



BUDGET BRIEF: EDUCATION SECTOR

SRI LANKA 2019

KEY MESSAGES:



There is a significant degree of institutional fragmentation in Sri Lanka's education sector. At present, there are three ministries that are responsible for different aspects of the sector at the central government level. The Ministry of Education is responsible for general education; the Ministry of City Planning, Water Supply, and Higher Education overlooks higher education; and the Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development and Vocational Training and Skills Development is in charge of Technical and Vocational Education and Training (TVET). Although such fragmentation has been a regular feature in the sector, the assignment of TVET in particular has shifted considerably in recent years. Clearly, such fragmentation and frequent changes in allocation of responsibility are not optimal from a policy perspective.



The education sector has received marked policy focus in recent years, with a flagship project that commits to providing 13 years of education. In its medium-term strategic plan and budgetary framework, the Ministry of Education commits to progressive increases in education funding annually, along with a shift in focus towards qualitative aspects of education.



There has also been a material increase in expenditure on education by the government. In real (inflation adjusted) terms, government expenditure on education increased between 2013 and 2016. Budget execution in the sector has also been robust except in 2016, which can be considered an anomalous year. Between 2013 and 2015, the average budget execution rate was 96 percent while 2016 was 78 percent.



Sri Lanka's expenditure as a percentage of GDP has been consistently lower than that of its regional and income peers. In 2012, government spending on education was 1.8 percent of GDP; by 2015, it rose to 2.2 percent of GDP. Despite this increase, Sri Lanka still lags behind its peers.



Education is a devolved subject and Provincial Councils (PCs) receive transfers from the Treasury, routed through the Finance Commission (FC), for regional expenditure on education. Rural regions tend to have weaker educational outcomes. As such, the government has made efforts to address regional disparities, with funding allocations to the provinces. The Northern Province, for instance, receives the highest allocation on a per capita basis, and the Eastern, Uva, and North Central Provinces receive comparatively high allocations on a per capita basis.



Sri Lanka performs well in terms of basic education indicators such as literacy (92 percent for population above the age of 15) and access to education [net enrolment rates of 99 percent (primary) and 90 percent (secondary)]. However, there are regional disparities, with enrolment rates in the estate sector being below the national average. Further, the enrolment rate at the tertiary level remains weak (19 percent). Educational outcomes in terms of exam performance have also been mixed, with a suboptimal, yet improving, record in key subjects such as Mathematics, English, and Science at secondary school level. There is also a significant divergence between educational outcomes from national schools (centrally managed) and provincial schools (regionally managed). An acute shortage of subject-specific teachers in rural areas, particularly in Mathematics, English and Science, as well as teacher absenteeism in remote areas, has contributed to these imbalanced educational outcomes.



1. INTRODUCTION



This brief is one of four that explore the context of government budgets in Sri Lanka. The first brief, on budget processes, describes chronological events pertaining to the budgets of national and sub-national governments. The remaining briefs, on Wash, Sanitation and Hygiene services (WASH) and health sector budgets, explore the extent to which these address the social concerns of citizens.

This brief, on Sri Lanka's education sector budget and expenditure, informs readers of trends in spending on these services in recent years. The analysis includes underlying policy goals and the functional and regional distribution of budget allocations. The main objective of the brief is to function as an informative piece on the education sector budget. As such, the brief summarizes budget information in a manner that would be easily understood by different stakeholders, including civil society and the broader population, who may lack technical knowledge on the subject. This piece also serves to increase transparency on how much is being spent to meet the goals of

the education sector. The brief is the result of a research partnership between UNICEF and Verité Research that aims to unpack the contours of government budgets in Sri Lanka.

Data for the brief was collected from Sri Lanka's Central Government Annual Budget Estimates 2013–2019. The sector includes budget allocations to the following line ministries: Ministry of Education; Ministry of City Planning, Water Supply and Higher Education (previously the Ministry of Higher Education/Ministry of Higher Education and Highways); and the Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development and Vocational Training and Skills Development (previously the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training and Skills Development and Youth Affairs/ Ministry of Skills Development and Vocational Training/Ministry of Youth Affairs and Skills Development). Specific budget heads for each Ministry are listed in Annex 1.

Budget allocations to the “Special Spending Unit” of the National Education Committee are also included as part of central government budget allocations for the education sector. Central government budget allocations have been added on to the budget given to each of Sri Lanka’s nine PCs for education-related expenditures. Data on education-related expenditures was obtained from the PC Budget Estimates for each province. Individual expenditures relevant to education were obtained from each of the provincial-level ministries that governs this subject including the Department of Education that is nested under the respective provincial-level ministries. Data from Annual Central Budget Estimates and PC Budgets has been combined with publicly available data from other independent organisations, such as the World Bank (WB).

Finally, local authority-level [municipal councils (MC), urban councils (UC) and *pradeshya sabhas* (PS)] data has not been included in this brief, because of the inherent difficulties and time constraints associated with accessing this information. For instance, data is not publicly available at the local authority level and would need to be obtained by physically visiting each of approximately 340 local government authorities. Further, disaggregated data for the education sector is not available at this level.

The brief was developed under several constraints:

- ▣ First, availability of and comparability of data/information varied over time. These variations are seen across the central government and the nine PCs. For example, while central government budgets are available in electronic format, this is not the case with PCs. Instead, in the case of PCs, past budgets need to be physically sourced directly from these entities.
- ▣ Second, ministerial portfolios have undergone significant ad-hoc changes, rendering a meaningful comparison of budgets from one year to the next infeasible. The fluidity and movement in portfolios have increased considerably since 2014.
- ▣ Third, as a result of the delay in the release of budgets (see Sri Lanka Budget Brief 2019: Cycle & Processes) and ensuing time constraints, 2019 budget data at the PC level was not obtained.
- ▣ Finally, disbursements at the local authority-level have not been considered in this analysis (as mentioned above), posing a significant constraint in the case of education, a sector which has considerable resource mobilization at this level.





2. HOW IS THE EDUCATION SECTOR DEFINED?

2.1 Institutional Framework

Sri Lanka's education sector can be broken down into three categories: general education (consisting of primary and secondary education), higher (or tertiary) education and TVET.

General and higher education are usually funded by the Government and offered free of charge. These services include the provision of textbooks, uniforms, subsidized public transport, meals and scholarships for poor students.¹ Although there are several private educational institutions in Sri Lanka, they only accounted for 0.72 percent of schools² and 5 percent of students in 2017.³

The responsibility for the provision of general education is shared between national and sub-national governments. The country has two types of schools, national and provincial, with the majority being provincial schools. The national (or central) government is responsible for developing and implementing policies, monitoring standards in educational institutions, training teachers, administering public examinations, managing financial resources in the education sector and overseeing national schools and universities⁴. Sub-national (or provincial) governments are responsible for the management of provincial schools, design and implementation of provincial-level education and development programs, supervision of teachers in provincial schools, and evaluation of provincial-level schools.⁵

In 2017, there were 353 national schools, 9,809 provincial schools, 754 *pirivena* (monastic) schools and 105 special needs schools.⁶ National schools, managed directly by the Ministry of Education at the central level, are primarily elite

and old state colleges (*madya vidyalaya*) that date back to the colonial period.⁷ The Western and Southern provinces host the greatest numbers of national schools, while the North Central province has the lowest.⁸ Expenditure on general education includes spending on national schools, provision of free educational resources, school libraries, monitoring of educational standards in international schools and teacher training programs.⁹

Expenditure on higher education includes spending on state universities, scholarship programs, provision of facilities for university students, and the development of vocational education opportunities. Both the state and the private sector are involved in the provision of higher education. Sri Lanka has 15 state universities and 18 Higher Education Institutes (HEI) under the University Grants Commission (UGC), and five additional government universities and one HEI that operate under the purview of relevant ministries.¹⁰ Further, the UGC recognizes the degree-awarding status of 21 institutes, both public and private, including two entities providing professional qualifications. It also recognizes foreign degrees offered by private institutions in Sri Lanka, conditional on the foreign university being listed in the Commonwealth Universities Yearbook or International Handbook of Universities.¹¹ In addition, the Sri Lanka Institute of Advanced Technological Education (SLIATE) and a number of other public and private institutions provide TVET in Sri Lanka.

