber male students in higher education, including in scientific fields. Sri Lanka has been successful in achieving gender parity in primary and secondary education. Male and female enrollments are approximately equal from grades 1-11, but in grades 12-13 female enrollment is noticeably higher, with 57 percent of students being female and only 43 percent of students male [Table 2.12]. This can be attributed to many reasons, including the greater opportunity cost of education among teenaged boys who have more job opportunities than girls of the same age. The higher female enrollment is seen at the higher education level, too, with 57 percent of enrollments being young women and only 43 percent of enrollments young men.

Table 2.12: Share of Female Enrollments by Level of Education

<table>
<thead>
<tr>
<th>Level</th>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grades 1 to 5</td>
<td>2003</td>
<td>49</td>
</tr>
<tr>
<td>Grades 6 to 8</td>
<td>2003</td>
<td>49</td>
</tr>
<tr>
<td>Grades 9 to 11</td>
<td>2003</td>
<td>51</td>
</tr>
<tr>
<td>Grades 12 to 13</td>
<td>2003</td>
<td>57</td>
</tr>
<tr>
<td>A/L Level</td>
<td>2003</td>
<td>57</td>
</tr>
<tr>
<td>University</td>
<td>2006</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: MoE Website and UGC Statistical Year Book

\(^{18}\) There is a third dimension often analyzed, regional equity. In Sri Lanka this analysis is difficult due to the lack of robust data for the Northern and Eastern Provinces, which have suffered from a conflict for over twenty-five years. However, it should be noted that the government has pursued a strong policy of regional equity, with the establishment of at least one university in every province, and admission quotas to universities based on geographic regions to enable talented students from less advanced districts to enter university. In addition, there is a special quota for students from the most disadvantaged districts, which has mainly benefited students from the Northern and Eastern Provinces. As such, regional equity is likely to be relatively high in Sri Lanka.
2.35 The conventional belief is that women are mainly enrolled in arts and humanities degree courses, and men in scientific and technical degree courses. However, the evidence shows that in Sri Lanka the predominance of young women is not limited to the arts and humanities. In fact, the share of female enrollment is highest in scientific fields [Figure 2.4]. Only in engineering degree programs, and related areas such as mathematics and physics, are male students in the majority.

2.36 Sri Lanka stands well on the gender front in an international perspective. When compared with the countries of the three clusters identified above (see para. 2.16), Sri Lanka compares well with countries of similar economic status and with richer countries with regard to the level of gender parity in both secondary and higher education (Table 2.13).

![Figure 2.4: Percentage of Women by Area of Study, 2006](image)

Table 2.13: Gender Parity Index in Secondary and Tertiary Education - Selected Countries, 2004

<table>
<thead>
<tr>
<th>Group</th>
<th>Country Name</th>
<th>Gender parity index (GPI), gross enrollment in tertiary education</th>
<th>Gender parity index (GPI), gross enrollment ratio in secondary education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>Vietnam</td>
<td>0.71</td>
<td>0.96</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>0.72</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>0.80</td>
<td>0.78</td>
</tr>
<tr>
<td>Group II</td>
<td>Indonesia</td>
<td>0.79</td>
<td>0.99</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>1.28</td>
<td>1.11</td>
</tr>
<tr>
<td></td>
<td>Armenia</td>
<td>1.21</td>
<td>1.03</td>
</tr>
<tr>
<td>Group III</td>
<td>Iran, Islamic Rep.</td>
<td>1.11</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>1.18</td>
<td>1.09</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>1.26</td>
<td>1.12</td>
</tr>
<tr>
<td></td>
<td>Sri Lanka</td>
<td>1.16</td>
<td>1.02</td>
</tr>
</tbody>
</table>

Source: World Bank Edstats and Bank staff calculations.
Socio-Economic Background

2.37 Individuals enrolled in higher education are drawn mainly from the highest economic classes. The tertiary enrollment rate progressively rises over the economic quintiles, for both men and women. In the highest economic group 54 percent of men and 50 percent of women are enrolled in higher education [Figure 2.5]. In the second highest economic class 15 percent of men and 17 percent of women are engaged in higher education. The enrollment rate then progressively declines until only 4 percent of men and women from the lowest economic group are enrolled in higher education. This is a fairly typical pattern of higher education enrollment across economic groups. In Costa Rica, which is another country with similar education attainment levels to Sri Lanka, the GER in the highest economic quintile is 56 percent and the GER in the lowest economic quintile is 3 percent. Other countries for which higher education enrollment rates by economic quintile are available, such as Argentina, Brazil, Chile, Colombia, Guatemala, Mexico and Peru, all show the same pattern of rising enrollment by economic group.

![Figure 2.5: Higher Education Enrollments by Socio-Economic Groups](image)

Source: Bank staff calculations, based on the Household Income and Expenditure Survey, 2002.

THE WAY FORWARD: STRATEGIC OPTIONS FOR THE FUTURE.

2.38 Sri Lanka faces a number of challenges related to enrollment and the expansion of the system. Based on the preceding analysis, several options are open to address these challenges. They are discussed below.

2.39 Setting up an operational Higher Education Information Management System (HEMIS) is an urgent prerequisite. Without such a system, it will not be possible to accurately know the current situation, to project future enrollments and to monitor their actual evolution. The Ministry of Higher Education, which has recognized this need, is in the process of establishing such a HEMIS to cover the Ministry of Higher Education, the UGC, the universities, SLIATE, and eventually the private higher education institutions.
2.40 The main policy question regarding enrollments in higher education is whether the latter should be stabilized or increased. Given the demographic and other pressures on the sector, the “natural” response is to opt for growth. What makes this question particularly difficult, however, is that it does not come alone, and it is intertwined with at least three other questions: what will be the direct (monetary) and indirect (opportunity) cost of the expansion? Who should bear this cost so that the expansion is efficient and equitable? And how can the policy makers make sure that the expanded system will be improved in terms of quality and relevance? While these questions will be delved into in subsequent chapters, some generic responses can be brought to the forefront.

2.41 As several of the weaknesses which adversely affect higher education have their roots at the school level and simply flow into higher education in a mechanical way, actions have to be taken upstream at the pre-tertiary level. There are three critical dimensions to this: stream pathways, quality, and transition to higher education.

2.42 In order to channel a larger share of students into job-oriented and/or technical and scientific fields in higher education, gradual shifts have to happen in secondary and upper secondary education so that students graduating from these levels are fully prepared to enter these fields in the higher education system. English language skills and IT skills of students completing school education, in particular, are extremely important for good quality higher education. The Government, under the Education Sector Development Framework and Program (ESDFP), has commenced addressing these needs. However, this comes after generations of neglect and even antagonism towards English language fluency. Also, IT equipment is relatively expensive in a developing country. As a result, a considerable period of time will be required to develop adequate English language fluency and IT skills on a broad scale.

2.43 The Government could consider diversifying further higher education, in order to offer secondary education completers more alternatives avenues after graduating. More specifically, it would be timely to open wider the doors to alternative higher education, such as the SLIATE ATIs. These HEIs offer courses directly oriented to the needs of the labor market, are relatively cost effective as they have lower unit costs than university degree programs, and have courses of shorter duration, so that the graduates are available in the labor market more quickly.

2.44 The fate of students choosing (or obliged to choose) EDPs needs to be seriously reconsidered. The second-class treatment given to these students is a major issue. Further, graduate unemployment is highest among these external degree holders, and the expansion of the external degree system would exacerbate this serious problem. Diversifying the provision of higher education services and linking up the external degree courses to distance education may be one of the most effective ways to address the issue, especially since the facilities for distance education already exist.

2.45 The public university system will face pressure to increase over time. The state could consider directing expansion mainly to the new, small universities (e.g. those with under 2,000 students). Care is needed to increase enrollment so that the quality and labor market relevance of these graduates does not decline. If this can be achieved, it would improve the efficiency of the new higher education institutions.

2.46 Many countries that share with Sri Lanka a strong state-centered economic legacy, such as Russia, China, the Czech Republic, Poland, Hungary, Ukraine, Georgia, the Slovak Republic, Bulgaria, Romania, and Vietnam, have diversified and expanded their higher education systems by encouraging
the private sector and by promoting private-public partnerships in higher education. Sri Lanka, too, could advance in this direction. Encouraging the private sector would have several benefits: (a) in-take capacity in higher education would expand in market-oriented courses, as private HEIs typically offer such programs; (b) it would attract more resources into the higher education sector; and (c) a dynamic private higher education sector would contribute to economic growth. Options for expanding the private higher education sector are discussed more in Chapters 4 and 6 of this report.

2.47 Private HEIs charge fees which could make it difficult for gifted students from poor homes to access their services. This can be overcome by policies to provide talented poor students with student aid, such as vouchers, scholarships, bursaries and loans. This would need to be over and above the positions available for such students in the tuition free public university system.
Chapter Three

ENHANCING HIGHER EDUCATION QUALITY

INTRODUCTION

3.1 The quality of higher education is perceived to be unsatisfactory in the public discourse and the media. There are no solid data to document such perception (in particular, no internationally comparable data), but rather a convergence of signs and opinions, which give it some legitimacy. International experience suggests that all rapidly increasing systems of higher education do lose their initial level of quality, which they tend to recover once the system stabilizes (and when the country moves to a higher economic level). It is likely that Sri Lanka is exactly at this juncture, characteristic of the transition stage which the country is currently experimenting. In fact, the quality of higher education seems to vary widely. There are good quality institutions such as Moratuwa University, and some other degree programs, especially in medicine and IT. But the majority of programs, especially in the new universities and the higher education institutions in the lagging regions, do have considerable room for improvement. This is particularly the case in terms of technical competence and soft skills.

3.2 This Chapter has five parts. The first part examines the multi-faceted nature of quality in the higher education sector, with particular emphasis on the university system. The second part examines the quality issues of the external degree programs in public universities. The third part analyzes quality in the Advanced Technical Institutes (ATIs) of SLIATE. The fourth part discusses the special features and issues relating to the quality of private higher education institutions. The final part describes potential agencies and structures for quality assurance across the entire higher education sector.

THE MULTI-DIMENSIONAL NATURE OF HIGHER EDUCATION QUALITY

3.3 The maintenance and improvement of quality assumes increasing importance as the higher education sector expands. The experience of developed and upper-middle income countries shows that it also becomes more demanding, as a greater number of less able students enter the system. Hence, it is important to appreciate and clarify the multi-dimensional nature of education quality.

3.4 Higher education quality depends, to a considerable extent, on the way all the inputs of the education process interact to produce outcomes. This is influenced, among other factors, by the national context. The UK’s Quality Assurance Agency, for instance, states that: “academic quality is a way of describing how well the learning opportunities available to students help them to achieve their award. It is about making sure that appropriate and effective teaching, support, assessment and learning
opportunities are provided for them.” A nation which seeks to ensure high quality must give attention to a number of factors and activities. The framework in Figure 3.1 illustrates the main elements to be considered in enhancing higher education quality.

3.5 The quality of a student’s education depends on multiple factors. Not all these factors need to be in place for effective learning to take place, as students who are well-motivated or self-learners can overcome many barriers in their eagerness to learn. However, not all students are motivated or able. Hence, the challenge for academic leaders is to ensure that all the elements that make quality learning possible are in place, and that barriers to learning are minimized. An environment in which effective learning occurs requires action and commitment at three levels:

- The individual lecturers and professors;
- The academic managers within institutions;
- National agencies and policy makers.

3.6 The role of the State in higher education quality development is usually to formulate policies, and prepare and implement a strategic framework. Central policies can set the right climate for a quality culture to emerge. In addition, the State can provide incentives and resources for supporting quality enhancement. But the State cannot legislate for all academic staff to improve the quality of their teaching, nor can it monitor any such edict. Many of the key steps that improve quality rest at institutional level, and the initiative has to emerge from the bottom upwards. This requires a quality culture within each institution.

![Figure 3.1: Quality – A Conceptual Framework](image-url)

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3.7 When discussing each of the factors in Figure 3.1,\textsuperscript{20} the analysis below takes account of a wide range of related international initiatives and, where appropriate, suggests some options for the consideration of Government policy makers.

**The Importance of Curriculum Relevance\textsuperscript{21}**

3.8 In both developed and developing countries it is common to emphasize the importance of matching the curriculum to the skills needs of the country. When graduates emerge from the university system with life skills that make them employable and sought after by employers of all kinds, then the system that produced them has achieved a quality benchmark. Some university systems produce graduates that languish for many years on the job market because the curriculum they have followed has not given them adequate value in the eyes of employers. Thus, a curriculum that is relevant to the needs of its society is a mark of a quality system, as well as a worthwhile investment.

3.9 Generally, the skills of university graduates in subjects such as engineering, medicine, IT and some of the science degree programs, are considered adequate for the needs of the economy in these respective areas. Graduates from the better universities in these disciplines even find it relatively easy to access postgraduate education and job opportunities in developed countries overseas. However, there is concern in Sri Lanka about the lack of skills acquired by graduates in subjects such as the arts, humanities and social sciences, and some other programs in the sciences, commerce and management. In particular, they are often seen to be deficient in their English and IT skills, in attitudes towards hard work and discipline, and commitment. The main challenge for policy makers is to address this concern effectively.

**Box 3.1: The Enterprise in Higher Education Initiative, U.K.**

In 1987 the then Department of Employment in the UK began a multi-million pound program to “encourage the development of enterprise amongst those seeking higher education” and “aim to develop students better prepared for the needs of working life”.\textsuperscript{22} The project was open to every university to apply for funding and each one had to encourage each of its faculties to revise its curricula so as to help students to acquire “personal transferable skills”. How they did this would vary according to each discipline and its contacts in the market place. The skills were very similar to those that Sri Lankan employers currently wish to see and which are described below.

The initiative was not universally popular in universities since some saw it as a “plot” to subvert higher education. However, with the benefit of hindsight, the initiative helped to change traditional cultures and ushered in an era where curricula are regularly reviewed and revised, and the needs of employers are one of the key factors taken into account during this process.

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\textsuperscript{20} The diagram does not consider the quality of the student intake through the admissions system, although it is clearly a key factor in ensuring the quality of outcomes. If the intake alters in ability, it will influence the ways that some of the elements of quality need to be applied. For example, if an entering cohort of students is of low educational attainment, they may require a change in teaching method or the development of a Foundation Program to ensure that they are suitably prepared for learning in a university environment.

\textsuperscript{21} Refer also to Chapter Five, for more detailed discussion

3.10 In developed and middle-income countries that have emphasized higher education development, the State often intervenes to provide incentives to revitalize programs and curricula that are considered outdated or irrelevant. Resources are made available to academic staff to update both the content and the delivery mechanisms of their programs. One example of such a policy measure was the UK’s Enterprise in Higher Education Initiative which ran from 1987 to 1996 (Box 3.1).

3.11 There are additional ways that institutions can be encouraged to embark on introducing relevant curricula:

- Faculties or departments can be encouraged to create Industrial Liaison Advisory Committees that provide advice on the review or modernization of curricula. In the UK the existence of such a committee is taken as an indicator that quality is taken seriously in reviews by the QAA.
- Universities can create central funds to provide financial support so that academic staff can undertake curriculum review exercises.
- Rewards and prizes can be given to those staff who carry out innovative changes to curricula or delivery methods that promote the “general transferable skills” desired by employers.

**The Central Role of Skilled and Experienced Staff**

3.12 Suitably skilled and qualified academic staff are a key prerequisite for a successful quality strategy. Both the State and higher education institutions have an interest in ensuring that their staff are of appropriate quality when they are recruited and remain so throughout their careers. While most policy measures generally focus on new academic staff, the greatest challenge for academic managers sometimes is changing the cultures and skills of more established, senior staff.

3.13 One objective in many countries is to ensure that as large a proportion of academic staff as possible have a doctorate, since it is believed that this is the best form of academic training (although it is not a guarantee of teaching quality). This is a reasonable objective in a country with a mature higher education system, where there are possibilities of exchange and research partnerships with universities overseas. Malaysia, for instance, has set a medium-term target that 75 percent of university lecturers will have a PhD. Pakistan has embarked on a massive program of upgrading its academic staff by developing academic fellowship and scholarship scheme with a large number of countries. The most recent statistics show that Sri Lanka has 40 percent of its academic staff with a doctorate, but this percentage varies considerably across universities with Peradeniya the highest at 59 percent, followed by Colombo at 52 percent, while 8 of the newer universities have less than 30 percent. 23 Sri Lankan policy makers need to consider how the country can expand the number of awards that allow academics to study overseas, gain their PhDs and then return and work in the country.

3.14 One of the issues which concerns universities in Sri Lanka is the large number of young staff who go overseas for their PhD studies and fail to return, preferring to take up a position in a foreign country. There are strong reasons for this “brain drain”. In particular, incomes and living standards in rich nations are substantially higher than in Sri Lanka. Also research facilities and opportunities are considerably better in developed countries. Strategies to counter the brain drain and attract young PhDs back include improving research opportunities and increasing private-public research linkages. However, as research is itself expensive, countries such as Sri Lanka have limited scope for such actions. It should also be

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23 The source for these figures is a survey carried out under the Government of Sri Lanka – World Bank funded IRQUE project in 2007: Statistics of Academic Staff and Students in Public Universities in Sri Lanka, 2007.
noted that the departure of academics for jobs overseas is not a clear loss: countries can also gain from their intellectual diaspora abroad. These gains include remittance incomes, and the transfer of knowledge and technology, especially the encouragement of high-technology industries. The members of the diaspora of countries as diverse as Chile, China, India, Israel and Taiwan assisted the creation of technology intensive industries in their home countries by acting as intermediaries between overseas technology and markets and domestic entrepreneurs and firms.

3.15 The seniority and experience of academic staff is another important factor influencing the quality of what is delivered. The profile of the present academic staff is shown in Table 3.1.

Table 3.1: Profile of Academic Staff, 2007

<table>
<thead>
<tr>
<th>Grade</th>
<th>Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor</td>
<td>377</td>
<td>9.9</td>
</tr>
<tr>
<td>Associate Professor</td>
<td>93</td>
<td>2.4</td>
</tr>
<tr>
<td>Senior Lecturer</td>
<td>1,801</td>
<td>47.1</td>
</tr>
<tr>
<td>Lecturer/AL</td>
<td>1,554</td>
<td>40.6</td>
</tr>
<tr>
<td>Total</td>
<td>3,825</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: UGC statistics, 2007

3.16 The most common way of ensuring that academic staff are suitably qualified, and remain so, is by an emphasis on some form of staff development. This applies both to those entering the profession and those in mid-career. Some countries make participation in a training course compulsory before entering a university position; others make it mandatory for new lecturers to pass a certificate program (at PG level) and do not confirm academic appointments or allow promotion to take place until this has been passed. Many universities in Sri Lanka already do this and there is a framework for providing the qualification in the network of university Staff Development Centers (SDCs). However, these centers vary in their competence and some will need to be consolidated and strengthened professionally and financially if they are to be given responsibility for upgrading the teaching standards of all new staff. One way of doing this would be to build on the experience of the SDC at Colombo University and insist that the training programs offered by all SDCs have been accredited by an international body. The SDC training programs are accredited by the Staff and Educational Development Association (SEDA) in the UK. It would also seem reasonable to expect all those staff teaching in SDCs to have had some training in staff development or have had a period of secondment to an overseas unit undertaking the same functions.

3.17 The National Policy Framework of the NEC considers the option of establishing a Staff College for university teachers under the UGC. This suggestion is partly in line with international practice in Australia and the UK, although in both these cases the entities concerned are independent of Government and are funded by the universities themselves. The mandates of the relevant bodies, the Australian Learning and Teaching Council (Box 3.2) and the Higher Education Academy in the UK24 are very similar.

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24 See www.altc.edu.au and www.heacademy.ac.uk
3.18 Ensuring that all academic staff are providing high quality teaching and learning experiences to their students is not something that can be achieved by government fiat. It requires commitment from institutional management and individual staff. The institutional objective has to seek a quality culture which places quality issues at the heart of every academic decision concerning programs and their delivery. What the State can do is to endorse this by emphasizing the value of good teaching. Countries such as the UK, Australia and China, for instance, organize national prizes for good teaching. In the UK, for example, 50 National Teaching Fellows are honored at a ceremony, led by the Minister of Education, and each receives a sum of GBP 10,000 to spend on an educational project within their institution. The importance of quality teaching could also be confirmed if the Government were to set up a national fund to finance institutional projects that enhance the quality of teaching. The significance of government endorsement of good teaching is that the prevailing culture in most universities favors research activity over teaching. Fame and esteem from peers comes from research publications rather than good teaching. This is the default instinct of most academics and thus strong leadership, a clear policy and supportive funding are needed if that instinct is to be balanced by a focus on good teaching.

3.19 There is a vitally important skill area where many academic staff require help from Government; this is in awareness and mastery of ICT. In considering the facilities and equipment that are needed for Sri Lankan higher education to keep step with its international peers in academia, it should be borne in mind that any investment will be under-utilized if academic staff are not helped to acquire the necessary computer literacy skills. Some university staff are fully competent in the ICT skills required for their discipline. However, a substantial investment in staff technical training will be needed in some institutions, both to ensure that staff (particularly older members) are as knowledgeable as their students and to enable them to make best use of the opportunities that e-learning will bring for improving learning and teaching. This is a world-wide problem; for instance, an article in the UK Guardian 2008 reports that in one university students were being paid for training their tutors in internet-based skills. One way of remedying the problem would be for universities to expect all their academic staff to pass a test.

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**Box 3.2: Australian Learning and Teaching Council**

The Council (formerly called the Carrick Institute) has six objectives:

- Promote and support strategic changes in HEIs for the enhancement of teaching and learning, including curriculum development and assessment.
- Raise the profile and encourage recognition of the fundamental importance of teaching in HEIs and in the general community.
- Foster and acknowledge excellence in teaching in higher education.
- Develop effective mechanisms for the identification, development, dissemination and embedding of good individual practice in learning and teaching.
- Develop and support reciprocal national and international arrangements for the purpose of sharing and benchmarking learning and teaching processes.
- Identify learning and teaching issues that impact on the national HE system and facilitate national approaches to addressing them.

Strategies used by the Council to achieve these objectives include: setting up networks of practitioners; managing national award schemes for good teaching; undertaking research into teaching methods; bringing international experts to Australia; and managing national grants and fellowship schemes.

