

**OVERVIEW OF EDUCATION BUDGETING AND RESOURCE ALLOCATION
PROCESSES IN SRI LANKA**

Nisha Arunatilake

Roshani de Silva

Institute of Policy Studies

November, 2004

For

The Commonwealth Education Fund – Sri Lanka

at Save the Children in Sri Lanka



Glossary

MOE	Ministry of Education
MSE	Ministry of School Education (Now not functioning)
MTET	Ministry of Tertiary Education
NIE	National Institute of Education
NETS	National Evaluation and Testing Services
EMIS	Education Management Information Systems
DDE	Deputy Director of Education
ADS	Assistant Directors
AD	Assistant Director

1. Introduction

Since the free education act of 1949, the government, at its various levels, has been the principal source of funding for the provision of education in Sri Lanka. The public expenditure on primary and secondary education in Sri Lanka has focused on financing inputs to the supply and development of education. These inputs comprise physical investment inputs – such as expenditure on buildings, furniture, and equipment, etc.; human resource investments – such as teacher training and curriculum development, as well as recurrent inputs – such as expenditure on teachers and other staff, consumable supplies, provision of school uniforms, meals and text books. The public funds made available for meeting the expenditure at the school level flow from the provisions made in the annual expenditure estimates of the budget of the Central Government. The education budget falls under the social development and welfare section of the total expenditure budget (see Appendix 1) of the country.

	1998	1999	2000	2001	2002
Central Government					
Exp.					
Recurrent	5.99	5.57	7.21	9.10	7.37
Capital	4.55	4.64	4.28	3.59	3.71
Provincial					
Government Exp.					
Recurrent	15.82	24.72	15.50	21.38	24.10
Capital	1.29	1.45	1.59	1.68	1.36
Total Government					
Exp.	27.64	36.38	28.58	35.74	36.54
As a % of GDP	2.7	3.3	2.3	2.5	2.3
As a % of Gov. Exp.	10.3	13.0	8.5	9.2	9.1

Source: Capital Expenditure Reports, Finance Commission

As explained in detail later in the paper, public expenditure on education is borne by both the central and the provincial governments. Table 1 provides a historical overview of government expenditure on education over the last several years by these different levels of government. As shown, roughly around 9 per cent of the total government budget, amounting to 36.5 billion rupees is spent on education annually.

The main purpose of this paper is to describe the process through which the education budget is determined and implemented in the country. Section 2 of the paper describes the administrative

structure of the education system in the country, which sets the stage for the budgetary process. Section 3 describes the different components of the budget, the channels through which funds are allocated to the schools and the processes through which education budget proposals are made. Section 4 looks at the North and East. Section 5 describes the determination of actual budget estimates and the process through which fund utilization is monitored. Section 6 discusses other funding sources.

2. Education Administration Structure in Sri Lanka¹

Since the enactment of the 13th amendment to the constitution in 1987, education became a devolved subject in the country. The present education administrative structure, with increased powers to the provinces in the supervision and management of schools, came into effect as a result of this change. In this system, most schools – usually referred to as “provincial schools” come under the purview of the provincial authorities. However, a handful of schools denoted as “national schools” are directly managed by the Ministry of Education (MOE).² In 2002, there were 9,829 government schools; of these 9,509 were Provincial schools, while 320 were National Schools (NCE, 2003; MOE, 2004).³

Since the transfer of powers to the peripheries, the earlier three-tier structure of education in the country changed into the present five tier administrative structure consisting of the following levels (see, Figure 2; MOE, 2004):

The Ministry of Education at the center,
Provincial Ministry/ Provincial Departments of education,
Zonal Education Offices,

¹ Most of the information for this section was obtained from MOE, 2004.

² The Ministry of Human Resources Development, Education and Cultural Affairs is the main cabinet ministry responsible for education in the country. In addition there are two new non-cabinet level ministries; namely, ministry of school education and ministry of tertiary education and training. All these ministries are commonly referred to as the Ministry of Education (MOE, 2004), henceforth in the paper.

³ In addition to these there are 561 Pirivenas and 66 Private Schools (Registered before 1960), 33 non-fee-levying Assisted Private schools and 33 fee levying autonomous Private schools. Since of late there has been an emergence of yet another type of private school – the English medium International Schools approved and registered by the Board of Investment in Sri Lanka. This study mainly describes financing of government schools (MOE, 2004).

Divisional Education Offices,
Schools (Provincial and National)

Ministry of Education

The main responsibilities of the Ministry of Education at the center are: formulating and implementing National Policy on Education, management of schools in the formulation and implementation of this policy, management of National Schools and other specified schools and regulating the functioning of private schools, development of school curriculum, training of teachers and education managers, ensuring conformity with national policy on education, and ensuring policy implementation and coordination at national, provincial and school levels.

The Provincial Ministries of Education/ Provincial Department of Education

Under the Provincial Ministry of Education, the Provincial Department of Education is responsible for the administration of provincial level education (see appendix 2 for the structure of the Provincial department of Education). The Provincial Council through its Ministry of Education provides financial resources for the province to the Provincial Department of Education

Sri Lanka has eight Provincial Departments of Education in the nine provinces (the Northern and Eastern provinces have been amalgamated). The Provincial Director of Education, who heads the Provincial Department of Education, plays a dual role in reporting both to the Ministry of Education as well as the Provincial Ministry of Education. While the Provincial Director of Education is responsible for all the education programs in the province, the Department as a whole is responsible for planning and budgeting of education at the provincial level, administration of zonal and divisional level offices, and education development.

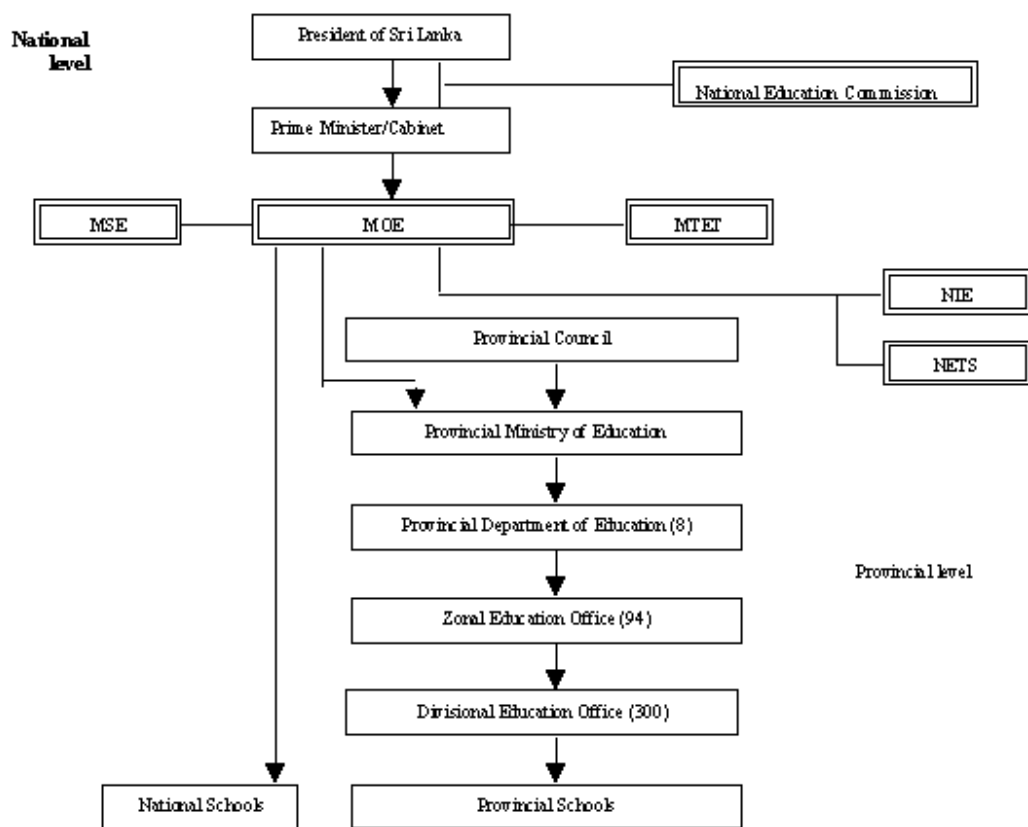
The Zonal Education Office

The head of the Zonal Education Office is the Zonal Director. This office is responsible for administrative work of the schools and teachers as well as quality improvements of teaching and learning in the zone (see appendix 3 for the administrative structure).