Currently, there are three ministries that are primarily responsible for the management and development of the education sector at the central government level. They are:

1. ADB, Country Assistance Program Evaluation for Sri Lanka (September 2016). Available at: <https://www.adb.org/sites/default/files/evaluation-document/175387/files/cape-sri.pdf>.
2. There were 80 private schools in 2017 within a total network of 11,053 schools. See: Ministry of Education, School Census Preliminary Report 2017, p.45. Available at: http://www.statistics.gov.lk/education/School%20Census%20Report_2017.pdf.
3. Halil Dunder, Benoît Millot, Michelle Riboud, Mari Shoji, Harsha Aturupane, Sangeeta Goyal, and Dhushyanth Raju, Sri Lanka Education Sector Assessment: Achievements, Challenges, and Policy Options. Directions in Development (2017), Washington, DC: World Bank, p.60. Available at: <https://openknowledge.worldbank.org/bitstream/handle/10986/27042/9781464810527.pdf?sequence=2&isAllowed=y>.
4. Ministry of Education Sri Lanka, Education First Sri Lanka, (January 2013), p.53.
5. Ibid, p.56.
6. Ministry of Finance and Mass Media Sri Lanka, Approved Budget Estimates 2018, p.276. Available at: http://www.treasury.gov.lk/documents/10181/490927/V_02_Approved_E.pdf/0c832f1d-73b7-4fa7-8c31-641fe6e99ff3.
7. Ashani Abayasekara and Nisha Arunatilake, School Resources and Education Outcomes: Evidence from Sri Lanka (2018), Institute of Policy Studies of Sri Lanka.
8. Save the Children, Investing in Children in Sri Lanka: Child Centric Resource Analysis Full Report (2016), p.127. Available at: https://sri.lanka.savethechildren.net/sites/sri.lanka.savethechildren.net/files/library/Child%20Centric%20Resource%20Analysis_2016%20Sri%20Lanka_Full%20Report.pdf.
9. Stated under the key functions of the Ministry of Education (which is responsible for general education). See: Ministry of Finance and Mass Media, Budget Estimates 2018 Volume 2, p.275.
10. The five additional government universities are Sir John Kotelawala Defense University, Buddhist and Pali University of Sri Lanka, Bhikshu University of Sri Lanka, University of Vocational Technology, and Ocean University of Sri Lanka. The additional HEI is the National Institute of Education.
11. University Grants Commission Sri Lanka, Official website. Available at: <https://www.ugc.ac.lk/>.

1. Ministry of Education (responsible for the development and management of policies and programs for general education);
2. Ministry of City Planning, Water Supply and Higher Education (responsible for the development and management of policies and programs for tertiary education); and
3. Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development and Vocational Training and Skills Development¹² (responsible for the development and management of policies and programs for the TVET sector, in order to develop the skills of students and improve their chances of employability).

There are 14 Statutory Boards, 20 state universities and 22 teaching institutes under these three central government ministries as well as one special spending unit.¹³ The National Education Commission, classified as a special spending unit, provides educational policy recommendations to the President.

The composition of the three ministries in the education sector has changed significantly over the years, as shown in Table 1. These changes have also heightened the level of institutional fragmentation in the sector, circumstances that are not conducive to policy continuity and consistency.

TABLE 1 | Changes in the composition of ministries in the education sector from 2013–2019¹⁴

2013	Ministry of Education	Ministry of Higher Education	Ministry of Youth Affairs and Skills Development
2014	Ministry of Education Services	Ministry of Higher Education and Highways	Ministry of Skills Development and Vocational Training
2015	Ministry of Education Services		
2016			
2017			
2018	Ministry of Education Services	Ministry of City Planning, Water Supply and Higher Education	Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training and Skills Development & Youth Affairs
2019			Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development and Vocational Training and Skills Development

Source: Ministry of Finance and Mass Media, Budget Estimates 2013–2019.

12. TVET was gazetted under this Ministry of Industry and Commerce in March 2019. From December 2018 to March 2019, it was gazetted under the Ministry of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training and Skills Development and Youth Affairs. Prior to this, this ministry was known as the Ministry of Skills Development and Vocational Training and was wholly devoted to the development of the TVET sector.

13. The Statutory Boards and institutes include the National Institute of Education, the National Library and Documentation Services Board, the Tertiary and Vocational Education Commission, the Vocational Training Authority of Sri Lanka, the National Apprentice and Industrial Training Authority, the Sri Lanka Institute of Printing, the Skills Development Fund, and various other research institutes.

14. 2019 Ministry names are as at 16th January 2019.



In addition to the ministries mentioned above, the central government also transfers a portion of its funds through the FC to the nine PCs. Each PC has its own individual ministries and departments.

The structure of the provincial-level education sector is as follows:



In 2000, the Ministry of Education introduced the Education Quality Inputs (EQI)¹⁷ scheme, which provides for a formula to determine funding allocations to each school. According to this scheme, funds are assigned based on criteria including size of the school, grades available in the

school, and school needs. The Ministry introduced this provision to ensure greater autonomy to the schools and teachers over the decision-making related to improving education quality.¹⁸

15. At present, there are 97 zonal offices in Sri Lanka, with one office typically serving approximately 3-5 divisions and 100 schools. Source: R.S. Medagama, M. Selvarajah and Ajantha Dharmasiri, Study on Educational Planning and Management (National Education Commission 2016) Research Series (2014) 5, p.6. Available at: <http://nec.gov.lk/wp-content/uploads/2016/04/5-Final-.pdf>.

16. At present, there are 322 Divisional Education Offices, with one typically supervising 25-30 schools. See: R.S. Medagama, M. Selvarajah and Ajantha Dharmasiri (2016), p.6.

17. EQI are intended as all equipment, materials, instruments and services used to add up quality of education both to students and teachers.

18. Nisha Arunatilake and Priyanka Jayawardena, School funding formulas in Sri Lanka: Background paper prepared for the Education for All Global Monitoring Report 2013/4, (2013).

2.2 Strategic and Policy Framework

The policy document *Vision 2025* recognizes education and skills development as an integral part of Sri Lanka's development agenda. It also recognizes that the current education system fails to cater to the job market and suggests ways forward to tackle these challenges. The recommendations suggested in this regard include: (1) '13 years of guaranteed education', ensuring that every student has access to 13 years of education regardless of their performance at examinations; (2) increasing access to tertiary education by investing in non-state universities; (3) increasing investment in vocational training institutes in areas with high unemployment rates; (4) developing the knowledge of students in order to increase employability; (5) focusing on skills development programmes in sectors with greater employment opportunities; (6) improving access to education for differently abled persons; and (7) increasing access to education for women in order to increase the female labour force participation rate.

In collaboration with national and provincial counterparts, the Ministry of Education developed a *Medium-Term Strategic Plan for 2018–2025*. This plan sets out to strengthen equity, enhance quality, improve governance, and build up evidence-based policy-making in the education sector. Similar to *Vision 2025*, it commits to enforcing 13 years of mandatory schooling (currently it is 9 years) accessible to all, and to implement delegated decision-making, in order to improve system efficiency and learning outcomes to suit the demands of the future labour market. In its *Medium-Term Budgetary Framework*, the Ministry also commits to progressively increase education funding annually and to allocate a majority of education-sector resources to the provinces. Sri Lanka also adopted a *National Policy on Technical and Vocational Education* in 2018. Included in its objectives are policies intended to expand access to TVET, especially for women, vulnerable and disadvantaged people and to make TVET more relevant for the job market.

The National Education Commission (NEC), responsible for formulation and evaluation of the national education policy framework, also published several major reports containing policy recommendations. In 2016, the NEC presented a report including proposals for a 'National Policy on General Education in Sri Lanka', aimed at increasing the quality of education provided by national schools. The report focused on refining the curriculum for national schools; improving supervision, quality and affordability of pre-schools to enhance early childhood education;

improving the recruitment and training process of teachers; changing government examinations; improving the quality assurance system and planning and management in the education sector; developing educational facilities to enhance the learning environment; increasing investments in education and monitoring of spending of government funds; increasing access to and quality of career guidance in schools; changing the medium of instruction at different levels of national schools to increase students' use of their mother tongue; and enhancing special education and non-formal education.¹⁹

In 2009, the NEC released the *National Policy Framework on Higher Education and Technical and Vocational Education*. In regard to tertiary education, the policy framework focused on the expansion of the higher education sector; improvement of academic programs; development of linkages between Sri Lankan higher educational institutions and international institutions; professional bodies and internships; promotion of research, innovation and creativity; improvement of student discipline in higher education institutes; development of postgraduate institutes and study programs; and improved human resources management and administration.

In 2018, the NEC released an updated policy on the TVET sector. The framework focused on increasing access to TVET; rationalising training programmes at regional levels; enhancing relevance and quality of TVET programmes; improving linkages between TVET institutes and industry, employers, employees, tertiary and general education institutes; improving human resources in the TVET sector; and providing access for vulnerable and disadvantaged people.²⁰

Budget and Expenditure Analysis

This section of the brief analyses public sector spending trends in Sri Lanka's education sector. This analysis is based exclusively on budget and expenditure data that is publicly available. Specifically, this section focuses on budget and expenditure trends for the years 2012–2018 at the central and provincial government levels. Budget analyses for 2019 are limited to the central government level due to a lack of publicly available data at the provincial level, as at the time of writing.

19. National Education Commission, *Proposals for a National Policy on General Education in Sri Lanka* (2016). Available at: <http://nec.gov.lk/wp-content/uploads/2017/02/NEC-GEP-final-English6.pdf>.

20. National Education Commission, *National Policy on Technical and Vocational Education* (November 2018). Available at: http://nec.gov.lk/wp-content/uploads/2019/05/TVE_NP_2018_English.pdf.