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25 The Guardian, 2 December 2008. See www.guardian.co.uk/digitalstudent
equivalent to the International Computer Driving License (ICDL). The Ministry of Education has programs to improve the computer literacy of school teachers. University academics should not be left behind.

3.20 There are a number of initiatives that need to be undertaken by responsible agencies to promote the objective of ensuring that higher education institutions have skilled and experienced staff. These include:

- Increasing the number of nationally funded scholarships for PhDs and staff development through international link programs, as well as the negotiation of bilateral scholarship agreements with friendly countries.
- Making it a requirement that newly appointed staff should take a post graduate level certificate in teaching with an international accreditation (such as in Sweden and the UK). This certificate would be a pre-requisite for promotion.
- Requiring that all those teaching in SDCs should have a certificate with accreditation from an institution such as SEDA or other institution, or have had experience working in a reputed SDC in another country.
- Providing national funding for Teaching Excellence awards, with the awards made in an appropriate high profile ceremony to show the value given to teaching.
- A policy statement by Government regarding staff skills in ICT and a requirement that by a certain date all academic staff shall have demonstrated competence in the use of ICT, by for instance passing an appropriate test such as the ICDL.

3.21 An important element in the achievement of quality outcomes is the ability of the teaching staff to communicate effectively with learners. In some cases – particularly the humanities and social sciences - this is dependent on improving the English language skills of academics. This may be a significant problem, as a Dean in one major university estimated that 80 percent of the staff in the humanities departments do not speak English well enough. Nor is it a requirement for entering the civil service so that there are no strong incentives for students to improve their skills. There are several options for resolving this problem:

- Strengthening the English language training centers inside universities;
- A policy ruling from Government that new public sector employees must have good English;
- Encourage departments to prepare study guides/ work books in English;
- Encourage departments to introduce internship as a part of the degree program i.e. with private sector organizations;
- Vice-Chancellors could request all academic staff to strengthen their English and include it as a key criterion in staff selection and appointment;
- Senates should also commit to moving all courses to the English language medium (as in Indian universities);
- The Government could offer pump-priming funding to develop new English curricula;
- The Government could encourage/offer support to academic partnerships with universities in English speaking countries as a way of developing English courses quickly.

**Improving Learning and Teaching Methods**

3.22 The key to successful learning is the way that teaching staff interact with and assist students to learn. Students need help, through interactive and activity-based teaching methods, to learn skills such
as critical and analytical thinking, and to develop habits of hard work and industry. Already much research is going on in Sri Lanka on the effectiveness of these new approaches (see the papers presented to the annual conferences of SLAIHEE). These new models of learning are well embedded in the work of some of the Staff Development Centers. However, their application is often local, and there is a need for their dissemination to those members of staff who have not taken courses in the SDCs.

3.23 For the academic community to adopt new teaching methods, it requires clear strategic statements from the university leadership to encourage such approaches. It is both time consuming and threatening for teaching staff to be forced to consider abandoning the way that they have done things for many years. Such a change is a long process and cannot be achieved overnight, but it is more likely if it has endorsement at a high level as being a core element in the improvement of quality. One approach would be for the MHE, UGC and SLIATE to ask each institution to prepare a teaching and learning strategy; this would be expected to emphasize the importance of quality in teaching and encourage staff to invest time in curriculum development and revision of teaching methods. Another approach is for the state to create a fund on which universities can draw in order to pay for the costs of reforming and revising their curricula. Two models from the UK of how this might operate are shown in Box 3.3.

3.24 The ways students are supported personally and academically, and their campus experience, are key elements of the quality of the education they receive. Some students have difficulties in learning for a variety of reasons: inability to master the self-discipline needed, personal emotional problems, illness, and discomfort and distraction through poor learning facilities. Their “campus experience” and the interactions with staff and other students are what distinguishes a university education from study by distance learning, and needs to be nurtured.

Box 3.3: Academic Funds Examples from UK

<table>
<thead>
<tr>
<th>Fund for the Development of Teaching and Learning (FDTL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the last ten years the UK has encouraged universities to invest time in improving the quality of their teaching. A fund called the FDTL was awarded to subject departments in universities that were graded as excellent in external quality reviews by the quality agency. This was regarded as a reward and each department received a grant of some GBP 250,000 to devote to improving the quality of its teaching. The Fund had five annual allocations of grants that were related to the timing of subject reviews by the quality agency and came to an end in 2002.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Teaching Quality Enhancement Fund (TQEF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>After FDTL came to a close, the UK funding bodies developed a more broadly-based approach to funding quality enhancement. This had three strands: one financed a network of 24 subject centers based in universities that developed innovative teaching materials for use nationally in their disciplines; the second funded a national teaching prize (see above); and while the third consisted of lump sum grants to universities that had prepared good learning and teaching strategies. Although all universities received a grant based on their student numbers and were not required to bid, each one had to prepare a learning and teaching strategy, which was reviewed by appropriate experts. It took some institutions a year or more before their learning and teaching strategy was deemed to be good enough for them to receive a grant for implementation.</td>
</tr>
</tbody>
</table>

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26 See three years’ conference proceedings on the website of the Sri Lankan Association for the Improvement of Higher Education Effectiveness at www.slaihee.org

27 For details of the subject centers and their work see www.heacademy.ac.uk/ourwork/networks/subjectcentres

28 For details of these two funds see http://www.hefce.ac.uk/pubs/hefce/2000/00_46.htm and http://www.hefce.ac.uk/Pubs/dreports/2005/rd23_05/
3.25 Universities can help to resolve students’ difficulties by providing central counseling and support functions, and then ensuring that academic support is also available from within departments. However, such support services are not as universal or as professional as they should be, so that a prime element in learning and teaching strategy is the recognition of the importance of these functions.

3.26 Students can benefit from periods of industrial placements during their degree programs. This enables students to learn the culture and environment of work places, as well as the practical applications of some of their theoretical training, and improve their job prospects. It also helps forge a stronger link between universities and the industrial community. Some of the better degree programs in Sri Lanka have instituted this practice, and with considerable success. It now needs to be broadened across the university system.

3.27 The implementation of e-learning is an area where Sri Lanka can benefit from being a late adopter. Many mistakes have been made and large investments wasted in countries which have piloted e-learning approaches. It is now accepted, for example, that very few courses will benefit from being wholly online and that the most effective use of e-learning is as part of a “blended learning” approach combining traditional face-to-face instruction with student use of the internet and student access to web based learning materials.29 Students also prefer this approach. The key to effective learning in an institution is to have one institutional VLE (Virtual Learning Environment) and ideally one that is open source (such as Moodle) with a supporting team of specialists able to help academic staff make best use of the VLE and electronic resources in their teaching. The advent of the Open Source philosophy now applies to teaching materials, and institutions such as MIT and the UK’s Open University have placed much of their curriculum and teaching material on the web.30 This material can now be accessed by any one in Sri Lanka as a source of ideas or content when curricula are being revised. The Distance Education Modernization Project, funded by ADB, has begun the development of 7 new programs from public and private providers which, using the National Distance Education Network, will be available throughout Sri Lanka. These programs will be based on the most up to date on-line pedagogy drawing on the experience of the Commonwealth of Learning.

3.28 A key policy message from international experience is that any national investment in e-learning would benefit from the establishment of an advisory service, charged with setting out guidelines for the effective implementation of e-learning and providing advice to universities. Within institutions there will also need to be some specialist staff able to work with academic colleagues on using the internet in a way that draws on international materials and experience and provides students with a sound learning experience.

3.29 With regard to improving learning and teaching methods, there are a number of further options which warrant consideration, such as the following:

- A requirement that Faculties and University Senates should review curricula and teaching methods at regular intervals, especially in the light of feedback from the quality assurance process.
- State funding for universities and ATIs specifically targeted at curriculum reform and development using the most advanced teaching methods, as explained in the learning and teaching strategies.

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29 In the UK 77 universities have compared notes on their benchmarking experiences in a three year program run by the Higher Education Academy.

30 MIT’s Open Courseware at www.ocw.mit.edu makes available lecture notes, exams and other resources from more than 1,800 courses. The Open University’s Open Learn www.openlearn.open.ac.uk contains over 5,000 hours of content and has already been used by about 2 million people.
• HEIs could be encouraged to provide incoming students with short courses on study skills that will help them to benefit from new learning methods and opportunities.

• Establishment by the MHE of a national advisory service to help academic staff in HEIs master e-learning, and draw on the large range of open source material becoming available.

**ICT, Equipment and Library Resources**

3.30 IT literacy and competence is a necessary condition for a good quality graduate in the modern world. The Government has emphasized the importance of IT for the country, and the importance placed by the Government on IT suggests that targets should be set for the use of computers by students, and an expectation that all graduates will leave university with a level of computer literacy adequate to satisfy the generic requirements in the labor market for graduates. Over time, student ownership of PCs and laptops will increase, and the learning and teaching strategies of HEIs should take this factor into account. Assumptions on this will influence policy decisions on whether capital expenditure should centre on the provision of large-scale computer laboratories or on the infrastructure of wireless networks. The latter would encourage students to acquire their own laptops to access the university’s networks and library resources.

3.31 Teaching in the developed world is making much greater use of electronic resources, and for scholarship and research access to global resources is now essential. This means not only that all staff should be computer literate, but that libraries should have access to a wide range of international research databases, e-journal collections (via aggregators\(^3\)) and academic repositories of electronic teaching materials such as MERLOT\(^2\) or JORUM.\(^3\) The MHE, UGC and SLIATE will need to consider whether there is room for national initiatives as regards electronic resources and the sharing of paper copies.

3.32 In view of the very complex copyright and licensing issues involved (e.g., electronic licenses and access agreements), there are strong arguments for having a technical team working with the Sri Lanka Library Association and SLAIHEE at national level on behalf of the HEIs. One model for this is the Joint Information Services Committee (JISC) in the UK which is funded by the higher and further education funding bodies to provide technical support (such as a national academic network), advice and support services for all staff and students in higher and further education. One of the services it provides is to negotiate special national discounts for electronic subscriptions with aggregators and publishers of journals and databases. Pakistan provides a good example of rapid progress: the HEC has developed a Digital Library with access to 20,000 full text electronic journals and 10,000 e-books within two years.\(^4\)

3.33 The creation of a national scheme under which staff and students can access e-materials of all kinds must run in parallel with appropriate levels of investment in hard copies of books and journals, since it will be some time before the academic community – particularly older academics– will be willing to forgo paper copies.

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\(^{31}\) Aggregators are companies that collect journal or book titles from publishers and make electronic copies of them available to institutions (or national consortia) for a subscription. Some aggregators are willing to consider discounts for developing countries.

\(^{32}\) MERLOT is a US-Based collection of peer reviewed online learning materials, containing about 21,000 items. See www.merlot.org

\(^{33}\) JORUM is the UK’s national repository of electronic teaching materials and resources contributed on a voluntary basis by university staff. It is available through www.jorum.ac.uk

\(^{34}\) As well as a lending library arrangement to borrow any of the British Library’s 150 million books and journals in its Document Delivery Service. See www.digitallibrary.edu.pk/
3.34 The U-HEMIS program that is being implemented under the World Bank funded IRQUE project includes a module to integrate each university library’s operational systems with the rest of the university’s administrative processes. In parallel it is hoped that the computerization of each university library’s catalogue will soon be completed. These two achievements will open the way for much greater access to hard copy resources by staff and students. They will make possible the development of a national inter-library loan scheme, based on access by one university (or one academic) to all other universities’ library catalogues. Such a development should be possible over the medium-term.

3.35 In the context of promoting greater access to ICT, equipment and library resources there are several policy measures which are particularly important:

- The HEIs need to set goals and targets for student skills in ICT.
- The MOE, UGC and SLIATE, in discussion with the MFP, need to set out a national strategy for the provision of ICT infrastructure on campus.
- The establishment of a national centre for electronic resources with the brief to negotiate and acquire materials (databases, e-journals and e-books) for use by all academic staff and students of HEIs on a national academic network.
- The development of a national library catalogue linking all existing library catalogues, simplifying the development of a speedy system of Inter-Library Loans.

Quality Assurance and Enhancement Processes

3.36 Several processes need to fall into place for quality to be assured, both within an institution and externally. These include:

- An institutional strategy that promotes quality and quality enhancement, and has regular internal processes and procedures to achieve them.
- An internal process for undertaking program, departmental and subject reviews of quality at appropriate intervals.
- Support systems in the institution to advise academic staff on curriculum reform and provide relevant training and development in quality assurance and quality enhancement.
- An external quality review process that is based on nationally agreed criteria and subject benchmarks. This would undertake program, subject, departmental and institutional reviews at suitable intervals, using trained external assessors.
- A mechanism for the national quality assurance (QA agency) to draw on international expertise and experience so that it is abreast of current developments and thinking.
- An accreditation and licensing process that enables potential investors from overseas or from civil society in Sri Lanka to gain initial approval to establish an institution.

3.37 The World Bank funded IRQUE project has given Sri Lanka an excellent start in implementing almost all of the above processes in universities. The work of the QAAC has given Sri Lanka a leadership role in the Asia Pacific region, as regards the scale and scope of its quality assurance activities at the national level in university first degree programs. The QA process now needs to be broadened and deepened to cover external degree programs, postgraduate degrees, the alternative higher education sector, and open and distance learning. The current status of each of the processes listed above, for all sub-sectors, can be summarised as follows:
• The principal achievement of the QAAC is the successful establishment of a national QA function for public universities. This has achieved a great deal in four years, including developing Codes of Practice and a credit and qualifications framework, as well as undertaking 176 subject reviews in institutions and 3 institutional reviews.

• The QAAC has networked very successfully in the Asia Pacific region and has also drawn heavily on the work of the UK’s Quality Assurance Agency and the work of the International Network for Quality Assurance Agencies in Higher Education (INQAAHE). Should it become the basis for the future national QA agency, it is well-placed to build on its contacts and reputation so that it can be at the forefront of international best practice.

• The next step is to increase the information base on the extent to which HEIs in the public or private sectors have developed learning and teaching strategies, the quality of these strategies and their implementation experience. SLIATE has begun a development program to inculcate quality messages in the thinking of all ATI managers.

• More evidence is required on how universities are undertaking internal quality assurance. Although the QAAC has overseen the creation of internal QA Cells and helped to train their staff, it has no formal role in monitoring what they do. Little is known about the operation of QA processes in SLIATE institutes or private higher education institutions. The most visible QA is that provided by offshore academic partners when they work with private local institutions to deliver their international awards. Since most of these institutions are accountable to their own national QA agency for the standards of programs delivered offshore, they are understandably concerned to have a role in reviewing the internal QA processes of their Sri Lankan partner.

• The principal internal support systems for QA and quality enhancement are those university cells already referred to; there is no evidence on the QA staffing and support in the other sectors. However, some private sector institutions have expressed interest in external quality audits.

3.38 The analysis shows that the quality assurance process has made an excellent start in the university undergraduate sector. This process now needs to be expanded to cover the entire Sri Lankan higher education system. This is a priority need to be addressed in the future.

Facilities and Infrastructure on Campus

3.39 The space available for learning and teaching is a key determinant of quality. If the appropriate teaching space is not available, the quality of teaching and learning is likely to suffer. For instance, small group teaching is not possible in a 200 seat lecture hall. Therefore, any new space provided needs to take modern teaching methods into account. In addition, funds will need to be made available to modify existing teaching spaces. One problem that can be solved by internal management is that of departments “owning” teaching space, which can lie empty when other departments elsewhere are short of space in which to teach. To address this problem, each institution could be asked to confirm that it has space policies which ensure that all teaching space is owned by the university and not by particular units or departments. The same policy can be adopted for SLIATE ATIs.

3.40 Some of the physical facilities on campuses are in poor condition or are not suitable for modern use, and a backlog of maintenance and repair has built up. The same concern would apply to laboratory equipment needed for teaching and research. These shortcomings need to be remedied by the injection of development funds to a long-term refurbishment and repair program. This would require the Government to set aside a specific fund for the purpose over a designated period of, say, 10 years.
Allied to the development funding there needs to be a maintenance culture which seeks to ensure that adequate resources are set aside each year for a rolling preventive maintenance program.

3.4.1 One approach often used as the basis for allocating such a fund is to require each university and ATI to undertake a condition survey of its buildings, using external professional surveyors. These surveys would classify buildings depending on their condition. Those in the worst category would be the first to receive funds from the national fund. The findings from all the surveyors’ reports would be costed and used to calculate what resources would be needed to remedy the shortcomings over a ten year rolling program, prior to discussions with the Ministry of Higher Education, UGC and the Ministry of Finance and Planning.

3.4.2 Care needs to be taken in ensuring that any new teaching accommodation on campus is constructed so as to be flexible and linked to ICT wireless or wired networks with suitable connections for student laptops, for future use.

3.4.3 When considering approaches to improving facilities and infrastructure on campus, the following initiatives would be particularly relevant:

- The MHE, UGC and SLIATE could undertake a condition survey of all the buildings in every university in order to set priorities for a phased program of renewal and repair. The cost of such a program could be notified to the MFP in order to justify a bid for development funding.
- Space policies could be established that allow for flexible use and be applied to all new development bids for new buildings.
- Any new buildings, including hostels, should have full provision for ICT applications through the use of wired or wireless networks.

**Student Learning Assessments**

3.44 **Student assessment is one of the cornerstones of quality in higher education.** The main purpose of the assessment is the evaluation and certification of student learning outcomes, both knowledge and skills, in relation to learning objectives. Assessment is also linked to maintenance and enhancement of academic standards.

3.45 Most of the university disciplines in Sri Lanka have mechanisms in place to assess student learning outcomes during each semester. These assessments are often a combination of continuous assignment, quizzes, mid-semester examinations and end-of-term examinations. The Credit and Qualifications Framework of the Degree Programs in Universities\(^3^5\) recommends that a minimum of 20 percent of the total grades be based on the continuous assessments for a given course, and that the maximum level depends on the type of course: for instance, more weight could be given to continuous assessments for certain practical-oriented courses. The balance between continuous assessments and end-term examinations varies greatly across faculties and disciplines. A range of assessments is used across the disciplines, the most frequent being the pen-and-paper test.

3.46 **The current practice of student assessments faces a number of major challenges.** The foremost one is the lack of universal clear standards or benchmarks that specify the student learning outcomes for all subjects/disciplines at each level. However, work on this has begun under the Quality Assurance and Accreditation Council (QAAC) and the UGC is setting up a number of inter-university subject...
committees to develop subject benchmarks. Another major challenge is that assessment results are hardly used to provide feedback to students on how well they learn, and to academic staff on how well they teach.

3.47 In order to address these issues, one of the strategies recommended in the National Policy Framework on Higher Education\textsuperscript{36} is the development of benchmarks for learning outcomes for every program. What is also critical is capacity building for academic staff on assessment methodologies, as well as on how to use assessment results to improve learning and teaching. In addition, there should be an entity in place at the university or faculty level, where appropriate, to ensure that adequate training is provided for academic staff on student learning assessment at graduate and postgraduate level, and that the assessments are properly conducted and used.

QUALITY IN EXTERNAL DEGREE PROGRAMS

Academic Standards

3.48 Poor academic standards of external degree graduate output relative to corresponding internal degree programs is a major criticism leveled against EDPs. As reported by a recent survey, the rate of unemployment among EDP graduates is around 77 percent.\textsuperscript{37} This is to be expected given the absence of support services provided by the universities. Although formally enrolled in certain public universities, these students are dependent either on self-study or external institutions for academic advice, knowledge inputs, and skills development.

3.49 The issue of the poor quality of EDPs is critical, especially as there is strong pressure for these graduates to be absorbed in make-work programs by the State. It is of central importance that the Government addresses this issue, either by taking active steps to improve the quality of EDPs and make these graduates more employable in the private sector, or by reducing the intake of EDPs, or, of course, by combining both these two options. A number of options to improve the quality and employability of EDPs are given below.

3.50 The quality standards of services provided by external institutions for these students appear to be very poor. For example, a recent survey of EDP completers revealed the poor quality of tutorials provided by such institutes as the main difficulty encountered by external graduates (44\%).\textsuperscript{38} It also indicated that about 66 percent of students had not had tutorial classes. As shown in Table 3.2, lecturing is the widely used teaching mode (81\%) as against practicals (12\%) and group discussions (10\%). The provision of reading lists and handouts is also not common. It appears that there is little academic advice and guidance at external institutions due to lack of group discussions and tutorials. The student counseling provided by external institutions is also limited to selection of subjects and lecture sessions. This is an extremely unsatisfactory position as external students have limited opportunity of acquiring knowledge and soft skills.

\textsuperscript{36} National Education Commission (2008), National Policy Framework on Higher Education: University and Non University Tertiary Education, December.

\textsuperscript{37} DEMP (2006), Report on External Degree Programs.

\textsuperscript{38} DEMP (2006), op.cit.
3.51 As can be seen from Table 3.3, overall participation in lectures and tutorials is low. Indeed around 25 percent of the students indicated that they were not provided with lectures. Further, of the responding students, some 70 percent indicated that they did not have tutorial hours. 39

| Table 3.3: External Degree Student Responses on Lecture and Tutorial Hours (per week) |
|----------------------------------|----------------------------------|----------------------------------|
| Hours                            | Lecture Hours per Week as Reported by Students (%) | Tutorial Hours per Week as Reported by Students (%) |
| More than 6                      | 17.8                                            | 5.6                                          |
| 6 hrs                            | 27.2                                            | 11.0                                         |
| 5 hrs                            | 14.5                                            | 4.5                                          |
| 2-4 hrs                          | 8.0                                             | 4.0                                          |
| Less or equal 2 hrs              | 7.5                                             | 5.4                                          |
| Zero hrs                         | 25.0                                            | 69.5                                         |

Source: DEMP (2006), Report on External Degree Programs

3.52 The current practice of having end-of-the-year examinations for EDPs is outdated and inefficient. The modular structure of the Bachelor of Information Technology (BIT) program of the University of Colombo School of Computing (UCSC) with module linked assessments is a more up-to-date model that can be adopted by other universities. In terms of teaching methodology, it is more important to train students to deviate from note taking from the lecturer and get used to a more independent, self-directed approach to learning. This requires some form of orientation to study as an external student focusing on planning study time, accessing electronic resources, note-taking from books and from lectures, critical reading, organizing ideas, and essay writing. At present, the advice and guidance given by the universities to external students is limited to administrative matters and examination regulations. Counseling and academic services are left for private institutions to deliver. In contrast, internal students are provided with face-to-face sessions for discussion and group assignments. Thus, if the present model of EDP is to be developed, lecturers attached to private institutions need to be given some training on student counseling in addition to teaching methodology.

