

Sri Lanka
State of the Economy Report 2016

Chapter 7
Advancing Sri Lanka's Education System through
Innovative Funding

by
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7. Advancing Sri Lanka's Education System through Innovative Funding

7.1 Introduction

Since 1945, Sri Lanka has been committed to providing free education from the kindergarten to university. In this context, public spending on education covers general education, higher education as well as most vocational education programmes. Further, with the aim of improving access to general education, several welfare programmes were implemented by successive governments, including the distribution of free textbooks, scholarships for disadvantaged students, free uniforms, and subsidized transport facilities. In view of these efforts, Sri Lanka had little difficulty in meeting education sector related MDGs; by 2012, the primary net enrolment rate was 99.7 per cent; survival to grade 5 was 100 per cent; and literacy was a high of 97.8 per cent among 15-24 year olds.¹

However, the Sri Lankan education system faces new challenges in improving the quality and relevance of education to equip workers with evolving skills demanded in a more globalized world. There are substantial mismatches between demand for and supply of workers, especially in terms of higher education and high-skilled workers.² Further,

university education is beset with problems of meeting and improving the quality and relevance of courses compatible with labour market requirements.³ Also, there is a wide gap between school and the world of work; the quality of the general education system, mainly provided by the public sector, does not transmit much productive skills to pupils.

To meet the emerging needs of Sri Lanka's labour market, the education system now needs substantial modernization to equip workers to think and act creatively, work industriously and productively, and be able to innovate and adapt to available technologies to strengthen economic activities. With existing public finance constraints and limited private sector participation, addressing these education sector needs to align with changing needs of a dynamic labour market is a major challenge. Although, there have been attempts to improve the quality and relevance of general education by introducing market-oriented subjects, and more practical-oriented curriculum, etc., there were many implementation issues at the ground level; financial constraints, lack of resources which obstruct the expected outcomes of

¹ UNDP (2015), *Millennium Development Goals Country Report 2014 - Sri Lanka*, United Nations Development Programme, Colombo.

² Dunder, H. *et al.* (2014), "Building the Skills for Economic Growth and Competitiveness in Sri Lanka", World Bank, Washington, D.C.

³ ADB (2007), "Sri Lanka Country Assistance Programme Evaluation: Education Sector", Asian Development Bank, Manila.

attempted reforms were some of the more critical.⁴ Given this backdrop, the objective of this chapter is to analyze the existing education system in Sri Lanka and identify the priority areas to be addressed. Thereafter, the discussion will focus on innovative ways of funding the education sector, while drawing relevant examples from international experiences.

7.2 Governance and Issues in the Education System

7.2.1 Service Delivery in General Education

The public education system remains the predominant education service provider of general education in Sri Lanka. The present schools system comprises of 10,997 schools, of which 92 per cent are government schools. In 2015, approximately 4.1 million students were taught by around 236,999 teachers in government schools, yielding a student-teacher ratio of 18:1.⁵ In the Sri Lankan socio-political context, private sector involvement in the education sector is limited. For instance, with the nationalization of private schools in 1961, private schools which provide general education are not allowed to be established. Some private schools (established before 1961) were taken over by the government, while others

were allowed to function as private schools under the supervision of the Ministry of Education (MOE).⁶ In this context, only a small number of private schools function in Sri Lanka, numbered at 78 as of 2014.⁷

Given restrictive legislation on private schools, international schools were established from the late 1970s, under the Companies Act of Sri Lanka. Although international schools entered the education sector with the idea of allowing children of expatriates to be enrolled, at present, there are thousands of local students in these schools due to high competition for school admissions. International schools are not registered with the MOE and are not required to follow the national curriculum or national examinations. Accordingly, the MOE does not have information on these international schools. Their numbers are not known, but most estimates suggest that there are around 700 international schools currently functioning in the country.⁸ With the increasing trend of mushrooming international schools, their role need special attention, especially on curriculum, quality of teaching, and school discipline.

7.2.2 Deficiencies in the General Education System

Given the country-wide network of state funded schools and other welfare measures, Sri Lanka has made remarkable progress in terms of

⁴ IPS (2015), "Educational Sector Reforms to Bridge Skill Gaps" in *Sri Lanka: State of the Economy 2015*, Institute of Policy Studies of Sri Lanka, Colombo.

⁵ CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

⁶ MHRD (n.d), Education for All National Action Plan for Sri Lanka, Ministry of Human Resource Development, Sri Lanka.

⁷ DCS, Statistical Abstract 2015, Department of Census and Statistics, Battaramulla.