Divisional Education Office

The head of the Divisional Education Office is the Divisional Director, whose responsibilities include supervision of schools, distribution of textbooks, education supplies, and data collection.

Figure 2 Over-all Structure of Education Organization



Source: Present Education system and Management Structure <http://www.moe.gov.lk>

3. The Budgetary Process

The overall budget for all the sectors in the country is prepared in several stages. The details of these are given in table 3. The following section describes the distribution of the education budget at the national and the provincial levels.

3.1 Channels of Education Financing

The overall expenditure budget is divided into two main parts in accordance with accounting principals: recurrent and capital. Recurrent and Capital expenditures are again divided into sub units for different purposes. These include expenditure by program and expenditure by category. The program-wise classification of the budget divides the recurrent and capital budget into various functional programs or projects. At present there are five main programs: General administration, Primary Education, Secondary Education, Education Development and Special Education. In the category-wise division the recurrent and capital budgets are subdivided according to type of activity. The recurrent expenditures are categorized into personal emoluments, traveling expenses, supplies, maintenance expenditure and contractual services, transfers, grants, subsidies and other recurrent expenditure; while, the capital expenditures are categorized into rehabilitation and improvement of capital assets, acquisition of fixed assets, capital transfers, other capital expenditure and operation cost of donor funded projects (MOE, 2004b).

The Provincial and National schools receive funds through different channels from the Ministry of Finance and Planning. Recurrent expenditure for the National Schools is directly funded through the MOE. Recurrent expenditure for the Provincial Schools is sent to the provincial education authorities through the Finance Commission. It is then channeled through to Provincial Schools through the zonal education authorities. The capital expenditure for both National and Provincial schools are given to the central MOE as a block grant. The MOE in turn allocate this grant among schools. Funds are allocated for capital quality inputs according to

NBUCRAM (clear mechanism). However, funds allocated for the construction of new buildings, rehabilitation and such work has no clear mechanism and depend upon various unknown factors. The Capital expenditures for the Provincial schools are delivered through Provincial and Zonal level authorities (NEC, 2003). In addition, the Ministry of Education provides funds from foreign funded projects as well as local special education projects as capital funds to Provincial Schools. These funds are channeled through to the Provincial Directors of Provincial Councils. In addition, Provincial schools obtain capital funds from the Finance Commission,⁴ for province-specific development priorities identified by the provincial councils under the Province-Specific Development Grants (Figure 3).

The per student recurrent expenditure available for national schools are higher than those available for provincial schools, as seen in table 2. These disparities between funding available for national and provincial schools are perpetuated partly because budgets are prepared according to historical allocations. Although plans are made to overcome these differences in resources availability in schools, severe financial limitations have meant that these proposals have not been implemented.

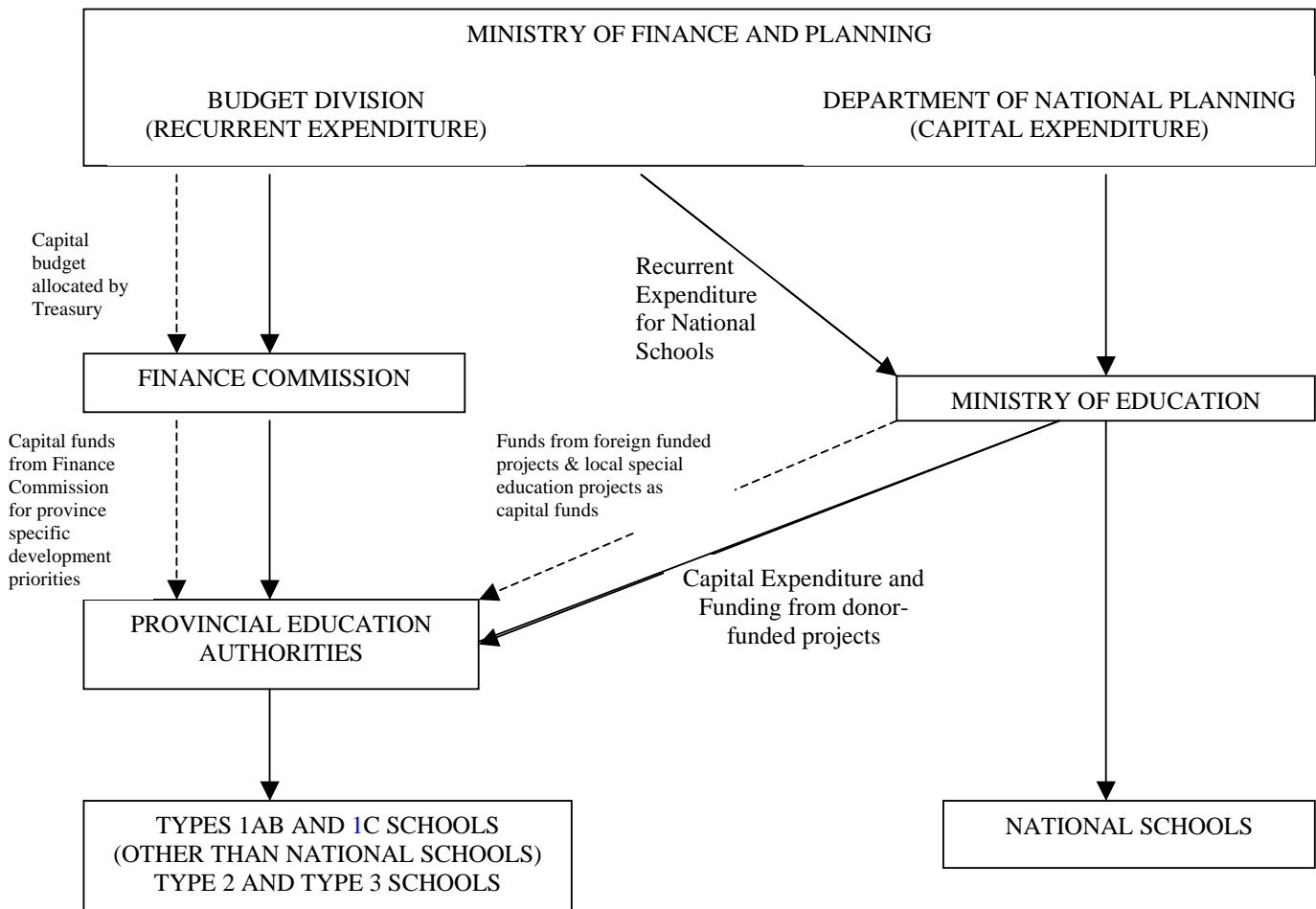
Table 2 Recurrent Expenditure per Student, 2001 (Rs.)

Province	National Schools	Provincial schools (Rs.)
Western	8,775	6,237
Central	15,574	10,940
Southern	10,056	6,517
N:East	14,251	4,412
N:Western	11,314	6,249
N:Central	9,719	5,592
Uva	15,461	5,488
Sabaragamuva	10,999	5,573
Sri Lanka	11,453	6,437

Sources: Calculated using data from Budget Estimates 2002, Monthly Reports , Ministry of Provincial Councils 2001

⁴ The finance commission is an independent entity, directly coming under the preview of the president. The MOE does not get involved in the provincial school budget, other than with regard to the foreign funded projects and the special projects.