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39 The sample drawn from the students enrolled in external degree programs in 2003 consisted of 10,000 students. This was about 8 percent of total enrollment of EDP students in 2003.
Academic Support

3.53 At present, non-university institutions function as the main service provider to EDP students, and usually without any advice, guidance or administrative support from the universities. Some universities, however, conduct seminars (mostly centrally and sometimes in selected regional locations) a few weeks before the examination to help prepare students. At these seminars, lecturers from the relevant universities give talks to hundreds of students at a time, reviewing points of difficulty in the curriculum, and providing tips on examination techniques. These seminars are perceived to be extremely valuable to students for both academic and motivation purposes.

3.54 The universities which offer EDPs do not provide adequate resources and reading materials for the students. This includes study guides, course instructions, detailed syllabi, printed lessons, question papers and model answers. Preparation of these resources, especially teaching material, is a skilled and time-consuming job, and requires special training in subject matter and writing skills that differ from face-to-face tuition. The BIT program of the UCSC is a clear exception in the effective use of such skills (Box 3.4). In addition, the Open University of Sri Lanka (OUSL) is providing facilities to prepare learning material. It is also possible to use the teaching material already prepared by foreign universities.

Box 3.4: BIT Bachelor of Information Technology - University of Colombo School of Computing (UCSC)

Bachelor of Information Technology (BIT) is a degree program of three years duration started in the year 2000. It is a nationally and internationally recognized Information and Communication Technologies (ICT) qualification conducted by the University of Colombo School of Computing (UCSC). Each year of study consists of two semesters and the evaluations are carried out through continuous assessment Learning Management Systems (LMS) and semester examinations. The BIT program offers flexible study options with Diploma level exit points after Years 1 and 2. It runs with e-learning support through LMS, weekly TV programs, web portal for online access to study material, and CD-based content for offline access. It also uses leading private institutes to provide training at regional level. Its administrative work is conducted through the External Degrees Centre (EDC) located outside the main campus.

The BIT program of the UCSC clearly demonstrates the possibility of introducing innovative changes to the EDP system in Sri Lanka. It functions as an independent unit with some degree of autonomy in the organization and management of the study program. This autonomy has helped make it possible to involve academic and non-academic staff from UCSC, as well as obtaining industry support, for the development of the curriculum. The detailed syllabi prepared by the UCSC, with learning objectives and guidance on teaching hours for each topic, facilitates effective learning at private institutions and standardization of teaching.

3.55 The use of university web-sites and CDs would also be an effective method of providing reading material to EDP students. With regard to the Arts degree program, however, design of print and materials for independent study would be the most urgent and effective way of enhancing the quality of EDP students’ experience. The OUSL media production facilities could be used for this purpose in addition to developing an integrated system of existing learning materials. Preparation of a good study guide tailor-made for external students, with advice on time management, study methods, accessing electronic resources, note taking, essay writing, and exam revision, and written in the three languages, would also assist EDP students.

3.56 In addition to academic support, external students also need motivational support. This is mainly to give students a feeling of ‘belonging’, of being part of a wider university system. The current practice of conducting seminars by some lecturers is a positive step towards this effort. Here again, the UCSC model is an excellent example which could easily be adopted by other universities. Detailed syllabi prepared by the UCSC with learning objectives and guidance on teaching hours for each topic
facilitates effective learning at tutor level and standardization of the teaching given. It also publishes a list of private institutions and their pass rates so that students have enough information to select the best private institution for their EDP. With regard to other subjects, their selection of private institutions appears to be based mainly on students’ experience on private tuition, or word of mouth, or advertisements in the media.

3.57 Similar to internal degree students, universities should have a primary responsibility of strengthening EDPs through various support services. This would involve providing learning material, academic advice and guidance, and conducting course related orientation sessions, training of lectures/tutors attached to private institutions, and providing guidance and information on choice of private teaching institutes.

3.58 EDP programs do not fall within the present remit of the QAAC, and therefore are not subject to any official external quality review. It is important that they come within the ambit of the QAAC’s regular external institutional and subject reviews, possibly using some of the QA criteria developed for ODL.

QUALITY IN THE SLIATE INSTITUTES

The Occupational Relevance of the Alternative Higher Education Sector Programs

3.59 The continued occupational relevance of academic programs designed and delivered by the alternative sector institutions is fundamental to the employability of their graduates. An important success factor in this type of education involves ensuring that new programs are created only after they have provided evidence, typically backed by documented market information, that their graduates are, and will continue to be, needed by the labor market. The design of programs also needs to be scrutinized carefully by program advisory committees, based on criteria provided by academic experts and prevailing occupational standards established by relevant professional associations. The same rigorous process also needs to be applied to the renewal and/or upgrading of existing programs. Occupational relevance is also enhanced by the adoption of a work-based cooperative approach to program delivery, with alternate periods of study and work placements. This approach has been successful in a number of OECD countries, including Canada, France, Ireland, the United Kingdom and the United States.

3.60 All the SLIATE programs are relatively new and their identification and establishment has obviously been done with an eye on the labor market and the potential employability of graduates. However, there is at present no formal process for including employer and professional organizations’ representatives in Program Advisory Committees.

Options for Development

3.61 SLIATE should institute Program Advisory Committees as a key requirement for all ATI programs with a mandate to: (a) support the institution in validating the continuing market information on changes in the labor market; (b) provide advice on the relevant knowledge, skills and competencies required of the graduates; and (c) provide input and advice to the regular process of program renewal.
The Institutional Culture: A Student-Centred Learning Environment

3.62 Successful alternative higher education institutions have become leaders in developing flexible, adaptable, and responsive institutional cultures that reflect their stated mission and values, allowing them to adopt learning innovation, including student-centered teaching, co-teaching, and interdisciplinary teaching, as well as novel uses of computers and distance learning, and the integration of internships and other forms of work-based learning.

3.63 At present the teachers in the SLIATE system tend to be young university graduates, most of whom have only a first degree in their discipline, and the majority with no other relevant work experience. Furthermore, the majority have not received a formal orientation or training through a program in the principles of adult education and training. Although the programs of studies appear to be balanced and well-structured, the majority of courses use pedagogical methods which are teacher-centered, rather than student-centered, involving more than 32 hours per week of teacher-oriented classroom activities.

The Way Forward: Options for Development

3.64 The ability of SLIATE institutions to attract well-qualified, successful professionals to academic staff positions, as well as to support the continued development of their knowledge, professional competencies, and relevant skills, is essential for achieving their missions as educational institutions. Pay scales, workloads, and institutional culture will determine SLIATE’s ability to attract and retain highly-qualified professionals. However, building institutional capacity to develop viable programs for the continuous upgrading of faculty skills and competencies in program and course development, teaching and evaluation, and academic counseling, are also key elements in ensuring success. Hence, SLIATE could consider the establishment of an Academic Staff Leadership Institute (ASLI), with a mandate to provide the following types of support to the academic staff of the ATIs:

- **Learning innovations:** The differences in outcomes observed among alternative institutions in other countries can often be attributed to the mechanisms that they use to mobilize their institutional resources, including training in effective teaching, availability of faculty development programs, sustained mentoring programs, and funds for experimenting with teaching methods and technology. These mechanisms could be developed by an ASLI and made available to SLIATE’s present and future ATIs.

- **Work-based learning methodologies:** The design of effective programs in alternative institutions often involves some student work placements, as well as the participation of business professionals in curriculum design and teaching, to ensure the integration of theory and practice. The proposed ASLI could undertake a study of the lessons learned from integrating successful work-based and application-oriented learning in the academic programs of similar institutions in, for instance, Europe, India and Singapore, and adapt the best practices for the SLIATE institutions.

3.65 There is no formal quality assurance structure for SLIATE institutions. At present quality assurance in the sector consists of simple checks on the integrity and delivery of the centrally-designed programs. Many countries in various regions of the world have some form of quality assurance for their alternative higher education sector institutions and programs, which is provided either by an independent national or regional quality assurance body or, in many cases, a department of the ministry responsible for higher education. In some countries, such oversight is generally provided by the same quality assurance systems and agencies as those that oversee university programs.
QUALITY IN PRIVATE HIGHER EDUCATION

3.66 The issue of quality in higher education has become more acute in recent decades as the higher education sector has expanded rapidly in both developed and developing countries. Sri Lanka has several good quality higher education private institutions which prepare students for international and national certificate and diploma courses and programs. Many of these are professional courses and programs in areas that enjoy strong demand in both the local and foreign labor markets. In addition, some private higher education institutions offer degree programs; many of these degrees are from foreign universities. As in most countries, however, there are concerns among stakeholders about the variable quality of some private HEIs in Sri Lanka. Table 3.4 shows that only three private institutions have had their degrees recognized by the UGC, and no institutions have been approved since 2005. It is also possible that factors other than quality have impeded the approval process in recent years.

3.67 The development of private higher education in Sri Lanka will depend crucially on its ability to sustain high quality teaching that produces the educational outcomes desired by parents, students and employers. Market perceptions of the quality of private education are fundamental in this regard. This is particularly true given that much of the private HE sector has only recently been set up, and is seeking to establish a strong track record of producing high quality graduates. Bad publicity about private providers with poor quality services can harm the reputation of the sector as a whole, and adversely affect its ability to attract students.

Table 3.4: Recognized Degrees of Private Institutes under s. 25A of the Universities Act No: 1978

<table>
<thead>
<tr>
<th>Degree</th>
<th>Institute</th>
<th>Recognition Date</th>
<th>Organizational Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bachelor Degree in Computer Science and in Computer Systems Design</td>
<td>Institute of Technological Studies</td>
<td>15/12/1988</td>
<td>Private Limited Liability Company Incorporated Under Companies Act</td>
</tr>
<tr>
<td>BIT/ MSc in Information Technology/ MSc in Information Systems/ MSc in Information Management/ Postgraduate Diploma in Information Technology/ Postgraduate Diploma in Information Systems/ Postgraduate Diploma in Information Management</td>
<td>Sri Lanka Institute of Information Technology (Guarantee) Limited</td>
<td>17/10/2000</td>
<td>Private Incorporated under Companies Act</td>
</tr>
<tr>
<td>Bachelor of Arts General Degree/Bachelor of Arts Degree in Religious Studies/ BIT/ BSc in Psychology and Counseling</td>
<td>Aquinas College of Higher Studies</td>
<td>10/10/2005</td>
<td>Registered with the Tertiary and Vocational Education Commission of Sri Lanka in 1954</td>
</tr>
</tbody>
</table>

Source: http://www.ugc.ac.lk/funded_institutions/other_recognized.html

3.68 A Quality Assurance and Accreditation System would assist the development of the private higher education system in Sri Lanka. There are basically two models: (i) separate QA/Accreditation systems for the private sector HE institutions, such as in the U.S.A., Mexico and the Philippines; and (ii) the same QA/Accreditation system for the public and private HEIs, as in Malaysia, Thailand, Indonesia, Pakistan and Ghana. Ideally, the same standards and processes should apply across both public and private HEIs, even if the QA/Accreditation agencies are different between the public and private sector. A QA/Accreditation system could be used for a variety of purposes, including:
- assessing the degree-awarding capacity of HEIs;
- ranking HEIs;
- approving the entry of foreign HEIs;
- recognising degrees by third parties;
- assessing credit-transfers to other accredited HEIs;
- determining eligibility for direct or indirect Government funding/scholarships;
- other rights such as entitlement to a reduced amount of regulation.

3.69 In Sri Lanka, one option would be for the existing QAAC external review mechanisms and processes to be applied to the private sector under the umbrella of a single independent agency. Another option would be for the association of private degree awarding institutions to manage a quality assurance process itself, using the same standards and guidelines as the QAAC applies to public institutions. Private universities would presumably pay for these reviews which would not be a burden on the state. Of course, if the reports from both institutional and subject reviews were published, the public could have greater confidence in the quality of private sector provision.

3.70 An external quality review of private and international providers offers many benefits to students, governments, institutions and employers. It gives students and governments some assurance that the tuition being delivered is of a certain standard. It also provides employers with useful screening information on the quality of degrees obtained by job-seekers. Finally, accreditation provides Governments with a useful instrument upon which to base institutional registration, funding and regulatory decisions.

3.71 It is important that the QA/accreditation system for private HEIs be flexible enough to allow for the parallel system of ‘private’ accreditation by which HEIs accept the right of foreign or domestic institutional partners or foreign accreditation agencies (such as the Quality Assurance Agency (UK) or the Australian Universities Quality Agency) to assure their quality. Under such a system, private HEIs could either be accredited by the QAAC (or equivalent body) or could have their partner’s foreign accreditation recognized by QAAC (or equivalent body). In other words, the domestic QA system should be introduced as a complement to, not as a replacement for, the existing system of institutional affiliations. Under such a system, the role of the QAAC would be to accredit accreditation agencies and international partners, rather than accredit institutions. The concept of private accreditation is being, or has been, used in a number of jurisdictions internationally.

3.72 A system where private HEIs are affiliated to existing domestic or foreign institutions or accredited by external agencies provides a relatively non-bureaucratic means of assuring quality. Under any of these ‘out-sourcing’ options, the role of the Sri Lankan QA agency would involve setting broad guidelines for accreditation of institutions and certifying that accreditation bodies (whether other tertiary institutions or foreign agencies) were of a suitable standard. There are several advantages to this system. First, it places the responsibility for quality assurance with the institutions themselves rather than with a central accreditation body. Second, it would provide for more streamlined and possibly speedier recognition of institutions. Third, it would more easily accommodate the expansion of the private higher education sector in Sri Lanka. Fourth, the registration process and approval process for curriculum changes would be under the institution’s control, and not subject to external delays.
Box 3.5: International Examples of Private Accreditation/QA Arrangements

- **The Philippines** operates a completely private accreditation system that complements the Government’s HEI registration process.
- **FIMPES** operates an accreditation system for high quality private providers in **Mexico**.
- In the late 1990s/early 2000s, private HE colleges in **Oman** were required to affiliate with a foreign HEI as a condition of establishment. Under these affiliation agreements, the foreign and Omani institutions were jointly responsible for curriculum development and all aspects of QA including evaluation, academic performance and the awarding of diplomas or certificates.
- The National Accreditation Board in **Ghana** requires that all new universities – including private ones - begin as university colleges affiliated to existing domestic public institutions. After several years under this arrangement, they are then able to apply for full university status.
- Companies such as **Microsoft** operate internationally recognised corporate certification programs.
- Organisations such as the **Association to Advance Collegiate Schools of Business** (AACSB), which is based in the USA, operate international business school accreditation Systems.

### STRUCTURES, SYSTEMS AND PROCESSES FOR ENSURING QUALITY

#### The Present System

**3.73 Public Universities:** The Quality Assurance Unit under the QAAC of the UGC has established a very sound basis for an external quality assurance process for the public universities. Full details of its achievements are shown on the QAAC website.\(^{40}\) In summary they include:

- Establishment of a national Quality Assurance Framework with analysis of the credit and qualifications frameworks within institutions;
- Development of Subject Benchmark Statements;
- A proven process for undertaking subject reviews;
- A proven process for undertaking institutional reviews;
- A network of about 550 trained subject and institutional reviewers drawn from the public and private sectors;
- Delivery of many awareness training programs and workshops on quality assurance and aspects of quality enhancement;
- Publications on quality assurance of research;
- Publications on quality assurance of university libraries.

**3.74** The QA Unit has set the groundwork for a very thorough QA process in the public sector, and this has been done to world-class standards following INQAAHE guidelines, using some advice and materials from the UK’s Quality Assurance Agency, and by being linked to the Asia Pacific Quality Network. All this has been accomplished under the auspices of the UGC’s QAAC, which has reviewed the work of the Unit and its publications.
3.75 In parallel with the QA Unit, the development of quality assurance processes for open and distance learning (ODL) has been developed. This work began in the Open University and is now continuing with pilots in public and private sector institutions offering ODL programs. Outputs from the exercise, which has been supported by the Commonwealth of Learning, include two Frameworks for Quality Assurance in Distance Education Institutions and Distance Education Programs, best practice statements, and accreditation standards and guidelines for reviewers of institutions and programs. Using these methodologies three external reviews have been undertaken of the OU and of two ODL external degree programs in other universities.

3.76 SLIATE Institutions: At present, there is no formal process for external reviews of quality in the ATIs. However, SLIATE has expressed interest in the development of a quality assurance system for the ATIs.

3.77 Technical and Vocational Education: The Technical and Vocational Education Commission is responsible for accrediting and setting standards for over 1,400 institutions. Its responsibility includes the operation of the Sri Lankan National Vocational Qualifications Framework with its 7 levels, the highest of which is at degree level.

3.78 Private Institutions: As stated above, there is no quality assurance process for private sector institutions and the status of most of the private providers is unclear since only three institutions have been formally recognized by the UGC.

Options for Development

3.79 Against this complex background, the Government needs to decide on the next steps in the development of a Quality Assurance system in Sri Lanka. There are several alternative models which need to be considered.

- Quality Assurance Model One: The quality assurance of the public university system could be the function of the QAAC. The quality assurance of the SLIATE ATI’s institutions could be handled by an appropriate agency set up under MHE. The quality assurance and accreditation of the private higher education institutions could be undertaken by an independent agency set up by

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Box 3.6: Federación Mexicana de Instituciones Particulares de Educación Superior

The Federación Mexicana de Instituciones Particulares de Educación Superior (FIMPES) was created some 25 years ago, as a way of organizing private universities at a time when the Government was establishing strong guidelines for the recognition of private providers. In recent years, FIMPES’ role has evolved into one which guards the reputation of good quality private HE against the rapid growth in the number of low quality private HEIs. Private universities in Mexico have grown from just 100 to over 2,000. In 1998 FIMPES convinced the Government to establish a separate institutional accreditation scheme for private universities which runs parallel to the state-based accreditation process, so as to avoid oversight from the Ministry of Education. FIMPES has made efforts to have its own accreditation substitute for the CIIES and Consejo Para la Acreditación de la Educación Superior (COPAES) accreditation even though FIMPES institutions are founding members of both state-based organizations.

FIMPES represents only prestigious and recognized private HEIs such as Monterrey TEC, Universidad de la Americas and Universidad Tecnología de Mexico. Some FIMPES members have undergone state accreditation by COPAES, but others are only FIMPES accredited. The Mexican Government has expressed its desire to have the FIMPES institutions simply become part of the official state system of program accreditation, yet it appears more concerned about assuring the quality of those HEIs institutions that do not belong to FIMPES.

Source: www.fimpes.org.mx
these private institutions. This model would be similar to the system which exists in the U.S.A., where quality assurance of higher education institutions is carried out by private, non-profit organizations designed and established for this exact purpose. The Council for Higher Education Accreditation (CHEA) constitutes the largest umbrella of accreditation agencies in the U.S.A., with about 3,000 institutional members and 60 recognized institutional and programmatic accrediting organizations. CHEA is governed by a board containing college and university presidents, as well as institutional representatives and eminent members of the public.

- **Quality Assurance Model Two:** There could be one independent quality assurance and accreditation agency responsible for the public universities, SLIATE ATIs and the private higher education institutions. This quality assurance and accreditation agency could be under the Ministry of Higher Education. If so, this would make it similar to the Malaysian Qualifications Agency (MQA), which functions as a national government agency covering both public and private higher education providers.

- **Quality Assurance Model Three:** There could be one independent quality assurance and accreditation agency responsible for the public universities, SLIATE ATIs and the private higher education institutions. It would receive core operational funding from the Government. However, it would need to maintain a high degree of independence from the official Government higher education system. This could be achieved by, for example, establishing it as a semi-autonomous institution of the MHE. Such a model would be similar to the Australian Universities Quality Agency (AUQA), which is owned by and benefits from core operational funding from the Commonwealth, State and Territory Ministries of Higher Education, but maintains strict independence from the Government and higher education institutions.

- **Quality Assurance Model Four:** There can be one independent quality assurance and accreditation agency responsible for the public universities, SLIATE ATIs and the private higher education institutions. This agency would be an independent institution which is funded partly from the Government and partly from subscriptions paid by private higher education institutions. This would be similar to the Quality Assurance Agency for Higher Education (QAA) in the U.K. The QAA is funded through the payments by the universities and colleges of higher education, and through contracts with the higher education funding bodies in England, Scotland, Northern Ireland and Wales.

**Box 3.7: Some International Models of Quality Assurance**

Some of the models that have emerged throughout the world for locating the QA Council in the Government structure are as follows:

- An autonomous organization maintained by its member higher education institutions (such as the Council for Higher Education Accreditation in the U.S.A., which has 3,000 institutions as members and recognizes 60 accrediting agencies).
- An autonomous organization with its own independent Act of Parliament or charter (QAA in UK, AUQA in Australia, ONESQA in Thailand).
- A subcommittee of an independent statutory Advisory Council to the Minister of Education with a role of providing advice to the Minister on quality in higher education (HEQC in South Africa).
- A QA division of the Ministry of Higher Education (Malaysia).
- An independent body established by the Committee of Vice-Chancellors or Directors (NZAAU in New Zealand).
3.80 There are also variations within these models. Box 3.7 illustrates experiences elsewhere in the world. The dominant model is one which has an independent agency that is not under the direct control of Government or a buffer body.

3.81 The actual choice of the model for Sri Lanka will depend on the preferences of policy makers, and the political and economic context of the country. Whichever model is chosen, it is important that common standards and criteria, and similar processes, are applied by the QA agencies or agency for the public and private higher education institutions. The present QAAC has already implemented a substantial volume of work and achieved international standards. It is important to maintain and build upon these achievements.