⁸ MOE, "High Awakening is Happening at Present in the Field of Education in Sri Lanka", available at http://www.moe.gov.lk/english/index.php?option=com_content&view=article&id=1113:high-awakening-is-happening-at-present-in-the-field-of-education-in-sri-lanka&catid=344&Itemid=771.

Table 7.1
Trends in Education Provision

	2000	2010	2015
General Education			
Total no. of schools	10,615	10,492	10,997
Government schools	9,976	9,675	10,144
Pirivena schools	561	719	853
Private schools	78	72	78
Special schools ^a		26	25
Government schools			
No. of teachers	186,097	215,692	236,999
No. of students	4,193,908	3,932,722	4,129,534
Higher Education			
No. of universities	13	15	15
No. of new admissions	11,805	21,547	25,624
No. of lecturers	3,241	4,918	5,525
TEVT			
No. of registered institutions			
Government and semi-government	556 (2001)	939	1362 (2014)
Private	252 (2001)	898	1240 (2014)
NGO	112 (2001)	240	99 (2014)
Intake	67,612 (2002)	96,620 (2009)	254,091 (2014)
Public expenditure on education (Rs. mn)^b			
Current	30,929	104,248	225,047
Capital	23,794	85,195	169,600
	7,135	19,053	55,447

Notes: a: Special schools are for differently abled children; b: Government expenditure on general and higher education.

Sources: UNDP/IPS (2012), *Sri Lanka Human Development Report 2012*; CBSL, *Annual Report 2015*; TVEC (2015), "Baseline Survey in the Technical and Vocational Education and Training (TVET) Sector", TVEC.

The provision of equitable access for quality education is a major challenge for Sri Lanka today.

access to education compared to many other developing countries. However, the provision of equitable access for quality education is a major challenge for Sri Lanka today. There are large disparities in the quality of education provided due to unequal distribution of both human as well as physical resources. For instance, there are limited opportunities, to study A-Level in the science stream at the school level. As of 2014, out of 10,121 schools only 959 (less than 10 per cent) had the facilities to teach A-Level in the science stream, while there were 1,852 schools that offered only arts



Less than **10%** of schools have the facilities to teach **A/L SCIENCE STREAM**

and commerce streams for A-Levels.⁹ Consequently, many students are compelled to follow the latter owing to lack of other options.

Further, limited higher-order learning spaces - such as science laboratories, ICT facilities, activity rooms and multi-purpose rooms - hinder the expected outcomes of attempted educational reforms in Sri Lanka. With the aim of preparing future generations with market-oriented skills, a more practical oriented curriculum was introduced in the recent past with the inclusion of more demanding subjects -- e.g., expanded science syllabus, introducing computer literacy under a 'practical and technical skills' subject of the secondary curriculum and use of IT as a tool for learning teaching process, etc.¹⁰ However, most of the attempted reforms are not supported by availability of required resources. For instance, although IT education was promoted in general education system under a Master Plan for ICT Education from 2005 to 2010, there were limited IT resourced schools; even as of 2013, out of 7,139 schools (Type 2 and Type 3 schools),¹¹

only 43 per cent of schools had an IT laboratory.¹² Most of the planned reforms thus tend to get stuck halfway due to lack of required resources to support the reforms. In fact, the National Education Commission (NEC) claims that a key reason for implementation issue of recognized reforms is lack of required funds to sustain the changes.¹³

Also, there are teacher deficits for more demanding subjects such as mathematics, science, English and IT, especially in rural areas. Teacher shortages badly affect the educational outcomes as well as slow progress of educational reforms in the country. For instance, although English medium instruction was introduced in 2001, only 6.5 per cent of schools had English medium instructions in 2013.¹⁴ Lack of teachers for more demanding subjects is partly due to teachers being recruited under 'unemployed graduate recruitment' schemes where their qualifications are not aligned with the subjects in demand. On the other hand, with relatively low salaries, the teaching profession is not attractive for more qualified people.

⁹ DCS (2015), "Statistical Abstract 2015", Department of Census and Statistics, Colombo.

¹⁰ IPS (2015), "Educational Sector Reforms to Bridge Skill Gaps" in *Sri Lanka: State of the Economy 2015*, Institute of Policy Studies of Sri Lanka, Colombo.