3. WHAT TRENDS EMERGE FROM THE EDUCATION SECTOR BUDGET AND EXPENDITURE?

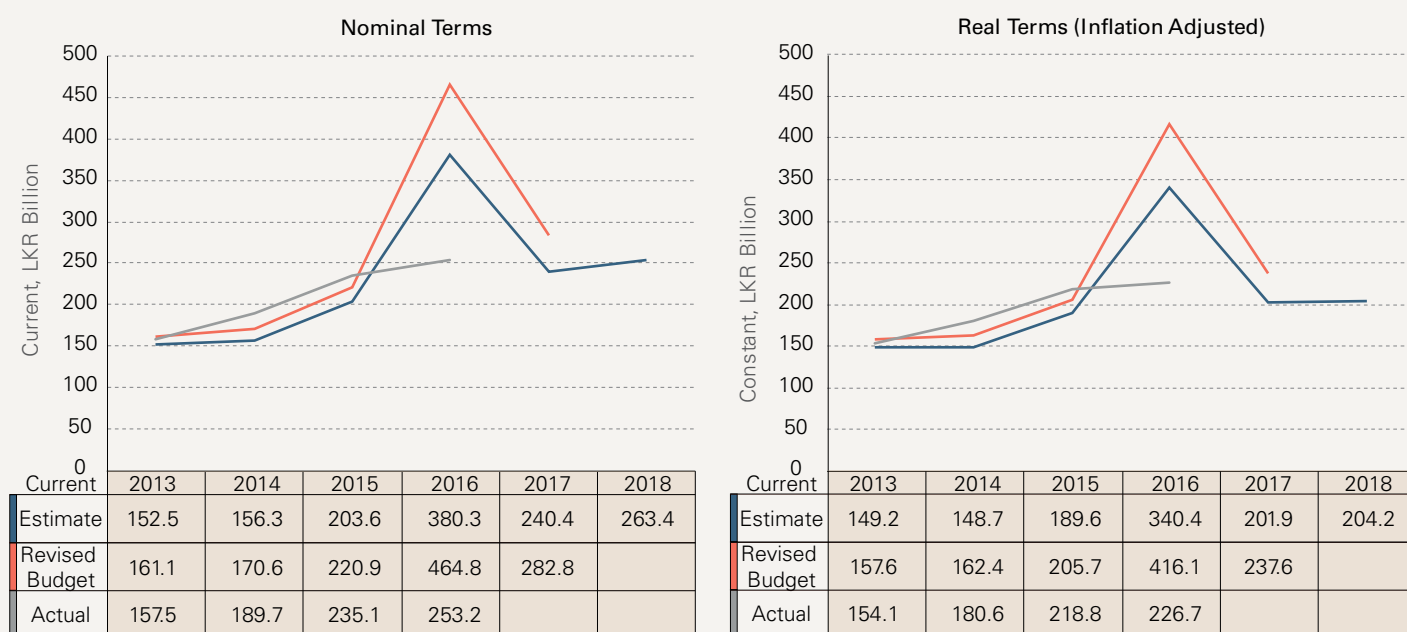


In 2019, Sri Lanka allocated LKR 197.2 billion to the education sector at the central level. This represents a 64 percent nominal increase relative to the central-level 2018 budget estimate, but only a 4 percent increase relative to the 2018 revised budget. In real terms, the 2019 central-level budget estimate for the education sector increased by 56 percent relative to the 2018 central-level initial budget estimate but did not vary compared to the 2018 revised estimate.

When looking at trends in aggregate budget allocations for the central and provincial levels, the education sector’s budget estimate grew by nearly 150 percent in nominal terms and by about 130 percent in

real terms between 2013 and 2016 (See Figure 1). The sector’s budget registered a particularly sharp increase in 2016, when the budget estimate rose by 87 percent in nominal terms and 80 percent in real terms. Similarly, the revised budget estimate grew by approximately 190 percent in nominal terms between 2013 and 2016 with a 110 percent nominal increase between 2015 and 2016. However, this spike in the initial budget and revised budget in 2016 was not accompanied by an analogous increase in actual expenditure for the same year²¹ (i.e. just a 7 percent increase relative to 2015) and was then followed by a decrease of approximately 40 percent in nominal and real terms both in the budget estimate and revised budget estimate for 2017.

FIGURE 1 | Education sector budgetary allocations



Source: Author’s own calculations using Ministry of Finance and Mass Media, Budget Estimates 2013–2019 and Provincial Council Budget Estimates 2013–2018.

Note: At the time of writing this brief, the 2017 public expenditure accounts had yet to be finalized.

The revised education budget²² was consistently higher than the estimated budget between 2013 and 2017. The deviation from the estimate averaged approximately 12 percent with the most significant difference registered in 2016, when it was 22 percent higher than the

estimate. The education sector’s expenditure on average varied by 8 percent from budgeting²³ between 2013 and 2016, whereas in 2016 it was 46 percent lower than the revised budget.

21. This was mostly due to the under-execution of the budget dedicated to some education interventions: particularly low was the execution of the 2016 budget allocated to secondary education and general education development projects (15 percent in both cases).
 22. As explained above, this refers to the aggregate sector expenditure at central and provincial levels.
 23. This is calculated by averaging the differential between the revised and actual budget.

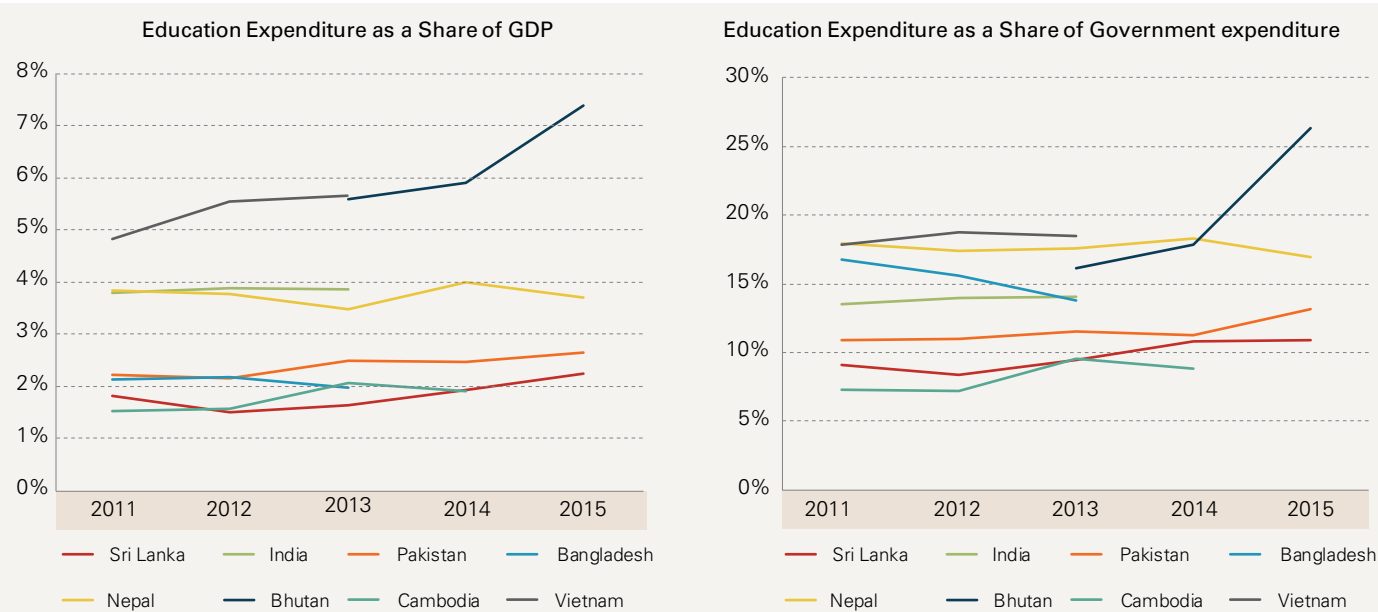


Sri Lanka’s government education expenditure as a share of GDP has been consistently lower than that of its regional and income peers (See Figure 2). According to WB data²⁴, the sector’s share of GDP grew between 2011 and 2015, increasing from 1.8 percent in 2012 to 2.2 percent in 2015.²⁵ Recent data from central and provincial budgets show the expenditure has remained fairly stable closer to the 2015 figure. Despite, the increase Sri Lanka still falls way behind its peers. For instance, India and Vietnam spent 3.8 percent and 5.6 percent in 2013. Bhutan

spent 7.4 percent in 2015.

Similarly, Sri Lanka’s government education expenditure as a share of total government expenditure increased over time but is still behind that of its peers (See Figure 2). Between 2011 and 2015, the share increased from 9.1 to 11.0 percent. However, it still does not match with the spending of its peers. For instance, Bhutan, Nepal and Pakistan spent 26.3, 17.0 and 13.2 percent in 2015 respectively.

FIGURE 2 | Sri Lanka’s education sector expenditure compared to peers



Source: The World Bank, World Development Indicator database.

Note: Expenditure is compared with selected countries from the lower middle-income categories and within the South and South East Asian region.

24. It must be noted that the methodology used by the WB in tracking the education sector’s expenditure may slightly differ from that of this report due to different levels of access to data.
 25. Although WB data is available until 2017, it has not been considered for this analysis because it shows a very high spike in the expenditure for 2016. This spike is not consistent with the data obtained from the central government and PCs. However, the WB data from 2013 to 2015 matches with the data used in this report.

4. WHERE DO EDUCATION RESOURCES COME FROM?



Sri Lanka's education sector is funded by both domestic and foreign resources at the central and sub-national levels. Domestic financing is predominantly sourced from tax revenue and government borrowings, while foreign funding comes mainly through grants and loans from international and bilateral donors.

