

FROM THE “WORLD’S TEA CUP” TO “ASIA’S KNOWLEDGE HUB”: CHALLENGES AND OPPORTUNITIES FOR SRI LANKA’S KNOWLEDGE ECONOMY

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In the article is discovered the way that Sri Lankan educational economy had passed within last decade to become one of the most important and developed markets in the South and Pacific Asia region. Here also are considered opportunities for further learning and innovation development.

A knowledge economy is one that creates, disseminates, and uses knowledge to enhance its growth and development (World Bank Group, 2016). Knowledge has always been at the core of any country’s development process. More recently however, the increased speed in the creation and dissemination of knowledge is making it an even more important ingredient in rapid economic development.

The Government of Sri Lanka has taken a keen interest to create a knowledge economy and to convert Sri Lanka as the Knowledge Hub of Asia. Even after the transition of power from President Mahinda Rajapaksa (2005-2014) to President Maithripala Sirisena with a new coalition Government, still this vision and strategy has not changed which shows the importance of a knowledge economy for Sri Lanka as a country.

Sri Lanka has come a long way from a lower income country to a middle income country. Sri Lanka's economy is transitioning from the factor-driven stage to the efficiency-driven stage, and that it ranks 52nd in global competitiveness (Schwab and Klaus 2011). According to Board of Investment of Sri Lanka (2016), the knowledge hub initiative will help to develop Sri Lanka as a destination for investments in higher education and position the nation as a centre of excellence and regional hub for learning and innovation. But the state university sector comprises only with 15 universities and 13 other degree granting universities/ Institutes which can accommodate only 15% of the high school graduates (Board of Investment of Sri Lanka, 2016).

The World Bank Institute has defined the knowledge economy as consisting of four pillars, which if strengthened, can result in growth and development. (World Bank Group, 2016)

1. *The business environment*: An economic and institutional regime that provides incentives for the efficient creation, dissemination, and use of existing knowledge.

2. *Dynamic information infrastructure* that can facilitate the effective communication, dissemination, and processing of information.

3. *Human resources*: An educated and skilled population that can create and use knowledge.

4. *Efficient innovation system* of firms, research centers, universities, consultants, and other organizations that can tap into the growing stock of global knowledge and assimilate and adapt it to local needs, as well as to create relevant new knowledge.

The Government of Sri Lanka has partnered with private sector to create an attractive business environment for multinational corporations to operate in Sri Lanka while grooming local start ups. Sri Lankan IT/BPM export revenue grew from USD 213 million in 2007 to an USD 720 million in 2013. Total employment grew from 33,700 in 2007 to an estimated 75,100 employees in 2013, and the number of companies in the industry grew from 170 in 2007 to over 220 in 2013. Projects such as “Colombo Port City”, “Trace Expert City” will serve these purposes and with the Government’s plan to establish a Mega Polis City in Western Province will further strengthen the business environment.

Infrastructure facilities are also being setup with PPPs. Sri Lanka was the first country in the South Asian region to introduce 3G, 3.5G HSDPA, 3.75G HSUPA and 4G LTE mobile broadband Internet technologies (Confederation of Asia-Pacific Chambers of Commerce and Industry, 2016).

As the first two pillars remain on track, there seems to be a limited development in 3rd and 4th pillars. According to the Department of Census and Statistics of Sri Lanka in year 2014, the computer literacy was 25.1%. In 2013 there were 149,572 students who qualified for the university entrance through General Certificate in Education Advance Level (GCE A/L) examination and only 25,643 students (17.17%) were admitted to the Sri Lanka state university system in 2014 according to the University Grants Commission of Sri Lanka. As at 25th October 2016, the 2015 academic year of the state sector universities have yet not even started and students are awaiting admission since September 2015.

The limited resources and opportunities available for higher education and tertiary education and lack of innovation and limited generation of new knowledge will affect knowledge economy heavily. There is a decline in new patents and inventions and innovative research papers in Sri Lanka. Thus there is a clear need for new knowledge and opportunities for higher education and R&D for Sri Lankans. More than 80% of the secondary school graduates do not have access to higher education through state sector while 100% of the international school graduates will not have access to any state university degree programme in Sri Lanka.

Even though government allocated 6% of the national budget for education in 2015, it is not sufficient to cater to the demand. Also if the country wants to move forward with a knowledge economy, it is essential to generate new knowledge. The best solution Sri Lanka should look at is

encouraging private education institutions and foreign universities to cater to the demand. The best model Sri Lanka can learn from is Malaysia. Malaysia is a leading knowledge economy who will be competing with Sri Lanka to be the knowledge hub of Asia.

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