

# Improving the performance of Sri Lankan government universities: Insights from reforms in similar sectors\*

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## Abstract

In seeking answers to the question of how the performance of Sri Lanka's government universities can be improved, there is value in seeking insights from infrastructure services, especially telecom and healthcare services, where decline in performance has been reversed or at least slowed down. This is, of course, predicated on the claim that higher-education (HE) services are amenable to economic analysis.

Much of the extant discussion centers on the poor quality of the graduates produced by the government system, as understood in the conventional sense of a good education and useful skills. However, the principal product is a credential, not education nor skills. As long as the government continues to be the employer of last resort, the credential is not worthless. In addition, the government degrades the value of credentials obtained from alternative suppliers. In terms of employability in pensionable jobs, the credentials provided by government universities are superior in quality.

The necessity for external pressure along with internal reforms is demonstrated through the experience with telecom and healthcare. The dangers of a spiral of decline, wherein the relatively better endowed segments of society abandon a declining service offering, thereby creating the conditions for even more decline is identified.

If the unfair and counter-productive credentials system can be changed, it may be possible to exert some competitive pressures that could create some incentives for improved performance at least in a few areas, where the existing faculty members are of good quality and some supplementation may be possible. A system where notional fees are charged would also help improve the incentives.

\* The helpful criticisms of Professor Fakrul Alam of the University of Dhaka and valuable conversations with Dr Sujata Gamage are gratefully acknowledged. They bear no responsibilities for the views expressed.

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## Introduction

University education in Sri Lanka has for long been a government monopoly, even though the monopoly has been eroded at the edges in the past few years. It appears stuck in a low-quality equilibrium, whatever be the standard one uses for quality. In actual fact, it is more likely that government universities are trapped in a spiral of decline. The objective of this paper is to extract possible insights from reforms in related industries, in order to map a way forward.

The basic premise is challenging. How can university education or Higher Education (HE) be analyzed as an industry? Many who make their living in the sector feel it is demeaning and inappropriate to treat HE as an industry. Theirs is a noble calling which cannot be equated to the activities of plumbers and beauticians, they believe.

But if an effort is made to look beyond emotions, one would have to concede that there is an economic basis to HE. Large amounts of money are involved, both as capital expenditure and operating expenditure. Trade unions, even those representing those engaged in noble callings, exist. They go on strike, occasionally. Even if not in Sri Lanka, universities raise revenues from multiple sources. Some even declare bankruptcy.<sup>1</sup> On the face, HE is a service industry.

The fact that services are given away for no payment under certain circumstances does not remove them from the scope of economic analysis. All that is different is that the buyers are subsidized by tax payers, in Sri Lanka and other countries that offer “free” education, and partially by tax payers and philanthropists, in other countries. Google and Facebook give away services for free. But no claims are made that their activities fall outside the scope of economic analysis.

The nobility of the calling need not be challenged by economic analysis. A physician who saves lives and alleviates pain is engaged in a most noble calling. That is not threatened by the fact that one can buy and sell shares in the hospital she practices her noble calling in.

Another argument against considering HE a service industry and what one obtains from three or four years in a university a “commodity” is that education is not “provided” by the supplier (teachers), but is gained by the actions of the student. The claim about education arising out of active learning is true. But HE is hardly unique in this regard. The quantum of enjoyment one receives at an amusement park or a musical performance depends on one’s attitude and active engagement. That does not negate the fact that underlying it all are transactions that are amenable to economic analysis.

Hunter Rawlings, a former University President and the current President of the Association of American Universities, is one among many who make the fallacious argument described above. But in the process, he points to a critical truth.

This point is made succinctly by an apocryphal story about a university president who said this to new freshmen each year: “For those of you who have come here in order to get a degree, congratulations, I have good news for you. I am giving you your degree today and you can go

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<sup>1</sup> Jackson, Abby (2015 April 24). Big state university considers 'college bankruptcy,' showing liberal arts schools aren't the only ones in trouble, *Business Insider* <http://www.businessinsider.com/lsu-is-drafting-a-financial-exigency-plan-2015-4>

home now. For those who came to get an education, welcome to four great years of learning at this university.”<sup>2</sup>

Universities produce at least two outputs as the quotation suggests. And the output that is relevant for parents and students when they choose a university (in countries where such decisions can be made, and have financial consequences) is the credential, not the abstract experience that Rawlings et al. go on and on about. It is the supply of credentials that is the principal output.

Try a thought experiment: what would happen if final exams are cancelled after three or four years of great learning and the students, their parents and the government that paid the bills are told that no degrees will be awarded since the students have completed an extraordinary learning experience that cannot be reduced to a bland certificate. Now try the opposite: puerile education for three or four years, but a nice shiny degree certificate. Which one will create controversy?

### A right and/or a commodity

Another variant of the “not a commodity” argument is to position HE within the realm of political rights and claim that economics does not apply, i.e., that it should enjoy unconstrained funding. This argument is exemplified by the statements of a Sri Lankan student leader:

In principle, we are against private universities. The reason is we believe that education is a right, not a commodity. Once we promote private universities, the parameter for education will be money. If one can afford Rs 11 million he or she will be able to become a doctor. The right to education will be restricted.

Once education becomes a commodity, the objective would be profit-making. Once the profit-making becomes prominent, the real objective of education, which is to create a better world, would be bypassed. The quality of education will go down.