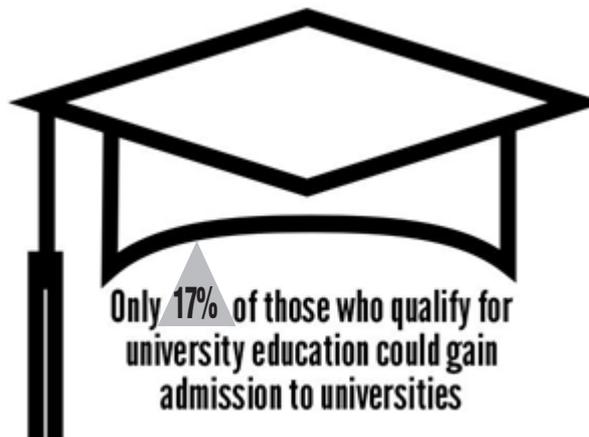
¹¹ Type 2 schools are those with classes up to G.C.E. Ordinary Level; Type 3 schools are those with classes up to Grade 5.

¹² MOE (2013), "Sri Lanka Education Information 2013", Ministry of Education, Colombo.

¹³ De Silva. E. J. (2013), *Politics of Education and Other Reforms*, Sarasavi Publishers, Colombo.

¹⁴ MOE (2013), "Sri Lanka Education Information 2013", Ministry of Education, Colombo.

Teacher shortages badly affect the educational outcomes as well as slow progress of educational reforms in the country.



placements in the state funded universities.¹⁷ Consequently, each year, about 120,000 students who qualify have to abandon their ambitions to enter a university.

7.2.3 Sri Lanka's Higher Education Sector

As in the case of general education, the government plays a prominent role in the provision of higher education services as well, but the capacity of the state university system is limited. It comprises of 15 universities, with approximately 80,000 students enrolled in the public university system.¹⁵ With the aim of increasing opportunities for higher education, the university intake which was confined to about 21,547 students in 2010 has now increased to about 25,624 in 2015.¹⁶ Yet, even as of 2014, only 17 per cent of those who qualify for university education could gain admission to universities due to the limited number of

Those who cannot enter public universities have little options for pursuing higher education. Although, there is no legal barrier for private universities to function in the country, these institutions are unable to offer degrees unless affiliated with a foreign university. Although different higher education institutions have attempted to get authority to award degrees, these attempts have not been successful due to political economy reasons, and issues with controlling the quality of education. Affiliation to foreign universities increases the costs of awarding a degree. Notwithstanding, various private sector degree-awarding institutions have sprung up across the country to cater to rising demand for higher education. However, there is no proper monitoring mechanism to ensure the quality of the programmes offered by these institutes.

¹⁵ CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

¹⁶ *Ibid.*

¹⁷ DCS (2015), "Statistical Abstract 2015"; Department of Census and Statistics, Colombo.

The absence of an accreditation system for private sector higher education providers makes it difficult to regulate the quality of programmes offered by these institutions. As identified in the National Policy Framework for Higher Education, there is a growing need to recognize the role played by non-state degree awarding institutions in the provision of higher education services.¹⁸ In 2011, the government attempted to introduce new legislations under the Bill on Quality Assurance, Equalization, Qualification and Framework with the aim of uplifting the quality of the diplomas and degrees which are being offered by private sector degree awarding bodies. Under the proposed framework, degrees and diplomas awarded by the non-state sector were to be regulated to ensure quality. However, the government had to withdraw the proposed Bill owing to escalating protests from student groups and academics.¹⁹

Establishment of degree awarding institutions outside the purview of the University Grants Commission (UGC) is a recent development in the field of higher education in Sri Lanka. There are certain state and non-state local institutions which have been given permission by the UGC to conduct certain degrees.²⁰ As of 2015, 16 non-state higher education institutes are recognized as 'degree awarding institutes'.²¹ Established institutes like the Sri Lanka Institute of Information Technology (SLIIT) and the National Institute of Business Management (NIBM) are some non-controversial set-ups under this system, while there are others such

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as the South Asian Institute of Technology and Medicine (SAITM) which has garnered opposition from students and doctors alike. In 2011, SAITM was recognized as a legitimate degree-awarding institute to award the degree of Bachelor of Medicine and the Bachelor of Surgery (MBBS) under the University Act. However, the Government Medical Officers Association (GMOA) and the Sri Lanka Medical

¹⁸ NEC (2009), "National Policy Framework on Higher Education and Technical and Vocational Education", National Education Commission, Sri Lanka.

¹⁹ It should be noted that although the draft Bill had been approved by the Cabinet in 2011, its provisions have never been made fully public.

²⁰ Degrees awarding institutes were recognized under Section 25 A of the Universities Act No. 16 of 1978.

²¹ CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

Council (SLMC) opposes the move due to certain concerns on standards to be met and maintained, especially with regard to clinical training.