Figure 3 – Mechanism of Financing General Education



Source: NEC, 2003, p. 249.

Note: The above diagram has been modified (as indicated by broken arrows)

3.2 Determination of Education Budget for provincial schools

Education takes the largest portion of the provincial budget, followed by health. For example, in the distribution of the budget for the Western Province in 2004, the expenditure estimate for the Department of Education amounted to Rs. 4664.9 million (39.4 per cent of the total). This

amount is much higher than that for the Department of Health, Rs. 1911.5 million (16.1 per cent of the total). This disparity is mainly due to the fact that about 95 per cent of the provincial expenditure on education is on recurrent expenditure, mainly personal emoluments. At the provincial level, education gets the highest per cent allocation, mainly due to the fact that education sector employees the highest number of persons.

The Education budget is determined through a [bottom-up approach as discussed below and summarized in Figure 4.

Determination of the Recurrent Education budget proposals for Provincial Schools:

In theory, the divisional education authorities in consultation with the school authorities and principals assess the needs of the schools. However, in practice, school principals' involvement in the budgetary process is limited to providing statistics on student and teacher populations. In some schools School Development Societies, teachers and students get involved in making decisions regarding budgets. However, this is an exception, not the norm. They then classify the budget proposals into Provincial and Education Ministry budgets and prepare the budget estimates in accordance with guidelines provided by the finance commission and the treasury. These are submitted to the zonal offices. The zonal offices in consultation with the Divisional Offices and schools prioritize the items and activities and prepare a budget proposal for the zone. This is sent to the Provincial Department of Education. The Provincial Department of Education reviews the budget proposals made by the zones and consolidate them to prepare the provincial education budget proposal.⁵ This proposal is scrutinized to incorporate provincial level needs according to provincial level priorities at this level. The provincial level budget proposal is then sent to the Chief Secretary of the Provincial Council who in turn submits it to the Finance Commission. The Finance Commission reviews the budget estimates from various provinces and makes recommendations to the government on the required budget by the different provinces. At this stage, discussions with provincial education authorities such as Director Education, Chief Accountant and Deputy Chief Secretary Finance are held. There is also a Provincial Council

⁵ The Planning Division of the Provincial Education Department is responsible for scrutinizing the capital component of the education budget for the province, in consultation with the zonal level authorities.

debate, in the presence of the Provincial Minister of Education, where the proposed budget is discussed.

Based on the budget proposals made for the provinces, discussions are held with Treasury officials, such as The Director General, National Budget and Deputy Directors of the National Budget Department, in order to determine what can be afforded for the provincial level education budget for the following year. At the discussions, the Treasury arrives at a ceiling based on fund availability. Following the discussions with the Treasury, the Finance Commission prepares a financial statement. The details of this statement is discussed and approved by the members of the Commission. Next, the report is submitted to the President and the President in turn submits it to the Cabinet. Once Cabinet approval is obtained, it is included in the national budget proposals and presented in parliament for approval.

The Finance Commission in the form of a block grant allocates the recurrent funds to the Provincial Council, which divides the funds to individual sectors (e.g. education, health.). Most of the recurrent expenditure thus allocated is utilized for the payment of salaries followed by the funds utilized for on going training and education quality inputs.

Determination of the Capital Budget proposals:

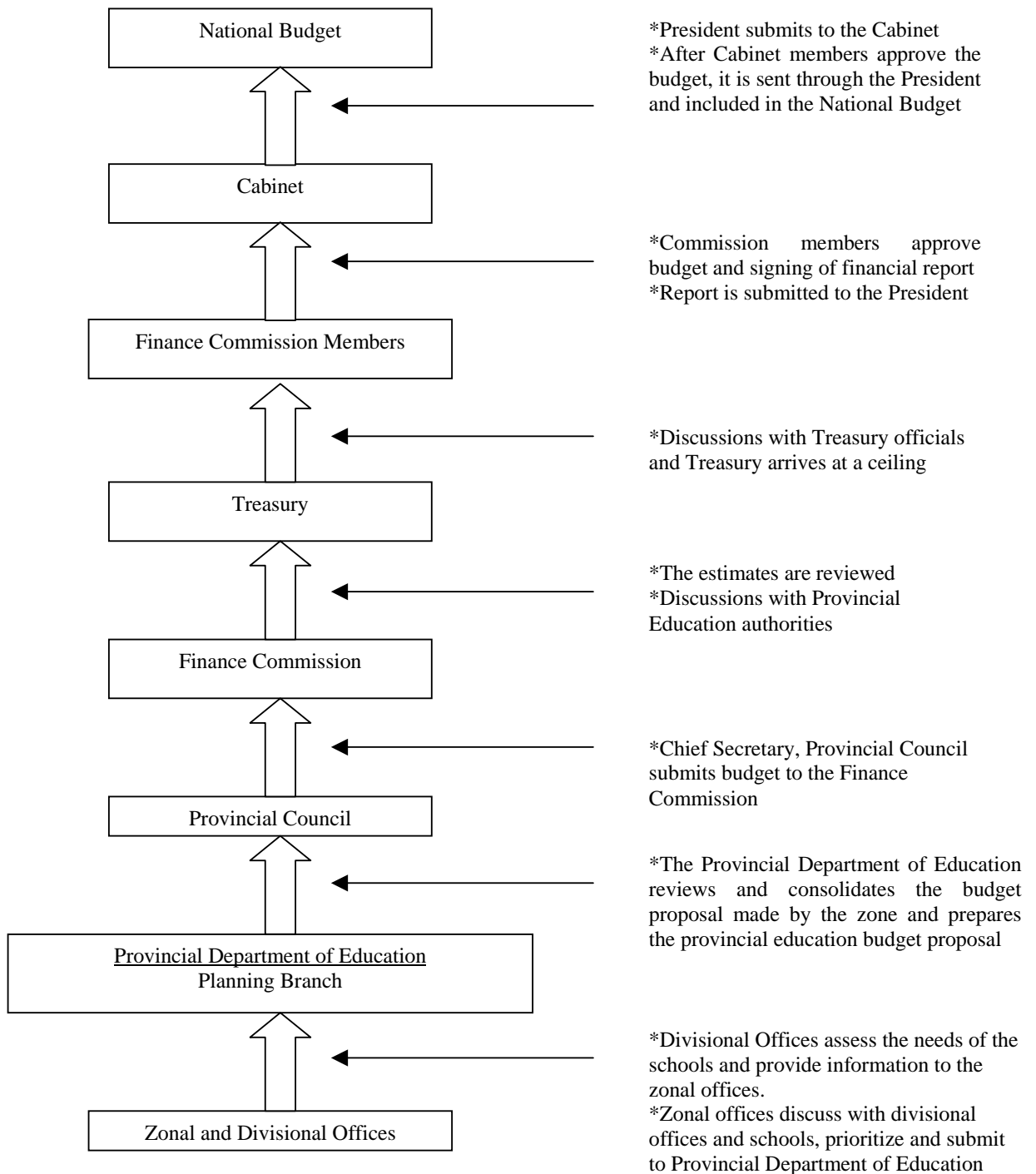
The amount of the capital budget for the year is decided by the Finance Commission based on the requirements proposed by provincial level authorities and the availability of funds determined by the treasury. Once the Provincial Council is informed of the amount it will receive, it prepares a prioritized list of activities to be carried out. When deciding the capital budget, allocations are made according to a set of norms prepared by the MOE (see Appendix 5 for the list of norms). When making a decision regarding the capital budget for the provinces, several factors are taken into consideration: past performance, actual needs, the capacity, requests made in proposals, the policies of the Finance Commission and any other relevant factors. The lack of up-to-date statistics calls for concern as it makes the assessment process difficult and somewhat less accurate.