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This issue has arisen due to the limited opportunities available to study medicine in Sri Lanka. The number of students admitted to universities is not sufficient, the G.C.E. A/L Examination has become highly competitive. However, the solution is not promoting private universities, but increasing the number of students admitted to State universities. Ever since 1977, education was commodified (sic) under the neo liberal economic system. The funding allocated to the universities was not increased sufficiently. The universities did not expand compared to the population growth. Instead of expanding State universities, the government allowed private education to emerge. As a result education is in a crisis now.<sup>3</sup>

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<sup>2</sup> Rawlings, Hunter (2015 June 9). “College is not a commodity. Stop treating it like one.” *Washington Post*, <https://www.washingtonpost.com/posteverything/wp/2015/06/09/college-is-not-a-commodity-stop-treating-it-like-one/>

<sup>3</sup> Medical Faculties Students' Action Committee (MFSAC) convener Rayan Jayalath, quoted in Moramudali, U. (2016 May 4). “Education is a right, not a commodity,” *Ceylon Today*, <http://www.ceylontoday.lk/print20160321CT20160630.php?id=1401>

Let us leave aside the question of whether the “real objective of education, which is to create a better world” has been achieved by over one hundred years of providing medical education on a fully subsidized basis and interrogate the other claims.

The Universal Declaration of Human Rights (1948) and the United Nations Convention on the Rights of the Child (1989) define rights pertaining to education. The right for basic education is defined in the way current proponents understand it. But that is not the case for tertiary education:

Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.<sup>4</sup>

The reason is that the public benefits of basic education are very high, whereas private benefits outweigh public benefits in tertiary education.

If HE is a right, should it be provided to all 1.5 million of young people in the 20-24 year cohort at least, not just to the four percent admitted at present to government universities?<sup>5</sup> It is unlikely that even the six percent of GDP demanded by the university teachers’ trade union could support the assurance of the “right” in that comprehensive form. It is well known that it costs more to train a medical graduate than an arts graduate. How are the decisions about who gets to be a doctor and who gets to be a clerk to be made in the context of justiciable political rights?

A strict application of a rights framework appears impractical. But there is a looser and more realistic way of applying a rights framework. This is to use rights in a metaphorical way. One of the best known examples is Italy’s right to employment, guaranteed by the Constitution, but unenforceable.<sup>6</sup> It may be illustrated in relation to how governments assure a “right” to electricity.

The government undertakes to make electricity available to all households, but not free of charge. For the most part, the charges are set to cover costs. The government may provide targeted subsidies to make the service affordable for defined groups. Or it can choose to make up the losses of providing the service at a loss through an untargeted subsidy. Some groups, such as farmers in India, may even be provided electricity free of charge.<sup>7</sup> But none of this takes away from the fact that electricity is a commodity that is supplied subject to normal economic principles. The “rights” that politicians may talk about are metaphorical. They are not central to the actual operation of the service and cannot be enforced through the courts. They are relevant only to the way in which the subsidies are provided.

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<sup>4</sup> Art. 26(1), Universal Declaration of Human Rights.

<sup>5</sup> Gamage, Sujata (2016 April 20). Understanding our youth, *Financial Times*, <http://www.ft.lk/article/537103/Understanding-our-youth>

<sup>6</sup> Cappelletti, M; Merryman, J.H.; Perillo, J.M. (1967). *Italian legal system: An introduction*. Stanford University Press: 57-58.

<sup>7</sup> Walia, Arivinder; Sharma, Jasmine (2015 August 16). Free power, the bane of farming in Punjab. *Hindu Businessline*. <http://www.thehindubusinessline.com/opinion/free-power-the-bane-of-farming-in-punjab/article7546918.ece>

## Equity considerations

Another objection to the application of economic reasoning to HE comes from those who give priority to the equity objective of education, as we in Sri Lanka have done over the years.<sup>8</sup>

Education, especially HE, is supposed to serve as a means of social mobility. While Sri Lanka did not adopt the quota-based methods of assuring equity and social mobility adopted in India, the language- and then district-based “standardization” policies that have been implemented since 1971 were a form of equity assurance. Equity considerations are embedded in the human rights pertaining to secondary and tertiary education discussed above.<sup>9</sup>

There is no reason why economic analysis and market design cannot accommodate equity considerations. Equity is a major design element in infrastructure reform and regulation, with the debates being focused on the most efficient ways of assuring equity not on the need to accommodate equity concerns.

Access to transportation, energy and communication services (hard infrastructure) is seen as a precondition to effective participation in other markets. Unless one has a telephone that permits calling and being called, one is said to be unable to fully participate in the labor market. Unless one is able to transport one’s produce or get to work with a reasonable expenditure of time and money, one is said to be excluded from large swaths of economic activity. For this reason, policies pertaining to infrastructure services give a great deal of weight to equity in theory.

But of course, actual practice is different.

Given the concerns for metaphorical mobility through HE, I will illustrate the issues using the infrastructure services that provide literal mobility: public and private transportation services. It has been well documented that all public transport systems have different kinds of in-built biases. In some parts of the United States, certain neighborhoods do not have public transport, by design. That is because the inhabitants want to make it difficult for those reliant on public transport (in those places, the poor or the ethnically different) to come into those areas. This is where it is possible to differentiate between rich and poor, based on use of public transport. The building of, or even the widening of, roads can be subject to the same kinds of concerns. It is only when design decisions are taken by political units that are able to transcend such parochial concerns that outcomes will favor broad concerns of mobility and equity.

## Where are we now?

The “quality” of the education<sup>10</sup> imparted is extremely poor (see annexes 1 and 2, being analyses published in 2010 and 2014), though a subset of students manages to extract something good from the experience. These are the people who would learn in any setting. They are the ones who become informed citizens and who get admitted to good graduate programs abroad. It is fallacious to read off the performance of the sector from these atypical examples.