7.2.4 Sri Lanka's Technical Education and Vocational Training (TEVT) System

Sri Lanka's Technical Education and Vocational Training (TEVT) system is undertaken by a wide array of institutions including public and private sector training providers; standards and curriculum development agencies, National Apprentice and Industrial Training Authority (NAITA) and the University for Vocational Technology (UNIVOTEC); and a regulatory body, Tertiary and Vocational Education Commission (TVEC). Almost all state training institutions operate under the purview of the Ministry of Skills Development and Vocational Training.

Private and NGO sector training institutions also play a key role in providing TEVT in the country. There are a large number of TEVT institutions operating on a fee-levying basis while a widespread network of non-fee levying institutions supported by national and international charities are also in operation. TVEC has put in place a system for registration of training institutions and accreditation of courses to establish and maintain a credible system for quality assurance for the TEVT sector. By end 2015, there were 718 registered private and NGO sector training providers in the country.²²

The general acceptance of the country's TEVT sector is low owing to low recognition of

qualifications due to varying standards, low employability of graduates, and weaknesses of courses to cater to market demands. However, in the recent past, the government initiated major reforms to restructure the TEVT system. These include, improving the quality and relevance of programmes by introducing National Vocational Qualifications (NVQ) standards, and registration and accreditation of courses of all vocational institutions. The

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²² CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo.

University of Vocational Technology (UNIVOTEC) was established in 2008 to award NVQ degree equivalent qualifications. Along with that, nine Technical Colleges in the nine provinces have been upgraded to Colleges of Technology to offer national diplomas starting from 2010.²³

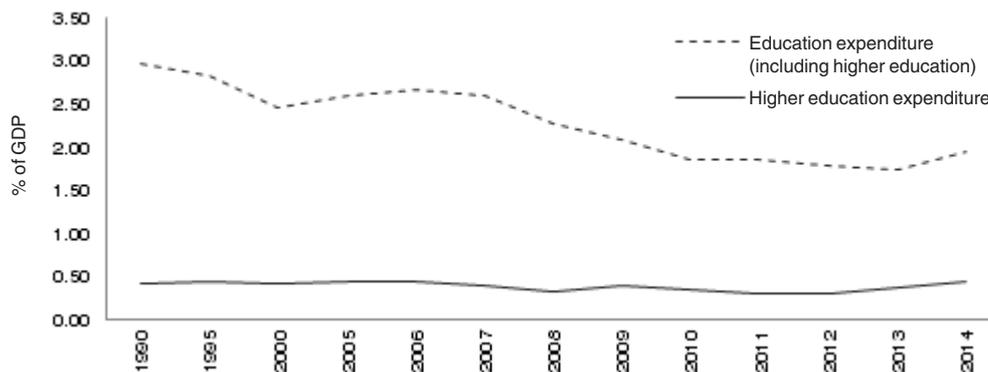
However, TEVT is underdeveloped in Sri Lanka. It is not able to produce enough qualified, skilled workers to respond to changing labour market needs.²⁴ A baseline survey of the TEVT sector commissioned in 2014 by TVEC reveals that only 26 per cent of the training programmes in the overall TVET sector are conducted in line with NVQ standards. Meanwhile, institutions under the Ministry of Skills Development and Vocational Training conduct 64 per cent of its programmes under NVQ certification; for other government training institutions and private sector training institutions, the figures stand at only 10 per cent and 12 per cent, respectively.²⁵

Also a validation report by the ADB reveals a number of downsides including amongst others, the lack of teachers, which hampered the actual output for technical diploma programmes; limited benefits attained from the short-term staff training due to late scheduling, large numbers to be trained, and some irrelevant training.²⁶

7.3 Financing the Education Sector

While Sri Lanka's budgetary constraints have limited government investment in the education sector, the public education system remains the predominant service provider. Sri Lanka has historically invested between 2-3 per cent of GDP on education; this registered a decline post-2010 owing to an almost exclusive focus on infrastructure investment during 2010-14 (Figure 7.1). However, this is likely to be reversed with government policy statements indicating a

Figure 7.1
Public Expenditure on Education as a Percentage of GDP



Source: CBSL, *Annual Report 2015*, Central Bank of Sri Lanka, Colombo; UGC, "University Statistics 2014", University Grants Commission, Colombo.

²³ TVEC (2012), "Corporate Plan 2013-2017", Tertiary and Vocational Education Commission, Sri Lanka.

²⁴ ADB (2014), "Sri Lanka Technical Education Development Project", Asian Development Bank, Manila.