Table 3 Stages in the Formulation, Review and Approval of the Annual National Budget

Date	Steps in Preparation of the Budget for the Next Financial Year	Responsible Unit
January-March	Preparation of the medium term macro economic framework Review of budget execution reports and current budget policies and planning documents and preparation of the Medium Term Budget Framework (MTBF)	Ministry of Finance
March-April	Cabinet of Ministers review and approval of the MTBF, including expenditure ceilings and policy guidance for the upcoming financial year	Ministry of Finance Cabinet of Ministers
May-June	Budget circular with guidance for preparation of budget submissions and expenditure ceilings sent to spending agencies Release of the Mid Year Fiscal Position Report	Ministry of Finance
May-July	Preparation of budget submissions by spending agencies within expenditure ceilings and projections by spending agencies of the amounts to continue current policies over the medium term. Budget materials include project objectives and performance indicators to identify projected results.	Spending Agencies
August	Spending agencies submit budget requests and supporting documentation Meetings between the National Budget Department and the spending agencies to resolve issues	Spending Agencies Ministry of Finance
September	Cabinet of Ministers approves draft budget (Appropriation Bill) prepared by the Ministry of Finance	Cabinet of Ministers
October	Submission of the draft budget (first reading of the Appropriation Bill) to Parliament	Ministry of Finance
November	Budget Speech (second reading of the Appropriation Bill) Release to the public of the Fiscal Strategy Statement of the Government and the Budget Economic and Fiscal Position Report on the day fixed for the second reading of the Appropriation Bill in Parliament.	Minister of Finance
By end of December	Committee stage debate of the budget Parliament passes the Appropriation Bill	Parliament

Source (Quoted): Budget Estimates 2004

FIGURE 4 – PROVINCIAL EDUCATION BUDGETING PROCESS



3.3 Determination of the Education Budget proposals for National Schools (Figure 5)

The Zonal and Divisional Offices, in consultation with school level authorities, make requests regarding the various needs of the National Schools under their purview to the Provincial Department of Education. The Provincial Department of Education forwards these requests to the MOE. At the MOE there are several Subject Directors, responsible for the various projects (e.g.: primary education, secondary education, non formal education, special education, teacher education and others). Based on the requests and an analysis of the various needs the Subject Directors prepare the budget plan for the National Schools. The budget plan is then handed over to the Accounts Branch and the National Budget Committee (which is in the Planning Division/ of the MOE). The National Budget Committee then prepares the budget proposal for the National Schools. At this stage, the Treasury reviews this proposal and recommends a budget ceiling. The budget proposal is then readjusted according to funding availability and funding priorities and the final budget estimate is prepared for inclusion in the national budget.

3.4 Determination of special budgetary items for Education Ministry

Recurrent expenditure common to all schools:

Some recurrent expenditure items, such as school uniforms, textbooks, meals and grade 5 scholarships are directly handled by the MOE for both provincial and national schools. The budgetary ceilings for these items are determined at the Ministry of Finance based on existing government policies.

The capital expenditure budgetary ceiling is determined in consultation with the National Planning Department taking into consideration ongoing work, liabilities for the following year and new work to be commenced. In addition, the capacity (i.e., the ability to utilize funds) of the Ministry is also considered when allocating the ceilings. The ability to utilize funds are assessed depending on the previous years' performance by the ministry. For example, ministries who cannot fully utilize the funds that are allocated to them get less funding in the following

year. Sometimes, however, the inability of a ministry to utilize the funds allocated to them result from delays in the release of funds by the treasury. Once the ceilings have been indicated, the Ministry again sends their requirements according to object details. Once an agreement is reached regarding the ministry budget, it is put to the National Budget.

Quality Inputs:

Educational quality inputs are defined to be “all materials, equipment, instruments and services used to add the quality of education to the students in the learning process and by the teachers in the process of imparting knowledge” (FC, 2002). Quality inputs are categorized into the following:

- 1) Consumable quality inputs (e.g. chalk, chemicals, stationary, plants etc);
- 2) Capital quality inputs (e.g. computers, black boards, library books, musical instruments);
- 3) Repair and maintenance of capital goods (e.g. maintenance of computers); and,
- 4) External consultancy services (e.g. lectures on infectious diseases)

Since the 1st quarter of 2000, schools were authorized to procure quality inputs described in (1) and (3) above. Since 2003 schools are also authorized to procure a number of capital quality inputs. A fixed percentage of capital and recurrent budgets are assigned for financing the procurement of quality inputs. At present, 2 per cent of total recurrent education budget expenditure and 20 per cent of total capital education budget expenditure are allocated for education quality inputs. The finance commission based on the Norm Based Unit Cost Resource Allocation Mechanism (NBUCRAM)⁶ allocates the funds for educational quality inputs to the schools through the relevant provincial level educational authorities. Except for a few budget items such as special chemicals, science equipment and capital requirements for children with special needs, all other quality input needs are identified and purchased by the schools according to guidelines provided by the finance commission. The capital goods for “children with special needs” are procured and distributed by the Provincial level Education Department, while special quality inputs such as special chemicals and science equipment are purchased and distributed by the MOE (FC, 2002). Table 4 shows the formula used to distribute quality inputs between different sections of the schools, by type of expenditure.

⁶ Process by which resources are allocated to schools based on unit cost per student and various norms.

As discussed earlier, the involvement of stakeholders is limited in deciding school level budgets. One exception to this rule is the funding of education quality inputs. Funding for these are a fixed percent of recurrent and capital expenditure directly credited to school level bank accounts. The identification and procurement of education quality inputs are made at the school level with the involvement of teachers, principals and students. Although this is a step towards the right direction, various local factors affect the efficient usage of funds allocated for education quality inputs. For example, teacher shortages in difficult schools reduce the ability of these schools to utilize funds allocated for quality inputs efficiently. Also, schools in difficult areas are less able to conform to procedure in purchasing school inputs because access to markets is limited.⁷

Some problems of using quality inputs include: some schools lack proper storage facilities in which to store quality inputs (especially in Type 2 and Type 3 schools), high cost of having to travel long distances to purchase quality inputs (Karunaratne, 2002), the inability to clearly identify what is meant by capital expenditure, somewhat unclear guidelines provided for the purchase of quality inputs, the often insufficient monthly allocation for the purchase of quality inputs, especially if an immediate need arises, delayed receipt of funds and thereby the delay in purchasing quality inputs, the difficulty of purchasing quality inputs from the designated shops and the time-consuming and different paper work to be completed when purchasing and utilizing quality inputs.

⁷ For example, guidelines require that quotations from three suppliers should be obtained before making purchases. Schools with limited access to markets find this difficult to comply with.

Table 4: Allocations of Resources for Quality Inputs by School Sections, Sabaragamuwa Province