The Way Forward

3.82 The preceding sections have discussed the quality of higher education over a broad set of areas, and in detail. This includes the quality of academic staff, facilities, equipment and technology, curriculum relevance, incentives and rewards for improving the quality of teaching in public higher education institutions, and quality assurance for both public and private higher education institutions. At each point the recent, relevant international experience has been outlined. The next step is for the policy makers, academics and administrators to discuss the various options outlined, and select which options would be implemented, in what order, and the resources required for the implementation. Some development options are in the control of individual faculties and degree programs, and could be implemented relatively swiftly. Other options require reforms at the level of institutions, such as the universities and SLIATE. These can be instituted relatively quickly, too, provided the relevant institutional authorities, such as the University Councils and Senates, agree. A third set of options need to be implemented through national level policy initiatives and reforms. These would require more time. However, with the leadership of the Ministry of Higher Education, the UGC and SLIATE, there are several promising policy measures that can be implemented, and which are likely to have far-reaching positive consequences for higher education quality.
Chapter Four

GOVERNANCE OF THE HIGHER EDUCATION SYSTEM

INTRODUCTION
4.1 This Chapter analyzes a range of issues relating to the governance of higher education in Sri Lanka. The first section examines the structure and legal framework of the higher education sector, including the university sector and the alternative higher education sector, and public and private higher education institutions. The second section discusses the governance of the public higher education sector. The third section considers ways of balancing autonomy and accountability in higher education. The fourth section examines governance within higher education institutions. The final section discusses governance of the private higher education sector.

THE STRUCTURE AND LEGAL FRAMEWORK OF THE SYSTEM
4.2 The typical landscape of the global higher education sector today includes both the conventional university sector and non-university higher education institutions, which constitute an alternative sector of higher education. The key characteristics of this landscape, which has evolved over the past four to five decades, are presented in Figure 4.1.

Figure 4.1: A Typology of Higher Education

In this typology of the higher education system, there are three tiers of institutions: Tier I, which consists of elite research and comprehensive universities; Tier II, lower-status universities and degree-granting colleges and institutes; and Tier III, institutions that offer mostly short-cycle, sub-degree programs (1–3 years). The alternative sector usually consists of all institutions in Tier I and a small percentage of the institutions in Tier II. The hierarchy of institutions in Tiers I and II is established by the type of degrees offered, the selectivity of admission criteria, and the resources allocated per student. Table 4.1 below provides several examples of this typology from developed and upper-middle income countries.

**Table 4.1: Tripartite System of Tertiary Education in Selected OECD Countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>Tier I</th>
<th>Tier II</th>
<th>Tier III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>8 research universities</td>
<td>32 new universities and some TAFE colleges</td>
<td>68 TAFE\textsuperscript{a} colleges</td>
</tr>
<tr>
<td>Canada</td>
<td>30 research and comprehensive universities</td>
<td>56 new universities, university colleges, polytechnic ITALs\textsuperscript{b}</td>
<td>145 community colleges and technical institutes</td>
</tr>
<tr>
<td>Finland</td>
<td>20 universities</td>
<td>31 polytechnics</td>
<td>Short-cycle programs in polytechnical education</td>
</tr>
<tr>
<td>France</td>
<td>37 Public Grande Echol\textsuperscript{c}</td>
<td>86 universities</td>
<td>123 instituts universitaires de technologie (IUTs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>280 sections de brevet de technicien superieur (BTS)</td>
</tr>
<tr>
<td>Germany</td>
<td>78 technical and comprehensive universities</td>
<td>182 Fachhochschulen\textsuperscript{d}</td>
<td>Dual training institutes\textsuperscript{1}</td>
</tr>
<tr>
<td></td>
<td></td>
<td>43 Berufsakademien\textsuperscript{e}</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>8 universities</td>
<td>13 technical institutes</td>
<td>Training centers</td>
</tr>
<tr>
<td>Korea</td>
<td>10 public universities</td>
<td>24 public universities</td>
<td>14 public junior colleges</td>
</tr>
<tr>
<td></td>
<td>7 private universities</td>
<td>150 private universities</td>
<td>144 private junior colleges</td>
</tr>
<tr>
<td>Mexico</td>
<td>10 federal and state universities</td>
<td>54 state and polytechnic universities</td>
<td>60 technical universities</td>
</tr>
<tr>
<td></td>
<td>8 private universities</td>
<td>184 private teacher training (TT) colleges</td>
<td>211 technical institutes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>249 public TT colleges</td>
<td>995 private career colleges</td>
</tr>
<tr>
<td>Spain</td>
<td>Superior technical schools (Escuelas tecnicas superiors)</td>
<td>University schools (Escuelas universitarios)</td>
<td>Higher professional training schools</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Formacion profesional de grado superior, FPGS)</td>
</tr>
<tr>
<td>United States</td>
<td>690 Ivy League, public, and private research universities</td>
<td>1,760 polytechnic, colleges, and smaller state universities</td>
<td>1075 community colleges and institutes of technology</td>
</tr>
</tbody>
</table>

Notes: (a) Technical and Further Education Colleges. (b) Institutes of Technology and Applied Learning, Ontario. (c) The Grandes Écoles are professional schools, but most are not research-oriented institutions; however, they are the most selective and prestigious institutions in France. d Fachhochschulen FHS are Universities of Applied Science. e Berufsakademien are similar to the FHS, but with a strong emphasis on cooperative education. f "Dual training institutes" offer cooperative programs with employers.
4.3 The Sri Lankan higher education sector fits within the universal typology as it contains a wide range of institutions, such as the older established universities, the newer universities, the advanced technical institutes of the Sri Lanka Institute for Technological Education (SLIATE), private degree awarding institutions, and private higher education institutions which award certificates and diplomas. Sri Lanka’s higher education system can be seen as transitioning from the binary type to the tri-partite one. It could be useful for policy makers to classify these institutions into the three-tier system, for purposes of policy development and resource allocation.

4.4 Higher education operational policy and strategy development in Sri Lanka are the responsibility of the Ministry of Higher Education. Some of its operational tasks have been delegated to UGC. Public universities are semi-autonomous entities with their own governing councils, but operate within the regulations, guidelines and procedures emerging from the UGC and MFP, especially for funding purposes.

4.5 Sri Lanka has the traditional Commonwealth model of a buffer body located between the MHE and the universities. The Sri Lankan UGC was established by the Universities Act, 1978, which defines its powers to include:

- To plan and co-ordinate university education “so as to conform to national policy”;
- To apportion the funds voted by Parliament;
- To maintain academic standards;
- To regulate the administration of institutions;
- To regulate the admission of students.

4.6 Public universities in Sri Lanka are legal entities established under various Acts which have been consolidated into the Universities Act 1978. They are funded by the Government, through the UGC’s recommendation, for both recurrent (operational) and development (capital) expenditure. There is no normative funding system for public universities: instead, recurrent funding for individual universities is based largely on historical levels, although there is some relationship between funding levels and the types of programs offered at different institutions. Universities offering courses such as engineering, medicine and science are funded at higher per-student levels than those offering arts and humanities programs.

4.7 The Sri Lanka Institute of Advanced Technical Education (SLIATE) was formed under Act No. 29 of 1995, as a statutory body under the purview of the MHE. SLIATE contains a set of Advanced Technical Institutes (ATIs). These are a potentially important part of the higher education sector, and are intended to respond to the rapidly evolving labor market requirements of the country. At present, the ATIs offer courses in accounting, management, business studies, engineering, information technology, agriculture and English.

4.8 There are a number of private higher education institutions that prepare students for professional qualifications, particularly in areas such as accounting, IT, management and marketing. In addition, there are private higher education institutions (HEIs) which seek to offer degree level programs and courses. Degree-granting status can be obtained either by applying to the UGC under s.25 of the Universities Act 1978 or by affiliating with foreign universities. The UGC avenue for approval is open, in principle, to both public and private HEIs. Thus far three private institutions have obtained recognition from the UGC as degree-awarding institutions. The bulk of private degree-granting institutions in Sri Lanka have opted to link up with foreign universities.
4.9 Private HEIs do not receive either public recurrent or capital funding. Private HEIs offering courses in a wide range of program areas may receive incentives such as tax holidays and remission of customs duties if they are established under Board of Investment of Sri Lanka (BoISL) regulations. At the end of 2006 there were 42 education and skills BoISL-registered projects in commercial operation, with a value of nearly 1.5 billion rupees. The major source countries for investment include the UK, Australia, India and Singapore.

GOVERNANCE OF THE PUBLIC HIGHER EDUCATION SECTOR
The Current Position
4.10 Sri Lanka has recently produced several important policy documents that should influence the future direction of the higher education sector. The Mahinda Chintana 2006-2016 identifies four major policies in relation to higher education:

- Increase access by enabling more choices in courses, modes of learning and alternate institutions within a regulatory framework, for all prospective students;
- Enhance quality and upgrade standards with emphasis on employability and social harmony and to cope with national developmental needs and global competitiveness;
- Foster a culture of scholarship and research; and
- Ensure accountability, sound performance and financial sustainability.

4.11 The National Education Commission’s wide-ranging Higher Education Policy Framework 2008 covers administration and management; and financing. Many of its policy-related recommendations are in line with the options suggested in this report and they are referred to in the relevant sections below.

Global Developments in Higher Education Governance and Options for Sri Lanka
4.12 Higher education policy reform and development initiatives around the world raise the following types of questions concerning planning and management of the sector:

- What is the role of the state, and who will have ultimate responsibility for developing, reviewing and fine-tuning the strategy?
- What performance indicators or targets should be developed to assess the success of the strategy in achieving its goals?
- What are the appropriate indicators and targets at the level of individual institutions, such as universities and ATIs, to adopt within their own strategic planning exercises?
- How does the private sector fit in to the national strategic planning and monitoring processes?
- In what way can the MHE know about the private sector contribution to the national strategy?

4.13 One way for the state to know whether it is achieving its strategy is for it to develop a set of performance targets relating to the key goals in the strategy. Malaysia has undertaken a similar

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Box 4.1: Ministry of Higher Education Malaysia

An example of national policy targets for higher education is shown on the website of the Ministry of Higher Education in Malaysia. The targets include:

- At least two universities classified as among the top 200 world class institutions;
- At least 75% of lecturers should have a Doctorate;
- 75% of graduates should be employed within six months of graduation;
- There should be continuous improvement in non-Government funding of universities to at least 30 percent of total university income.

Source: www.mohe.gov.my

exercise. Box 4.1 shows the some of the targets that have been set by the MHE in Malaysia, derived from their strategy.

4.14 Some of the hypothetical targets shown in Table 4.2 might also be adopted by MHE, UGC and SLIATE as indicators of how well each university and ATI is achieving the national goals. If the MHE, UGC and SLIATE followed this route, it would have to require universities and ATIs, when developing their own strategic plans, to include programs to meet the national goals, as well as other activities to match their own distinctive mission. Thus, each university’s and ATI’s strategy would be in line with the national strategy, but it would also have the flexibility to set its own goals and targets, e.g., to meet the needs of its province or industrial community. Each university and ATI would then be required to report

<table>
<thead>
<tr>
<th>Possible Goals</th>
<th>Performance Indicator</th>
<th>Possible Target</th>
</tr>
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<tbody>
<tr>
<td>Increased access</td>
<td>Higher age participation ratio in both public and private sector institutions</td>
<td>25% including external students</td>
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<td></td>
<td>Increased share of public higher education enrollment in SLIATE ATIs</td>
<td>15% of public HE enrollment in ATIs</td>
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<td>Increased share of public higher education enrollment in SLIATE ATIs</td>
<td>15% of public HE enrollment in ATIs</td>
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<td></td>
<td>Lower proportion of undergraduates studying humanities and social science subjects in public universities</td>
<td>Under 30%</td>
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<td></td>
<td>Minimum skill levels in English</td>
<td>90% of students attain specified English skill level</td>
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<td></td>
<td>Minimum skill levels in IT</td>
<td>90% of students attain specified IT skill level</td>
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<td></td>
<td>Reduced graduate unemployment after one year</td>
<td>Under 15%</td>
</tr>
<tr>
<td></td>
<td>Student placements in industry</td>
<td>**% of university and ATI students placed in industry as part of their study programs</td>
</tr>
<tr>
<td>Improved quality of delivery</td>
<td>Staff with PhDs and Master’s Degrees</td>
<td>Over 60% of university staff with PhDs</td>
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<td></td>
<td>Industry-university research linkages</td>
<td>Over **% of ATI staff with Master’s degrees</td>
</tr>
<tr>
<td>Enhanced research capacity</td>
<td>Increase in ISI and humanities citations and number of patent awards</td>
<td>***,000 citations per year</td>
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<td></td>
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<td>500 patents</td>
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<tr>
<td>Improved financial effectiveness</td>
<td>Reduced the ratio of non-academic staff to academic staff</td>
<td>Ratio of 2 non-academic to 1 academic staff member</td>
</tr>
<tr>
<td></td>
<td>Industry-university research linkages</td>
<td>** number of industry-oriented projects undertaken by universities</td>
</tr>
<tr>
<td>Strengthened managerial effectiveness</td>
<td>Higher Education Management System (HEMIS) in place and used for policy making</td>
<td>HEMIS to be available to all HEIs for planning and managing Enrollment</td>
</tr>
</tbody>
</table>
its performance scores or Key Performance Indicators (KPI) in respect of the national targets to the MHE, UGC and SLIATE, annually. Any KPIs that were developed for their own strategic goals would also be reported both to its own Council and the UGC.

4.15 In some cases it would be necessary to develop new systems for collecting the information required for these high level indicators. The indicator on employability is one example: it is common in some countries for all students to be asked to provide information on their work status at a standard data collection point of, say, six months after their graduation. Within universities and ATIs this could be collected by academic departments along with up-to-date addresses (to assist alumni activities). If a national system were adopted in Sri Lanka, all higher education institutions would be asked to analyze the responses from students and send the summary information to the MHE, UGC and SLIATE, respectively. A high score in student employability could be seen by the MFP as a positive indicator for future resource allocation.

BALANCING AUTONOMY AND ACCOUNTABILITY

The University Sector

4.16 The Universities Act, 1978 provides the UGC with powers to intervene directly in university operations. This power covers a large range of routine operational matters relating to decisions on courses to be offered, the establishment of posts for academic staff, their appointment and promotion procedures, and the appointment and location of administrative staff. In addition to the higher education legislation and UGC’s regulations, the usual public sector financial regulations apply to universities, as interpreted by the Treasury. These affect institutions’ ability to set salaries, retain income generated, sell assets and reinvest the proceeds or raise capital through loans from banks. In recent years there has been some relaxation of these regulations in respect of the ability to retain income generated from programs where fees are charged and through consulting and research services. Such revenue can now be placed in a Development Fund within the university.

4.17 One of the standard dilemmas in higher education governance is getting the balance of control right between a light touch that enables and supports institutions and a tight control that regulates and limits them. By international standards the degree of detailed central control over universities in Sri Lanka is at the tight end of the spectrum. This is at a time when the trend globally is towards governments granting institutions greater autonomy.44 Discussions with university staff have identified several areas where central control is considered excessive, and where greater institutional autonomy in operational decision making could be helpful. Some of these topic areas are:

- The centralized administrative staff service, which enables administrative staff to be transferred within the university sector;
- UGC’s detailed control over all staff appointments below the level of Assistant Professor and Registrar and Bursar;
- Financial regulations that prohibit the payment of salaries in excess of a certain level, even where the activity is self-financing and independent of government support.

4.18 Other areas where there is central control include:

- UGC nominates a majority of the members of the University Council;
- Nominees of the UGC have to be present at all interview boards for senior academic and administrative posts;
- UGC’s Standing Committees must approve all new course proposals (at undergraduate and postgraduate levels) in their subject area;
- MHE and UGC must approve the creation of new faculties and any changes in the academic structure of departments or faculties;
- MHE and UGC recommend the creation of all new posts, based on requests from universities, after obtaining the relevant approvals from the MFP;
- MHE and UGC sets out procedures for schemes of recruitment and appointment of staff which universities have to follow;
- Decisions on the admission of undergraduate students are taken by the UGC based on national admissions policies;
- The overseas travel plans of all academic staff have to be approved by the MHE and UGC.

4.19 Some of these areas of central control are linked to the funding structure of universities, as these are financed by the central Government. For instance, the control over the establishment of faculties and the creation of new staff positions by the Ministry of Finance and Planning, the MHE and the UGC is needed, as these entail long-term financial commitments from the Government. Other controls, such as the leave requirements for academic staff, are residual factors from the period of foreign exchange control in Sri Lanka during the 1960’s and early 1970’s, and are anachronisms in the world of modern universities. Universities can be given autonomy to carry out some of the above functions, without any involvement from a ministry or a buffer body, assuming that the MHE and the UGC wish to move in the direction of greater empowerment of universities.

The Main Challenges

4.20 The present practice is rooted partly in reliance on the legislation and in the belief, common to some countries, such as India, Italy or Spain that the best approach to optimizing the outcomes from a higher education system is to control it tightly. However, this has the following implications:

- Stifling entrepreneurialism and initiative in universities because of the need to obtain central approval;
- Delays while the central institutions makes a decision;
- Unnecessary workload in the MHE and UGC caused by the number of operational decisions that need to be taken. As the sector increases in size, the central workload of operating the controls increases pro rata;
- Central decision making tends to assume that a standard solution is best, while in practice universities will have different missions and clienteles. Decentralized decision making would enable this to be taken into account;
- A risk of poor quality decisions due to unfamiliarity of some UGC officials with the university culture, and their physical remoteness from the institutions;
- Frustration with the university system causes some individuals to use their personal authority or
political relationships to ignore the regulations and take unilateral decisions that run counter to official policy. While this may be effective in the short-term, it is not sound management.

4.21 At the same time, there are also some arguments in favor of central control:

- There will be greater consistency in the decisions taken;
- The ability in some cases to achieve national rather than institutional benefit: for instance, this argument is used to justify the power to allocate and relocate administrative staff throughout the system;
- It is easier to guarantee that financial probity and accountability have been achieved. Some fiduciary issues will always exist and a tight central control can claim to reduce it.

4.22 Universities accept the need for some controls and do not expect to have total freedom; they also understand the need to be accountable by providing information to the MHE and UGC on their operations and performance. Once the extent of autonomy has been agreed, there are various ways that the state can hold its institutions accountable on both policy and financial matters. If the state accepts the principle that it should no longer exercise detailed control, what are the options open to it? Workable approaches include:

- Exercising control through a high level approval of the university’s strategy and then monitoring performance through the use of its key performance indicators;
- Agreeing through a contract with the institution that it should deliver certain outcomes in return for funding;
- Creating a regime with light central regulation combined with reporting on outcomes and performance. The state can also influence behavior by offering incentive funding, if institutions adopt certain desired national policies.

4.23 There is a global trend to the devolution of powers to universities and the gradual withdrawal of the state from detailed monitoring and control. Sri Lanka will need to consider the balance between central control and empowerment of individual universities as the higher education system develops in the future. The National Education Commission recommends greater institutional autonomy in its policy deliberations. Global experience has shown that, once institutions feel that they can control their own futures, their performance is greatly improved since they have an incentive to make changes. If any changes require long debates with a remote national body, the risk is that institutions might prefer to keep quiet and do nothing. This is the situation in Italy, Spain and some German landers where the centralization of decision making is thought to be one of the factors causing the poor performance of universities from those countries in the global league tables.

4.24 Autonomy is often centered on an institution’s strategic plan and, once this is agreed, the council of the university is granted the freedom necessary to implement and achieve its strategic objectives. Although Sri Lanka’s universities do prepare corporate plans, they appear to be lacking operational relevance, as they do not lead to dialogue with the MHE and UGC, and are often not implemented due to technical and financial constraints.

4.25 Wherever the Government wishes to empower universities more, some or many of the existing regulations and controls listed above need to be removed. The MHE and UGC could delegate more powers to universities in some or all of the following areas:
• Promotion of academic staff, which could be allowed within a set guideline of a maximum a
  senior/junior staff ratio to prevent too many senior appointments.
• Setting academic salary levels in shortage subjects (within authorised limits) such as in the U.S.A.
  Canada and South Africa;
• Development of new academic courses, where there is an identified market need;
• Creation of new academic posts within an agreed overall budget which is standard practice in
  many OECD countries such as Australia, Netherlands and the UK;
• Deciding the academic structure of the university (number of faculties, the creation of schools or
  institutes, etc), another function which is wholly within the remit of universities in countries such as
  the U.S.A., Canada and Sweden;
• The level of payments made to temporary or contract staff on fee-earning and self-sufficient
  courses.

4.26 These powers would be exercised by the Vice-Chancellor and colleagues under the supervision
of the University Council. The Council would need to ensure that decisions in these topic areas were
backed by adequate analysis provided by the administrative staff. The Council would also be held
accountable for following any procedural guidelines (such as on promotions) set by the UGC and could
be made liable to audits at any time.

4.27 It would be important to ensure that any existing public sector financial regulations did not stand
in the way of universities exercising autonomy in these areas. Hence, consultations with the MFP will
be necessary.

4.28 One implication of universities gaining greater managerial freedom is that their Councils and Vice-
Chancellors will need to build adequate management capacity to manage their institutional affairs.
Some classic private sector skills such as marketing, costing and pricing will be required and may not
be particularly strong at present, as the administrative staff are taken from the normal public sector
cadres. This weakness could be resolved by empowering university Councils to:

• Undertake a skills analysis of their management and administrative capacity so that they can have
  confidence in the technical support for decisions;
• Allocate a management development budget for all staff with managerial responsibilities.

4.29 Management capacity could be strengthened by the UGC funding a program of management
development for senior management staff, as recommended in the NEC’s Policy Framework.45

4.30 The resources for the Sri Lankan university system are mainly controlled from the center, with
limited financial autonomy to universities. Funds provided by the Ministry of Finance and Planning (MFP)
through the Government budget need to proceed through a process of negotiation between the MFP,
the MHE and UGC, and the universities. These funds can be used only for purposes designated by
and agreed with the MFP, the MHE and UGC. Resources raised by universities directly, through
activities such as the delivery of fee-levying courses, research, consultancy and interactions with industry,
can be used for purposes approved by the universities themselves. However, the extent to which the
universities exercise the financial autonomy available to them over resources generated by them varies
from university to university. A very few universities make full use of this autonomy, while most universities

45 Some countries such as Malaysia, Australia and the United Kingdom have created national leadership academies for
delivering management development programs for senior staff.
make very limited use of these powers. Greater capacity building of the lagging universities would increase the incentives for these universities to increase self-generated income and utilize these additional funds for the development of their institutions.