Most of the recurrent education expenditure is sourced from Treasury funds through central or provincial-level governments. Funds provided by international and bilateral donors are also channelled through the Treasury.²⁶ As detailed in the introduction of this brief, a detailed breakdown of education funding at the provincial and local government levels is not publicly available. Therefore, it is not possible to break down the education funding into provincial and local government levels.

Sri Lanka's education sector is predominantly financed through domestic resources. At the central government

level, approximately 4 percent of public education expenditure was funded through foreign resources during 2013–2018, while the remaining 96 percent was funded through domestic sources. There is inadequate data on the breakdown of funding for education expenditure at the provincial and local government level. Donor monies finance a range of education quality improvement and infrastructure development projects. Some major foreign donors prioritize education and skills development, with the sector receiving the second largest contributions from the WB and Asian Development Bank in their respective portfolios.²⁷ Foreign funds are primarily channelled to the provinces through the Ministry of Education. However, in some instances, donors directly fund the Departments of Education in the provinces, such as in the case of the World Bank's *Transforming School Education as the Foundation of a Knowledge Hub* project.²⁸



26. Athula Ranasinghe, Nisha Arunathilake and D.D.P.M Dunusinghe, Study on Investment in General Education in Sri Lanka (National Education Commission 2016) Research Series (2014) 7. Available at: <http://nec.gov.lk/wp-content/uploads/2016/04/7-Final-.pdf>.

27. Department of External Resources of the Ministry of Finance of Sri Lanka, Performance Report 2018.

28. The Project aims to increase access to and quality of primary and secondary education to provide a foundation for the knowledge-based economic and social development of the country. See: Save the Children (2016), p. 126.

5. HOW ARE EDUCATION SECTOR RESOURCES SPENT?



5.1 Recurrent versus capital expenditure

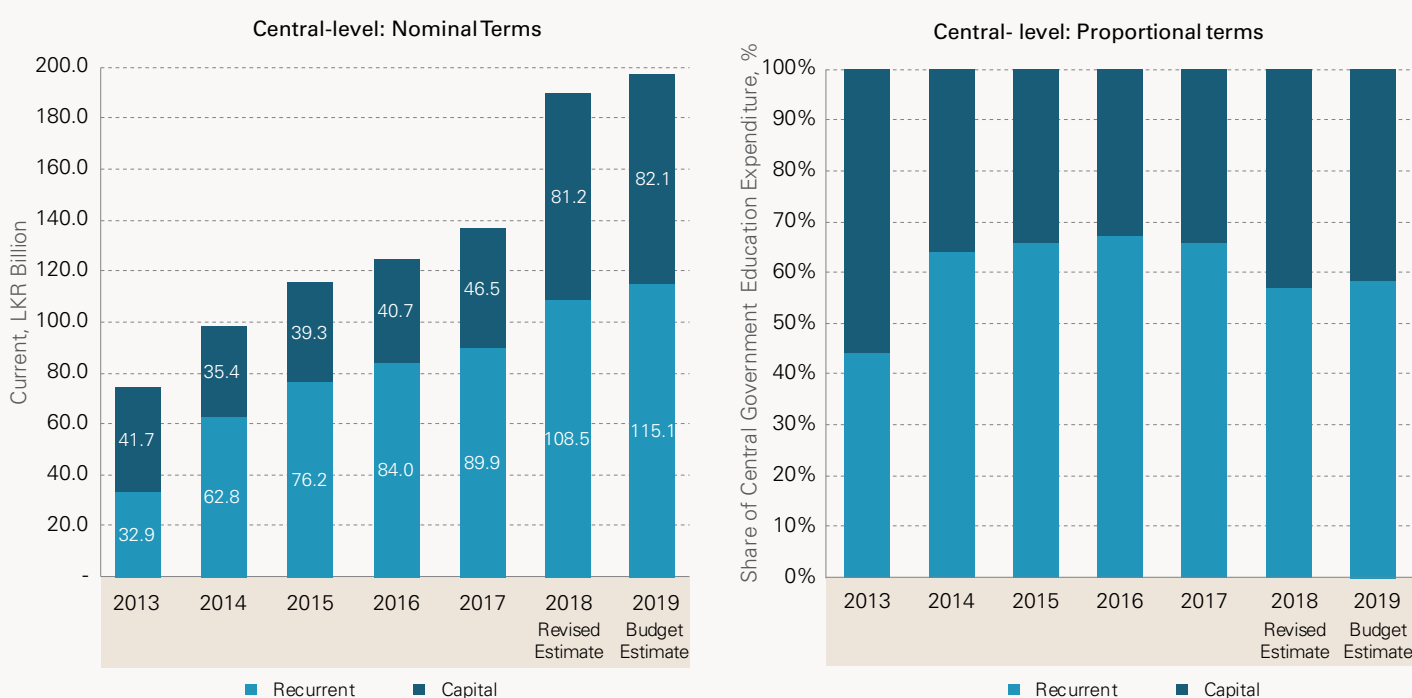
The government budget breaks down expenditure into two categories: recurrent and capital. Recurrent expenditure is the operational cost of the institution and includes spending on salaries/remunerations, goods and services, operating costs, transfers, and financial operations. Capital expenditure refers to expenditure aimed at improving the sector’s longer-term productivity and efficiency (i.e. construction of schools, libraries, additional classrooms, teacher training and curriculum development²⁹, etc.)

In terms of EQI allocation, the FC and the provinces jointly decide on the schools’ funds allocation according to a four-step formula for each type of expenditure (consumables, capital, repair and maintenance) based on the types of grades (primary grades or primary and secondary

grades) offered at the school and the school size.³⁰ Unlike urban schools, small rural schools are often unable to raise their own funds. As such, they depend on EQI allocations as the only source over which they have discretionary power.³¹

Recurrent spending dominates education sector spending both at the central and provincial levels (See Figures 3 and 4). Between 2013 and 2018, the ratio of recurrent to capital spending averaged 60: 40 at the central level and 96: 4 at the provincial level. Most of the provincial-level recurrent funding goes towards paying teacher salaries. Only a small portion, about 2 percent, is dedicated to EQI.³²

FIGURE 3 | Education sector recurrent versus capital expenditure at the central level



Source: Author’s own calculations using Ministry of Finance and Mass Media, Budget Estimates 2013–2019.

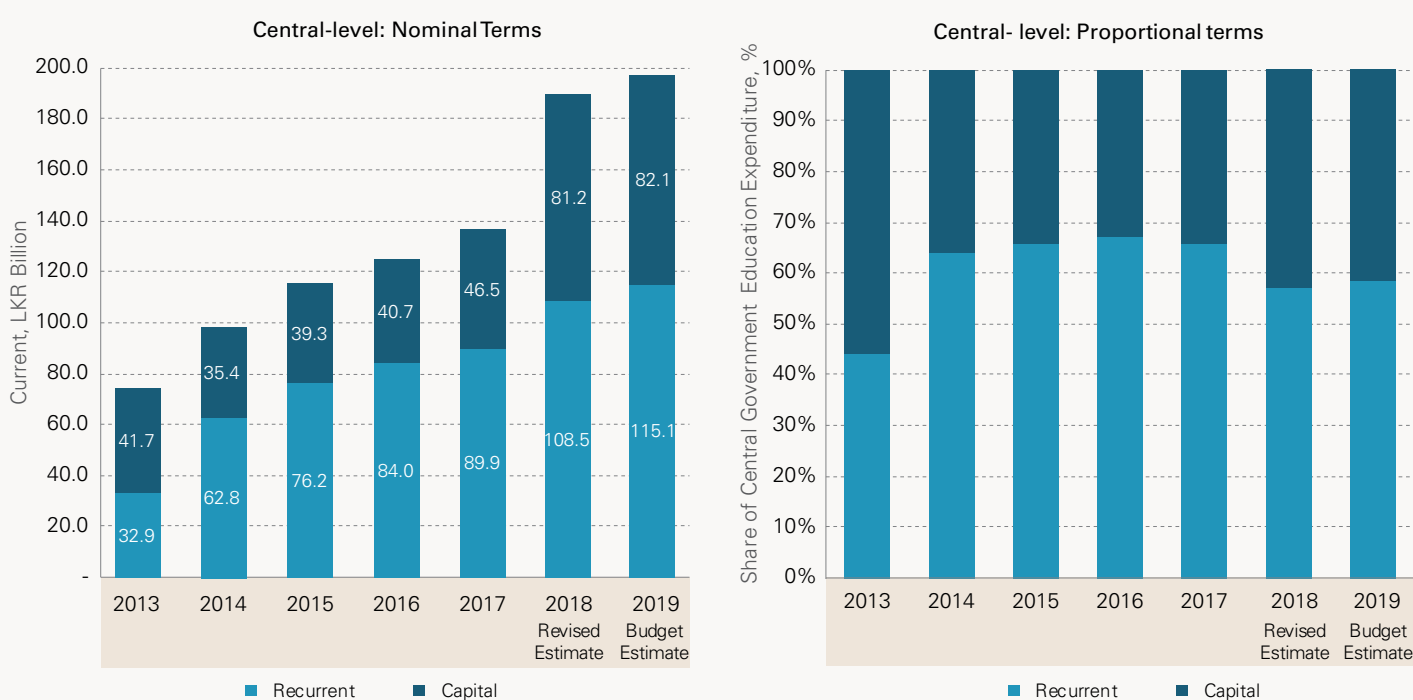
29. Save the Children (2016), p.113.
 30. Nisha Arunatilake and Priyanka Jayawardena (2013).
 31. Ibid.
 32. Ibid.