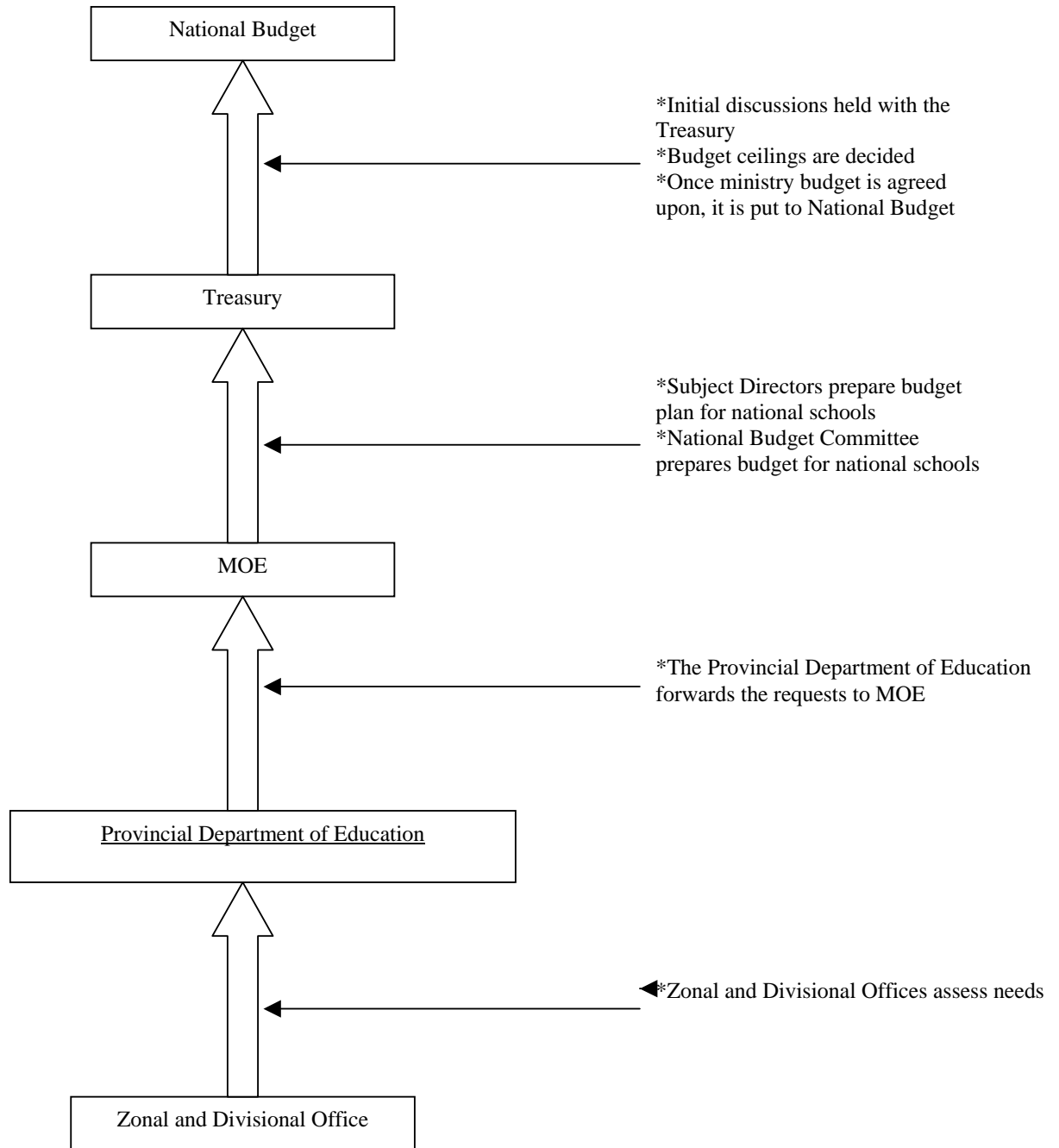
Sec	Schools Section	Consumables	Capital	Maintenance & Repairs
1	1-5	25%	15%	15%
2	6-9	35%	35%	35%
3	10-11	25%	30%	30%
4	12-13A/C	5%	5%	5%
5	12-13Sc	10%	15%	15%
	TOTAL	100.0%	100.0%	100.0%

Source: Education Department, Sabaragamuwa Province

Other expenditures

Other than for the expenditures discussed above, there are other administrative and development related expenditures. Most development related expenditures, such as initial teacher training, are handled by the MOE. Also, budget for education authorities at various, provincial, zonal and divisional levels are handled by the MOE.

FIGURE 5 – MINISTRY OF EDUCATION BUDGET PROCESS FOR NATIONAL SCHOOLS



In theory, education budgetary processes in the country take place with the involvement of the schools. However, fund requirements at the divisional and zonal levels are determined according to guidelines prepared by either the Finance Commission or the Treasury at the center. As such, there is little flexibility in requesting funds for needs outside those coming under the guidelines. Also, although funding requirements are made at the school level, the final budgets are prepared after discussions held at different levels of the administration hierarchy to prioritize and funding needs. In this process, the school level authorities have little say in the determination of the final budget. Financial resource constraints further aggravate this problem. Although ambitious budget proposals are made at the divisional level, due to severe funding limitations, many investment and even maintenance related expenditures proposed are cut when adjusting budgets to meet funding availability. A major portion of the final estimated budget is allocated for essential recurrent items such as salaries, and utilities, with very little left over for school development and other expenditure items.

For example Table 3 and Table 4 in appendix 4 gives the actual expenditure budgets for Western and Sabaragamuwa provinces. As can be seen in these a large part of recurrent expenditure is spent on personal emoluments. For example, approximately 95 and 97 per cent of total recurrent expenditure for the Western and Sabaragamuwa Province Education Departments were spent on personnel emoluments (Tables 3 and 4 in Appendix 4).

Since of late, the funding allocations for salaries were based on actual cadre rather than the approved cadre. As many schools in difficult rural areas are faced with a severe teacher shortage, these schools are get less funding. Ideally, incentives should be given to encourage teachers to serve in difficult areas. Although, a scheme was started to give an additional allowance to teachers, as an incentive for serving in a difficult area, this initiative was later discontinued due to financial constraints. In order to at least partly solve these problems, a new policy requires new teachers joining the MOE to serve in a difficult area for 3 to 5 years depending on the level of difficulty. Although this has alleviated the teacher shortages somewhat, it has created a set of new problems; there is a high turnover of teachers in difficult areas. Also, as experienced teachers transfer out, teachers in difficult these areas tend to be new and inexperienced. Further,

teachers who qualify for transfers waste time at various educational offices competing for limited vacancies in popular schools creating productivity losses.

Sometimes the problems created by teacher a shortage has made it difficult for schools to conform to National Education policies. For example, it is recommended under the education reforms that students have the same teacher for grade one and two. However, by the time students move into the second grade their first grade teacher has been transferred. There is also a problem of not having the required number of teachers for specific subjects. For example, there is an insufficient number of teachers for the science, mathematics, art, dancing and music subjects. In addition, education reforms require that the Sinhala language be taught in all Tamil schools, and the Tamil language be taught in all Sinhala schools. However, this requirement cannot be fulfilled due to the lack of teachers.

In addition to the various problems related to teaching staff, there are other problems related to the general maintenance of schools. The amount of capital funds received is often not sufficient for the maintenance of schools. Although funds are provided for maintenance of school buildings due to crisis situations at the national level such as floods, funds are not available for damages caused by localized causes. For example in the Ratnapura district, although school buildings damaged by floods were provided funds for rebuilding, a school building damaged by the falling of a tree was not given funds.

4.0 North and East

The education administrative structure in the Northern and the Eastern Provinces are somewhat different to that in the other parts of the country. This section describes the administrative structure in these two provinces.

There are no elected provincial bodies in the North and East. Requests are directly received from the Zonal Directors of Education and once reviewed the provincial level budget is prepared for the Northern and Eastern provinces. The provincial budget is sent to the Provincial Treasury of the Northern and Eastern provinces and then to the Finance Commission. Here the Finance

Commission reviews the budget and makes recommendations to the General Treasury. The General Treasury in Colombo then finalizes the budget allocations to the North and East provinces.

The principals of schools identify the needs of their schools and these are prioritized at the Divisional Education Offices by the DEOO and are forwarded to the respective Zonal Education Offices. Here the needs are reviewed and prioritized and the prioritize list is sent to the Provincial Education Department, North East Province (NEP) to obtain funds. The key people involved in the budgetary process with regard to planning, implementation and monitoring include: The Secretary, Chief Accountant, Director of Education Planning, Director of Schools Works and Director of Education at the Provincial Ministry, NEP. At the Provincial Department of Education level, the Provincial Director of Education, Chief Accountant, Director of Education Planning, Director of Education (Development) and Director of Education (Management) are involved with the implementation of work items at the Provincial level. At the Zonal level, the Zonal Director of Education, Accountant, Director of Education Planning, School Works Engineer, Director of Education (Development) and Director of Education (Management) are involved.