²⁵ TVEC (2015), "Baseline Survey in the Technical and Vocational Education and Training (TVET) Sector", Tertiary and Vocational Education Commission, Sri Lanka.

²⁶ ADB (2014), "Sri Lanka Technical Education Development Project", Asian Development Bank, Manila.

renewed focus on increasing social sector spending, recognizing that low investment in education may create young school leavers who are not equipped to deliver the manpower needed for economic growth and development. Indeed, the stated intention is to increase government spending on education to 6 per cent of GDP over five years.

The overall public education investment in Sri Lanka is relatively low, compared to investments in education by comparable countries in the region (Table 7.2). Of this limited spending on education, a major part (80 per cent) is devoted to recurrent expenditure (Figure 7.2); the bulk (90 per cent) of this recurrent expenditure is devoted for teacher salaries and welfare programmes.²⁷ The very limited capital spending on education has held back improvements to up-grade facilities, and increased out-of-pocket expenditure by households on education.²⁸

Very limited capital spending on education has held back improvements to up-grade facilities.

At the same time, while providing universal free general education, restrictions on private sector participation in the provision of education services reduce private sector investments. In this context, even wealthier households, who

Table 7.2
Public Expenditure on Education, 2013

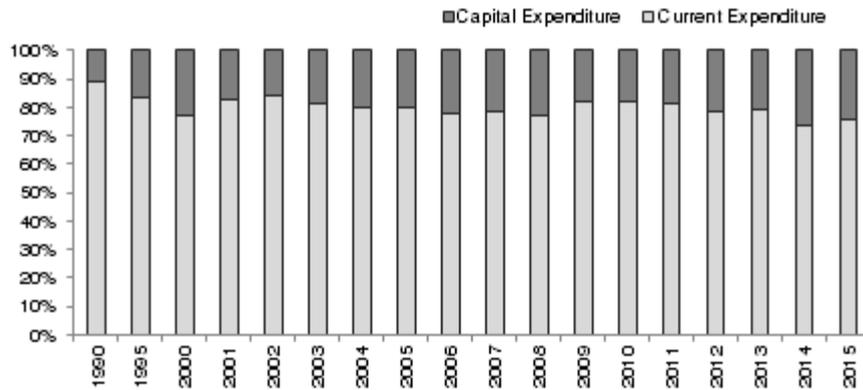
	As % of GDP	As % of Total Government Expenditure
Malaysia	6.3	21.5
Singapore	2.9	19.9
Indonesia	3.4	17.6
Philippines	3.4	20.3
India	3.8 (2012)	14.1 (2012)
Bangladesh	2.0	13.8
Nepal	4.1	21.4
Sri Lanka	1.6	9.0

Source: World Bank, available at <http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS>.

²⁷ MOFP (2015), *Annual Report 2014*, Ministry of Finance and Planning, Colombo.

²⁸ CED (2008), "Budget Process and Budget Tracking in Formal School Education In Sri Lanka", Coalition for Educational Development, Sri Lanka.

Figure 7.2
Share of Recurrent and Capital Expenditure on Education



Source: CBSL, *Annual Report*, Central Bank of Sri Lanka, various years.

have the capacity to bear their education expenditure, receive education services free of charge. If the government allows private sector participation, with a proper regulatory framework in place, then people can choose either public or private sector service delivery. It will reduce the financial burden on the government while those resources could be used for pro-poor education.

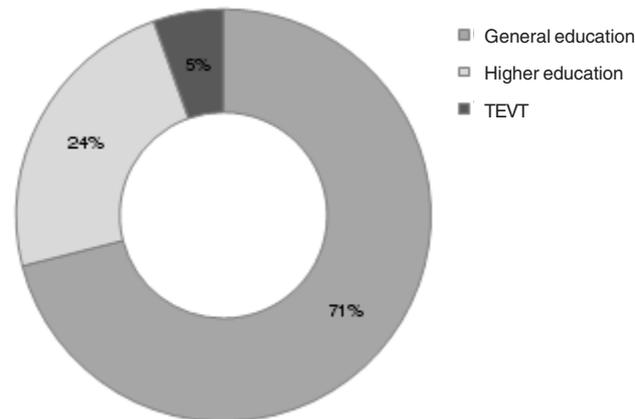
Sri Lanka spends below 0.5 per cent of its GDP as public expenditure for higher education (see Figure 7.1). The public sector is the main provider of tertiary education in the country. Investments in both general and higher education are fundamental for countries to prepare future generations for the skills needs, and a smooth transition from education to the

world of work. However, Sri Lanka currently spends a relatively small percentage of its education expenditure on higher education (Figure 7.3). At the same time, the ability of public universities at present to raise funds for improving standards are severely limited. Since the public sector is the main provider of university education in Sri Lanka, the limited public resources for tertiary education is a key constraint on expanding opportunities for university education in the country. In addition, the government spends only 5 per cent of its education budget on the TEVT sector. Lack of resources has limited the expansion of tertiary and vocational education sectors and constrained improvements with regard to its relevance and quality.

