

## Financing Technical and Vocational Education and Training in Sri Lanka

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### ABSTRACT

Over the past decade, the Government of Sri Lanka (GoSL), through its national strategies and policies, has prioritized developing the country's human resources. In particular, given the large number of youth that remain outside the formal education system, the government has focused on Technical and Vocational Education and Training (TVET). However, limited government budgets, particularly with the resources devoted to GoSL's Free Education Policy, have constrained TVET's development, leading to deteriorating quality, a widening skills gap, and increasing youth unemployment. Nonetheless, based on a literature review, focus-group interviews, and field visits, this study highlights some exemplary TVET financing cases that can provide lessons for future development. This study focused on: 1) financial limitations of Sri Lankan TVET, 2) case studies of financial breakthroughs, and 3) recommended policies for funding TVET in Sri Lanka. This study has found that increasing private sector investment, developing innovative financing, and expanding donor contributions offer options for expanding TVET financing in Sri Lanka.

**Keywords:** Technical and Vocational Education and Training (TVET), Skills gap, Youth unemployment, Human resource development, Resource mobilization

## INTRODUCTION

In Sri Lanka, only 9.4% of students enter state and foreign universities annually; the remaining 90% require skills training to improve their chances of employment. Only just over one-half of these are accommodated in Technical and Vocational Education and Training (TVET) institutes (NPD, 2014), leaving nearly 50% of Sri Lankan youth with no pathway to further education (Table 1). This has led to increased youth unemployment, or what is known as the Skills Development Gap by the National Planning Department (NPD) in Sri Lanka.

Furthermore, domestic and global industries claim that even Sri Lankan

TVET graduates – including those from the Vocational Training Authority, College of Technology, and Technical College – do not meet industry requirements in many cases, adding to the skills gap (Gunatilaka et al., 2010).

Importantly, GoSL recognizes the limitations of Sri Lankan TVET and has worked to improve the quality of TVET by upgrading facilities, curricula, and the National Competency Standard (NCS)<sup>1</sup>, as well as recruiting and retaining well-qualified TVET instructors (NPD, 2014). In addition, GoSL has tried to mobilize more funds from international donors and the private sector to sustainably develop the TVET sector.

**Table 1.** Student career pathway in Sri Lanka (2014).

Sub-components	Number
Number of school children who enter formal school education annually (including private schools)	360,000
Number of school children who enter state and foreign universities / higher education institutes per annum	34,000
Number of school children who require skills training per annum	326,000
Number of youth trained by public TVET institutes	116,000
Number of youth trained by private TVET institutes	58,000
Skills development gap	152,000

Source: Skill sector development programme of Sri Lanka: 2014-2020 (National Planning Department, 2014).

<sup>1</sup>The Tertiary and Vocational Training Commission (hereinafter TVEC) has been updating this, and is scheduled to finish by 2017 (based on an interview with TVEC).

GoSL has emphasized human resource development and larger investment on education for the socio-economic development of the entire nation, as stipulated in its National Development Strategy (Manhinda Chintana, *Emerging Wonder of Asia – Sri Lanka: 2006-2016*)<sup>2</sup>. In this regard, this study focuses on the financial limitations of Sri Lankan TVET, as well as provides case studies of financial breakthroughs and recommends policies for investing in TVET.

## METHODOLOGY

This study conducted a literature review, focus-group interviews, field visits, and observations.

The extensive literature review ranged from academic and policy documents (both published and unpublished), administrative reports, and secondary sources of back-up data and related statistics. Data and statistics were drawn from Annual Reports of the Central Bank of Sri Lanka, International Labor Organization, Asian Development Bank (ADB), World Bank, Ministry of Skills Development and Vocational Training (hereinafter MSDVT), Ministry of Education, Department of Census and Statistics, NPD, and TVEC.

To further strengthen the findings from the literature review, a series of interviews were conducted with TVET experts from the private sector

and donor agencies (including the German Development Cooperation (GIZ) and ADB); academics from universities and training institutions (including the Ceylon German Technical Training Institution (CGTTI), Automobile Engineering Training Institution (AETI), National Apprenticeship and Industrial Training Authority (NAITA), Vocational Training Authority (VTA), College of Technology (CoT), Technical College (TC), University College (UC), and University of Vocational Technology (UNIVOTECH)); and director-level government officials from MSDVT and TVEC. The interviews were conducted based on semi-structured interview questionnaires; additional interviews were also held targeting individuals and groups of interviewees.

In addition, field-visits were also made to the CGTTI, AETI, CoT, TC, UNIVOTECH, VTA, and NAITA, as well as vocational training institutions in automobile engineering, information and communications technology (ICT), and shipping and marine engineering. The study interviewed principals and teachers, as well as closely observed training classes and workshop management.

Since this study focused on how to finance TVET in the Sri Lankan context, the research methods listed above were used to answer research questions and clarify related issues.