**SLIATE**

4.32 Universities are much older, more established, and have a better resource base than their counterparts in SLIATE. Universities remain the institutions of choice for the majority of secondary-school graduates and their families in most countries. Public acceptance of alternative higher institutions depends, to a great extent, on the perception of their status and autonomy compared to that of universities. In many countries, the demarcation between the two sectors is very clear: universities are autonomous and steered from a distance by government through various governance frameworks, whereas alternative colleges and institutions are governed directly and bureaucratically by a ministry responsible for higher education. This is usually interpreted by the public, that the alternative institutions are simply an extension of the secondary school system, where policies, curricula, and teaching methods are dictated by bureaucratic directives.

4.33 SLIATE’s institutions and sections are presently governed by a SLIATE Council that defines the ATIs’ mandate, admission policies program offerings, programs’ contents and course structure, academic staff workload and other relevant academic management matters. The ATIs have clearly limited autonomy compared to the universities. The MHE and SLIATE need to consider what powers and functions should be delegated to the individual ATIs, for the long-term development of the alternative higher education sector in Sri Lanka. Once these powers and functions have been identified, suitable capacity building programs can be instituted by the MHE and SLIATE.

**GOVERNANCE WITHIN INSTITUTIONS**

4.34 Sri Lankan universities have adopted the classic British Commonwealth university governance structures consisting of a University Council, a Senate (Academic Board) and Deans with responsibility for faculties. A Vice-Chancellor is given overall academic and financial management responsibility and is accountable to the University Council. A Registrar has responsibility for the administration. The Council is the governing authority of the university and will vary in size depending on the number of Deans. For example, at the University of Peradeniya it comprises 21 people and at Colombo it is 22. Such structures are set out in the Universities Act No. 16 of 1978 under which most universities were created.

4.35 Sri Lanka, however, does differ in some ways from the model found in most Commonwealth countries today:

- The President of Sri Lanka approves the appointment of the Vice-Chancellor from three candidates put forward by the Council.
- There is a significant role for the UGC in the appointment of a majority of Council members and all senior academic staff.
- There are no senior university-wide posts such as Pro-Vice-Chancellor or Provost between the Vice-Chancellor and the Deans. This means that the full burden of integrating all aspects of policy and management falls on the Vice-Chancellor. This has the effect of making a clear connection

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46 However the University of Uva Wellassa was established in 2006 by an announcement in the Government Gazette.
between the personality and skills of the Vice-Chancellor and the success or otherwise of the university. If a wider number of senior managers were involved, this connection would not be so strong and the managerial burden could be shared.

- If the Vice-Chancellor and Senate wish to alter the academic structure of the university (such as creating a new faculty or merging faculties) they cannot do so without the endorsement of the Senate, which then requires the approval of the UGC. This could have the effect of encouraging a standard approach to structure and not allowing an institution to organise itself to respond to its particular mix of strengths.
- Senates are very large bodies and include all professors (which can mean that they have over 100 members). An international trend is to shrink them in size with faculties electing a few professors to represent them.

4.36 Other features of the present structure are that under the Universities Act Deans are elected by their Faculty Board in a special meeting attended by the Vice-Chancellor and then the Senate and Council are informed. This means that academic or personal criteria may be uppermost in the election, whereas if a Vice-Chancellor were making the appointment the likelihood is that management competence would be included as a factor in the appointment. A curious anomaly is that Heads of Departments are appointed by the Council upon the recommendation of the Vice-Chancellor, but s/he is denied that power for Deans, who usually have the more significant management task.

4.37 Some questions can be raised about the present system. If it is accepted that the general principle is to increase the autonomy of universities, what are the areas in which the powers of the universities should be increased? For instance, academic staff proceeding overseas for conferences, seminars, sabbatical leave etc, could have their leave approved within the university. Universities could be empowered to recruit administrative and clerical staff directly to the university, rather than obtain them through a centralized service. Universities could also be empowered to set their own payment rates for staff engaging in fee levying, self-sufficient courses such as extension programs.

4.38 There is a key issue of principle to be answered in designing a governance structure: if the university Council and the Vice-Chancellor are to be held accountable for the performance of the university, does the system of governance by the UGC and the Ministry provide the right amount of incentive and freedom to achieve mutually agreed goals? Can one be sure that all of the regulations, controls and reporting systems are necessary and do not obstruct performance?

**Options for Development**

4.39 Consistent with the earlier argument for greater autonomy, a preferred option could be that universities are delegated the authority to devise organizational structures to suit their particular needs and priorities. A corollary to this enhanced autonomy would be a relaxation of residual financial controls that act as a break on institutional freedom to generate income through, for example, research, consulting services and short-courses. A culture change is needed in this area, since universities currently feel that there are few incentives for generating income from external sources.

**GOVERNANCE OF THE PRIVATE SECTOR**

4.40 The expansion and development of the private higher education sector, both non-profit institutions and for-profit institutions, is one of the most striking features of the modern global higher education
landscape. Private higher education institutions have grown rapidly in all parts of the world. This growth has been most evident in the former communist countries of Eastern Europe such as Russia, Poland, Hungary, the Czech Republic, the Slovak Republic, Romania and Bulgaria, and the former communist countries of Asia, such as China, Vietnam and Cambodia. The main reasons for the encouragement of private sector participation in higher education around the world are to: (i) promote the economic relevance of the higher education sector, as private higher education providers offer predominantly market-oriented study programs and courses; and (ii) meet the rising demand for higher education, which is impossible to satisfy with scarce government resources alone. Box 4.2 and Box 4.3 show the recent experience of the two leading former communist countries (Russia and China), in promoting private sector participation in higher education.

Box 4.2: Private Higher Education in Russia

The first private HE institutions appeared as a result of the 1992 Russian Federation Law on Education. While it shares many features of private sectors of higher education worldwide, Russian private HE has its unique traits: considerable public involvement in the creation of the higher education institutions and continued association of private institutions with various state-supported organizations and public resources. As of 2005, there were 413 private institutions compared to 655 public institutions. Private higher education accounts for approximately 15 percent of all higher education enrollments. The primary characteristics of private universities are: market-based academic program offerings and other fields that do not require much investment in equipment and research infrastructure, flexibility in curriculum based on labor market needs, lower admission requirements, limited research focus and dependence on tuition for financing, and many other features typically ascribed to private institutions worldwide.

4.41 The Sri Lankan Government’s main overall policy statement, Mahinda Chintana: Vision for a New Sri Lanka, identifies opening higher education to private sector participation as one of the key needs of the higher education sector. The NEC and the MHE, too, recognize the world-wide trend in favor of private sector investment in higher education. However, at present, the policy environment for private higher education is under-developed. The power to certify a private higher education institution as a university lies with the MHE and UGC. A process for the accreditation of private HEIs as universities was prepared around 2004-5. But this process has not been implemented since 2006. Given the strong ideological opposition to private universities within the country, some private HEIs have established themselves as businesses under the Company’s Act and prepare students for the degrees of overseas universities. The Board of Investment (BOI) is in favor of the promotion of such private HEIs as campuses and franchise institutions of foreign universities, and perceives this as a promising area for future growth.

4.42 There are no legal barriers to the establishment of private HEIs in the alternative higher education sector. However, there is no quality assurance and accreditation process either. Entry and development within the alternative higher education sector is close to a laissez-faire situation. This has the benefit of providing free entry and development. However, it also has the disadvantage of not providing any standards, protocols and processes on quality.

4.43 There are a number of policy reforms and measures that Sri Lankan policy makers could consider, based on global experience, for the country to facilitate private sector participation in higher education. These include governance reforms and financing options. Several interesting possibilities are discussed in the next paragraphs.

47 Dmitry Suspitsin (2003), Russian Private Higher Education: Alliances with State-Run Organizations, International Higher Education, Fall 2003

4.44 **Quality assurance and accreditation of private higher education institutions could be an important policy measure to promote private sector participation in higher education.** The various models of quality assurance discussed in Chapter Three of this report can all be combined with an accreditation role and function. The existence of an internationally recognized agency to accredit private higher education institutions awarding degree and postgraduate level qualifications would facilitate the establishment of good quality private institutions. It would also provide consumer protection for students and parents selecting institutions for higher studies. It is important to note that the quality assurance and accreditation process should be used as a mechanism to facilitate the entry and development of good quality private higher education institutions within the higher education sector. This process should not be used to act as a barrier and deterrent for private higher education institutions. Malaysia is an example of a country which is using its quality assurance and accreditation process to promote the expansion of good quality private higher education institutions.

4.45 **The Government could implement private-public partnership (PPP) models to promote private sector investment and provision of higher education services.** One such option would be the establishment and financing of independent trust funds to develop new forms of public-private higher education delivery. These trust funds would provide infrastructure grants to establish accredited public-private ‘hybrid’ higher education institutions to deliver market-oriented programs and courses in areas of national priority. Students could be funded through scholarships for such courses.

4.46 **A further option would be the encouragement of public higher education institutions to develop ‘hybrid’ models of educational delivery that involve private sector participation under the supervision of public higher education institutions.** Private partners could, for example, operate as ‘franchises’ of public sector higher education institutions. This would involve private institutions using their own facilities and academic staff, but with curricula and overall quality assurance provided by the public sector partner. Variants of such a model are currently being employed by the University of Moratuwa and the University of Colombo. In the former case, the university has entered into agreements with a number of private sector providers to deliver a University of Moratuwa three-year Bachelor of Information Technology degree (which differs from the university’s 4 year degree). Private providers are under

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independent management, but the University of Moratuwa provides quality oversight. In the latter case, the University of Colombo has established a fee-paying branch offering IT education (the University of Colombo School of Computing) and is currently developing an extended campus. This campus will offer a range of programs on a cost recovery basis.

4.47 An additional option would be for the Government to introduce a program of merit and equity-based higher education scholarships, stipends or vouchers. These would be made available to qualifying students attending all types of higher education institutions in Sri Lanka, including public universities, public-private ‘hybrid’ higher education institutions, and accredited private degree granting higher education institutions. The existence of merit and equity-based scholarship, stipend or voucher schemes is that they broaden access to higher education for bright students from less well-off homes. These scholarships could be allocated on the basis of a competitive and transparent application process. Funding for the scholarships, stipends or vouchers could be provided by the Government. Private corporations, firms and trusts, as well as individuals, could also contribute to the financing of such a scheme.

4.48 This could involve funds as capital grants for activities such as the development of infrastructure, or cost-sharing of recurrent expenditure, such as a contribution to the salaries of academic staff. Government scholarships, stipends and vouchers that are eligible for use in private higher education institutions would be another way of funding the private sector. The Government could also fund research activities in private higher education institutions. Many of the world’s leading universities, such as Harvard, Stanford, Yale, MIT and Princeton, are private higher education institutions which receive large Government grants for research.

4.49 There are currently no formal mechanisms for the Government to consult private higher education institutions on ongoing policy issues. The existence of a national association of private higher education institutions would facilitate the establishment of such a consultation process. The MHE could establish a regular forum for discussion of policy and operational issues with such an association. Private higher education institutions face many policy and sector issues in common with public higher education institutions. The complexity of the issues facing the Sri Lankan higher education sector, and the potential for significant policy changes and development of the sector, makes it particularly important for the MHE to have effective mechanisms in place to promote consultation with the private sector.

The Way Forward

4.50 The previous paragraphs have discussed higher education governance across a wide field. This includes the governance at the national level, governance between and across higher education institutions, and governance within higher education institutions. The governance of the university sector, and the alternative higher education sector, has both been discussed. And the analysis has covered the public and private higher education sectors. A number of policy options, and the relevant international experience, have been identified. The next step is for the policy makers, academics and administrators to discuss the various options which have been presented, and to choose the options to be implemented. The options selected will need to be ordered, according to priority. The resources required to implement the priority options, including financial, technical and operational resources, will have to be obtained. The benefits of implementing the alternative policy reforms discussed would be considerable, and long-lasting, for the Sri Lankan higher education system.
INTRODUCTION

5.1 This Chapter deals with the economic and social relevance of higher education, paying particular attention to structural changes in the national economy, developments in the labor market, the employers’ perspective on graduate output, university-industry linkages, and economic and social benefits.

STRUCTURAL CHANGES IN THE NATIONAL ECONOMY

5.2 In terms of demographic profile, Sri Lanka is still a relatively young country with over 43 percent of the population below 25 years. However, the population is aging, and this proportion is expected to come down to 38 percent and 36 percent in 2011 and 2016, respectively. The working age population between 15 and 59 years is expected to increase from about 13 million in 2006 to around 14 million in 2026, indicating an average annual growth of approximately 0.6 percent. The segment of population in the age group of 25-29 years is expected to reach its maximum of about 1.8 million in 2011, with a downward trend thereafter. In contrast, the projected population of the age group 20-24 years has already taken a downward trend after reaching its maximum of 1.8 million in 2006 (Table 5.1). In overall terms, the current phase of changes indicates that Sri Lanka’s demographic environment is conducive to rapid economic development, subject to the condition that necessary socio-

| Table 5.1: Projected Population, 2001-2031 (million) |
|-----------------|----------|----------|----------|
| Age Group       | 15-59 yrs| 20-24 yrs| 25-29 yrs|
| 2001            | 12.1     | 1.8      | 1.5      |
| 2006            | 12.8     | 1.8      | 1.7      |
| 2011            | 13.3     | 1.7      | 1.8      |
| 2021            | 13.6     | 1.6      | 1.6      |
| 2026            | 13.9     | 1.5      | 1.6      |
| 2031            | 13.8     | 1.5      | 1.5      |

Source: De Silva (2007)
economic policies are in place to realize maximum benefit. This “demographic bonus” could also be identified as a “window of opportunity” that has to be optimally utilized within a time horizon of 10 to 15 years.

5.3 Sri Lanka graduated to middle income status in 2004, and the country recorded a per capita income of slightly over US$ 2,000 at market prices in 2008. As can be seen from Figure 5.1, the most promising feature of Sri Lanka’s economic performance between 2000 and 2008 was an acceleration of overall economic growth to a rate of 5 percent per annum with strong support from manufacturing and services sub-sectors. Over this period the economy has contracted only once registering a negative growth of 1.5 percent in 2001. A closer look at the Sri Lankan economy reveals substantial growth potential, given the increasing private sector investment and a resilient and educated labor force.

Figure 5.1: Growth Performance, 2000 - 2008*

* Constant Factor Cost Prices
Source: Central Bank of Sri Lanka: Annual Reports, Various Issues

5.4 As can be seen from Table 5.2, agriculture accounts for about 12 percent of GDP and 31 percent of employment. The industry sector accounts for about 29 percent of output and 27 percent employment, while the service sector accounts for the highest proportion of output (59 percent) and employment (42 percent). At sub-sectoral level, manufacturing is the biggest contributor to the industry sector and it accounts for about 18 percent of total output and 19 percent of total employment. At a more disaggregated level, major sub-sectors which recorded highest growth over the past 3 decades include: manufacturing; gas and water; trade and transport; real estate and business services; community, social and personal services; telecommunications, banking, finance and insurance. As a consequence, there has been a high demand for knowledge workers which broadly include those with occupations in the natural sciences, engineering, information technology, medicine, business management, and finance. In addition, many professional occupations, such as lawyers, accountants, health workers and educationists, benefited from the growth of the service sector of the economy.
DEVELOPMENTS IN THE LABOR MARKET

The Employment Situation in Sri Lanka

5.5 The structural changes in employment are of particular relevance to the higher education sector. This is because the secondary and tertiary industrial and service sectors have the capacity to generate more employment opportunities for university graduates. The expansion of the secondary and tertiary industrial and service sectors generates demand for educated labor, especially in technical and managerial level occupations. With the increase in knowledge-based economic activities in the future, the secondary and tertiary industrial and service sectors will continue to need more educated labor. The key factors to benefit from these global developments will be the pursuit of market-friendly economic policies, integration with the global economy and the development of a high quality higher education sector.

5.6 The public sector’s share of employment has increased from over 13 percent in 2000 to 15 percent in 2008. In contrast, the private sector share of employment has marked a marginal decrease from 43 percent in 2000 to 41 percent in 2008. In addition, the overall employment share of own account workers (the self-employed) and employer categories have also increased marginally from just under 31 percent to nearly 33 percent between 2000 and 2008. However, unemployment among the educated youth (GCE A/L and above) has been almost twice the national average for all education levels over the past ten years.

5.7 The change in employment structure can also be observed in terms of occupational groups. There has been a significant increase in the employment share of the managerial occupations, particularly since 2000 (Table 5.3). In terms of occupational groups, the managerial category includes senior officials, managers, and proprietors, professionals, and technical and associate professionals. Even though this definition tends to overestimate actual demand for graduates, the growth of these occupational categories indicates an expansion of employment opportunities for university graduates. An assessment of market demand for jobs by academic qualifications indicates that, out of a total of around 18,400 jobs advertised over a period of one year, about 33 percent of vacancies are for

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<tbody>
<tr>
<td><strong>GDP</strong></td>
<td></td>
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<tr>
<td>Agriculture</td>
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<td>35</td>
<td>32</td>
<td>28</td>
<td>20</td>
<td>12</td>
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<tr>
<td>Industry</td>
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<td>23</td>
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<td>23</td>
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<td>29</td>
</tr>
<tr>
<td>Services</td>
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<td>46</td>
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<td>100</td>
<td>100</td>
<td>100</td>
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<td>100</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>53</td>
<td>50</td>
<td>45</td>
<td>47</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
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<td>12</td>
<td>14</td>
<td>19</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Services</td>
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<td>37</td>
<td>41</td>
<td>34</td>
<td>40</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Central Bank of Sri Lanka and Department of Census and Statistics (DCS)
degree holders. Of this total, about 73 percent and 22 percent of vacancies were for Science and Arts graduates, respectively.\textsuperscript{51}

| Table 5.3: Employment Structure by Major Occupational Groups, 2000 – 2008 (%)\textsuperscript{52} |
|-----------------|-----|-----|-----|-----|-----|
| Managerial      | 11.2 | 17.8 | 17.4 | 19.6 | 18.1 |
| Sales           | 13.2 | 7.8  | 9.1  | 7.2  | 8.0  |
| Clerks          | 4.0  | 4.4  | 4.4  | 3.9  | 4.1  |
| Other           | 71.7 | 70.0 | 69.1 | 69.3 | 69.8 |
| Total           | 100.0| 100.0| 100.0| 100.0| 100.0|

Source: Department of Census and Statistics\textsuperscript{*}

5.8 The Sri Lanka ICT Association (SLICTA, 2007) Workforce Survey anticipated an increase in the demand for IT Professionals from about 7,600 in 2007 to around 14,500 in 2008. This is just the demand for the existing firms, without considering new firms entering the IT sector, which will create additional demand. The estimated demand for ICT graduates for 2007 was 5,800 as against the supply of 2,200 IT major graduates added to the workforce in 2007. The Workforce Survey of 2007 also noted that out of 250 software development companies about 100 companies are involved in exports. Within the ICT sector, Testing and Quality Assurance engineers have increased from 4 percent of the total workforce in 2004 to 13 percent in 2006, recording the largest increase relative to other sub-sectors.

5.9 IT-BPO (business process outsourcing) is yet another area with high potential for the creation of employment opportunities for university graduates. Sri Lanka has been recognized internationally as a Centre of Excellence for Financial Accounting Outsourcing, and currently there are about 8,962 Accountants and 83,200 accountancy students.\textsuperscript{53} This is an adequate pool for BPO operations in the field of accounting where some of the recruits need to be only part-qualified.

5.10 Some of the other industry clusters with potential for employment growth include rubber, tourism, gem and jewelry and tea sectors. In terms of labor inputs, these sectors require both skilled and educated labor to strengthen competitiveness. In addition, to these clusters, the garments and apparel sector has also been identified as a niche industry with high absorptive capacity for labor. This industry could provide employment opportunities, particularly in managerial and technical type occupations. Its leading players operate at the high end of the market catering to major suppliers in developed country markets.

\textsuperscript{51} These data are based on vacancies advertised in newspapers over a period of 12 months from May 2006-April 2007. For details see Ministry of Labor Relations and Manpower, 2007. LMI Bulletin.

\textsuperscript{52} Caution is required in interpreting these data as there are considerable differences from the data for occupations furnished by the Census of Population and QLF between 1997 and 2007.

\textsuperscript{53} One should be cautious in interpreting this data as the total figure represents both full-time and part-time students registered with leading professional organizations which offer programs leading to accountancy qualifications. It also covers both employed and unemployed students.
The International Job Market

5.11 Employment in foreign markets has been one of the key components of Sri Lanka’s employment structure during the post-liberalization period. An assessment of the demand for labor in foreign markets indicates a steady increase in foreign employment in all categories of occupations since 1997. Approximately one million Sri Lankans are working abroad and their earnings accounted for about 12 percent of the GDP (2006). Each year some 200,000 workers take jobs overseas, while the number of workers returning is smaller, resulting in a net outflow of labor. Of the total employed in foreign labor markets, professional and middle level categories account for over 1 percent and nearly 4 percent of the labor market, respectively. The rest are employed as skilled workers (20 percent), unskilled workers (19 percent), and housemaids (56 percent).

5.12 The utilization of foreign employment opportunities as against total number of vacancies reported by job agencies is relatively low with respect to all the different types of employment categories (Table 5.4).54 For example, utilization of foreign employment opportunities was around 19 percent for professional, 22 percent for middle level, 20 percent for clerical and allied categories and about 30 percent for unskilled categories and housemaids. Among these categories, professional jobs include Accountants, Managers, Engineers, Chemists, Doctors and Architects, while the middle level jobs include Assistant Accountants, Analysts, Designers, Quality Controllers, Stock Controllers, Instructors, Printers, Technicians, Sales Executives and several other jobs of similar nature. The clerical and allied jobs include Administrative Assistant, Assistant Accountants, Book Keepers, Sales Workers and Supervisors. Many of these jobs categories can be identified as potential job avenues for university graduates particularly those in Science and Commerce streams.