Only **26%** of training programmes in the overall **TVET** sector are conducted in line with **NVQ** standards



Figure 7.3
Share of Education Expenditure by Level of Education, 2014



Source: MOFP (2015), *Annual Report 2014*, Ministry of Finance and Planning, Colombo.

Box 7.1

Cash Vouchers for School Uniforms

Since 1993, the Sri Lankan government has been providing textile material for school uniforms for about 4.2 million students, accounting about Rs. 2,300 million annually. Some problematic issues identified with this programme are quality of the material provided, and supply-monopoly of apparel manufacturers and importers; in addition, more practical issues - such as allocating staff for procurement committees, providing the material on time, storing, maintenance, packing, transport, etc., have also added to the logistical and financial costs. Therefore, as an alternative, and in line with government efforts to promote cash transfers policies, a decision was taken to issue cash vouchers instead of uniform material for school children with the budget 2016 proposals. Accordingly, the voucher system was to target the 2016 school year, with the government planning to hand over vouchers to school authorities in December 2015 before the closure of schools. However, there were some practical issues to be resolved; teachers were burdened with the task of handing over vouchers and checking bills relating to the uniform vouchers, some shops have refused to accept vouchers without the school seals, vouchers were received late by some schools (not before closure of schools in December 2015), parents faced difficulties in collecting the vouchers as they have to present themselves in schools, etc. However, the government is in the process of continuing the new system, while making attempts to resolve the administrative issues.

Source: MOE, "A Cash Voucher instead of Uniform Material for School Children from 2016"; available at http://www.moe.gov.lk/english/index.php?option=com_content&view=article&id=1388:a-cash-voucher-instead-of-uniform-material-for-school-children-from-2016&catid=344&Itemid=771; *Sunday Times* (2016), "School Uniforms: Opposition Grows Over Voucher System"; available at <http://www.sundaytimes.lk/160110/news/school-uniforms-opposition-grows-over-voucher-system-178399.html>.

7.4 Service Delivery Models in the Education Sector

Models of private sector participation in the provision of educational services demonstrate a range of involvement, from purely private models to joint ventures between state and private organizations. New trends include the use of choice-based policy initiatives - i.e., the use of voucher schemes and contracting educational services to private organizations. Proponents of choice and contracting mechanisms argue that outsourcing of services to the private sector could help reduce politicization and increase productivity in the education sector. It could further increase transparency in government spending, improve efficiency and quality in the delivery of education, and improve choice and access to education, especially to those excluded from traditional systems. Conversely, others argue that contracting could also lead to less government control, increased administration costs and open up opportunities for corruption.²⁹

The management contract model involves the use of private providers to manage an existing government service where ownership remains with the government. This usually occurs when a public educational institution is taken over by a private management team where either the staff remains (pure management model) or where a completely new staff is hired (operational management model). Alternatively,

under the service delivery model, a government agency would contract the use of private owned infrastructure to deliver particular services. This could be a core service like supplementary tuition or a non-core service like providing transport or food.³⁰

The Asian University for Women (AUW) in Bangladesh, established by the AUW Support Foundation, follows a management contract model. The government allocated land and infrastructure to the university, while providing complete academic autonomy to the institution. Similar practices exist in Pakistan, where the Higher Education Commission provides 'gap funding' grants to pay for digital library access, Internet access and financial assistance for hiring faculty and researchers.³¹

In 2005, the first private university in Singapore, SIM University (UniSIM), was established to cater to working professionals and adult students through a flexible learning approach. Having recognized the university's significance in the education sector, the government introduced fee subsidies for part-time undergraduate programmes and also launched a publicly-funded full-time degree programme in collaboration with UniSIM. Through this partnership, the government was able to monitor the use of funds and ensure quality assurance.³²

The cost-sharing system incorporated in the Chinese higher education system ensures that tuition fees do not exceed 25 per cent of the

²⁹ H.A. Patrinos and N. LaRocque (2007), "Enhancing Accountability in Schools: What Can Choice and Contracting Contribute", World Bank, Washington, D.C.