For primary, secondary and tertiary education, the needs are identified and budgetary provision is included under the provincial budget. However, a major portion of the expenditure for training is met from the World Bank funded projects such as GEP2, TETD and SEMP. Training of teachers for special education, non-formal education and vocational education although important, has been neglected. Very little funds are allocated for these areas. In addition to the funds allocated by the treasury, a substantial amount of funding comes from contributions made by persons outside the government including various multilateral and bilateral donors and Non-Governmental Organizations.

The efficient utilization of funds is monitored periodically at the Review Meetings held at the Divisional, Zonal and Provincial Levels, from the progress reports received from them periodically and also through personal supervision by the relevant officers.

There is transparency in assigning capital development projects in the Education sector. These are assigned after calling for tenders for undertaking the work through paper advertisements, and award of tenders for the selected work items. The public is further informed of the projects and the contractors involved by the placement of ‘display boards’ at the work sites.

5. Budget Implementation and Monitoring Processes

5.1 Implementation

Once the Treasury gives a ceiling for the education budget, the Ministry of Education informs the relevant Subject Directors of their allocated portion under the ceiling. Once informed, the Subject Directors readjusts their budget plan to fit the actual availability of funds.⁸ The Accounts Branch is informed of the readjusted list and requested to release the necessary funds.

During the implementation process, the educational authorities have some flexibility to move funds between budget items. However, such transfer of funds can only be done after obtaining permission from the Ministry of Finance, in writing.⁹ Nevertheless, capital budget items cannot be transferred to recurrent items, although recurrent items can be transferred to capital items. In addition to the transfer of funds, additional funds can also be obtained for special purposes. Again requests for additional fund allocations must be forwarded to the treasury and if approved by director General of the Budget the funds are made available.¹⁰

At the provincial level, the allocation of funds for the provincial and ministry budget is given to the Provincial Directors. These are then allocated to the zonal level education authorities through the Deputy Director Education Development. The funds are utilized according to a programme of activities prepared by educational authorities at the zonal level.

⁸ The ceiling arrived at by the Treasury is often times lower than the amount requested, therefore the Subject Directors have to, in most cases, adjust down their budgets by concentrating on the most important activities.

⁹ These are usually referred to as FR66 transfers.

¹⁰ The Ministry of Education sends monthly expenditure reports to the State Accounts Department at the Ministry of Finance. The State Accounts Department maintains the accounts of all the Ministries. These reports are reviewed when considering requests for transfer of funds and additional fund allocations.

5.2 Monitoring

The Ministry of Education engages in two forms of monitoring. The first is the monitoring of the overall ministry budget. The progress review meeting for this purpose is held once in three months. It is attended by the Subject Directors and chaired by the Additional Secretary of Policy Planning. Issues concerning expenditure, tender procedures and other progress related matters are discussed at the meeting. The proceedings of the meeting are reported to the Secretary of the Ministry for feedback and possible solutions. The second is the monthly Technical Sub Committee Meeting. This meeting is attended by Engineers, Provincial Accountants, foreign funded projects directors and Ministry Accountants and chaired by the Additional Secretary of Policy Planning. This meeting is given greater importance since it focuses upon discussions around expenditure related issues and general problems on technical issues such as construction, rehabilitation and supply of equipment.

The Ministry of Finance monitors the implementation of projects and fund utilization. Problems related to the release of funds, are dealt by the Ministry of Finance, which facilitates the funding for continuation of projects. In addition, monthly development committees have been established in the education and health ministries to monitor projects and programmes. Provincial and Ministry representatives participate at these meetings and report their progress. Foreign donors do not participate at these meetings. The utilization rate of funds has improved since the commencement of these meetings.

Zonal Directors submit monthly actual expenditure reports (regarding the recurrent and capital expenditure) to the Provincial Director of Education at the Provincial Department of Education. Information regarding the Ministry budget is directly forwarded to the Ministry of Education and information regarding the Provincial budget is forwarded to the Chief Secretary at the Provincial Council.

5.3 Reporting

Both the Provincial Council and the Treasury publicize the annual accounts of the provinces. In addition, the Auditor General's Department audits all of the expenditure in the provincial budget as well as the ministry budget and provides a report annually. The report is submitted to the

Public Accounts Committee and the Secretary of the Education Ministry. The Public Accounts Committee meets annually with the Secretary to discuss the report, before it is finalized and published.

The budgetary process is transparent to the extent that the public is able to obtain information on the budget estimates and the actual expenditure budgets at various levels of government for review through the publicized budget reports. Information is available on request from the relevant ministries. However, information is not available in easy to understand formats. However, these reports do not analyze the efficiency of fund utilization. For example, are funds allocated efficiently across programs and activities according to priorities? Information on funding needs prepared initially by the schools and the zones provide useful data on the actual requirements at the school level. This information is not easily accessed. However, the publicized reports do not indicate whether these are actually met, or if not the reasons for disregarding or postponing proposed expenditure items. As initial expenditure requirements prepared by the schools are reviewed and adjusted at various levels, the authorities at the grass root levels have little say in the determination of the final expenditure budget for schools.

Another area where the public has little information is whether funds that are allocated for specific reasons are utilized efficiently? Although audits carried out at various levels impose some restrictions on inefficient usage of funds, they do not provide perfect safeguards against misuse of funds.

6. Other sources of education funding

Alumni Associations (Old Boys' and Old Girls') make contributions to the schools according to guidelines provided in the circular at the Ministry of Education. The Ministry of Education does not have the authority to accept funds from outside directly. Such funds must be deposited through the Treasury and approval must be obtained from the External Resources Department, before being utilized. All schools are allowed to raise funds for specific purposes, such as buildings, but small schools have limited ability to raise funds, compared to big schools.

There are many long duration foreign aided projects relating to education.¹¹ These are mainly projects identified by the five-year national plan for education. Funding proposals for such projects are made by the MOE and forwarded to donors. The External Resources Department also gets involved in the negotiating process for funding.

In the case of small-scale projects, proposals are sent to the External Resources Department. The External Resources Department forwards these projects to interested foreign donors for possible funding.

¹¹ For example:

1)The Second General Education Project, which aims to improve the quality, access, management and financing of education programs. The main objectives of this project includes: the development of the curriculum, improvement of textbooks, improvements in the allocation of school facilities and quality inputs, development of libraries, improving management of education, and better analysis of future investments.

2)The Teacher Education and Teacher Deployment Project, which aims to improve the quality, cost effectiveness and coverage of education in Sri Lanka by improving the attainment of education, through efficient allocation of teachers and improving the quality of teacher education.

3)The Secondary Education Modernization Project, which aims to improve the quality of secondary education by providing better access to quality education for disadvantaged students, enabling efficient functioning of key educational institutions and the development of technology syllabi (Budgetary Procedures for Education in Sri Lanka, mimeo).

Bibliography

MoE. (2004), "Budgetary Procedures for Education in Sri Lanka." (Unpublished), Ministry of Education.