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<sup>8</sup> The best evidence is in popular literature. One of the best examples is the 1959 novel *Akkara Paha*, by Madawala S. Ratnayake.

<sup>9</sup> Art. 26(1), Universal Declaration of Human Rights.

<sup>10</sup> “Quality” is a problematic concept as discussed below. Here, the conventional indicators are used.

The quality of the skills imparted is also poor. Here, there is considerable variation as documented by the surveys conducted by the Ministry of Higher Education in the past few years.<sup>11</sup> The University of Moratuwa had the highest percentage placed in employment in 2012 (94.3 percent) and the Southeastern University the lowest (33.9 percent). Engineering graduands were most in demand (94.7 percent) and those from the Arts Faculties the least (32.1 percent). The graduands of the Arts Faculties were the worst in terms of employability. Science and agriculture graduands were in the middle (71 percent and 69.7 percent, respectively).

While former Prime Minister S.W.R.D. Bandaranaike reportedly scoffed at the notion of his relatives attending Sri Lankan universities,<sup>12</sup> it was quite common for the elite to send their children to local universities until the 1970s. The current Prime Minister, Ranil Wickremesinghe, attended University of Colombo, though he is a member of the other major “ruling family.” Former Finance Minister Ronnie de Mel was also considered one of the richest men in the country. His daughter attended University of Peradeniya in the 1970s. But the picture has been dramatically different since the 1970s or 1980s. Few children of politicians, business leaders, senior government officials or even academics teaching in government universities send their children to government universities, with the exception of Medical Faculties. Whether the abandonment of the government universities was caused by a decline in quality or the end of draconian foreign exchange controls as a result of the 1977 liberalization of the economy is a question that requires further investigation.

These broad claims would, ideally be substantiated by systematic data collection,<sup>13</sup> but on the face, it appears that the expansion of government universities has been accompanied by their abandonment by the elite. The cause of the abandonment does not affect the claim that it is evidence of a decline in quality. If the trigger was economic liberalization, it only proves that Bandaranaike was right. Local government universities were mediocre from the 1950s; it was just not easy to send children to foreign universities.

## Experience from sectors that have improved performance

University education is a service industry. Therefore it is not unreasonable to compare it with other service industries, where performance has perceptibly improved over a short period of, say, a decade or two. We can look at the telecom and the healthcare industries. The justifications for comparison are given below in the text.

### Telecom<sup>14</sup>

The key driver was the introduction of competition, on the margins in 1989, and then at the center in 1996. Competition had a beneficial effect on the government-owned former monopoly because it was

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<sup>11</sup> Ministry of Higher Education (2012). *Graduand Employment Census 2012*.

<sup>12</sup> Gooneratne, Yasmine (1986). *Relative merits: A personal memoir of the Bandaranaike family of Sri Lanka*. C. Hurst.

<sup>13</sup> A simple exercise would be that of documenting the undergraduate degrees of the current Cabinet plus state ministers and deputy ministers. A similar analysis could be conducted for the governing boards of the leading chambers of commerce.

<sup>14</sup> Samarajiva, Rohan (2000). The role of competition in institutional reform of telecommunications: Lessons from Sri Lanka, *Telecommunications Policy*, 24(8/9): 699-717. <http://www.comunica.org/samarajiva.html> ; Samarajiva, Rohan (2001, February). Sri Lanka’s telecom revolution. *OECD Observer*. [http://www.oecdobserver.org/news/archivestory.php/aid/487/Sri\\_Lanka\\_92s\\_telecom\\_revolution.html](http://www.oecdobserver.org/news/archivestory.php/aid/487/Sri_Lanka_92s_telecom_revolution.html)

supposed to act as a commercial enterprise even though it did not provide adequate connections or quality. Once competition was introduced and an active regulatory agency started functioning, there was external pressure on the company to reform in order to improve performance.

Competition yielded conventional benefits such as downward pressure on prices and greater attention to quality of service. But even more important were the opportunities created for innovation.<sup>15</sup> For example, new ways for billing such as by the second instead of by the minute were introduced by the new entrants. Completely new ways of interacting with customers were introduced. It took some time for the incumbent Sri Lanka Telecom (SLT) to introduce innovations in customer service, but now it had the space to do so.

But that was not enough by itself. In 1997, the government partially privatized the company and gave its management to the minority shareholder, Japan's NTT, for five years.<sup>16</sup> The task was not easy, but the Japanese management team succeeded in changing the culture of the company, including the introduction of salaries based on performance rather than standard increments. Despite there being a few quarters with losses and the usual extraction of rents by political appointees, in general, SLT (the equivalent of the government universities) has improved its performance because its revenues and profits. It does not demand funds for capital expenditure from government, but instead contributes to the exchequer. Sector performance improved by leaps and bounds. Consumers are connected, have choice and enjoy prices and quality unimaginable in the government-monopoly days.

Most governments in the region failed to engage in the two kinds of actions (external pressure as well as internal organizational reform) intended to change the organizational culture of the erstwhile monopoly suppliers. The conditions for innovation were created for the industry, but could not be exploited by the government-owned incumbents who atrophied as a result. BSNL in India and BTCL in Bangladesh are on life support. Even though PTCL in Pakistan was privatized, it was done late and in settlement of money owed to the UAE. It is in the black, but the new owners appear to have had less success in changing the organizational culture.

In Myanmar, foreign management was brought in and so far, the company seems to be doing well. The consumers in all four countries are receiving better services, irrespective of whether the erstwhile monopoly is prospering or not.