5.2 Education spending by institutions and programmatic areas

Between 2013 and 2019, most education sector central-level resources were dedicated to the Ministry of Education, followed by the UGC (See Figure 5). In 2019, these two institutions were allocated a combined 81 percent of total central-level funding. The Ministry of Education received LKR 99.9 billion, or 50 percent of the total amount of funding, while the UGC was allocated LKR 61.7 billion or 31 percent of central-level resources.³³ The institution named Ministry of Education is responsible for funding all central government-related educational expenditures, with the exception of expenditures under the

Department of Educational Publications and Department of Examinations. The UGC is solely responsible for funding public universities with provinces playing virtually no role. Allocations to universities are made based on estimates submitted by universities, subject to a formula determined by the UGC that encompasses salary increments, inflation, and student numbers. There is very limited consideration of any performance-based criteria.³⁴ At the provincial level, the Department of Education consistently receives most of the resources (an average 98 percent of resources in 2013–2018).

FIGURE 4 | Education sector recurrent versus capital expenditure at the provincial level



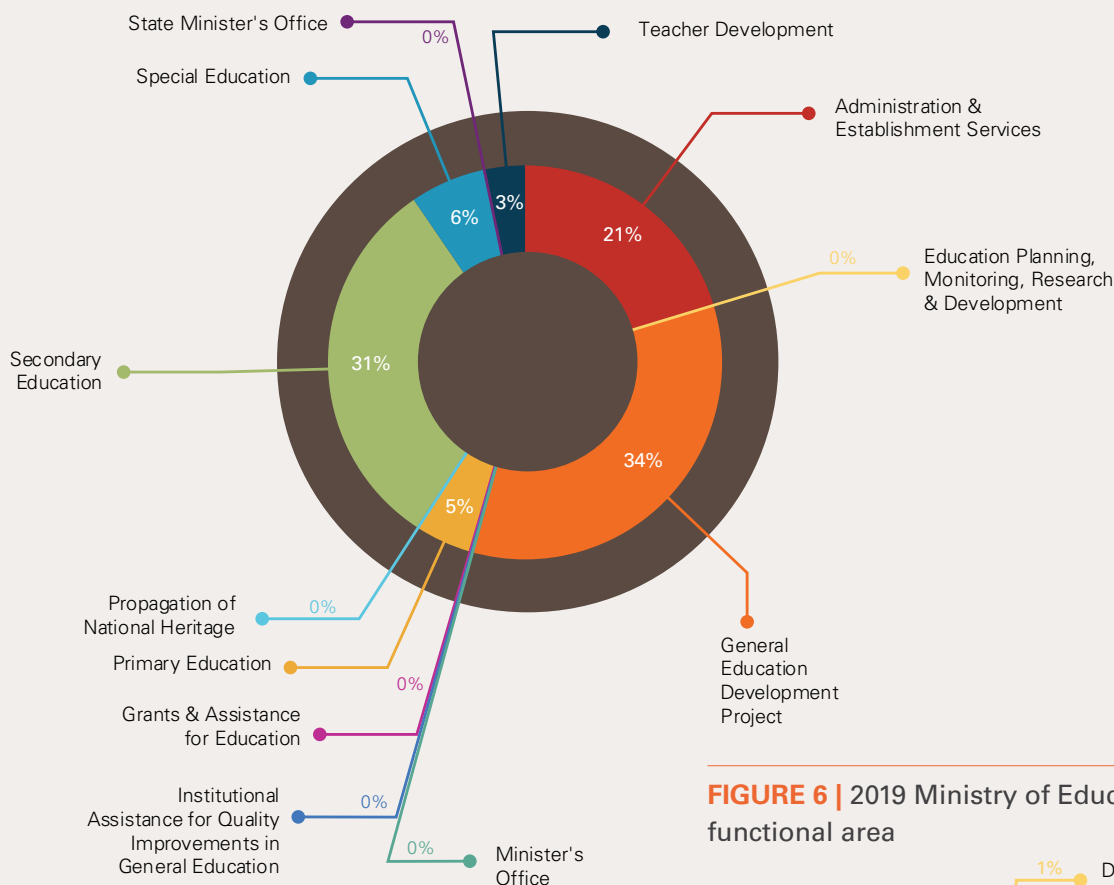
Source: Author's own calculations using Provincial Council Budget Estimates 2013–2018.

Note: At the time of writing, the 2017 public expenditure accounts had yet to be finalized; therefore 2017 numbers represent Revised Budget, 2018 represents Budget Estimate, while 2013 through 2016 represent actual expenditure.

33. Significant amounts of funding were also allocated to the Minister of City Planning, Water Supply and Higher Education (LKR 17.5 billion or 9 percent of total central-level resources), and to the Minister of National Policies, Economic Affairs, Resettlement and Rehabilitation, Northern Province Development, Vocational Training and Skills Development and Youth Affairs (LKR 8.9 billion or 5 percent of total central-level resources).

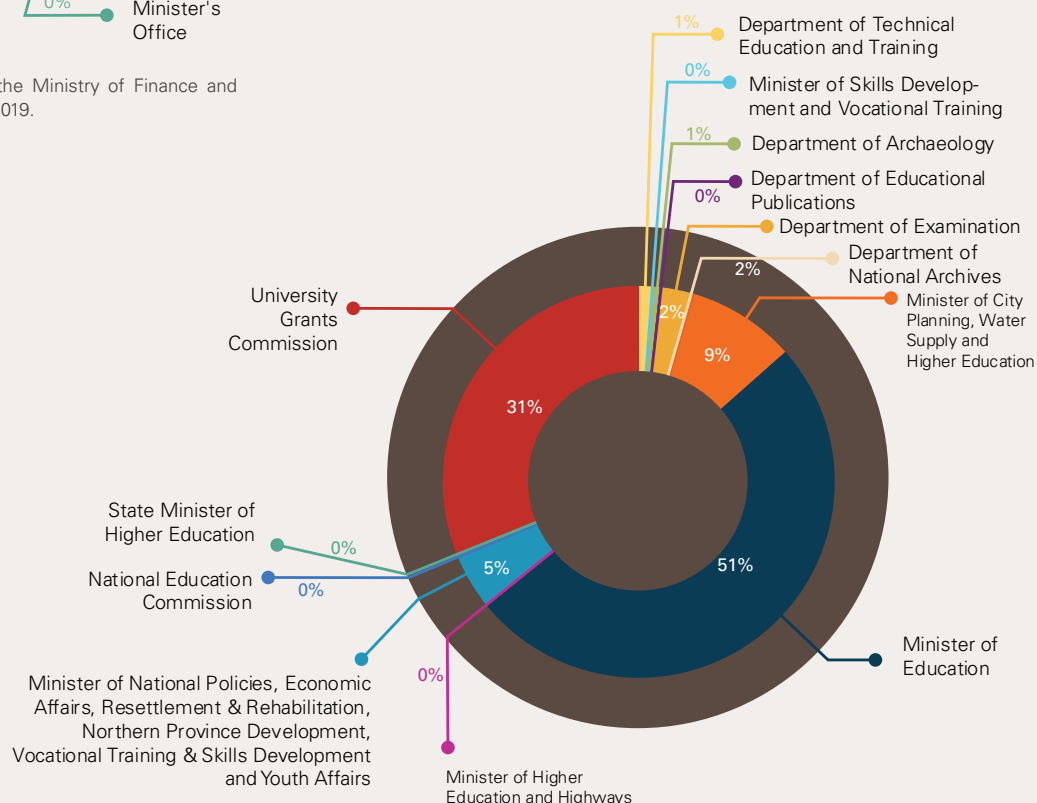
34. Halil Dundar, et al. (2017), p.186.

FIGURE 5 | Education budget by central-level institution



Source: Author's own calculations using the Ministry of Finance and Mass Media, Approved Budget Estimates 2019.

FIGURE 6 | 2019 Ministry of Education budget by functional area



Source: Author's own calculations using the Ministry of Finance and Mass Media, Approved Budget Estimates 2019.

The Ministry of Education, the most funded institution in the sector, spends the most resources on primary and secondary education (See Figure 6). Secondary education made up an average of 38 percent of total

Ministry of Education funding between 2013 and 2019, followed by the General Education Development Project (22 percent) and Administration & Establishment Services (19 percent).