Table 5.4: Utilization of Foreign Employment Opportunities versus Total Number of Vacancies, 2003 -2006 (%)

<table>
<thead>
<tr>
<th>Employment Category</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional</td>
<td>13.7</td>
<td>10.3</td>
<td>38.0</td>
<td>15.8</td>
</tr>
<tr>
<td>Middle level</td>
<td>28.7</td>
<td>18.9</td>
<td>23.5</td>
<td>17.8</td>
</tr>
<tr>
<td>Clerical &amp; allied</td>
<td>21.5</td>
<td>16.7</td>
<td>20.5</td>
<td>20.3</td>
</tr>
<tr>
<td>Skilled</td>
<td>31.1</td>
<td>25.9</td>
<td>22.5</td>
<td>16.1</td>
</tr>
<tr>
<td>Unskilled</td>
<td>58.5</td>
<td>55.5</td>
<td>63.5</td>
<td>29.9</td>
</tr>
<tr>
<td>Housemaids</td>
<td>52.8</td>
<td>57.3</td>
<td>55.3</td>
<td>31.9</td>
</tr>
</tbody>
</table>

Source: Sri Lanka Foreign Employment Bureau

5.13 The share of professional and middle-level employment has stabilized at around 6 percent of the total foreign employment. In terms of geographic coverage the markets for professional and middle-level occupations are heavily concentrated in Saudi Arabia, Kuwait, UAE, Bahrain, Oman, Qatar and Maldives. With the emergence of knowledge-based economic activities, however, the demand for

54 One has to be very cautious in interpreting these figures as they are based on records maintained by Foreign Employment Agencies. There is a possibility of over estimation of the demand for foreign jobs due to same job offers being reported by more than one agent.
technical and professional occupations in foreign markets will continue to take an upward trend. On the supply side, however, Sri Lanka has failed to keep pace with the demand for professional and managerial level occupations in foreign markets. The demand for educated labor in foreign markets continues to expand and Sri Lanka could take full advantage of this opportunity by addressing supply-side issues i.e. enhancement of higher education quality and the necessary soft skills. As Sri Lanka has had a long-standing problem of graduate unemployment, enabling some graduates to take jobs overseas is one of the options to reduce this problem. Further, the country would benefit in terms of remittance incomes, and reverse transfers of knowledge and technology, from its overseas community. However, there are also potential losses in terms of the brain drain.

The University-job Market Transition: Graduate Employment

5.14 The major challenge in analyzing university-job market transition is the lack of rigorous data on job search behavior and rate of unemployment among graduates. However, an assessment of time series data on graduate unemployment reveals that it is almost exclusively a problem for those first entering the labor market. The evidence also indicates that while the rise in graduate unemployment was experienced by both male and female graduates, the latter experiencing a greater rise than the former. In terms of different academic disciplines, the rate of unemployment is much higher among Arts and Commerce graduates, most of whom are females. An analysis of unemployment rates among general and special graduates revealed higher rates of unemployment among special degree holders than their counterparts who had followed general degree programs. It appears that graduation with a special degree after spending an additional year had no impact on the employability of Arts and Science graduates.  

5.15 The concern amongst the graduates is their inability to find work at, or soon after, entry into the labor market. The total number of graduates reported as unemployed in 2005 was 42,585 and 63 percent of them were Arts graduates. The rest had followed Commerce and Management (17%) and Science (20%) degree programs. A recent survey of university graduates from the University of Colombo revealed that more than 55 percent of Science and Management graduates found employment during the first 3 months after graduation, with only 12 percent and 16 percent for graduates in Arts and Education, respectively, finding work in the same period.

5.16 Acquisition of post-university qualifications to enhance job prospects is yet another important issue worth noting. Such efforts could reflect an increase in the stock of human capital and the individual’s readiness to face competition in the job market. The evidence, however, indicates that only 21 percent of female graduates and 32 percent of male graduates have invested in the acquisition of post-university qualifications. Interestingly, among graduates, the majority of individuals who did not seek extra qualifications felt that such qualifications would not be useful in their job search. The other common reasons for not acquiring post-university qualifications include absence of knowledge concerning relevant courses and the lack of opportunities in their areas of residence.

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56 This is based on the data base maintained by the Department of Management Services of the Ministry of Finance. The total number of applications received for graduate unemployment scheme was 56,525 and the numbers rejected and referred were 8,220 and 5,717, respectively.
5.17 The experience of Tharuna Aruna (TA) is related to the issue of university-employment transition. This was one of the joint initiatives by the Government and private sector to facilitate university-job transition through skills development and work experience. The experience of TA I, however, was below the level envisaged at its inception. The key reported reasons for the failure were negative attitudes, high job aspirations, poor levels of English, high rate of absenteeism, inability of trainees to cope with the high demands for performance and levels of discipline required by the private sector, abandonment of training without prior notice, and preference towards public sector jobs. The experience of TA II was even more disappointing, especially in terms of attitudes towards private sector organizations and acquisition of soft skills. Most of the TA graduates, in fact, preferred public sector jobs even after completing TA II training. As reported by TA II management, attitudinal changes towards private sector employment are important at university level. Work experience providers, were limited to a small number of companies (350 out of a registered 25,000 companies in 1998). Larger companies were not in a position to provide placements for TA graduates due to prevailing economic conditions. Thus, the placements had to be found in the small and medium-scale enterprise segment of the industry. Their capacity to offer training opportunities was limited to one or two trainees per establishment.

5.18 Since the early 1970s successive Governments have formulated graduate employment schemes to train and recruit graduates to public sector institutions. The purpose has been to facilitate the university-job transition with some initial investment in skill development. For example, the graduate employment program of 2005 had a major training component with a total investment of about SLRs. 860 million (or SLRs. 21,000 per graduate). It covered five major components: (i) introduction to public service; (ii) awareness of IT; (iii) communication skills; (iv) English as a working language; and (v) new economic policy of the Government. The key point worth examining is whether the skills development and change of attitudes can be incorporated into the study programs of the university.

**The Employers’ Perspective**

5.19 Private sector employers value technical skills, but they also look for soft skills and positive work attitude. This includes the development of higher cognitive abilities and applicable, transferable skills, and personal development in which competency in English language is a prime tool, rather than mere book learning. A recent study (Chandrasiri, 2008), based on a cross-sectional survey of private sector senior executives from seven major sectors of the economy (Banking, Insurance, Garments, Information Technology, Telecommunications, Food and Beverages and Shipping) revealed that, in addition to imparting subject knowledge, developing core skills and personality attributes was very important at the university level. Further, out of a pre-determined list of seven major attributes, initiative, flexibility and adaptability emerged as vital for private sector employment (Figure 5.2). The personality attributes mostly cited by the respondents include communication skills, team orientation, trainability, presentation skills, positive attitudes, accountability, ambition, discipline and civics (general understanding on law and order etc.).

5.20 The overwhelming consensus among industry leaders is that, while specific technical skills can be learned on the job or through university training, the number one shortcoming at all levels of workplace entry is the lack of communication skills in both local and especially English languages, together with soft skills, such as creativity, problem solving, social habits, decision-making and risk-taking. As noted by Sri Lanka ICT Association Workforce Survey (SLICTA, 2007) employers find that essential soft skills are deficient in IT graduates, with communications skills being the most deficient. Some of the ICT providers operating both in domestic and foreign markets emphasized the need for developing negotiation skills to deal with different client groups.
Interviews with HR managers revealed that private sector organizations prefer to employ foreign-trained graduates as they possess better skills than their counterparts from Sri Lankan universities. In their opinion, graduates should possess three main competencies: (i) technical; (ii) conceptual; and (iii) behavioral competencies. The technical and conceptual competencies refer to subject knowledge and theoretical background to understand problems in real world situations. The behavioral component covers attitudes and values of graduates seeking employment in private sector organizations. In their view, local graduates are strong on technical and conceptual competencies, but weak in behavioral competencies.

A focus group interview with a group of senior managers indicated that the private sector wants "skills rather than genius". Managers stated that: "if we are recruiting at management trainee level, it won’t matter to us what class they got for their degree. What we need is some sort of life skills." Moreover, representatives from the garments sector regard graduates’ awareness of responsibility as a vital aspect to employability. While the common issues of English fluency and communication were brought up, the emphasis from the corporate sector was on graduates cultivating the correct attitude: "They have to be willing to work and learn and not expect to be promoted on entry because of their qualification". The university faculty was seen as requiring a change of mentality; that they should steer their students toward employer-friendly skills and not merely academic brilliance. The role of private sector was also recognized, and corporate internships to final year students and private sponsorship of career guidance were suggested as possible solutions. The internship programs, however, are limited to a few departments of selected universities and need to be expanded.

The assessment on university-job market transition and employers’ perspectives on quality of graduates indicates the need for developing soft skills as a strategy to enhance employability of graduates. Change of attitudes towards private sector employment is equally important in this regard and the Government needs to take the first initiative at the university level. Then, the private sector needs to respond positively by assisting universities in curriculum development work and providing facilities for student internships.
University-Industry Linkages

5.24 Sri Lanka performs relatively well in terms of university-industry linkages. According to the Global Competitiveness Report (2007/08), Sri Lanka has a normalized score of over 5 (out of 10) and ranks 39 out of 131 countries. This score is above that for countries such as Pakistan, Bangladesh and Nepal, but well below that of India, and East Asian countries such as Singapore, Malaysia and Thailand. Except for a few universities which work in close cooperation with industry in areas such as IT and Engineering (Box 5.1), the majority of universities do not maintain close interaction with industry in its curriculum development and teaching. Interviews with university and industry sector representatives suggest that there is insufficient industry input into curriculum development. As a result, the degree programs offered at many public universities are of less relevance to the needs of the labor market, as exemplified by high unemployment rates for graduates from certain faculties. In addition, faculty staff typically lack the skills—and the tools—to commercialize the products of their research.57

5.25 A more innovative and knowledge-driven economy and a strengthening of university research effort must be underpinned by closer linkages and greater collaboration between universities, research institutes and industry. University-industry linkages can involve a wide range of activities, including:

- Teaching and curriculum development (staff exchanges, industry involvement in curriculum setting, corporate training, student work programs and apprenticeships);
- R&D activities such as contract research, cooperative and sponsored research, commercialization of university research, and business development assistance;
- Consultancies (formal or informal);
- Other activities such as industry representation on university governing boards, academic representation on industry boards, joint publications, and conferences and seminars.58

Box 5.1: University Industry Linkages at the University of Moratuwa (UoM)

The UoM has established a number of mechanisms for interaction with industry. These include post-graduate courses, short courses, professional development, consultancies and Faculty Industry Consultative Boards. The UoM has also established the University Industry Interaction Cell (UIIC), a self-financing entity established in 2002 within the Faculty of Engineering. It has since been expanded across the entire university. The UIIC has a number of objectives:

- Identifying public and private sector organizations willing to establish links with the UoM;
- Moving successful university research projects and expertise to industry through joint research and development, consultancy and technology transfer; and
- Identifying and meeting the continuous professional development needs of industry.

Staff members at the UoM have also set up Uni-Consultancy Services, a not-for-profit association to act as the university’s vehicle for interacting with industry. All services provided to industry are on a self-financing basis.


57 See Radwan and Kuruppu (2007)
Economic and Social Benefits of Investment in Higher Education

5.26 The benefits of higher education have been increasingly understood and appreciated by economists and policy makers in recent years [World Bank (2000), (2002)]. The emergence of knowledge-intensive economic processes has raised the economic importance of higher education in the modern global economy. Studies have shown that the economic benefits of higher education have risen from the late 1980s onwards in countries as diverse as Argentina, Brazil, India, Mexico, Philippines, South Africa and South Korea [World Bank (2002)]. Also, research suggests that investment in education, including higher education, is perhaps the most important determinant of economic performance in developed countries [Hanushek and Welch (2006)]. In Sri Lanka, too, higher education yields a stream of economic and social benefits.

Higher Education, Earnings and Rates of Return to Investment in Human Capital

5.27 Investment in education enables individuals to accumulate human capital and increase their earnings. The impact of education on the earnings of male and female workers in Sri Lanka is shown in Figure 5.3 and Figure 5.4.

5.28 The information in Figures 5.3 and 5.4 shows that earnings rise continually as the education level of men and women increases. A male worker with primary education earns 25 percent more per month than a male with no schooling, and a female worker with primary education earns 14 percent per month more than a woman with no schooling. Among men and women educated up to junior secondary level, male workers earn 42 percent more than uneducated men and female workers earn 46 percent more than uneducated women. The earnings of both men and women rise further at each stage of education. The highest gains are recorded among men and women who have completed higher education. Male university graduates earn 218 percent more per month than uneducated men,

Figure 5.3: The Impact of Education on Earnings, Male Workers (2002)

Source: World Bank staff calculations from Aturupane (2009a). Note: The differentials shown are for monthly earnings.
while female university graduates earn 215 percent more per month than uneducated women. The monthly earnings of men with postgraduate qualifications are 262 percent higher than the monthly earnings of men with no education. And the monthly earnings of women with postgraduate qualifications are 218 percent higher than the monthly earnings of women with no education. Overall, these findings show that both men and women benefit from their investments in education, and that with each level of education attained there is an increase in earnings. The highest earnings benefits are at graduate and postgraduate levels, for both male and female workers.

5.29 The rates of return to investment in education for men and women in Sri Lanka are shown in Table 5.5. The pattern of returns to education based on hourly wages of employees, shows that in 1997/98 the returns to higher education in Sri Lanka were about 6 percent for men and approximately 14 percent for women. The returns to higher education for men had risen to over 7 percent in 2001-2, and fallen to slightly less than 12 percent per year for women. The rates of return to higher education are greater among women than men.

Table 5.5: Rates of Return to Schooling by Education Level and Gender, Selected South Asian Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year 1997-98</th>
<th>Year 2001-2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Primary</td>
<td>7.1</td>
<td>1.7</td>
</tr>
<tr>
<td>Middle</td>
<td>11.7</td>
<td>13.7</td>
</tr>
<tr>
<td>Secondary</td>
<td>7.1</td>
<td>9.6</td>
</tr>
<tr>
<td>Higher Secondary</td>
<td>16.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Higher Education</td>
<td>6.2</td>
<td>14.2</td>
</tr>
</tbody>
</table>

5.30 The association between education and poverty reduction is shown in Figure 5.5. The poverty levels of households decline as the education level of the household head rises. The incidence of poverty among households with uneducated heads was 46 percent in 2002. In households where the head had competed primary education, the incidence of poverty falls to 31 percent, and among households with heads who have completed GCE O/L's the poverty rates declines to 7 percent. Among households where the head has either a university degree or higher qualification, the incidence of poverty is only 1 percent. This positive association between the education level of households and the rate of poverty operates through a number of channels. Households with more educated heads tend to have higher earnings, more regular employment, make better consumption choices, and have lower fertility and family sizes, all of which contribute to lower poverty rates.

**Figure 5.5: Poverty Incidence by Education Level of Household Head (2002)**

<table>
<thead>
<tr>
<th>No Schooling</th>
<th>Sub - Primary</th>
<th>Primary</th>
<th>Secondary</th>
<th>GCE O/L</th>
<th>GCE A/L</th>
<th>Graduate and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>35</td>
<td>31</td>
<td>18</td>
<td>7</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>


5.31 The equity dimension of public investment in education can be assessed using Lorenz curves (Figure 5.6) and Gini coefficients for public education spending by level of education and consumption quintile (Table 5.6). The pattern of Lorenz curves and Gini coefficients over the different levels of education is typical of countries world-wide [World Bank (2005)]. Public expenditure is the most equitable at the primary education level, with the Lorenz curve falling almost completely onto the 45 degree line of perfect equality, and the Gini coefficient just 0.4 percent. This high level of equality at the primary school level reflects the fact that enrollments across economic groups are highest and most even at this level of education. Public spending on junior secondary education, too, displays a high degree of equity of public education spending. The Lorenz curve for junior secondary education is close to the 45 degree line, and the Gini coefficient is low, just under 3 percent. Once again, it is the high enrollment in junior secondary education among all economic groups which is responsible for the high degree of equity in public education expenditure at this education level.
5.32 At the senior secondary education level, there is also a fair degree of equity in public investment in education. The Lorenz curve is reasonably close to the 45 degree line, and the Gini coefficient is 13 percent. Public expenditure on higher education is less equitable than at other education levels. The Lorenz curve is some distance from the 45 degree line, and the Gini coefficient is around 50 percent. The lower degree of equity in public education spending at the higher education level is due to the smaller enrollment, about 18 percent, in higher education. The large majority of students enrolled in higher education are from the most advanced economic groups. It should be noted that this is the typical finding for countries across the world, including developed economies and upper-middle income countries, where higher education systems are considerably more advanced than in Sri Lanka.

Table 5.6: Gini Coefficients of Public Education Expenditure by Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Gini Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education</td>
<td>0.004</td>
</tr>
<tr>
<td>Junior Secondary Education</td>
<td>0.029</td>
</tr>
<tr>
<td>Senior Secondary Education</td>
<td>0.132</td>
</tr>
<tr>
<td>Higher Education</td>
<td>0.505</td>
</tr>
</tbody>
</table>


Social Benefits and the Rationale for Public Investment in Higher Education

5.33 Governments in countries around the world are involved in the financing and provision of higher education services. These include highly developed market-oriented economies such as the U.S.A., Canada, France, Germany, Italy, Japan, Singapore, Spain, and the U.K., as well as upper-middle income and developing countries. There are several reasons for state intervention in higher education.
5.34 **Countries need highly educated individuals to manage, administer and provide knowledge and technical inputs for their public services and private firms and corporations.** This is especially the case in the modern world of complex global economic, commercial, cultural and political interactions. The presence of a pool of highly educated individuals, when it attains a crucial size, becomes a key national resource. The overwhelming majority of managers, administrators and knowledge and technical specialists in Sri Lanka, as in most other countries, qualify from the national higher education institutions, including the universities, the private degree awarding agencies, and the public and private institutions of the alternative higher education sector. The quality of highly educated labor provided by the higher education sector has been adequate to achieve and sustain a national growth rate of over 5 percent per year, on average, over the last thirty years.

5.35 **Higher education drives research and innovation systems.** Developing countries need highly educated citizens to participate in the research and innovation process, and to acquire, adapt and apply technologies to meet their economic and social needs. Basic research and knowledge has strong externality benefits, and it is important for governments to invest in research, as the private sector under-invests and under-produces fundamental research and knowledge. In Sri Lanka, the State is one of the main providers of research funds for the higher education sector, through such institutions as the National Science Foundation.

5.36 **Higher education is one of the main repositories and inter-generational transmission mechanisms of the culture, history and society of a country.** The social and cultural benefits of this role of higher education are not necessarily fully captured in the private higher education sector. Hence, the state may need to intervene to promote higher education in, for instance, the Arts, Humanities and Social Sciences, which the market typically fails to produce, optimally.

5.37 **Higher education can make an important contribution to the promotion of cultured and civilized behavior, democratic norms and values, pluralism and respect for diversity, and a favorable environment for a multi-ethnic, multi-religious and multi-cultural society.** The State can facilitate and foster this aspect of higher education, whether through the provision of funds or the delivery of appropriate higher education services or a combination of both these options.

5.38 **The State can play a major role in promoting equity of access to higher education.** Typically, talented individuals from poor homes cannot afford the fees of private higher education institutions, especially for-profit institutions. In the absence of state assistance, such students would miss high education opportunities. However, the State can intervene, whether by providing vouchers, scholarships or stipends for talented, poor students, or by directly delivering affordable higher education services.

5.39 **The higher education sector can play a leading role in promoting a socially cohesive society.** Sri Lanka has suffered an ethnic-based secessionist conflict for over twenty-five years, and promoting social cohesion between different ethnic, religious and cultural groups is of critical importance for the future. The higher education community provides the intellectual leadership of a country. Hence, the HEIs can make a vital and lasting contribution, through their research, teaching and community services, to the promotion of a favorable climate for a multi-ethnic, multi-religious and multi-cultural Sri Lanka.

**The Way Forward**

5.40 **The economic benefits of higher education are strong.** Investment in higher education yields substantial rates of return, and is closely associated with increased earnings and lower rates of poverty.
The preceding discussion shows that the structural changes of the national economy have led to an increase in demand for university graduates in a variety of occupational categories and private sector enterprises. The demand for educated labor in foreign markets has also shown an upward trend. In spite of these changes, however, the issue of graduate employment has been a persisting problem, particularly among arts and humanities graduates. The assessment of university-job market transition and employers’ perspectives on quality of graduates indicates the need for the development of soft skills as a strategy to enhance the employability of graduates.

5.41 **There are several options to improve the economic relevance of the higher education sector.** At the outset, the country could recognize that it has sufficient graduates in the “liberal arts” type programs, and concentrate further expansion in more job-oriented degree programs. This would include Enrollment in job-oriented arts programs where the country faces a labor shortage, such as English language graduates. A corollary would be to expand the alternative higher-education sector, which focuses on employment-oriented courses, faster than the conventional public university sector. A further corollary would be to encourage the private sector to expand degree programs, as these typically offer job-oriented courses.

5.42 **A deeper involvement of universities offering EDPs in their functioning is vitally important to strengthen these programs.** There are several strategies to raise the quality of EDPs. A licensing scheme needs to be introduced for private institutions which prepare students for the EDP qualification and certification process. This would ensure that such institutions have a required minimum level of quality, and also provide consumer protection to students enrolled in EDPs. Greater reliance can also be placed on the Open University to deliver the services currently provided through EDPs, as one option to improve the quality of EDP programs. In addition, a more systematic use of university e-material will be a rational approach to improve the quality of these external degree programs.

5.43 **Developing the English language and ICT skills of students would dramatically improve their employment prospects and productivity at work.** This initiative is especially needed for the arts, humanities, commerce and social science students, as a key weakness of these graduates, according to employers is their low stock of English language and ICT skills. The universities and faculties that offer arts, humanities, commerce and social science degrees should target additional resources, including ICT equipment and staff-student contact time, and develop quality processes, such as student support for the acquisition of language skills, to improve the English language and ICT skills of their students. This is a strategic initiative that would generate clear, multiple benefits. It would be popular among students, have a high impact on their future performance in the world of work, and contribute positively to the quality of the country’s future labor force. The existence of a population fluent in English and ICT would also help attract foreign firms to locate operations in the country.