<sup>2</sup>In addition, relevant policies and directions for the TVET sector are elaborated by the National Policy Framework on Higher Education and Technical and Vocational Education, which was formulated in June 2009, and the National Human Resources and Employment Policy, which was developed in 2012 (NHREP).

## RESULTS

### Financial limitations of the Sri Lankan TVET system

For decades, GoSL expenditure on education has been approximately 2% of GDP, below the OECD average<sup>3</sup>, in part due to the government's focus on developing the national infrastructure since independence in 1948, as well as the high costs of 26 years of civil war.

More recently, the National Development Strategy of Sri Lanka (Manhinda Chintana, 2006-2016) emphasized the development of human resources and expanding investment in education. Accordingly, GoSL has strived to revive the economy through the development of the education sector. Nonetheless, nearly one-half of the youth (152,000 out of 326,000) who require skills training are left outside the formal and TVET education systems; the TVET institutes cannot accommodate them due to budget constraints (NPD, 2014). At the same time, demand for qualified labor is increasing across industries, with the industries themselves also working to upgrade the facilities of TVET institutes (World Bank, 2014).

Importantly, the 'Free Education Policy' of GoSL also limits the financial resources available to the TVET system, and raises the question whether GoSL can maintain this

policy indefinitely. Since the growing demand for the TVET sector cannot be met by the national budget alone, GoSL must adopt a new modality of resource mobilization for the sustainable development of the Sri Lankan TVET.

Underfunding of the Sri Lankan TVET has affected the quality of teachers, curriculum, and training. Due to low salaries, there are fewer qualified teachers, leading to lower quality curricula and training, resulting in decreased levels of technical skills among students. As a result, the youth are less interested in TVET, and its reputation has fallen among the public (World Bank, 2014).

In addition, as the MSDVT stressed in an interview, G.C.E. Advanced Level (A-Level) or Ordinary Level (O-Level) education in Sri Lanka do not include technical subjects or training, so their graduates that are not absorbed into the higher or TVET education system are less prepared for the workforce, leading to youth unemployment.

### Cases of financial breakthroughs

**Increasing private sector investment.** The government runs nearly all primary and secondary schools in Sri Lanka. Likewise in higher education, with 15 state and only a few private universities in a country of 20 million people. In contrast, Sri

<sup>3</sup>Share (%) of government expenditure on education of some OECD members: Denmark (8%), U.S. (7.3%), U.K. (6.5%), France (6.3%), Japan (5.1%), Germany (5.0%), and Korea (3.4%) (OECD, 2010).

Lanka has 2,421 registered TVET institutes, of which 43% are private (TVEC, 2012). In addition, of the 1,148 TVET courses available at the TVET institutes, private and NGO institutes run 348. As such, the private sector is disproportionately active in Sri Lanka's TVET sector.

A few private TVET institutes are regarded as exemplary cases for the stability of resource mobilization, highly qualified teachers, strong curricula, good students with confidence in their skills and knowledge, and guaranteed employment for graduates. For instance, the Ceylon Institute of Nautical and Maritime Campus (CINEC) – a private TVET institute aimed at providing high quality higher education and vocational training in marine engineering and maritime studies from diploma studies to bachelors degrees – provides a good model. CINEC has successfully mobilized financial resources

and, as a result, it has been lauded for its high quality of training and high rates of employment compared to other public TVET institutes in the same area. CINEC was founded 30 years ago by a private maritime company, the Ceyline Group of Companies, to develop human resources in the maritime sector. Since then, it has provided a substantial amount of financial support to CINEC for training facilities, equipment, on-the-job-training (OJT), and employment.

**Developing innovative financing.** Some Sri Lankan TVET institutes offer examples of innovative financing, with extra revenue used to provide scholarships (or allowances) for students, incentives for lecturers, and for general operating support. For instance, the Ceylon German Technical Training Institution (CGTTI)<sup>5</sup> – a public TVET institute offering various courses in automobile engineering is known for its high standards, with

**Table 2.** Number of TVET institutes (2012).

Category	No. of institutes registered
Government	337
Statutory Board <sup>4</sup>	766
Private	1,051
NGO	267
Total	2,421

Source: TVEC Corporate Plan 2013-2017.

<sup>4</sup>Governed by a Chairman and Board of Directors representing various ministries assigned specific subject areas, such as youth affairs, education, industrial development, finance, labor, and the corporate sector.

<sup>5</sup>Originally, GIZ (German Development Cooperation) provided a substantial amount of financial support and technical assistance for the operation of CGTTI.

graduates easily finding employment after graduation – provides some examples of innovative financing.