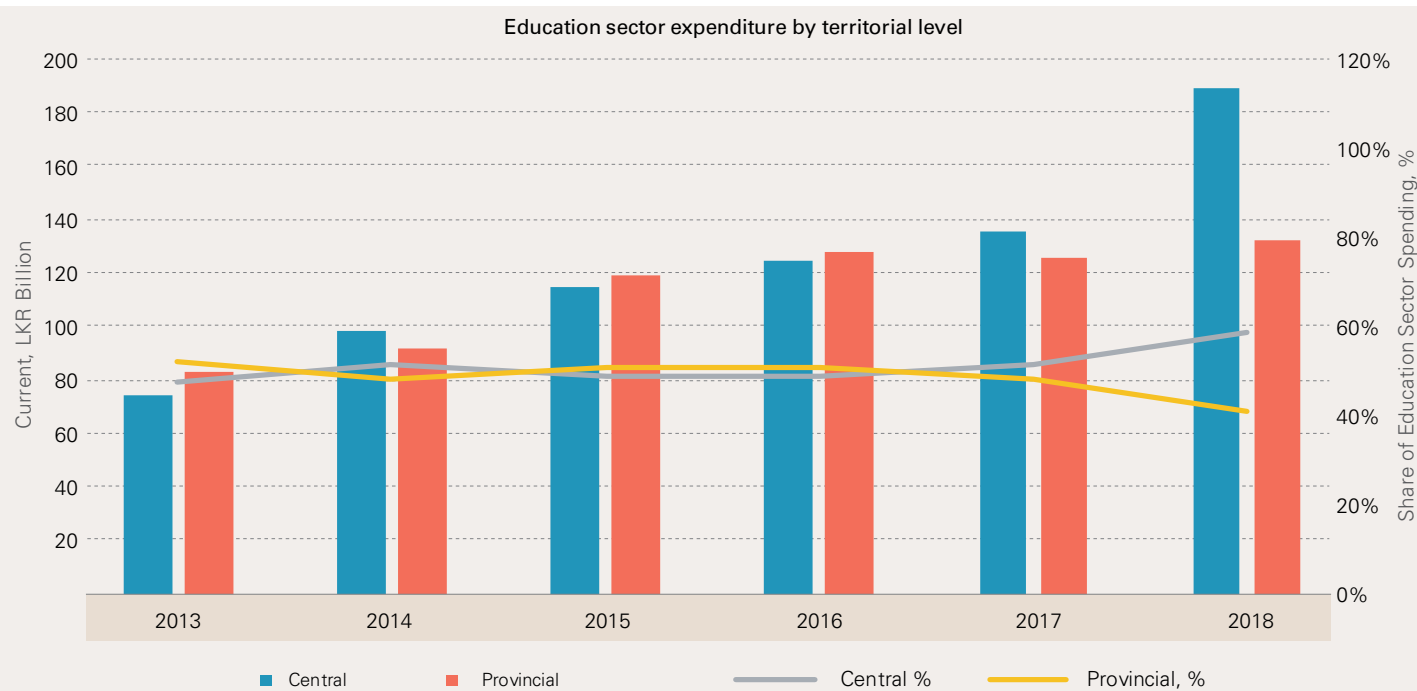
6. TO WHAT EXTENT HAS THE EDUCATION SECTOR BEEN DECENTRALIZED?



Spending of education sector resources has been equally shared between the central and provincial levels³⁵ (See Figure 7). Between 2013 and 2018, central-level spending accounted on average for 51 percent of

all education resources, while provincial-level spending averaged 49 percent. The 2018 ratio (last available data) stood at 59 percent central-level to 41 percent provincial-level.

FIGURE 7 | Education sector expenditure by territorial level



Source: Author's own calculations using the Ministry of Finance and Mass Media, Budget Estimates 2013–2019 and Provincial Council Budget Estimates 2013–2018.

The Western Province has been consistently allocated the largest amounts of funding, followed by the Central Province (See Figure 8). In the 2018 budget, the Western Province was allocated LKR 23.3 billion, followed by the Central Province (LKR 17.9 billion) and the North Western Province (LKR 16.4 billion). Between 2013 and 2018, the Western Province was allocated an average 18 percent of total funding, while the Central Province was allocated an average 13 percent of total funding. In contrast, the Uva, North Central and Northern Provinces received the lowest amounts of funding; just half of the average amount dedicated to the Western Province in 2013–2018.

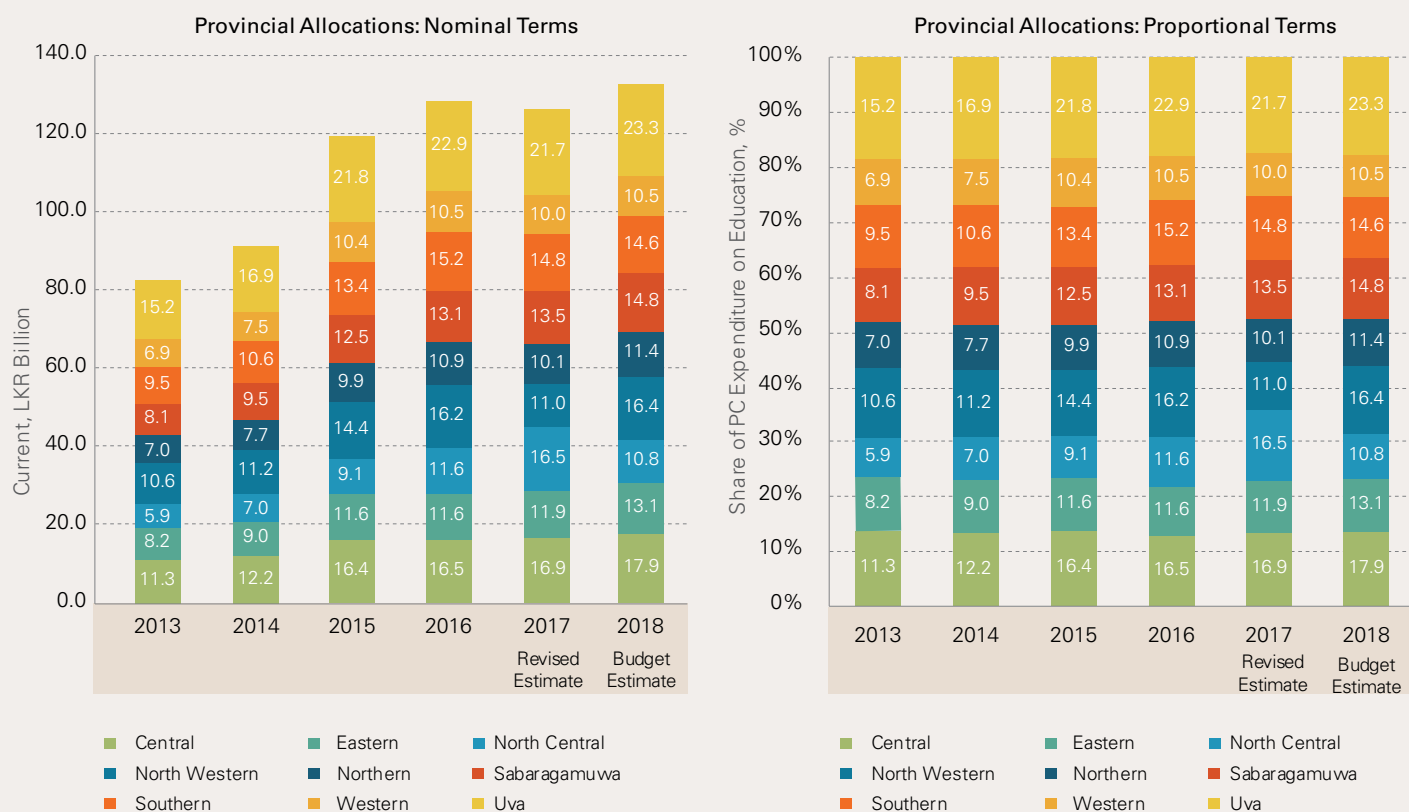
However, per capita expenditure on education is the highest for the Northern Province; above LKR 9,000 from 2016–2018 (See Figure 9). The Eastern, North Central and Uva Provinces also have a higher allocation, above LKR 7,000, while the Western Province has the lowest allocation in per capita terms. These trends reflect government efforts to promote balanced regional development, by providing additional support to poorer provinces where learning outcomes and student performance are low.³⁶ For instance, the allocation of the above-mentioned EQI funds tends to benefit smaller schools, often the poorer schools located in rural areas.³⁷

35. This section does not include 2019 data, due to the lack of access to PC budgets for this year at the time of writing.