One factor that distinguishes telecom from healthcare and HE is the absence of the option of finding alternative supply. It is possible for a single business or even a business park to establish high-quality telecom links to the outside world as was done using a 64 kbps dedicated data link for the first Offshore Development Center of Texas Instruments in Bangalore in 1984. However, efficient functioning of even an offshore center requires the ability to communicate with people and organizations in its immediate vicinity. For that, there no alternative to improving the performance of the national suppliers.

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<sup>15</sup> On the centrality of innovation to improved performance, see Ridley, Matt (2015). *The evolution of everything*. HarperCollins.

<sup>16</sup> The management contract was originally for 1997-2002, but was extended to 2003-04. NTT sold its shares to Maxis in 2008. See: Samarajiva, Rohan (2010 April 4). Sri Lanka's counter-productive nationalism, *LBO*, <http://ftp.lankabusinessonline.com/news/sri-lankas-counterproductive-nationalism/498128015>



## Healthcare

The supply of healthcare in Sri Lanka is less monopolistic than the supply of university education. Private supply of hospital services and the services of general and specialist physicians was never prohibited. In fact, government doctors fought for and won the right to offer their services to patients for fee, while keeping their government salaries and privileges.

Over the past few decades, the supply of private healthcare has expanded rapidly, but with clearly distinguishable impacts on the different income deciles. There is minimal competition in the lower deciles, though political dynamics appear to be successful in delivering resources, though inadequate, for capital expenditures in buildings and equipment, and thereby to improve service quality to some extent. The principal shortcomings appear to be wait times (rationing), frequent unavailability of prescribed drugs and medical supplies, bad attitudes on the part of a significant proportion of personnel and periodic strikes.

In the upper deciles, there is considerable competition, both from private healthcare suppliers within the country and from those outside. Owners of private hospitals complain that the demands for the latest equipment are never-ending. This is said to come from the doctors more than from patients.

It is possible that the driver of improved performance in the healthcare sector is foreign exposure. It is mandatory for specialist physicians to spend time working in hospitals outside the country. So they know what adequate quality is and what to ask for in terms of facilities, unlike in other professions. But more importantly, they compete with foreign hospitals and physicians for the business of the highest-income customers. Indian, Singaporean, Thai and even UK and US alternative suppliers of healthcare services compete for that tier. This creates incentives for the private suppliers of healthcare services in Sri Lanka to continually improve their performance. It is possible that the upgrading of equipment in government hospitals is a by-product of this competition.

However, the parallel existence of government and private suppliers reduces pressure for reform of the government supplier in a different way. As pointed out by Albert Hirschman, the politically and economically powerful are the first to defect when quality begins to decline in a government supplier.<sup>17</sup> This may reduce pressure to reform.

It is possible that the telecom sector was reformed despite serious opposition,<sup>18</sup> because an easy workaround for the telecom network was not available to the elite. In contrast, elite families have been able to find workable alternatives with which to satisfy their needs in healthcare and HE. As the elite withdraw from the government supplied sector, the pressure for reforms to reverse its declining quality ease. This results in further declines in quality, leading to near-elite families to exit the sector, which leads to further decline. This is the spiral of decline. The Indian and Bangladeshi government telecom suppliers went the full distance and are now close to bankruptcy. Sri Lanka Telecom was saved from this sad fate. The question that requires consideration is where Sri Lanka's government universities are in

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<sup>17</sup> Hirschman, Albert O. (1970). *Exit, voice and loyalty: Responses to decline in firms, organizations and states*. (pp. 59-60). Harvard University Press.

<sup>18</sup> Samarajiva, Rohan (1997). Institutional reform of Sri Lankan telecommunications: The introduction of competition and regulation, in *Telecommunication systems in Western Asia and the Middle East*, ed. E. Noam, pp. 38-61. New York: Oxford University Press.

the spiral of decline. Are they at a point where rescue is possible, like with Sri Lanka Telecom? Or are they too far gone?

## Lessons

Performance has improved in two service sectors that have significant commonalities with the higher education (HE) sector. Telecom, where significant reform actions were taken, shows the most improved performance. However, it differs from the HE sector in two important aspects:

1. It was always a commercially driven sector where it was expected that costs would be recovered and surpluses would be made.
2. As a result, the services were never offered free of charge.

No explicit reforms were undertaken in the healthcare sector. However, the resolution of the tussle over private service supply (channeling) by government doctors in favor of the latter and the non-erection of barriers against private hospitals were de facto reforms. They appear to have contributed to improved performance at least in some segments.

In both sectors, competition was a factor contributing to improved performance. Unlike in the telecom sector, suppliers at the higher end of the healthcare market face competition from suppliers abroad. Here, the HE sector is like healthcare sector and unlike the telecom sector.

It is difficult for private suppliers to compete against a product of however poor quality when it is sold for a zero price.<sup>19</sup> But we have to ask what the product is, and what quality means.

The product in the case of telecom is the ability to communicate with persons not in the same space. The product in the case of healthcare is relief from sickness. But in the case of higher education, as it was shown above, it is not education. It is a credential.

If the quality is bad in telecom, we cannot communicate. In the case of healthcare, poor-quality service results in death or persistence/worsening of sickness. But in higher education, the test is whether the credential will get one a job. In Sri Lanka, university education yields a credential for those who complete the exams. The private sector may not give jobs to those with the government-university credential, but as long as someone does, it cannot be said to suffer from unacceptable quality.

There was loyalty to the historical supplier in telecom, but over time, people switched. As they switched, the company had to respond with better-quality service because it was functioning in a commercial context. But in HE, quality, defined in terms of employability, is more or less the same. In certain areas such as law and medicine, the credentials obtained from private suppliers from within or outside the country are actually of lower “quality” when measured in terms of employability in Sri Lanka. The product is priced at zero. As a result, there is no pressure to improve the quality of the secondary product of the government universities.