Unlike most TVET institutes, CGTTI operates weekend classes and special courses during vacation, garnering additional revenue. In addition, CGTTI operates a ‘School Garage’ offering car repair at reasonable prices; this provides training for students and additional revenue for the institute. Both of these revenue streams are used to provide incentives to lecturers. Not generally accepted in the Sri Lankan context, these incentives are an example of innovative financing – and a significant reason why CGTTI can recruit and retain well-qualified lecturers in the field of automobile engineering.

The CGTTI Alumni Association is another source of additional revenue. CGTTI has been around for decades, with graduates closely attached to school. On a regular basis, CGTTI alumni provide recruitment information and opportunities for students, as well as scholarship and financial support for development of the school. The collaborative partnership between CGTTI and the Alumni Association is another example of an innovative financing model for the TVET sector.

**Expanding donor contributions.** To fill the financial gap in the TVET sector and to meet the objectives of developing Sri Lanka’s human resources and expanding educational investment as stipulated in the National Development Strategy (Mahinda Chintana), GoSL has sought financial

support from donor countries and development agencies. Particularly, the Skills Sector Development Plan (SSDP) 2014-2020 – which contains five policy targets (also referred to as Policy Thrust Area in the original SSDP document) and budget plans – is financially supported by the Asian Development Bank (ADB) and World Bank (WB). The five policy targets are as follows: 1) improve supportive policies, systems, and structures of the TVET sector to meet domestic and overseas labor market demands; 2) improve the quality of skills development programs; 3) improve the relevance of the skills development training system to address industry needs; 4) increase the participation rate in TVET by expanding access; and 5) improve recognition of vocational education and training.

SSDP expenditures are estimated at USD 961 million over the seven-year period 2014-20; GoSL will provide USD 520 million (54%) through its annual budget, and development partners are expected to contribute the remaining USD 441 million (46%). The ADB and WB have contributed USD 100 million each to the SSDP, but a substantial funding gap of USD 200 million remains (NPD, 2014) (Table 3).

To fill this financial gap, a ‘Thematic Trust Fund’ focusing on the theme of developing the TVET sector in Sri Lanka offers a way to mobilize additional financing. For instance, the Australian Department of Foreign Affairs and Trade has channeled USD 37 million through the World Bank

**Table 3.** SSDP financing plan.

Source of finance	SSDP (2014-2020)	
	(\$ million)	%
Government of Sri Lanka	520	54
ADB	100	10
World Bank	100	10
Other DPs*	41	4
Financial gap	200	21
Total	961	100

Source: Skills Sector Development Plan 2014-2020.

Note: \*Contributions of USD 41.4 million (USD 15.4 million from the Government of Germany for the establishment of a vocational training center in the Northern Province, under the framework of the SSDP; and a USD 26 million loan from the Export-Import Bank of Korea to establish the Colombo Vocational Training Center and Gampaha College of Technology) is included in the expenditure framework.

in a trust fund for the development of the education sector in Sri Lanka. In particular, along with bilateral and multilateral aid, trust funds have been used as a tool for additional resource mobilization to meet the financial challenges in development (Barakat et al., 2012).

## DISCUSSION

As evidenced by the large numbers of private TVET institutes in Sri Lanka, the private sector is active in the sector (TVEC, 2012). However, in the past, weak leadership, unclear policy directions, and the free education policy of the GoSL undermined TVET/industry cooperation, leading to a lack of financing and deteriorating quality of TVET institutes.

To help address this, GoSL should take the good models of CINEC and CGTTI into account and strengthen the mechanism of Public-Private

Partnership (PPP) by formulating supportive policies and legally binding regulations at the national level for the sustainable development of Sri Lankan TVET. As found in the CINEC case study, industries need to take a more active role in TVET institutes to help generate the skilled workforce they require. To do so, Corporate Social Responsibility (CSR) needs to be promoted; CSR is currently not well recognized or accepted by Sri Lankan industries.

In addition, national policies to mobilize significant TVET financing need to be taken into account. For instance, GoSL should raise tax revenue to better fund TVET, as it plays a pivotal role in Sri Lanka's national development, as stipulated in Mahinda Chintana and other relevant national policies.

GoSL also needs to prioritize its investments in TVET, given limited



budgets and the vast areas covered by TVET. In 2015, GoSL formed an Industry Skills Council (ISC) to coordinate the development of four selected industries: ICT, tourism, construction, and light engineering. The role of the ISC is to lessen the skills gap in these four industries, and the operation of the ISC will be led by industries to efficiently reflect their feedback and suggestions (ILO, 2015). GoSL should develop its budget plans – short-, mid-, and long-term – to maximize the outcomes of its financial investment in TVET based on the prioritization of industries.

This paper has shown that the financial gaps found in Sri Lanka TVET can be substantially filled by the methods above and, importantly, GoSL needs to foster the TVET sector by formulating supportive policies and regulations at the national level. Given that the skills mismatch that was found in the beginning of this study was largely derived from the financial limitations, with which the GoSL has been facing, the findings of this study will contribute to providing a key to the solution.

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