36. Halil Dunder, et al. (2017), p.111.

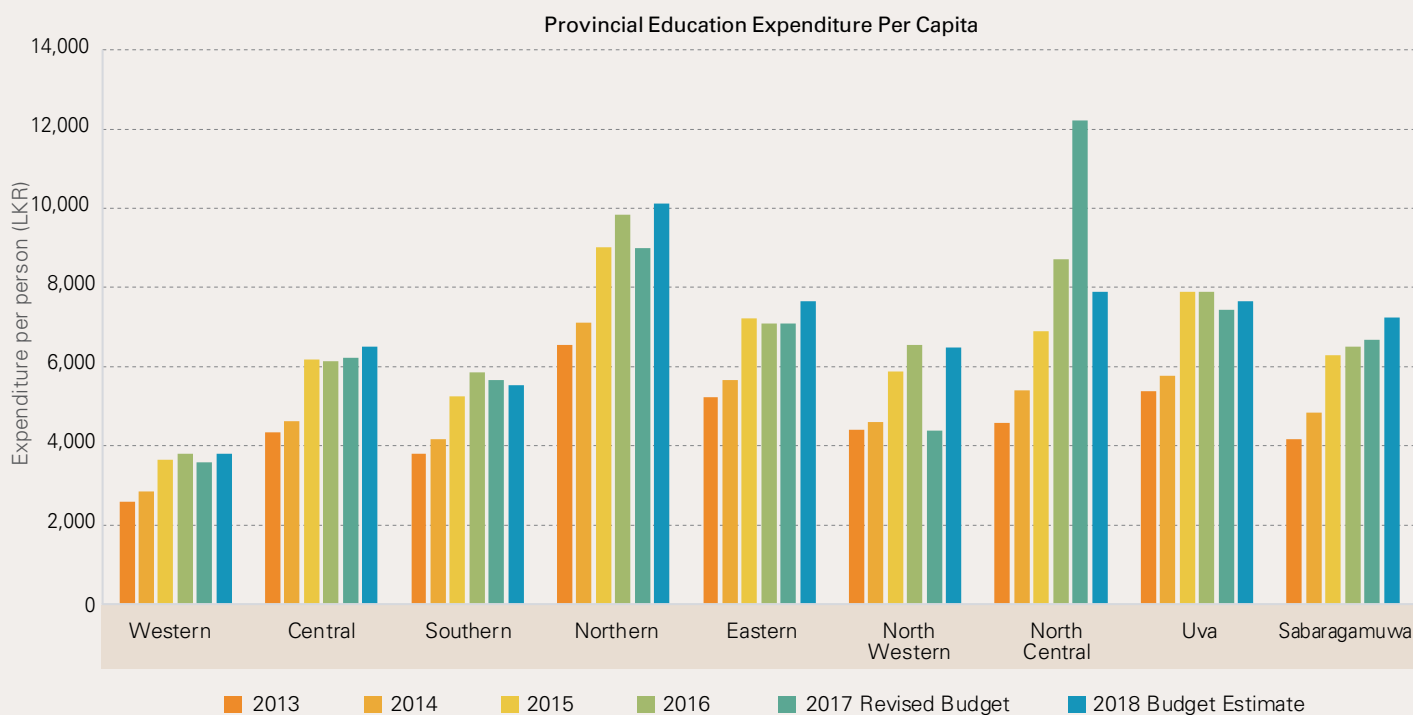
37. Nisha Arunatilake and Priyanka Jayawardena (2013).

FIGURE 8 | Education sector allocations by province



Source: Author's own calculations using the Ministry of Finance and Mass Media, Budget Estimates 2013–2019 and Provincial Council Budget Estimates 2013–2018.
Note: At the time of writing, the 2017 public expenditure accounts had yet to be finalized; therefore 2017 numbers represent Revised Budget, 2018 represent Budget Estimate, while 2013 through 2016 represent actual expenditure.

FIGURE 9 | Provincial education expenditure per capita



Source: Author's own calculations using Department of Census and Statistics, Sri Lanka and Provincial Council Budget Estimates 2013–2018.



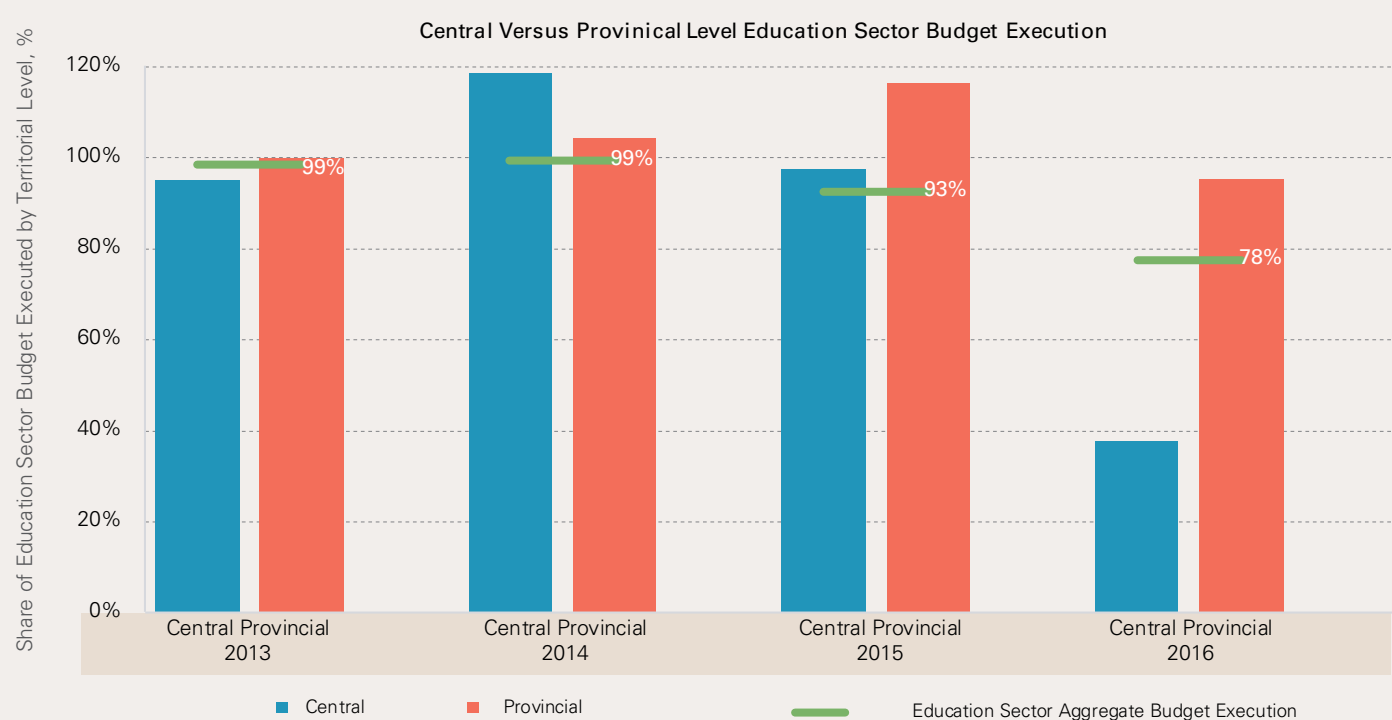
7. HOW WELL HAS THE EDUCATION SECTOR EXECUTED ITS BUDGETS?



Sri Lanka's education sector witnessed an almost full execution of its budgets in 2013–2015. However, there was a significant under-execution of the budget in 2016 (See Figure 10). Between 2013 and 2015, the average budget execution rate for the education sector was 96 percent. In 2016 however, the budget was only executed by 78 percent, mostly due to weak execution

of the central-level budget (i.e. 38 percent).³⁸ Generally, provincial budgets were better executed than the central-level ones, with an average execution rate of 104 percent as compared to 87.3 percent at the central level. This is mostly likely due to the fact that provincial budgets are predominantly used for recurrent expenditure, which is typically better executed than capital expenditure.

FIGURE 10 | Education sector budget execution



Source: Author's own calculations using the Ministry of Finance and Mass Media, Budget Estimates 2013–2018 and Provincial Council Budget Estimates 2013–2018.

38. At the time of writing, the 2017 public expenditures account had yet to be finalized. Therefore 2016 is the last available year with actual budget expenditure.



8. HOW WELL HAS THE EDUCATION SECTOR PERFORMED?



Sri Lanka has achieved remarkable progress in raising literacy and basic education enrolment rates. In 2016, 92 percent of the population aged 15 and above were considered literate, significantly higher than the lower-middle income countries' average of 85.6 and the South Asian average of 70.9. Sri Lanka's primary education net enrolment reaches 99 percent of its population, placing Sri Lanka far ahead of its regional and income peers, as well as ahead of the developed country average of 96 percent.³⁹

Sri Lanka offers equitable access to basic and secondary education. Secondary school enrolment rates are high for both males (87.6 percent) and females (90 percent). However, a gap persists between the rich and the poor in access to senior secondary and tertiary education, as wealthier students are more likely than those from poorer families to pursue education at these levels where participation is constrained⁴⁰. Tertiary education enrolment rates are relatively low. In 2017, the gross tertiary education enrolment rate⁴¹ in Sri Lanka was only 18.9 percent,

lower than the South Asian average of 23.3 percent. The reasons for this relatively weak outcome include, capacity constraints in the state university system, inadequate involvement of the private sector at the higher education level, and insufficient development of the TVET sector.⁴² Furthermore, estate sector residents face specific challenges, such as lack of access to school and acute shortage of Tamil medium teachers, in accessing education with their school enrolment being the lowest at all education levels.⁴³ Of concern also is access to education for students with a disability.⁴⁴

Sri Lanka's education sector continues to be held back by inadequate quality and learning outcomes. For instance, the average fail rate in the Ordinary Level exam for English, Mathematics, and Science was 50 percent, 37 percent and 31 percent respectively between 2015 and 2018.⁴⁵ However, pass rates in all three of these subjects have been improving each year. There is also a skills mismatch between labour market demand and

39. The World Bank World Development Indicators. Available at: <http://datatopics.worldbank.org/world-development-indicators>. UNESCO Institute of Statistics. Available at: <http://uis.unesco.org/>.