Department of National Budget. (2004), *Budget Estimates 2004. A Summary of The 2004 Enacted Budget and Amendments to the Budget Estimates.*

Finance Commission. *Capital Expenditure Reports*

Finance Commission. (2002), *Guidelines on Procurement and Delivery of Education Quality Inputs.*

Karunaratne, Sunethra. (2002), *An Independent Evaluation on the Impact of the Distribution and Usage of Quality Inputs in Schools and Other Utilization in Classrooms. Second General Education Project.*

Ministry of Education. (2003), *Present Education System and Management Structure* [online]. Available from: <http://www.moe.gov.lk>

Ministry of Education. (2003), *Provincial Education Administration* [online]. Available from: <http://www.moe.gov.lk>

National Education Commission. (2003), *Envisioning Education for Human Development. Proposals for a National Policy framework on General Education in Sri Lanka.*

Sabaragamuwa Provincial Council. (2004), *Annual Financial Statement and Income and Expenditure Estimates 01.01.2004-31.12.2004.*

Western Provincial Council. (2004), *Financial Statement of the Western Provincial Council for the Financial Year 1st January 2004 to 31st December 2004.*

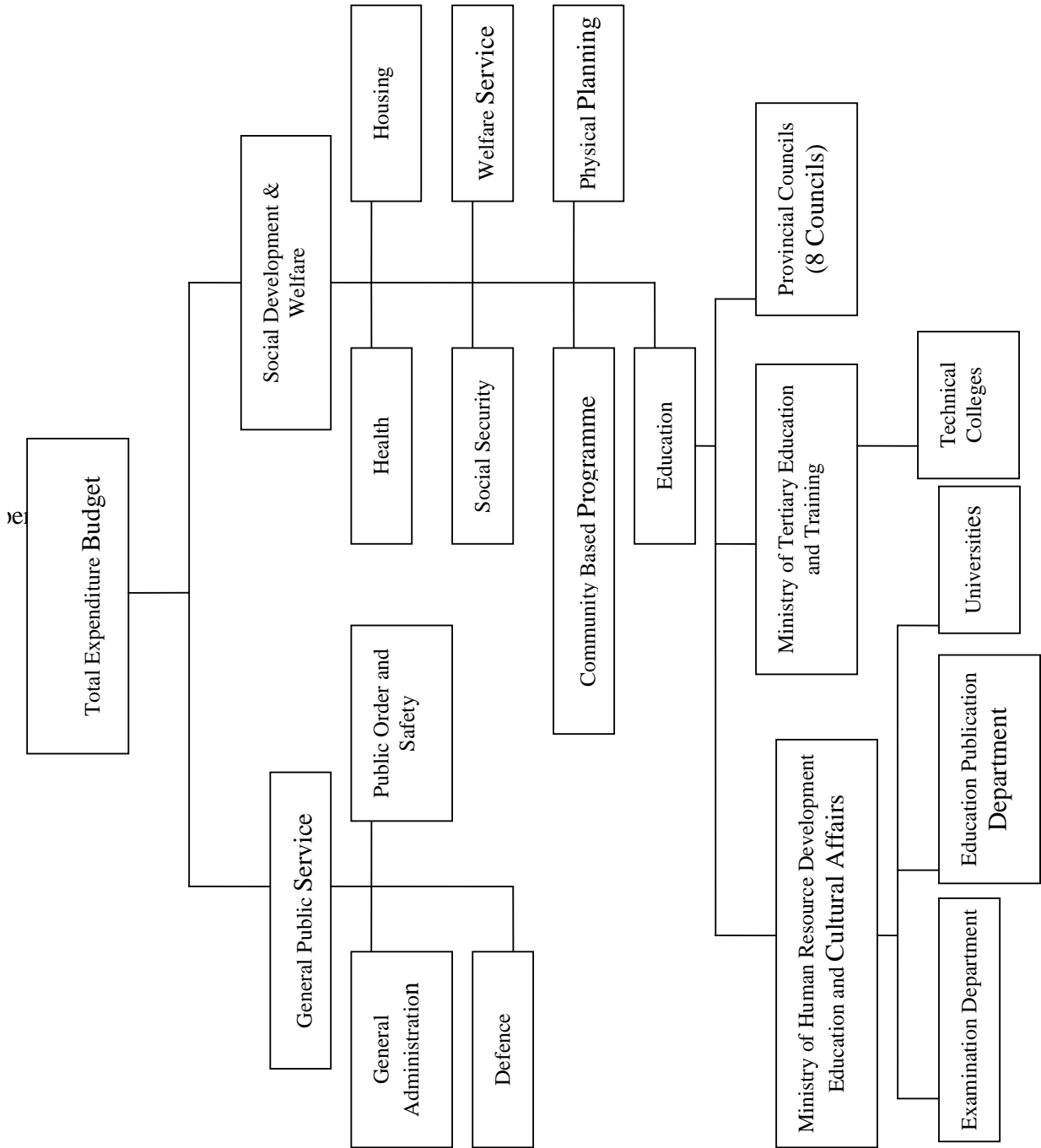
List of Resource Persons

1. Mr. B. Abeygunawardena, Additional Director General Budget, Ministry of Finance
2. Mr. F.F.A Abeynayake, Chief Accountant, Ministry of Education
3. Mr. S. Aloysious, Chief Accountant, Ministry of Home Affairs, Provincial Councils & Local Government
4. Mr. D. Chandrasena, Deputy Chief Secretary Financial Management, Sabaragamuwa Provincial Council
5. Mr. A. Chandrasiri, Consultant, Finance Commission
6. Mr. M. M Dayarathna, Chief Accountant, Western Province Department of Education
7. Mr. D. M Dissanayake, Accountant, Ministry of Education
8. Ms. S. Fernando, Director Expenditure Monitoring, Ministry of Home Affairs, Provincial Councils & Local Government
9. Ms. R.A Gaffoorr, Assistant Director, Ministry of Finance
10. Mr. A.S Gunawardena, Chairman, Finance Commission
11. Ms. W.A.I Jayantha, Principal, Sumana Balika Vidyalaya, Ratnapura
12. Mr. N. Jayasinghe, Budget Assistant, Ministry of Education
13. Ms. N. Hewage, Additional Director Provincial Education, Sabaragamuwa Provincial Education Department
14. Mr. R.S Madagama, Director General Education Reforms Implementation, Ministry of Education
15. Ms. S. Menika, Assistant Director of Education Planning, Sabaragamuwa Provincial Education Department
16. Mr. W. Nimalasiri, Deputy Chief Secretary Western Province
17. Mr.W. S. Perera, Deputy Director for Education Planning, Western Province Department of Education
18. Mr. P. Ranasinghe, Chief Secretary Sabargamuwa
19. Mr. R. Thiagalinkam, Secretary, Ministry of Education, Cultural Affairs & Sports, North-East Province
20. Mr. P.A Wanigasekera, Zonal Director Education, Sabaragamuwa Zonal Education Department

21. Mr. D. Wickramaarachchi, Deputy Director, Sabaragamuwa Provincial Education Department
22. Mr. J.G.A Wijedasa, Secretary Chief Ministry, Sabaragamuwa Provincial Council
23. Mr. S.U Wijeratne, Head of Planning, Ministry of Education
24. Ms. W.L.N.I Wijesundara, Accountant (Finance), Western Province Department of Education