5.44 **Developing soft-skills as a part of degree programs would considerably enhance the employability of graduates.** The degree programs of universities have focused mainly on the subject content and technical skills of students. Employers, however, require attitudes and skills such as initiative, trainability, flexibility, team-orientation, communication, positive work attitudes and discipline. Developing teaching, learning and assessment methods to impart such attitudes and skills among students, during their degree programs, would strongly enhance the employability of graduates.

5.45 **Expanding internship programs to provide work experience to students would strengthen the relevance of higher education programs.** Such internship programs have dual sets of benefits. On the side of industry, they enable employers to inculcate, train and assess students for their industrial needs.
during in-plant training. This builds specific human capital and reduces search and sorting costs. On the side of students it provides an opportunity to learn the skills and culture of private sector work places, and enables the development of attitudinal and technical skills for private sector employment.

5.46 Increasing private-sector partnerships in career guidance programs could make these programs more relevant. University career guidance programs would be enriched by increased participation of representatives from the private sector. These representatives would be able to communicate in advance the type of opportunities likely to arise in the private sector, as well as the skills that students need to benefit from such opportunities. Students would then be able to make choices, such as the types of courses to offer, with such opportunities and skills in mind.

5.47 Promoting industry-university linkages in science, technology, and research and development is of cardinal importance for Sri Lanka to be a high-performing middle income country. The country’s economic advancement as a middle-income economy will depend critically on the acquisition, operation and use of technologies at increasing levels of complexity, quality and productivity, as well as the generation of a continuous stream of improvements and innovations. The research skills and capacity of universities can uniquely support firms in technology acquisition, utilization and adaptation, as well as in innovation and knowledge creation. The promotion of such industry-university linkages in science, technology, and research and development would be greatly assisted through the development of professionally managed university business centers, technology commercialization offices and technology broker programs.

5.48 The higher education sector should also play a leading role in promoting a socially cohesive society. The higher education sector, which provides intellectual and cultural leadership for a country, can make a vital and lasting contribution to the promotion of a favorable climate for a multi-ethnic, multi-religious and multi-cultural Sri Lanka. There are a number of avenues through which this can be accomplished. The content of academic courses and research activities, especially in the arts, humanities and social sciences, can highlight the positive characteristics of multi-ethnic and multi-religious societies, and the requirements for stability and cohesiveness in such societies. Nearly all the higher education institutions contain a mix of ethnic and religious groups among their students and staff. These provide an excellent environment for collaboration and cooperation among the various groups. Higher education institutions engage in intellectual, cultural and sporting activities among each other, and these enable students of different ethnic and religious communities from different parts of the country to meet and interact together. Higher education institutions also provide a climate for collaborative research among academics of from different ethnic and religious groups.
Chapter Six

PLANNING AND FINANCING HIGHER EDUCATION - SCENARIOS AND TRADE-OFFS

INTRODUCTION

6.1 The development of the higher education sector, across all its dimensions of access and coverage, quality, governance and relevance, will require substantial resources. The resource envelope available will determine which options for development are feasible. In consequence, it is important to mobilize resources for the development strategy, as well as to ensure that the resources available are efficiently utilized. This chapter examines trends and projections of higher education funding for the five-year period 2007 to 2011. The chapter then presents enrollment projections for higher education from 2009 to 2017, and projects the costs associated with the development of the sector under alternative scenarios combining various assumptions regarding access, relevance, quality and internal efficiency. It concludes by a discussion regarding the possible impact of the global economic crisis on the higher education sector.59

EXPENDITURE ON HIGHER EDUCATION

6.2 The overall higher education budget shows that approximately LKR 20 billion (about USD 181 million) was spent on higher education in 2008 (Table 6.1). This was a significant increase over 2007, and is evident in both the capital and recurrent budgets. In real terms, the higher education budget

<table>
<thead>
<tr>
<th>Budget</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent expenditure</td>
<td>9,666</td>
<td>11,389</td>
<td>11,635</td>
<td>12,215</td>
<td>12,825</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>5,437</td>
<td>8,707</td>
<td>9,483</td>
<td>9,929</td>
<td>10,406</td>
</tr>
<tr>
<td>Total</td>
<td>15,104</td>
<td>20,096</td>
<td>21,118</td>
<td>22,145</td>
<td>23,231</td>
</tr>
<tr>
<td>Domestic financing</td>
<td>13,264</td>
<td>17,300</td>
<td>17,245</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Foreign financing</td>
<td>1,840</td>
<td>2,796</td>
<td>3,873</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>


59 Unless otherwise indicated the projections and the scenarios apply to the public sector (all universities, postgraduate institutes, and SLIATE institutions).
rose by more than 12 percent between 2007 and 2008. Domestic financing accounted for over 85 percent in 2007-2008, while the rest was financed from foreign sources. Before the financial crisis, the budget was expected to grow more slowly over the period 2009-2011, at slightly under 5 percent per year in nominal terms. The shares of recurrent expenditures and capital expenditures in the higher education budget over this period were expected to be approximately 55 percent and 45 percent, respectively. This is a relatively high proportion of resources allocated to the capital budget, and it indicates the importance attached by the Government to investment spending in the higher education sector.

6.3 Compared to the “benchmarking” countries of the three clusters defined in Chapter 2, Sri Lanka has a middle-of-the-road position, but leans on the low side (Table 6.2). The country spends a substantially smaller portion of its national wealth (and an even smaller proportion of its total public budget) on education than its comparators, regardless of their level of development. The same pattern is also noticeable when spending on the higher education sector alone is concerned, especially when the comparison is made on a per student / per capita basis. Indeed, there is no clear pattern linking the level of spending with the higher education sector outcomes, but in order to make this sector a real engine of growth, it should probably receive an even higher priority in the distribution of public resources.

Table 6.2: Education and HE Expenditures in Sri Lanka and Selected Countries

<table>
<thead>
<tr>
<th>Country Group</th>
<th>Country</th>
<th>Share of higher education in total public current expenditure on education (%)</th>
<th>Public current education expenditure as a share of total education expenditure (%)</th>
<th>Per capita public expenditure on higher education as a proportion of GDP p.c. (%)</th>
<th>Public expenditure on education as a share of GDP (%)</th>
<th>Public expenditure on education as a share of total Government expenditure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I</td>
<td>Vietnam</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>19.3</td>
<td>99.3</td>
<td>57.8</td>
<td>3.2</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>Pakistan</td>
<td>...</td>
<td>75.5</td>
<td>...</td>
<td>2.6</td>
<td>12.2</td>
</tr>
<tr>
<td>Group II</td>
<td>Indonesia</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>3.6</td>
<td>17.2</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>13.8</td>
<td>93.5</td>
<td>11.5</td>
<td>2.5</td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td>Armenia</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>2.7</td>
<td>15</td>
</tr>
<tr>
<td>Group III</td>
<td>Iran</td>
<td>19.9</td>
<td>92.5</td>
<td>30</td>
<td>5.1</td>
<td>18.6</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>...</td>
<td>...</td>
<td>28</td>
<td>4.3</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>34.9</td>
<td>88.2</td>
<td>63.8</td>
<td>5.9</td>
<td>25.2</td>
</tr>
<tr>
<td></td>
<td>Sri Lanka</td>
<td>11.5</td>
<td>85</td>
<td>36</td>
<td>2.8</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Note: Data are for 2004 to 2006
Source: World Bank, Education Statistics and Bank staff calculations.

6.4 This spending pattern is not new. It has been consistently observed for the last 10 years. The profile of spending on universities mirrors the profile of spending on education. The only perceptible trend over this period is a very small increase in higher education spending as a share of the total Government budget (Figure 6.1).
Enrollment Projections as a Basis for Analyzing Funding Requirements

6.5 The enrollment projections in this section use an Education Simulation Model covering a period starting from 2007 (base year) to 2017. Base year data for projected primary and secondary enrollments were obtained from the Ministry of Education. The assumptions for the enrollment projections for higher education are stated below.

Base Run and Alternative Scenarios

6.6 Enrollments and costing estimates have been done for a Base Run and four different scenarios:

- **Base Run**: past enrollment growth is expected to continue at a slightly lower rate; no major changes are recorded regarding quality, relevance and internal efficiency;
- **Scenario 1**: increase in access and improvement in relevance;
- **Scenario 2**: improvements in quality;
- **Scenario 3**: improvement in internal efficiency of universities (progression rates);
- **Scenario 4**: improvement in internal efficiency of universities (staffing ratios).

Scenarios 1 and 2 - increasing access and enhancing quality – would add to the overall cost of HE. Scenarios 3 and 4 - improving internal efficiency – would allow savings.

The scenarios are cumulative: each scenario incorporates the assumptions of the previous one.

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60 Intake into Grade 1 primary reflects an average decreasing birth rate decline of 2 percent over the past 8 years. Efficiency rates (promotion, repetition, dropout and transition) as obtained from MOE data are assumed to be constant over the projection period.
**Base Run Scenario**

- **Assumptions**
  
  (a) Access: The Base Run assumes an average annual growth rate of 8.3 percent for the public sector (excluding external students), i.e. slightly less than the average increase of the last ten years. This average growth rate is not uniform, however, and it varies markedly depending on the sub-sectors of higher education. The Base Run reflects the patterns observed recently as follows: (i) university enrollments (and external students) will continue to grow at 5 percent per annum; (ii) Open University enrollments will grow at 10 percent per annum, subject to capacity; (iii) enrollments in HE institutes will continue the current trend at 14 percent per annum; and (iv) SLIATE’s rate of growth will increase to 15 percent per annum. It is further assumed that enrollments in the private sector will increase at a rate of 5 percent per annum.

  (b) Relevance: Discipline admission rates into universities will continue as per the current per annum targets (humanities, 4.3 percent; agriculture, 7 percent; sciences, 8.6 percent; medical, 9.5 percent; engineering, 12.9 percent).

  (c) Quality: No new initiative.

  (d) Internal efficiency: Efficiency rates (promotion, repetition, dropout, transition) will remain constant at 80 percent.

- **Enrollments**

  Enrollments in the public sector (excluding external students) are expected to increase from 117,000 in 2007 to 258,000 in 2017 (Table 6.3). Overall enrollments in higher education (including external and students in private institutions) are projected to increase from 327,000 in 2007 to over 601,000 in 2017 (annual growth rate of 6.3 percent).

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities</td>
<td>72,372</td>
<td>92,123</td>
<td>118,199</td>
</tr>
<tr>
<td>HE Institutes</td>
<td>12,674</td>
<td>24,296</td>
<td>46,575</td>
</tr>
<tr>
<td>Open University</td>
<td>23,992</td>
<td>38,639</td>
<td>62,229</td>
</tr>
<tr>
<td>SLIATE</td>
<td>7,700</td>
<td>19,500</td>
<td>31,300</td>
</tr>
<tr>
<td>Total Public</td>
<td>116,738</td>
<td>174,558</td>
<td>258,302</td>
</tr>
<tr>
<td>Private Institutions</td>
<td>47,985</td>
<td>61,242</td>
<td>78,163</td>
</tr>
<tr>
<td>External students</td>
<td>162,153</td>
<td>206,953</td>
<td>264,130</td>
</tr>
<tr>
<td>Grand Total</td>
<td><strong>326,876</strong></td>
<td><strong>442,753</strong></td>
<td><strong>600,595</strong></td>
</tr>
</tbody>
</table>

---

61 This will result in a reduction in the percentage of students in humanities and a corresponding increase in other science-based disciplines. Over time, humanities would decline from 60 percent in 2007 to 47 percent in 2017 and science-based disciplines would increase from 40 to 53 percent in the corresponding years.

The projected overall increase in enrollments in public higher education will require a corresponding increase in resources, if quality and relevance are not to be further jeopardized. Based on the current unit costs, the recurrent (salaries and non-salaries) and capital budget in the public sector of the projected enrollment growth would increase from LKR 12.7 billion in 2007 to LKR 35.4 billion in 2017 (10.8 percent p.a., on average).

Figure 6.3 shows the projected overall cost increase from 2008 to 2017 for public higher education institutions, as funded through MOHE.
Scenario 1: Increase Access and Improve Relevance

- **Assumptions**
  
  (a) **Access**: Scenario 1 assumes a stronger increase in intakes (and total enrollments); the growth rate for university enrollments will be 8 percent per year; enrollment rates for other public higher education institutions will be as per the Base Run;
  
  (b) **Relevance**: Scenario 1 simulates a shift in the distribution of enrollments by disciplines, reflecting an effort to improve relevance and responsiveness of HEIs. The share of humanities will be reduced from 49 percent (as per the Base Run) to 30 percent, with a proportionate increase in other study areas (Figure 6.4);
  
  (c) **Quality**: No new initiative.
  
  (d) **Internal efficiency**: Same as in Base Run.

---

**Figure 6.4: Enrollments by Area of Study – 2007 and 2017 (%)**

[Actual, Base Run and Scenario 1]

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- **Enrollments**

  Under Scenario 1 it is expected that enrollments in public higher education institutions would increase from 117,000 in 2007 to 296,000 in 2017 (an average growth of 9.8 percent p.a.). For traditional universities, the increase will be from 72,000 in 2007 to 156,000 in 2017. At the projected growth rate of nearly 14 percent per annum, HE institutes will increase from nearly 13,000 in 2007 to over 46,000 in 2017. The Open University with 10 percent growth per annum will increase from 24,000 in 2007 to 62,000 in 2017. SLIATE’s 15 percent annual growth rate will result in an increase in enrollment from under 8,000 in 2007 to over 31,000 in 2017. Figure 6.5 shows the annual growth in enrollments for Scenario 1 in relation to the Base Run.

- **Cost Implications**

  Recurrent and capital expenditure for public higher education institutions would increase from LKR 15.1 billion in 2007 to LKR 42.4 billion in 2017 (12.5 percent p.a., on average). This additional spending of about 18 percent compared to the Base Run is due to the steeper growth in enrollments. Over the entire period, the enrollment expansion would entail an additional cost of about LKR 30 billion compared to the Base Run.
Scenario 2: Scenario 1 and Quality Improvement

- **Assumptions**
  Scenario 2 takes the assumptions in Scenario 1 as given, and adds to it an assumption regarding improvements in quality.
  
  (a) Access, Relevance, and Internal Efficiency: Same as in Scenario 1
  
  (b) Quality: Scenario 2 assumes the following quality related inputs: PhD training (over 700 members of existing staff and some 2,000 new staff), research, and continuous professional development of academic and non-academic staff, management development training, ICT, and library development.

- **Cost Implications**
  Cost estimates show that over the period 2009-2017 expanding access (Scenario 1) to the public HE institutions would increase the cost by over LKR 30 billion, and enhancing quality (Scenario 2) would add an additional LKR 35 billion, yielding a total increase in excess of LKR 65 billion compared to the Base Run (Table 6.4). If both the policy of expanding access (Scenario 1) and the policy of improving quality (Scenario 2) were carried out, the cumulative cost by 2017 would be in the vicinity of LKR 48 billion.

### Table 6.4: Cost Implications of Scenario 1 and Scenario 2 (LKR billion)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Run</strong></td>
<td>21.1</td>
<td>23.9</td>
<td>25.4</td>
<td>26.7</td>
<td>28.2</td>
<td>29.8</td>
<td>31.5</td>
<td>33.4</td>
<td>35.4</td>
<td>255.2</td>
</tr>
<tr>
<td><strong>Base Run+Sc 1</strong></td>
<td>21.1</td>
<td>23.8</td>
<td>26.6</td>
<td>29.1</td>
<td>31.6</td>
<td>34.2</td>
<td>36.9</td>
<td>39.6</td>
<td>42.4</td>
<td>285.3</td>
</tr>
<tr>
<td><strong>Base Run+Sc 1&amp;2</strong></td>
<td>23.0</td>
<td>27.1</td>
<td>30.2</td>
<td>32.8</td>
<td>35.5</td>
<td>38.4</td>
<td>41.4</td>
<td>44.5</td>
<td>47.8</td>
<td>320.6</td>
</tr>
<tr>
<td><strong>Impact of Sc 1</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>1.2</td>
<td>2.4</td>
<td>3.4</td>
<td>4.4</td>
<td>5.4</td>
<td>6.2</td>
<td>7.0</td>
<td>30.1</td>
</tr>
<tr>
<td><strong>Impact of Sc 2</strong></td>
<td>1.6</td>
<td>3.2</td>
<td>3.6</td>
<td>3.7</td>
<td>3.9</td>
<td>4.2</td>
<td>4.5</td>
<td>4.9</td>
<td>5.4</td>
<td>35.1</td>
</tr>
</tbody>
</table>

*Source: Team Projections*
Macro-economic Implications of Scenarios 1 and 2

- The Base Run simulation shows that the ratio of HE budget to GDP (assumed to grow as observed in the 10 recent years) would increase from 0.4 percent in 2007 to 0.5 percent in 2017 and the HE share within the sector budget would increase from 17.5 percent to 20.0 percent over the same period (Table 6.5).
- Implementation of Scenario 1 (Increase Access) and Scenario 2 (Enhance Quality), would increase the ratio of HE budget to GDP to 0.7 percent by 2017, and the share of HE in the sector budget would reach 25.2 percent by 2017 (Table 6.5).

6.7 It is clear from the above analysis that increases in enrollments across public HE as proposed in the Base Run would place significant demands on the Government’s financial resources over the next decade. Further increases in access and improved relevance (Scenario 1) would place an even greater burden on Government. Concurrent improvements in quality (Scenario 2) would again add to the cost of public HE.

6.8 Even if the Base Run were affordable, adoption of Scenarios 1 and 2 would increase the cost to a seemingly unsustainable level. Under such circumstances the Government will need, first, to consider the extent to which it can sustain an annual overall enrollment growth rate of around 8.3 percent (as assumed in the Base Run). Only then, would it be prudent to consider the viability of the level of enrollment embellishment under Scenario 1, which would be around 9.8 percent per annum. At this stage of the sector’s development, quality (aspects of which are addressed in Scenario 2) emerges as a critical factor for future HE development. If the Government were to give high priority to improving quality, then, in the interests of overall sustainability, the Base Run access targets would appear to be...
more realistic than Scenario 1. Even so, the overall resource needs for the HE sector over the next decade will be significantly greater than at present.

6.9 From a strategic viewpoint, there are measures which could be taken to increase the internal efficiency of the system. Examples of these are given in Scenarios 3 and 4, below. The savings derived from such measures, and other possible measures, could help to reduce the funding gap which would be a consequence of pursuing improvements outlined in Scenarios 1 and 2.

### Scenario 3: Improve Internal Efficiency of the Universities

The third scenario maintains the improvements simulated under scenarios 1 and 2, and adds increased internal efficiency, to generate savings.

- **Assumption**
  - (a) Access, Relevance, and Quality: Same as in Scenario 2
  - (b) Internal Efficiency: It is assumed that the promotion rate of university students would increase from 80 percent to 99 percent over the projection period. This increase in the progression of students means that student cohorts pass through the system more quickly and, therefore, at any point of time, fewer students are enrolled.
- **Cost Implications**

Improving internal efficiency according to the Scenario 3 would reduce the cost by approximately LKR 8.3 billion from 2009-2017. As shown in Figure 6.7, even though the annual savings are modest on an annual basis, the cumulative effect over the projection period is substantial.

**Figure 6.7: Relative Costs for Base Run and Scenarios 1 & 2 and 3 (LKR billion)**

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**Scenario 4: Reducing Ratio of Non-Teaching to Teaching Staff**

The fourth scenario also keeps the assumptions of the third scenario regarding wider access, further relevance and better quality, while introducing another measure to cause savings by reducing the proportion of non-teaching staff, currently on the high side.

- **Assumptions**
  
  (a) Access, Relevance and Quality: Same as in Scenario 3
  
  (b) Internal Efficiency: In addition to the assumptions of Scenarios 3, the fourth scenario assumes that the ratio of non-teaching to teaching staff will be reduced from its current 2.3:1 level to 1.75:1. Over time, this measure would reduce staff need and salary cost (the largest item of expenditure in the recurrent spending).

- **Cost Implication**

Such a reduction would decrease the cost by about LKR 34 billion over the projection period, 2009-2017.\(^{64}\) This suggests that a gradual reduction in the proportion of non teaching staff relative to teaching staff offers considerable room for future cost-saving.

**Macro-economic Implications of Scenarios 3 and 4**

6.10 Table 6.6 shows the year-by-year respective savings for Scenarios 3 and 4 in relation to cost increases for the Base Run and Scenarios 1 and 2. The cost in 2017 would increase from over LKR 35 billion in the Base Run to nearly LKR 48 billion if policies of increasing access and quality in

\(^{64}\) Further significant savings could be made with an adjustment to the student to teacher ratio from the present 15:1 to, say, 18:1, over time.
Scenarios 1 and 2, respectively, were implemented. However, the efficiency measures simulated in Scenarios 3 and 4 would reduce the cost in 2017 by some LKR 3.3 billion, which would result in a total bill of about LKR 44 billion in 2017.

Table 6.6: Relative Costs and Savings for Base Run and Scenarios (LKR billion)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving in Sc3</td>
<td>0.2</td>
<td>0.4</td>
<td>0.8</td>
<td>1.0</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.3</td>
<td>1.4</td>
<td>8.5</td>
</tr>
<tr>
<td>Saving in Sc4</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.6</td>
<td>0.8</td>
<td>1.0</td>
<td>1.3</td>
<td>1.6</td>
<td>1.9</td>
<td>7.8</td>
</tr>
<tr>
<td>Saving in Sc3&amp;4</td>
<td>0.3</td>
<td>0.6</td>
<td>1.2</td>
<td>1.6</td>
<td>1.8</td>
<td>2.1</td>
<td>2.5</td>
<td>2.9</td>
<td>3.3</td>
<td>16.3</td>
</tr>
<tr>
<td>Base Run Cost</td>
<td>21.1</td>
<td>23.9</td>
<td>25.4</td>
<td>26.7</td>
<td>28.2</td>
<td>29.8</td>
<td>31.5</td>
<td>33.4</td>
<td>35.4</td>
<td>255.2</td>
</tr>
<tr>
<td>Base Run+Sc 1&amp;2</td>
<td>23.0</td>
<td>27.1</td>
<td>30.2</td>
<td>32.8</td>
<td>35.5</td>
<td>38.4</td>
<td>41.4</td>
<td>44.5</td>
<td>47.8</td>
<td>320.6</td>
</tr>
<tr>
<td>Base Run+Sc1&amp;2 with Sc3&amp;4</td>
<td>22.6</td>
<td>26.4</td>
<td>29.0</td>
<td>31.2</td>
<td>33.7</td>
<td>36.3</td>
<td>38.9</td>
<td>41.6</td>
<td>44.4</td>
<td>304.3</td>
</tr>
</tbody>
</table>

Source: Team Projections

6.11 Figure 6.8 provides a graphic representation of the overall impact from 2009 to 2017 of the relative effect of the Base Run, additional cost arising from the implementation of Scenarios 1 and 2, and the savings which would result from implementing Scenarios 3 and 4. In sum, once all cost-generating measures to increase access, improve relevance and bolster quality are combined with all cost-saving measures to improve internal efficiency, the total expenditure envelope over the entire projection period is about 19 percent larger than the one corresponding to the status quo of the Base Run. The savings (LKR 16 billion over the period) fall short of the additional costs (LKR 66 billion). Yet, both quality and relevance must be boosted, and access at least slightly increased. Therefore, the simulations suggest that additional ways must be found to reduce the financial burden posed by the necessary development of the higher education sector.