40. Halil Dundar, et al. (2017), p.4.

41. The gross enrolment ratio is the ratio of total enrolment, regardless of age, to the population of the age group that officially corresponds to the level of education shown. Tertiary education, whether or not to an advanced research qualification, normally requires, as a minimum condition of admission, the successful completion of education at the secondary level.

42. Government of the Democratic Socialist Republic of Sri Lanka, Voluntary National Review on the Status of Implementing Sustainable Development Goals (June 2018), p.79. Available at: https://sustainabledevelopment.un.org/content/documents/19677FINAL_SriLankaVNR_Report_30Jun2018.pdf.

43. Ibid, p.45-46.

44. Ibid, p.79.

45. Department of Examinations, Performance of candidates G.C.E.(O/L) Examination (2018). Available at: [https://doenets.lk/documents/statistics/G.C.E.\(O.L.\)2018.pdf](https://doenets.lk/documents/statistics/G.C.E.(O.L.)2018.pdf).



education or training available, resulting in a shortage of qualified, employable workers. Although the TVET sector has been expanding in recent years, its course offering is often outdated or disconnected from the needs of the market.⁴⁶ In order to improve education quality and foster a knowledge-based economy, the government proposes in its *Vision 2025* strategy referred to above, a public-private-partnership model with international universities in Sri Lanka. It also intends to provide interest-free loans to students who are willing to enroll in non-state universities.⁴⁷

National schools outperform provincial schools, with rural schools falling behind. The share of students qualifying to proceed to the collegiate level is much higher in national schools, than in provincial schools (75 percent versus 46 percent).⁴⁸ There is a strong perception in the country that centrally managed schools receive better resources and spending per student, while the move to shift these schools under the control of provincial authorities has been unsuccessful.⁴⁹ Although there is an oversupply of teachers in Sri Lanka (the average country-wide student-teacher ratio is 18:1),⁵⁰ a lack of robust policies on teacher recruitment and deployment has led to

overstaffing of urban schools and understaffing of remote schools.⁵¹ The fact that teachers are recruited at the central level, rather than at the school-level, offers flexibility for teachers to move between schools.⁵² This situation is exacerbated by an acute shortage of subject-specific teachers in rural areas, particularly in core subjects such as Mathematics, Science and English. Moreover, teacher absenteeism in remote areas constrains students' education achievement levels.⁵³

Sri Lanka's early childhood education (ECE) sector is still in its infancy. A large number of early education centres lack adequate resources for teaching and learning, especially for children with special needs. Further, centres located in rural and estate areas are particularly constrained.⁵⁴ Moreover, since ECE remains predominantly financed through private sources, children from disadvantaged families face particular challenges in accessing these services. Some other important issues to be addressed in relation to ECE include, developing a curriculum with learning standards and improving teacher qualifications (only half of ECE teachers currently meet the basic requirements per national standards).⁵⁵

46. ADB, Country Assistance Program Evaluation Sri Lanka. Sector Assessment: Education (2016). Available at: <https://www.adb.org/sites/default/files/linked-documents/6-SRI-Sector-Assessment-Education.pdf>

47. Government of Sri Lanka, *Vision 2025*, p.29.

48. Ashani Abayasekara and Nisha Arunatilake (2018), p.12.

49. ADB (2016), p.13.

50. Ministry of Education Sri Lanka, *School Census Preliminary Report 2016*, p.9. Available at: http://www.moe.gov.lk/english/images/Statistics/stat2015-16/2016_new3.pdf.

51. National Education Commission, *Raising the Quality of Education: Proposals for a National Policy on General Education in Sri Lanka* (2016), p.111.

52. Ashani Abayasekara and Nisha Arunatilake (2018), p.25.

53. Government of the Democratic Socialist Republic of Sri Lanka (2018), p.79.

54. World Bank Group–Human Development Unit South East Asia, *Laying the Foundation for Early Childhood Education in Sri Lanka* (2014), p.24.

55. *Ibid*, p.27.

ANNEX 1

List of specific education-related budget heads for each Ministry 2013–2019

<p>2013</p>	<p>Ministry of Education</p> <p>Budget Heads under Minister of Education</p> <ul style="list-style-type: none"> • Minister's Office • State Minister's Office • Administration and Establishment Services • Primary Education • Secondary Education • Special Education • Teacher Development • Gender Education Development Project • Propagation of National Heritage Project 	<p>Ministry of Higher Education</p> <p>Budget Heads under Minister of Higher Education</p> <ul style="list-style-type: none"> • Minister's Office • Administration and Establishment Services • Institutional Assistance for Quality Approval in Higher Education • Higher Education Development Project <p>Budget Heads under University Grants Commission</p> <ul style="list-style-type: none"> • Development of Universities 	<p>Ministry of Youth Affairs and Skills Development</p> <p>Budget heads under Minister of Youth Affairs and Skills Development</p> <ul style="list-style-type: none"> • Vocational Training and Skills Development • Vocational Training and Technical Educational Development <p>Budget heads under Department of Technical Education and Training</p> <ul style="list-style-type: none"> • Administration and Establishment Services • Implementation of Technical Education • College of Technology Activities
<p>2014</p>	<ul style="list-style-type: none"> • Grants and Assistance for Education • Education Planning, Monitoring, Research and Development • Teacher Development Framework • Institutional Assistance for Quality Development in General Education • General Education Development Project 	<p>Ministry of Higher Education and Highways</p> <p>Budget Heads under Minister of Higher Education and Highways</p> <ul style="list-style-type: none"> • Minister's Office • State Minister's Office (Higher Education) • Administration and Establishment Services (Higher Education) • Institutional Assistance for Quality Approval in Higher Education • Higher Education Development Project <p>Budget Heads under University Grants Commission</p> <ul style="list-style-type: none"> • Development of Universities 	
	<p>Ministry of Education Services</p>		

2015	Ministry of Education		Ministry of Skills Development and Vocational Training
2016	Budget Heads under Minister of Education		Budget heads under Minister of Skills Development and Vocational Training
2017	<ul style="list-style-type: none"> Minister's Office State Minister's Office 		<ul style="list-style-type: none"> Minister's Office Administration and Establishment Services State Minister's Office Vocational Training and Skills Development Vocational Training and Technical Educational Development
2018	<ul style="list-style-type: none"> Administration and Establishment Services Primary Education Secondary Education Special Education Teacher Development Gender Education Development Project Propagation of National Heritage Project <p>Budget heads under Department of Archaeology</p> <ul style="list-style-type: none"> General Administration Archaeological Services 		<p>Budget heads under Department of Technical Education and Training</p> <ul style="list-style-type: none"> Administration and Establishment Services Implementation of Technical Education College of Technology Activities
2019	<p>Budget heads under Department of National Archives</p> <ul style="list-style-type: none"> General Administration Archive Management <p>Budget Heads under Department of Examination</p> <ul style="list-style-type: none"> Evaluation of Examination <p>Budget Heads under Department of Education Publications</p> <ul style="list-style-type: none"> Establishment Services 	<p>Ministry of City Planning, Water Supply and Higher Education</p> <p>Budget Heads under Minister of City Planning, Water Supply and Higher Education</p> <ul style="list-style-type: none"> Administration & Establishment Services (Higher Education) Institutional Assistance for Quality Improvements in Higher Education Higher Education Development. <p>Budget Heads under University Grants Commission</p> <ul style="list-style-type: none"> Development of Universities 	<p>Ministry of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development, Vocational Training & Skills Development & Youth Affairs</p> <p>Budget heads under Minister of National Policies, Economic Affairs, Resettlement & Rehabilitation, Northern Province Development, Vocational Training & Skills Development & Youth Affairs</p> <ul style="list-style-type: none"> Administration of Skills Development and Vocational Training Vocational Training and Skills Development

2019			<p>Budget heads under Department of Technical Education and Training</p> <ul style="list-style-type: none"> • Administration and Establishment Services • Implementation of Technical Education • College of Technology Activities <p>Ministry of Industry and Commerce, Resettlement of Protracted Displaced Persons, Cooperative Development and Vocational Training & Skills Development</p> <ul style="list-style-type: none"> • Not included
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GLOSSARY OF BUDGET TERMS:

Budget Estimate: First allocation of funds, approved by parliament

Revised Budget Estimate: Revised allocation of funds, approved by parliament

Actual Expenditure: Allocated funds that are spent by the end of the fiscal year

Budget Execution: Percentage of allocated funds spent out of the total allocation

Nominal/Current Values: Numbers not corrected for the effect of inflation

Real/Constant Values: Numbers corrected for inflation

ABBREVIATIONS:

ADB:	Asian Development Bank
ADB:	Asian Development Bank
ECE:	early childhood education
EQI:	Education Quality Inputs
FC:	Finance Commission
GDP:	Gross domestic product
HEI:	Higher Education Institutes
LKR:	Sri Lankan Rupee (Local Currency)
MC:	Municipal Council
MoE:	Ministry of Education
NEC	National Education Commission
NGO:	non-governmental organisation
PC:	Provincial Council
PS:	Pradeshya Sabha
SDG:	Sustainable Development Goal
UC:	Urban Council
UGC:	University Grants Commission
UNICEF:	United Nations Children's Fund
WBG:	World Bank Group
TVET:	Technical and Vocational Education and Training