There are no incentives and no opportunities for suppliers within the government system to innovate.

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<sup>19</sup> In elementary and secondary education, for-fee suppliers effectively compete against free supply, who have to rely on all sorts of coercive measures to safeguard their position. One protective measure is exclusion of those who complete K-13 education outside the government system from admission into government universities.

In healthcare, poor quality causes customers to switch from the zero or near-zero priced product to higher-priced products offered by private suppliers. The fact that in some cases the same core product (the same physician embedded in a different package of services) is offered by the “free” and “for-fee” suppliers makes the market murky.

In both HE and healthcare the elite have, for the most part, exited government-supply. It is now rare for politicians or even university teachers to send their children to government universities. In the healthcare sector, even the Minister in charge of the subject goes to Singapore for medical care. Lacking powerful consumers who will create pressure to improve service, service will further decline in quality. Incentives will be created for more consumers to exit the government suppliers for private supply. The spiral of decline will continue.

## Options for reform

There have been many exhortations to do better. But if internal reform alone was enough, results should have been evident by now.

What the telecom and healthcare experiences show is that kind of external pressure is necessary, even if not sufficient. It is unlikely that the form of external pressure that proved effective in telecom, competition from private providers, will work with HE. Private higher-education providers may be able to compete, especially in niche segments, but it will be harder for them to compete on credentials, which is the principal product of the higher-education sector.

What the telecom experience also shows is that internal reforms must be implemented along with application of external pressure through competition if the survival government monopoly is a policy objective. In India and Bangladesh, vested interests within the monopolies blocked internal reforms. As a result, the government firms atrophied.

### **Box 1: Rough outline of how Singapore improved quality in government universities**

The strategy used by the government of Singapore to improve the performance of the original government university, the National U of Singapore (NUS), included competition as one element, but not the only one.

Land and buildings were provided to a new university, the Singapore Management University (SMU), which brought in a significant number of expatriate faculty members and new innovations, and the credentials were not inferior in terms of employability. The fact that the private sector was the primary source of employment for the graduates of both universities (actually another competitor existed at Nanyang Tech U) helped. Gradually, SMU was weaned off subsidies and is now a normal competitor to NUS and NTU. The quality of management education in all three universities improved.

The government may consider implementing the Singapore solution for a defined segment, such as engineering education. But even then, there is the problem of economic incentives when the supplier targeted for reform offers the service at a zero price. The credential offered by the target entity is also more established. So it appears that a necessary condition for reform would be a move toward pricing the product, at least in the form of HE accounts that have to be paid back in some form (see Box 2).

Another condition for the success of the Singapore solution would be reform and regulation of the credentials system. The existing system on one hand unduly privileges government universities and on the other hand exerts minimal control on credentials.

## **Box 2: Outline of an organizational architecture**

The existing University Grants Commission (UGC) has failed to provide leadership to the sector. The government itself is bypassing it, keeping new entities such as the Ocean University outside its jurisdiction. The government should replace the UGC with an organization, which may be called the Tertiary Education Funding Agency (TEFA). It would focus its energies on the funding side: the maintenance of student educational accounts, out of which higher educational institutions, for-profit as well as non-profit and those that provide virtual learning as well as those that provide hybrid forms, derive their revenues. It will define the border between institutions eligible for funding and those that are not. Here, the new TEFA will collaborate with a credentials management agency. In addition, the TEFA will work with the government revenue authority to ensure that those who must pay back funding received through education accounts do so.

Credentials would be given out carefully. They will be regulated not so much in terms of certain pre-conceived definitions of what constitutes knowledge but in terms of truthful reflection of what has been learned. Facilities will exist for employers to check the credentials of job applicants and get a full understanding of what they have learned.

Managing credentials may not be enough. It will be necessary for the government to cease to be the employer of last resort. As long as the government keeps employing graduates with no concern for quality defined in terms of education and skills, it is unlikely quality in these dimensions will improve because the market signals will not be communicated properly.

Possibly the greatest difficulty in implementing the above solution is the selection of the segment of the HE sector for reform. Possibly the only segments that have the potential to yield results within a short time (2-5 years) are fields such as medicine, engineering and management education. But there may be difficulties where the important stakeholders' (especially the faculty members') perceptions of quality diverge significantly from those of outside experts and/or international comparative rankings. The academic leaders and the faculty members must be capable of responding to the external pressure from the competitive new entrants, or as in the case of SLT, they must have the ability to recruit the required people.

In other fields where the faculty members may not think of themselves as providing a high-quality HE product such as in the Arts Faculties, it is doubtful that the existing faculty members can improve quality as a response to competitive pressure. Here, there appears to be few alternatives short of a complete re-staffing of low-quality educational units (please see Annex 1 for the outlines of this solution).

It is also worth thinking about an option modeled on the ad hoc solution that emerged in the Sri Lanka healthcare industry, wherein government doctors fought for the right to offer private services while still holding their government jobs. If the credentials and costs problems are addressed at least partially, there may be a possibility of attracting private suppliers beyond the favored fields of accountancy and medicine.

In Bangladesh, it appears that a similar situation is common in the HE sector, where the faculty members who are good at teaching tend to work in private universities while holding down their government jobs. Like in the Sri Lankan healthcare sector, this results in those good at their job making a significant premium over those who are mediocre. One could argue that the two jobs are different in that university faculty members are also expected to conduct research.<sup>20</sup> It is unlikely that private universities, at least in the early stages, will want moonlighting faculty members to conduct research. It is possible that this could disincentivize the few who engage in research. One solution would be to increase research funding, target the funding only to a few, and allow them to buy out their teaching commitments. Thus, the basic compensation package would be from (a) government + private teaching for many; (b) less teaching and mostly research for a few at government universities; and (c) just the teaching for the mediocre at government universities.