³⁰ *Ibid.*

³¹ Elizabeth Boye and M. A. Mannan (2014), "Bangladesh: Public-Private Partnership in Higher Education", Technical Assistance Consultant's Report, Asian Development Bank, Manila.

³² *Ibid.*

average annual cost of a student's education. In 1999, the Chinese government introduced a government subsidized student loan scheme (GSSLS) to cover tuition costs and daily expenses of poorer students in certain regions. The scheme did not perform so well due to institutional quotas, and the defaulting on loans by low-income students (for whom it was designed in the first place). This led to the introduction of a more comprehensive, performance-based loan scheme in 2006. The Chinese government partnered with an insurance company to create a government subsidized student loans credit insurance (GSSLCI) scheme. This proved to be more financially feasible as the risk of defaulting was now transferred to the insurance company.³³

Malaysia is slowly becoming a higher education hub in Southeast Asia. Prior to 2004, private higher education institutions (IPTS) in Malaysia came under the purview of the Ministry of Education. The Private Higher Education Institution Act of 1996 was enacted with the aim of regulating these institutions. Once the Ministry of Higher Education took over the responsibility of IPTS, more emphasis was laid on private enterprises in higher education. Government policy on IPTS encouraged the setting up of many private universities, colleges and even branch-campuses (Monash University Sunway Campus, Curtin University of Technology Sarawak Campus, University of Nottingham in Malaysia and Swinburne University).³⁴

The Malaysian government plays a significant role, ensuring that IPTS became performance-driven organizations providing high quality services. Currently, there are around 25 reputed IPTS providing higher education services internationally. Among them are the Asia Pacific Institute of Information Technology in Sri Lanka, India and Pakistan, and Limkokwing University in the UK, Lesotho, Botswana, Cambodia and Indonesia. Further, the Malaysian government supports such endeavours by providing education loans to enter IPTS through a National Higher Education Fund Corporation.³⁵

Some governments provide financing to students and families under a voucher programme. This system allows students to choose from a variety of education providers (public or private), either recognized or accredited by the government. In this case, the consumer chooses the service provider.³⁶

The 'Colorado Opportunity Fund', introduced in 2004, is a typical example of a voucher-based model of financing in higher education. Instead of directly funding state colleges and universities, funds go straight to students in the form of vouchers, which are redeemable upon enrolment. Thus, state universities were able to achieve 'enterprise status' allowing them to raise tuition fees at higher rates. These market-based reforms were brought in to combat revenue restrictions on colleges imposed by Colorado's Constitutional tax and expenditure

³³ *Ibid.*

³⁴ Rahman, M. A. A. (2010), "MALAYSIA: Models in Private Higher Education", *University World News*, available at: <http://www.universityworldnews.com/article.php?story=20101105220921112>.

³⁵ *Ibid.*

³⁶ H.A. Patrinos and N. LaRocque (2007), "Enhancing Accountability in Schools: What Can Choice and Contracting Contribute", World Bank, Washington, D.C.

limitations. Though these policies were successful in improving cost efficiency at Community Colleges, it did, however, result in reduced access to students from certain communities and low-income backgrounds.³⁷

Voucher programmes exist for students engaged in technical and vocational training as well. In Kenya, the technical and vocational training voucher programme targets individuals aged 18-30 years. Vouchers are awarded to applicants drawn at random from a Kenya Life Panel Survey. Half of the chosen applicants receive redeemable vouchers for vocational training at private institutions, while the other half can use their vouchers for training in either private or public institutions.³⁸

PPPs are vital for the development of TEVT. Such partnerships facilitate communication between professionals in the field and education providers. This allows TEVT providers to keep up-to-date with emerging trends, identify skills required in the job market and provide relevant training to young students. The 'dual system' model adopted in Germany involves the delegation of assessment and curriculum development to labour representatives, business associates and educators. Business associates essentially manage the system by monitoring and ensuring the quality and standards of training provided by firms. Very few countries have implemented such models due to the high cost involved with such associations.³⁹

The Japanese model is more pragmatic, and has been adopted by many countries including the US. Traditionally, vocational training in Japan is provided at high-school level. The staff maintains strong relationships with managers of companies (private sector) who assist students with job placements (matching skills with job requirements).⁴⁰

Other strategies adopted in countries like South Korea, Malaysia and Singapore involve a human resource development system or workforce development system. Governments use incentives such as tax levies to promote training in private firms. However, such policies require proper guidance and control from governments to ensure funds are not misused. The human resource development system has been successful in many Asian countries where training policy is monitored directly by the government.⁴¹

7.5 Policy Recommendations

As Sri Lanka aims to accelerate growth, it is critically important that the human capital needed to compete globally is developed. Hence, it is essential for the government to do careful planning and critically examine the present needs of the education sector, and find effective means of catering to these needs by improving resource mobilization, as well as the quality and relevance of education services.