Appendix 1

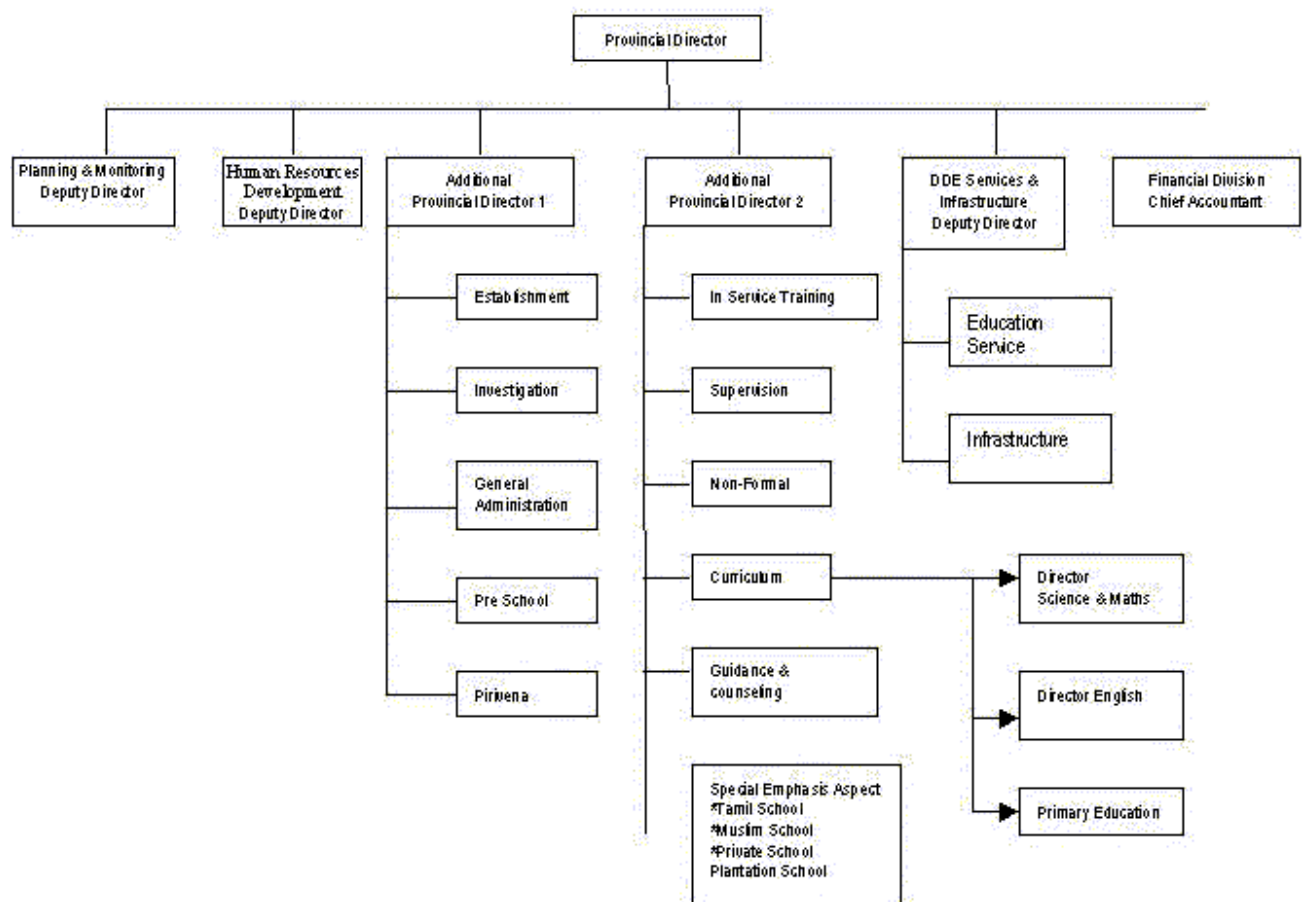
FIGURE 3 - LINK OF EDUCATION BUDGET TO THE NATIONAL EXPENDITURE BUDGET



Source: Budgetary Procedures for Education in Sri Lanka, mimeo

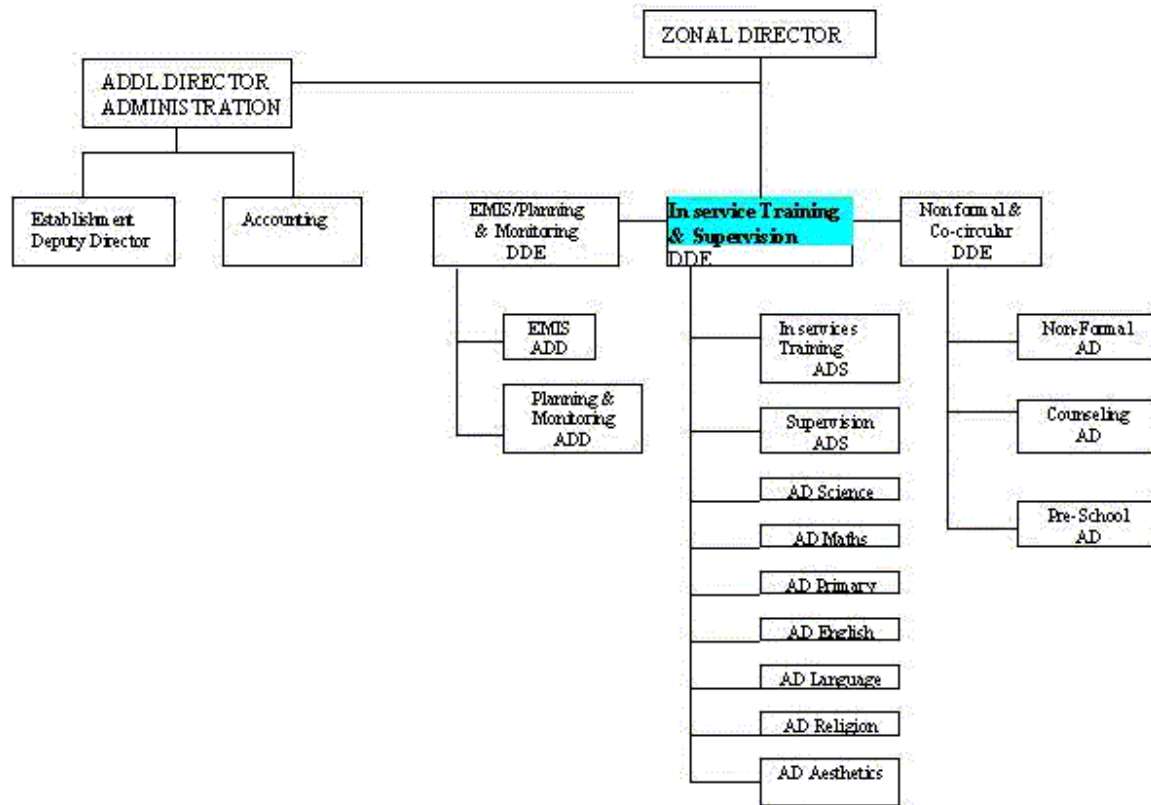
Appendix 2

Structure of a Provincial Department of Education



Source: Provincial Education Administration <http://www.moe.gov.lk>

Appendix 3: Structure of a Zonal Education Office



Source: Provincial Education Administration <http://www.moe.gov.lk>

Appendix 4

Table3: Recurrent Expenditure-Western Province 2002

(Rs. Mn.)

	Personal Emoluments	Traveling Expenses	Supplies	Maintenance Expenditure	Contractual Services	Transfers	Other Recurrent Expenditure	Total
General Admin. & Estab. Services	131.1	5.3	5.9	8.0	9.0		2.1	161.5
Primary Education	1,313.9	0.1	20.1	15.1	0.5		1.3	1,351.0
Secondary Education	2,665.9	1.5	50.0	22.9	7.7	18.1	4.9	2,771.1
Education Development	99.5	0.6	0.7	0.04 *	0.8	0.04*	25.1	126.9
Special Education	24.9	0.2	0	0		0.9	1.7	27.8
Total (% of Total Recurrent)	4,235.3 (95.4)	7.7 (0.2)	76.9 (1.7)	46.1 (1.0)	18.0 (0.4)	19.1 (0.4)	35.0 (0.8)	4,438.2 (100.0)

Source: Financial Statement 2004, Western Province

Note: * indicates less than 0.1 million rupees.

Appendix 4 cont'd.

Table 4: Recurrent Expenditure-Sabaragamuwa Province 2002

(Rs. Mn.)

	Personal Emoluments	Traveling Expenses	Supplies	Maintenance Expenditure	Contractual Services	Transfers	Other Recurrent Expenditure	Total
General Admin. & Establish. Services	64.7	3.6	2.9	3.7	2.7		0.1	77.8
Primary Education	707.7		15.9	0.04*	1.2		0.03*	724.8
Secondary Education	1,265.9	0.1	19.7	0.03*	0.9		0.9	1,287.7
Education Development		1.4				3.0	10.0	14.4
Special Education		0.03*				4.6		4.6
Total	2,038.3	5.2	38.6	3.8	4.9	7.6	11.1	2,109.4
(% of Total Recurrent)	(96.6)	(0.3)	(1.8)	(0.2)	(0.2)	(0.4)	(0.5)	(100.0)

Source: Financial Statement 2004, Sabaragamuwa Province

Note: * indicates less than 0.1 million rupees.

Appendix 5

Norms for the Provision of Facilities