Incentives have been created for continuous quality enhancements in the healthcare sector not only because government doctors have been allowed to moonlight. The other factor has been a requirement that they should spend at least two years abroad. There may be value in requiring a minimum of two years spent in research or teaching abroad for promotion to Associate Professor at the university. Alternatively, a decision could be taken to halt the grant of local PhDs. If that be too draconian, one could cease to recognize local PhDs for promotion in the university system, or at the minimum implement the “no-incest” rule.<sup>21</sup>

It is not enough to say that only foreign PhDs are recognized. It may be necessary to provide funding for study abroad. Sri Lanka is now a lower middle-income country and should be able to do this.<sup>22</sup> But given the dysfunctional incentives that are at play within our universities (the weak recruiting/promoting the even weaker), the selection for these foreign scholarships will have to be entrusted to foreign or at least to expatriate Sri Lankan scholars.

When China was reforming its universities after the devastation wreaked by the Cultural Revolution, the government sent large numbers of young people abroad to obtain degrees. But it did not neglect the senior scholars who had suffered during the Cultural Revolution. Understanding that it was unrealistic to expect them to successfully complete PhDs, they were sent abroad simply to observe and to be exposed to high-quality HE. It would have been expensive, but as Annex 2 shows, some Chinese universities were reformed and are now among the highly ranked in Asia.

But the elite have found ways to solve the HE service-quality problems for their families. It is only the middle classes and the poor who suffer from the poor quality of government-supplied HE services. As evidenced by the increasing rates of non-acceptance of government-university admission offers and the increasing gender imbalance in the student population (except in Medical and Engineering Faculties), the flight from government universities may be gathering momentum.<sup>23</sup>

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<sup>20</sup> But the evidence seems to point to most government university faculty members not conducting any research. See Annex 2.

<sup>21</sup> Credentials obtained from the hiring university will not be recognized, unless it can be demonstrated that the credential-granting unit is the highest ranked in the country.

<sup>22</sup> This is a good use of the promised extra spending on HE by the government.

<sup>23</sup> Longitudinal data on non-acceptance of admission and on the increase of women students by academic unit would be very useful.

The flight from government universities of the relatively better-endowed social segments is possibly the biggest barrier to reform. Unless the spiral of decline is halted, it is likely that government-supplied HE services in Sri Lanka will soon resemble bus services in most mid- and small-sized US cities: a niche service that provides poor-quality mobility services to those with no other options.

## Annex 1

Excerpts from Choices: “Restart” Sri Lanka university faculty

LBO, 21 Sep 2010. <http://ftp.lankabusinessonline.com/news/restart-sri-lanka-university-faculty/899793203>

Rohan Samarajiva

When all else fails in a modern computer, we hit “restart.” The machine powers down, clears all kinds of dysfunctions from the system and starts fresh. Not a panacea, but works most of the time. This is what we need to do with our universities. All else has failed.

.....

### The problem

Sri Lankan universities do not appear in the principal world university rankings; they do not appear even in the available ranking of Asian Universities (<http://www.topuniversities.com/university-rankings/asian-university-rankings/overall>).

Sixteen institutions appear in the Webometrics rankings ([http://www.webometrics.info/rank\\_by\\_country.asp?country=lk&zoom\\_highlight=lanka](http://www.webometrics.info/rank_by_country.asp?country=lk&zoom_highlight=lanka)) but they occupy places from a high of 2,185<sup>th</sup> for the University of Colombo to a low of 11,996<sup>th</sup> for the Eastern University. I cannot fathom how one can be pleased with being ranked as low as 2,185<sup>th</sup>, unless the pleasure is derived from being ranked at all.

Rankings, especially those that give significant weight to publications, citations and reputation among peers, measure the quality of faculty (or the academic staff). They tell us that the quality of the faculty at Sri Lankan universities is poor.

Additional evidence on faculty quality exists. An annex to the Corporate Plan 2003-2008 of the University Grants Commission of Sri Lanka contained a study of the quality of university faculty in the humanities and social sciences (H&SS) in 2004-05, benchmarked against University of Dhaka and University of Malaya (also at <http://www.sljol.info/index.php/JULA/article/viewArticle/310>). It merits extensive quotation:

“... even University of Dhaka ... had 47% of faculty holding PhDs while University of Colombo had only 37%. Universities of Malaya and Hong Kong showed 43% and 90% respectively ... With the average for the Sri Lankan university system at 30% and the total number of Humanities and Social Sciences faculty in the system being close to 1000, this means that the Sri Lankan system needs 200 more PhDs to reach the lower end of regional benchmarks on faculty qualifications.”

The report states that 8 percent of H&SS faculty held local PhDs. Given the questionable quality of these degrees, the actual number of qualified faculty may be seen as even lower than 37 percent.

The report looked at publications of scholarly articles by faculty as a proxy for general productivity.

“H&SS faculty in Sri Lanka published 0.23 international publications and 0.70 national publications per faculty member. The survey also showed that 12% and 23% of faculty, respectively, had one or more international and national publications.”

The last sentence requires elaboration. It says, in effect, that 88 percent of H&SS faculty do not have any international publications to their name. There may be excuses for this miserable performance internationally. But what of local publications, in journals edited by their own? Seventy seven percent of the faculty (close to eight out of ten) have none: zero, nada, zilch.