Figure 6.8: Relative Costs for Base Run and Scenarios 1 & 2 and 3 & 4 (LKR billion)
6.12 The above projections were done on the assumption that economic growth would continue on the same path as the one observed since the early 2000’s. On this basis, it is shown that (i) the share of the GDP devoted to public expenditures on education and on higher education would remain relatively low regardless of the scenario (a maximum of 2.9 percent and 0.7 percent, respectively), but that expenditure on higher education as a share of the education sector budget would rise significantly, even after taking into account cost saving measures (Table 6.7).

Table 6.7: Ratio of Higher Education Budget to GDP and Government Budget in Different Scenarios (high growth)

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>2007</th>
<th>2012</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Sector budget to GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base run</td>
<td>2.5</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Sc 1 &amp; 2</td>
<td>2.5</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Sc 1 &amp; 2 and Sc 3 &amp; 4 saving</td>
<td>2.5</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>% Sector budget to Gov budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base run</td>
<td>10.1</td>
<td>11.8</td>
<td>11.3</td>
</tr>
<tr>
<td>Sc 1 &amp; 2</td>
<td>10.1</td>
<td>12.4</td>
<td>12.1</td>
</tr>
<tr>
<td>Sc 1 &amp; 2 and Sc 3 &amp; 4 saving</td>
<td>10.1</td>
<td>12.2</td>
<td>11.9</td>
</tr>
<tr>
<td>% HE budget to GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base run</td>
<td>0.4</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Sc 1 &amp; 2</td>
<td>0.4</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Sc 1 &amp; 2 and Sc 3 &amp; 4 saving</td>
<td>0.4</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>% HE budget to Gov Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base run</td>
<td>1.8</td>
<td>2.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Sc 1 &amp; 2</td>
<td>1.8</td>
<td>3.2</td>
<td>3.0</td>
</tr>
<tr>
<td>Sc 1 &amp; 2 and Sc 3 &amp; 4 saving</td>
<td>1.8</td>
<td>3.1</td>
<td>2.8</td>
</tr>
<tr>
<td>% HE budget to Sector Budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base run</td>
<td>17.5</td>
<td>22.5</td>
<td>20.0</td>
</tr>
<tr>
<td>Sc 1 &amp; 2</td>
<td>17.5</td>
<td>26.2</td>
<td>25.2</td>
</tr>
<tr>
<td>Sc 1 &amp; 2 and Sc 3 &amp; 4 saving</td>
<td>17.5</td>
<td>25.3</td>
<td>23.9</td>
</tr>
</tbody>
</table>

Source: HE budget: team projections, general education budget: Government estimates

Possible Impact of the Economic Crisis

6.13 Sri Lanka is not immune from the current economic crisis, which affects both public finances and personal incomes (and wealth), therefore possibly reducing the fiscal space available for activities mostly publicly funded and the demand for either public or private services. Higher education is one of such services. It is indeed difficult to assess the impact of the crisis, as it results from a complex combination of factors. However, what is observed in many countries of various levels of development is shrinking budgets for higher education leading to a reduction in the activities and/or cuts in public institutions, and parallel shifts in demand from expensive private institutions towards public ones. Short of proposing a detailed analysis of the situation in Sri Lanka, in this report, it is possible to get a sense of what is leaning by simulating a lower growth rate than the one used in the above projections.

65 Such an analysis, however, should be undertaken as soon as possible. It would include an assessment of the situation of the labor market, an evaluation of the evolution of remittances and an estimate of the movements of students (and manpower) abroad.

66 A growth rate of 4 percent is assumed, in line with the Central Bank’s most projections.
6.14 Such a simulation suggests that the share of the GDP allocated to both education expenditure and higher education expenditures would almost double, putting an unbearable burden on the public budget (Table 6.8). Under such circumstances, policies to increase efficiency of expenditures become even more relevant and unavoidable if the Government wants to continue building solid towers of learning.

**Other Internal Efficiency Measures**

6.15 In addition to the internal efficiency measures presented in Scenario 3, there are a number of other approaches which are worth considering, especially when the fiscal space is projected to shrink in the wake of the global crisis.

- **Increase access through distance learning.** The unit cost of distance learning programs is estimated to be around 10 percent of normal on-campus courses, to which can be added a significant capital cost, to cater for full-time students. Increasing access through distance learning would have two clear advantages: first, access would be facilitated, especially for those who choose to study on a part-time basis, and those whose access is constrained by location and personal circumstances (e.g., married women with household responsibilities); second, the lower unit cost will reduce budget outlay as the system expands. The further potential advantage is that distance education is an attractive alternative for students already in the workforce and, therefore, a contribution to tuition costs is not an unreasonable objective. It should be noted, however, that the completion rate among external students is quite low — at less than 10 percent.
• **Encourage public HEIs to improve the efficiency of delivery.** Appropriate measures include:
  - benchmarking operating and staff costs and revenues for public HEIs – in aggregate, and for individual sub-components - to provide HEIs and regulators with information on efficient practices;
  - encouraging public HEIs to outsource non-core services such as cleaning, security and transportation to the private sector. Outsourcing involves the transfer of service provision from a public entity to an external – usually private sector – organisation and has been widely used by Government agencies to procure a broad range of services;
  - identifying good practice in institutional management and disseminating such examples to other HEIs.

6.16 These measures would provide the MHE/UGC and individual HEIs with valuable information on the efficiency and quality of delivery across institutions. This is particularly relevant given the increasing scope for benchmarks as a result of the expansion of the private HE sector, as well as the emergence of innovative delivery vehicles being introduced by public HEIs such as UoM and UoC. One potential model for the implementation of a benchmarking programme would be the US-based Consortium for Higher Education Benchmarking Analysis (CHEBA). CHEBA provides a network for the exchange of performance measurements and benchmarking data for all levels of HE around the world.

• **Derive a rational system for determining unit costs for funding purposes.** At present there are wide differences in the unit costs of traditional Sri Lankan public universities. These significant differences in costs suggest that further information and analysis is required to assess the relative efficiency of public HEIs. Such an analysis could lead to the development of a normative formula-based funding system for public HEIs. The formula would take into account such factors as number of students, types of programmes, age of institutions, location, and hostel accommodation, together with any special circumstances, such as new institutions, faculties and courses.

• **Investigate the feasibility of introducing Public-Private Partnerships (PPPs).** PPPs are particularly applicable to the development of infrastructure (including laboratories, classroom blocks and student hostels), especially given the considerable investment required to provide HEIs with 21st-century teaching and research infrastructure. For example, the MHE/UGC could consider making greater use of the private sector in the financing, design, construction and operation of public HE infrastructure. Infrastructure PPPs are an increasingly common form of partnerships used by Governments to procure social infrastructure. Under the most common form of these initiatives, a Government makes contracts with the private sector for the finance, design, construction, and operation of infrastructural assets, such as schools, university hostels, hospitals, and roads. Infrastructure PPPs can contribute, albeit indirectly, to increasing student access and improving the teaching and research environment. To the extent that the measures reduce costs, they could also stretch the Government’s higher education budget. At the same time, their influence should not be overstated as they do not directly affect the delivery of teaching and the conduct of research. In addition, the capacity-building requirements for introducing PPPs are significant.

• **Recognize the contribution of the private sector.** There is a delicate balance between expansion of higher education and the availability of state funds required to improve and sustain quality and

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67 See www.cheba.com
relevance across the public sector. As pointed out above\textsuperscript{68} there are a number of benefits to be derived from public funding of higher education. At the same time it has to be recognized that state funds for higher education are limited. An obvious option for the Government is to be prepared to endorse the legitimacy of the private sector (albeit after due debate). There are two clear advantages: first, access will be increased, thus helping to achieve one of Government's priorities for higher education; and second, the resultant increase in enrollment will be achieved with minimal cost to the state. Any concerns about quality can be addressed by requiring all private providers to be subjected to the same quality assurance mechanisms and criteria as those applying to the public sector.

**International Approaches to Funding Higher Education**

6.17 Public higher education institutions are funded in a variety of ways in the world. In addition, a single country can have one or more models of higher education funding. The predominant models in the world are described below.

- The first model, which is found in many countries of continental Western Europe, and was also followed in the U.K. through much of the twentieth century, is to finance higher education institutions through taxes, and provide degree programs free of tuition fees to students. This is the model that was introduced for university undergraduate education in Sri Lanka in the 1940s, and is still followed for undergraduate degree programs in conventional universities. Variations of this model include charging earmarked fees, for example for registration and examination, and/or for lodging and food, while providing free tuition. Countries such as India, Egypt and some African countries follow this model.

- A second model is to share costs between the Government and students, with the degree of subsidy varying from country to country, and even within countries. This model is followed, for instance, in the state higher education systems in the U.S.A. If a student attends a state university in his/her home state there is a subsidy provided, with the degree of subsidy varying from state to state. The U.K. and New Zealand are two other countries where the state and students share the costs of education in public universities, through a subsidy from the Government, which partially meets the cost of tuition. The Open University in Sri Lanka, too, follows this model, with 30 percent of recurrent expenditures raised through fees.

- A third model is to have a dual track system, where one set of places is available in public universities free of tuition fees, while fees are charged for another set of places for students who have the minimum qualifications for entry, but fail to receive sufficient marks to gain a free place. This model is seen in several former Communist countries, such as the Czech Republic, Hungary, Poland and Russia, and in China.

- A fourth model is to have a combination of free and fee levying institutions and programs. In this model some higher education institutions and programs are free of tuition fees, while others levy fees. The latter are typically more market-oriented institutions and programs, whose graduates have promising labor market prospects. Countries such as Mexico, Nigeria or China follow this model. Sri Lanka adopts this model for postgraduate degree programs. Some postgraduate and research degrees are free, while other postgraduate and research degrees are fee-levying.

- A fifth model is the provision of subsidies to the private higher education sector. Under this model the state may provide students vouchers or scholarships which can be used in private higher
education institutions, and as such are an instrument of student aid. Alternatively, the state may
directly provide financial support to the private higher education institutions, either as a capital
grant or towards operating expenses for a designated number of students. Several states in the
USA are following this model, also known as demand-side financing (e.g. Colorado –where it is
associated with a performance-based allocation mechanism), as well as countries as diverse as
Chile, Poland and Sweden.

- A sixth model is the introduction of deferred tuition fees, where students meet the cost of their
undergraduate education after they have completed their studies and commenced work. A
number of countries, including Australia, New Zealand, England, Scotland and Wales, have this
model.

- A seventh model is the introduction of “up front” tuition fees at all public universities. Countries
such as Britain, Netherlands, Austria, China, New Zealand, Vietnam and South Africa have this
model.

6.18 As can be seen the range of models, and the diversity of usages even within one country, is large.
Each country has to work out the best model for itself, depending on its policy objectives, political
economy context and the resource envelope available for the public higher education sector. The main
reason for the models which are not fully tax financed, but where some form of cost sharing exists, is
because the tax financed model is very expensive on a per student basis. As the demand for higher
education expands, and the cost of improving quality and relevance increases, most countries struggle
to meet the needs of the higher education sector purely through tax financing, and adopt one or more
of the cost sharing models above. It should be noted that, if Sri Lankan policy makers were to consider
a cost sharing option in the future, it is very important that poor but talented students continue to be
provided financial assistance to enable them to complete their studies.

Promoting Performance through Funding

6.19 Within the public higher education sector, performance can be promoted through an appropriate
system of incentives and rewards. At present Sri Lankan universities are financed through a system of
ad hoc negotiations between the individual institutions, the UGC, MHE and MFP. A more strategic
funding mechanism would be a combination of need-based funding and performance-based funding.
About 85-90 percent of the budget for the university sector could be allocated on the basis of need, to
finance the inputs and processes required for the functioning of the universities. Need would take into
account various input and process criteria, such as the number of students enrolled and the steps
required to respond to the recommendations of the quality assurance process. In addition, the need-
based criteria would take the initial conditions of universities into account for the allocation of resources:
for instance, older established universities are better resourced than newer universities in distant areas,
and universities in the Northern and Eastern Provinces have special needs for post-conflict rehabilitation,
renovation and reconstruction. The performance-based allocation could use the balance 10-15 percent
of the budget to provide incentives and rewards for good performance. Universities, faculties and
degree programs which achieve medium-term output targets, such as course completion rates, pass
rates at examinations and years to completion, and long-term outcome targets, such as greater
employment of graduates in the private sector, would be appropriately rewarded through the
performance-based allocation.

69 See Dahlman (2009) for a discussion of possible strategies relevant to the countries of South Asia.
The Way Forward

6.20 The analysis in the preceding sections of this report shows that the development of the higher education sector will require considerable resources. This is consistent with the evidence of higher education reform and development in other countries around the world. There are also many strategies adopted by countries to mobilize funds and expand the resource envelope available to the higher education sector, as discussed above. In addition to increasing the resource envelope, there are also strategies to improve internal efficiency and save resources for the sector.

6.21 The various strategies to increase resources and to improve internal efficiency require policy and operational decisions. Some of these decisions need to be made at the level of the Ministry of Finance and Planning (for instance, the proportion of the national budget which can be allocated for higher education, given the overall budget and the priorities across sectors). Other decisions need to be made at the level of the Ministry of Higher Education and the UGC (for example, the appropriate staff-student ratios and academic staff to non-academic staff ratios). Yet other decisions can be made at the level of individual institutions (for instance, the promotion and development of revenue raising measures such as consultancy services and industry services).

6.22 Policy makers could consider improving the quality and relevance of university education, both conventional degrees and (especially) EDPs, as the top future priority for investment of public resources in university education. This would represent a paradigm shift from the chief priority of the past, which was to expand enrollments in conventional degree programs while channelling the “excess demand” in neglected EDPs. The university system now needs to move on to the second stage of development, with the central focus of attention on quality and relevance, rather than enrolments.

6.23 Policy makers could also consider targeting whatever public resources are made available for expanding enrollments in higher education at job-oriented university degree programs and the alternative higher education sector. The Government has already been moving in this direction over the recent past for university education. However, more priority needs to be given to developing the alternative higher education sector. This sector provides, in principle, directly job-oriented courses. The duration of these courses are typically shorter than university degree programs, and have a lower unit cost. Therefore, the expansion of this sector would be a cost-effective option.

6.24 Measures to improve internal efficiency and reduce costs in the system need to be considered and implemented. This includes a variety of possible measures, such as a higher academic staff to non-academic staff ratio, a higher staff-student ratio, and increased procedural efficiency in activities such as the procurement of equipment. However, it is important that costs savings generated within the higher education sector are retained within the sector. Similarly, whatever costs savings are generated within a higher education institution need to be available for re-investment within that institution.

6.25 Creating a favourable environment for public-private partnerships and private sector investment in higher education has helped other countries, including countries such as Russia, China, Poland, Hungary, and the Czech Republic, mobilize greater resources for the higher education sector. This option needs to be considered by policy makers in Sri Lanka. Measures to expand private sector participation in higher education could include establishing a sound quality assurance and accreditation system, and introducing voucher, stipend and loan schemes for students enrolled in private higher education institutions. The option of a public sector subsidy to private higher education institutions, as in Sweden, Chile, Poland and some states in the U.S.A. could also be considered.
Chapter Seven

HIGHER EDUCATION DEVELOPMENT - ACCELERATING PROGRESS

7.1 The development of the higher education sector will be of immense benefit and value to Sri Lanka: it will also be a complex and challenging process, and require visionary leadership from political authorities and policy makers, and ownership and long-term commitment from the higher education community.

7.2 The higher education system has served Sri Lanka well in some areas, and performed badly in others. On the positive side, the higher education system has provided the major proportion of the Governments’ policy makers and administrators, the private sectors’ managers and technical specialists, and the intellectual community’s knowledge workers. Many graduates of the higher education system are able to obtain jobs in foreign countries, including in the world’s most developed economies. Many graduates of the universities are also able to obtain postgraduate education opportunities in developed countries, including in some of the most prestigious universities in the world. There have been successful reforms introduced in the past which has enabled a high degree of vertical and horizontal differentiation, so that a rich mosaic of higher education programs and courses are available in the country. Higher education Enrollment is on par with other countries at similar levels of per capita income. And the range and share of employment-oriented courses in the higher education system has been rising over time. The higher education reform and development program of the country should be encouraged by these positive achievements of the past, and rise to address the next set of challenges.

7.3 On the negative side, the country faces a persistent problem of graduate unemployment and under-employment. There has been a long-term disequilibrium between the employment expectations of graduates, and the ability of the economy to absorb these graduates. There are several complex reasons for this problem, but the inadequate quality of general competencies and skills of graduates, especially in certain types of disciplines, has been one of the major causes. Periodic bouts of student unrest are a second challenge facing the higher education system. A third serious problem is the financing of universities and public higher education institutions. The inadequate resources available through tax financing means that the higher education institutions fall behind in modern equipment, technology and facilities, as well as face problems of brain drain, and insufficient research and development opportunities. And the incentive framework for performance, especially the quality of teaching and learning in the higher education sector, needs to be modernized.

7.4 The strategic initiatives for higher education development need to be prioritized and sequenced. The higher education policy debate in Sri Lanka, as characterized by the NEC Report (2008), various
policy statements by the Ministry of Higher Education, the University Grants Commission, and the discussion and the menu of options presented in this report, is extensive and far-reaching. The Government needs to select a set of strategic policy initiatives that can be implemented. Some of these initiatives can be implemented in parallel; other initiatives may need to be implemented sequentially; and yet other initiatives could be implemented cumulatively.

7.5 The higher education development strategy in Sri Lanka needs to be broadly communicated, especially among the academic community, and widespread ownership generated. The individual academic staff members are of central importance to the delivery of good quality higher education services. Therefore, the ownership and commitment of academics is a necessary condition for a successful higher education strategy. The Ministry of Higher Education, the NEC and the UGC need to communicate the scope, objective and rationale for the higher education development program to the academic community. The choice of strategies to implement, and their ordering and sequencing, will need to be accomplished with the participation, ownership and commitment of the academic community.

7.6 The higher education development strategy needs targeted interventions to address the most burning issues, such as graduate unemployment and under-employment. The external degree programs, the arts and humanities, and some of the general science programs, appear to be the areas where graduate unemployment and under-employment is highest. Broad-brush policy measures, such as increasing enrollment in more employment-oriented degree programs, are one part of the solution. However, an equally important part of the solution would be to introduce targeted programs to improve the employability of these students. This could include far-stronger measures to enhance their English language and IT skills. It could also include increasing the trans-disciplinary and multi-disciplinary courses available in the arts, humanities and general sciences.

7.7 Higher education change and development can have many opponents. These can include academics who feel that their interests are not represented in the development initiatives proposed, political parties that are ideologically opposed to the changes proposed, and student groups with vested interests. The leaders of change need to build bridges with any academics and student groups who may have concerns about the strategy, and ensure that these concerns are heard and genuine issues addressed. The leaders will also need to manage competing political ideologies in a way that enables the best options selected for the strategy to be implemented for the overall benefit of the country.

7.8 Higher education development requires sustained, long-term commitment from political authorities. In particular, innovative initiatives in governance can be difficult, as these often involve devolving power and authority from central levels of Government to individual institutions, such as the universities and advanced technical institutions. In addition, modern innovations in university financing, such as introducing revenue systems that range broader than tax financing, and introducing performance based funding as an incentive and reward, can be controversial as it pushes traditional-minded individuals out of their comfort zone. Hence, such policy initiatives need visionary and sustained leadership from the highest levels of the political system.

7.9 The higher education institutions in lagging regions, such as the Northern, Eastern and other outlying Provinces, need special attention. The higher education development strategy needs to be differentiated according to the level of development of the various higher education institutions. The older, well-established higher education institutions in the neighborhood of cities such as Colombo, Kandy and Matara are at a more advanced stage of development. As a result, they can undertake
more ambitious development initiatives. In contrast, the higher education institutions located in lagging regions, such as the Northern, Eastern and other distant provinces are relatively under-developed, with less qualified staff, poorer facilities, and academic and managerial systems and processes that are still being established. As a result, these higher education institutions need greater policy attention and financial assistance.

7.10 The media needs to be allies in the process of implementation of the higher education development strategy. The popular media plays a vital role in providing information and shaping the perceptions of the general public. It is important that the achievements of the higher education system, its future challenges, and the strategies adopted to address these challenges, are communicated to and understood by the media. This, in turn, will enable the leaders of change and development to communicate to the general public their vision of the future of the higher education system, and their strategy to achieve that vision. The support and understanding of the public will be of great importance to generate long-term political interest and commitment to the higher education development strategy.

7.11 The higher education community contains the cream of the country’s intelligentsia, and has unique potential to contribute to the economic and human development of the country. However, this is a potential that has been under-utilized in the past, partly due to the various constraints faced by the sector, and partly due to the weaknesses within the sector. The academic community of the country needs to lead, participate in and support the process of higher education development. This process of development will have to be at multiple levels, including the level of the full higher education sector, the level of individual institutions within the sector, and the level of individual programs and courses within institutions. The higher education community operates at each of these levels, and can and should generate and sustain development in each sphere, and of course, over all spheres.


Central Bank of Sri Lanka, Annual Reports, various years.