³⁷ N.W. Hillman, *et al.* (2014), "The Efficacy of Vouchers in Higher Education: The Case of Colorado", WISCAPE Policy Brief, University of Wisconsin, Madison.

³⁸ P. Krishan and I. Shaorshadze (2013), "Technical and Vocational Education and Training in Ethiopia", International Growth Centre (IGC), UK.

³⁹ Hawley, J., n.d. "Public Private Partnerships in Vocational Education and Training: International Examples and Models", World Bank, Washington, D.C.

⁴⁰ *Ibid.*

⁴¹ *Ibid.*

Sri Lanka's tertiary education system caters to only a very small proportion of the population. Therefore, the scope of university education in the country is very limited. Since the public sector is the main provider of university education in Sri Lanka, limited public resources for tertiary education is a key constraint on expanding opportunities for university education in the country. Thus, most students who are not able to enter state universities, opt for a private certificate, diploma, or degree, currently offered without state regulations on standards. Therefore, it is important to explore ways of funding higher education that is of a greater quality. The options for improving resources in the higher education sector include either increasing public investments in the sector, or encouraging private participation in the sector. However, with the current fiscal constraints it is unlikely that sufficient public funds for the sector are a viable option.

Private investment in university education - operated under state regulations and standards - could improve the quality of education through competition, enhanced access to university education and resource mobilization, etc. However, accommodating PPPs in higher education can be very challenging. Policy makers have to ensure that quality and standards are not compromised through effective monitoring and control. Therefore, urgent attention should be given to regulating these private higher education institutes. Although the proposed Quality Assurance, Equalization, Qualification and Framework Bill failed, it is necessary to strengthen the regulatory mechanism of these institutes by incorporating new rules and regulations as in the case of Malaysia. It is crucial, therefore, to identify desired standards

of these institutions with respect to their student recruitment criteria, fee structure, academic programmes, quality assurance and accreditation, etc.

Further, state universities should change to become dynamic centres of teaching and learning that respond to changes in the market in a timely manner. There are enough examples of countries which have a combination of effectively run private and public universities. Some of the best universities in the US, for example, are public universities. Also, rethinking the governance structure of public universities and allowing them more autonomy to manage their affairs and raise funds could also increase the resources available for public universities. A good example in Sri Lanka is the Postgraduate Institute of Management (PIM). Again, this will need to be allowed such that the students and their education programmes are not affected. For example, universities can be allowed to rent out their facilities (lecture halls, and play grounds) for private sector use so that universities can generate funds for improving degree programmes.

Spending on education needs to increase by a substantial amount, with more of it distributed towards the TEVT sector. Lack of resources has limited the expansion of the tertiary and vocational education sector and constrained improvements to its relevance and quality. It is increasingly important for Sri Lanka to focus on the vocational and training levels of the education system, as TEVT is needed to respond to the changing labour market needs with individuals who possess specific demand driven skills.

PPPs, and schemes of recruitment through vocational education and training institutes

directly to the industry, are essential. There are two possible ways to finance these programmes. First, introducing a voucher system, state/private funded pay back loans for unemployed youth. A second option is introducing a system of pay back to private companies when recruiting trained graduates from state funded training institutes. To achieve these, vocational education systems should be linked with industries that can absorb these trained students. Also, training programmes should be developed with the involvement of private sector companies, and the programmes should be made more relevant to regional development priorities.

Financing can be devised to meet the recurrent costs of TVET sector through a 'voucher' system, where students who are qualified to receive this education have the freedom to spend it at institutions of their choice. As discussed in relation to international practices, such schemes motivate the private sector to be education providers in this sector, especially

given the availability of a voucher system. Such indirect support of the private sector is acceptable, because it will create competition; also the real support is directly to students. In addition, institutions will be forced to perform in order to attract students, and also deliver programmes that are relevant.

Governments can take measures to encourage private investments in general education. Within existing legislation in Sri Lanka, international schools are entering the system, without proper regulatory mechanisms. Therefore, attention should be given to regulate these private education institutes by incorporating new rules and regulations, especially with regard to standards of the curricula, teacher qualifications, school discipline, etc. Meanwhile, private investment could be encouraged by lifting current restrictions on establishment of private schools. As a result, students who can afford costs, can choose private schools while those who cannot, can continue in better funded state schools.