The total lack of publication by 77 percent of those teaching show that the students in our universities are, for the most part, drinking from the fetid and stagnant pool referred to in the quotation from the above UGC document:

“He who learns from one occupied in learning, drinks of a *running stream*. He who learns from one who has learned all he is to teach, drinks ‘the green mantle of the *stagnant pool*.’”

*A. J. Scott, the first Principal of Owens College, Manchester, 1851*

... ..

So we have not only unproductive and low-quality faculty. We have procedures in place that allow the unproductive to flourish.

This is no surprise. Faculty select their successors. Poor-quality faculty will select more poor-quality academics. Because they want to be the big dogs in the pound they admit only weaker animals. The big dogs retire, and the weaklings replace them. They apply the same logic, admitting even weaker dogs, and so on. We have a spiral of declining quality.

... ..

### The solution

Asia’s greatest university, Nalanda (427-1197 CE), Europe’s first university, Bologna (1158 CE- present) and the first university in the United States, Harvard (1636 CE – present) and many of the world’s greatest universities emerged from religious settings. It is therefore appropriate to look to religious context for guidance on how to reform the university system. The solution lies in the bringing of upasampada from Thailand (Siam) and Burma (Ramanna and Amarapura). If we model ourselves on how the sasana was restored in the 18<sup>th</sup> Century, we may yet be able to create real universities in this country.

Lord Buddha set out strict rules for ordination of monks. Five monks in good standing are needed to ordain a monk. In the time of the Kandyan kings, it was not possible to find five such monks. The Most Ven. Velivita Siri Saranankara Thero (1698-1778), the last Sangaraja, emerged in this setting.

He did not take the easy route of defining away the problem and making do with five Ganninanses. He persuaded King Kirti Sri Rajasinghe (1747-82) to seek the assistance of the King of Thailand to send learned monks to establish the upasampada in Sri Lanka.

All had to go through studies and necessary steps in order to be ordained as monks, irrespective of age and seniority. The decisions were made by the Ven Upali Thero and the other Thai monks. There may



have been the usual objections to foreign influence, but the leadership of the Sangharaja overrode those petty objections. We still call the order thus established by Ven. Upali, the Siam Nikaya.

This is what is needed to put the Sri Lankan universities right. A faculty” reset.”

Highly qualified, foreign faculty must be recruited for each of the disciplines and given the authority to interview and place the current faculty in positions commensurate with their qualifications, output and productivity (or direct them to gainful employment elsewhere). They would also oversee the reform of university curricula, internal procedures, and of course, incentive structures (of which more later).

Ideally, resources would be available to give remedial training to the willing seniors in the same way Upali Thero remediated the Ganninanses. Once this “reset” has been completed, the modern equivalents of the Upali Thero may depart, hopefully having contributed to the transformation of the dysfunctional culture of the universities in conjunction with other necessary reforms.

A variant would be to recruit the “reset teams” from among the many Sri Lankans teaching at reputable universities abroad. While this will assuage nationalistic sentiments, it is sub-optimal.

When career- and life-changing decisions are made, it is best that they be done in the most transparent manner by the most objective of decision makers. However eminent our expatriate faculty may be, there will always be suspicion that they were influenced in one way or another. It is best that the reset button be under the control of those who have no old-school or family ties with the affected parties.

This is not the only remedial action that is necessary to restore the higher educational system to the level that existed in the post-independence period, if not to the glory of the Nalanda-Taxila-Abhayagiri-Vikramashila era, when South Asia was the intellectual powerhouse of the world. But without this critical action, no other reforms are likely to succeed.

## Annex 2

### Tertiary education 2020: Quadrupling intake and placing a Sri Lankan university in the Asian Top 30

*Financial Times*, 28 October 2014. <http://www.ft.lk/2014/10/28/tertiary-education-2020-quadrupling-intake-and-placing-a-sri-lankan-university-in-asian-top-30/>

Rohan Samarajiva

The 2015 Budget Speech included a commitment to increase the number of students entering universities to 100,000 by 2020. The current intake to government universities is 25,000 per year, with another 30,000 qualified but not admitted, according to the Minister of Higher Education. The budget speech also stated that the government will ensure that Sri Lankan universities will be among the Top 30 of Asian universities by 2020.

Are these objectives contradictory? Can both quantity and quality be increased at the same time?

#### The challenge of quality

The QS Asian University Rankings assess the Top 300 universities in Asia. Only one Sri Lankan University makes the list: the University of Colombo. It is in the 201-250 range out of 300 in 2014. In the previous two years it had been at the bottom, in the 251-300 range.

South Asian universities with similar profiles can help place this in perspective. The University of Delhi is ranked 81<sup>st</sup> out of 300. The Quaid-i-Azam University in Pakistan is ranked 123<sup>rd</sup>; and the University of Dhaka is in the 171-180 range. Colombo is behind all three; every other university in Sri Lanka is behind Colombo.

The leading universities in South Asia are the specialized engineering institutes: seven IITs are in top 100 with IIT Delhi leading in 38<sup>th</sup> place. In Pakistan too, the leading institution is the Pakistan Institute of Engineering and Applied Science in 106<sup>th</sup> place. Surprisingly, Sri Lanka's University of Moratuwa and Bangladesh's BUET fail to make the list.

Given where we are now, the task of placing even one Sri Lankan university in the Asian Top 30 within five years, currently dominated by China, Hong Kong, Korea, Singapore and Taiwan, is no small ambition. The picture is no different if an alternative ranking is used. No Sri Lankan university is included among the 500 covered by the Academic Ranking of World Universities published by the Shanghai Jiao Tong University; East Asian universities lead among the Asian institutions as in the QS Ranking.

#### The challenge of quantity

Currently, we admit around 25,000 students a year to low-quality government universities. To teach four times as many students, it would be necessary to recruit additional faculty. If the pool is unchanged, the increased demand will result in lower-quality faculty being hired. This is what happened when too many regional universities were established by the Kumaratunge government. Faculty quality is the principal determinant of university quality. Therefore, university quality will decline.

There is little debate about the need to improve the quality of university education in Sri Lanka. According to official data, a majority of the graduates in the Arts stream are unemployable. Their career path is that of conducting street protests and then getting absorbed into government service.

Currently, there is a concerted effort to improve the quality, defined in national terms, of the education imparted by government universities. This is not an unrealistic exercise, even with the present stock of low-quality faculty. However, the President has changed the quality criteria from nationally-defined to internationally-defined. This is hard enough. But when it is combined with the dilution effects resulting from a quadrupling of the intake, one cannot but commiserate with the officials responsible.

### Expanding tertiary educational opportunities

Sri Lanka should increase its tertiary school enrolment to keep up with its peers. The comparison below may come as a surprise to those accustomed to think of Sri Lanka's educational attainments as exemplary. In this comparison, it leads only in secondary school enrolment. Its tertiary enrolment rate should at least be above that of Vietnam, a country with a lower per-capita GDP. Ideally, it will approach Thai levels.

**Table 1: Comparative education-relevant data**

	Myanmar	Nepal	Sri Lanka	Thailand	Vietnam
GDP per capita (USD)	1,156	730	3,212	6,120	1,895
Population/'000	51,419(2014)	26,494(2011)	20,271(2012)	65,500(2010)	89,709(2013)
Literacy rate adult (15 and above)/%	92.7(2011)	57.4(2011)	91.2(2010)	93.5 (2005)	93.4 (2011)
Secondary school enrolment/%	50 (2010)	67 (2013)	99 (2012)	87 (2012)	N/A
Tertiary school enrolment/%	14 (2011)	14 (2011)	17 (2012)	51 (2013)	25 (2012)
Median age of population	27.9	22.9	31.8	36.2	29.2

Source: Compiled by author from multiple sources including data.worldbank.org.

But should this be university enrolment, or tertiary enrolment, including university? Expansion of university seats without a corresponding expansion of appropriate employment opportunities in the 1960s was widely seen as contributing to the emergence of Sinhala and Tamil insurrections in the 1970s and 1980s.

Where are the jobs? For example, it is estimated that the hotel industry will need 200,000 employees by the time we reach the target of 2.5 million tourists in 2016 or a year or two after that. It is obvious that no more than a small fraction will require university degrees or equivalents. There is a shortage of skilled workers in the hotel industry, but the answer to that problem is not more university seats. In fact, expanding subsidized university seats may create worker shortages in critical areas, given Sri Lanka's youth population is not growing, as shown by the high median age.

So the first thing to be done is to redefine the objective set out in the 2015 Budget speech as 100,000 entering tertiary education by 2020. The second thing is to expedite the conversion of the technical colleges and similar entities scattered around the country into efficient mechanisms for the delivery of employment-focused tertiary education. To the extent possible, private tertiary education suppliers should also be integrated into the exercise.

In an ideal world, the institutions supplying vocational education will not be called universities. But less harm will be caused by calling them universities (after all, there is precedent in the oxymoronic University of Vocational Technology) than by expanding the current universities beyond reason.

### From 200<sup>th</sup> place to 30<sup>th</sup> in five years

If the objective is to have a Sri Lankan university among the Top 30 Asian universities within five years, nothing short of a “moonshot” will be required. A moonshot is an initiative that falls between an audacious project and pure science fiction; instead of an incremental 10 percent gain, it aims for 10x improvements, or change by an order of magnitude. The combination of a huge problem, a radical solution, and a breakthrough technology that might just make that solution possible is the essence of a moonshot.

Five years after the end of the war and evidence of economic growth all around, the conditions are right for the government to launch a campaign to attract expatriate Sri Lankans back home. The centerpiece of this effort should be a new, green-field university.

If enough highly qualified Sri Lankans now living abroad can be enticed to return (along with a smaller proportion of qualified non-citizens to fill gaps), increased demand for university faculty will not result in lower quality throughout the system. If the new institution is headed by good scholars, they will tend to hire other good scholars, unlike the existing universities where the weak people in charge hire even weaker individuals who are unlikely to threaten their positions.

To attract those who have lived abroad for many years, good compensation packages will have to be offered. Reactivation of the suspended dual citizenship scheme and providing good schooling options for the children of the returnees are among some of the other essential elements.

Since the target is the Top 30, the new university will have to be designed around the indicators that are given weight by ranking organizations. This would mean that significant weight would have to be given to research and publications. This will not be possible unless faculty are relieved of the massive teaching responsibilities imposed on those in the extant universities.

High-quality faculty can be attracted by providing access to a high-quality research environment including intelligent and committed graduate students. In actual fact, few research scholars like to teach mass undergraduate courses. So the key to attracting them is a strong research environment. They will, in turn, attract good graduate and undergraduate students. The former will teach the latter for the most part, but interactions with star faculty will be assured within the curriculum.

The classrooms will be flipped by delivering content through Massively Open Online Courses (MOOCs) with face-to-face interactions with faculty and graduate students assisting them reserved for intense discussion and learning activities based on MOOC-delivered content. There could be a choice of the source of credentials from the new university and/or from “brand-name” universities delivering the MOOC content, at least in the first few years.

Using MOOCs as the base technology for a new kind of university staffed by returned Sri Lankans is a radical solution. It is a moonshot. But for a problem as huge as that of placing a Sri Lankan university in the Asian Top 30 within five years, nothing short of a moonshot will do.