Will Formula-Based Funding and Decentralized Management Improve School Level Resources in Sri Lanka?

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The education sector in Sri Lanka has come to appreciate the importance of decentralized decision making as a means of effectively responding to local needs and improving school performance. The Education Quality Inputs (EQI) scheme in Sri Lanka was one of the first schemes launched to improve school performance through decentralized financial decision making. Under the EQI scheme, schools are allocated a budget for purchasing educational resources based on a formula that takes account of characteristics and student population of schools. Is this scheme an improvement on the earlier funding and management models? Is resource allocation under this scheme equitable? A study using the school census and other primary and secondary data seeks to answer the above questions.

The study finds that the distribution of EQI allocation and expenditure is progressive – i.e. it favors poorer individuals – at the primary and lower secondary levels and it is equitable at the senior secondary level. However, at the collegiate level, especially science stream, it is regressive.

Descriptive analysis of EQI expenditure shows that, as intended, smaller schools, rural schools and more disadvantaged schools receive and spend more per student (see graph). However, around 20 per cent of these funds are left unspent. The study finds that allocating more funds to more disadvantaged schools alone is insufficient to reduce disparities as the inability of schools to fully utilize the funds holds back progress.

Some of the same factors that generated an uneven distribution of funds under earlier funding models also result in uneven utilization of funds under formula-based funding. This shows that management capabilities are a necessary condition to improve resources at the school level, under any funding model.

The findings show that state level monitoring and support, effective local management capacity and adequate and competent human and physical resources are all needed for the success of education management at the school level.

Distribution of per Student EQI Allocation and Expenditure by Type of School

![Graph showing distribution of per student allocation and expenditure by type of school](image)

Source: Own calculations, using school census data.

Note: Type of school- According to the categorization of schools by ministry under the circular 2005/01. Excludes outliers

This Research Policy Brief is based on the Working paper PMMA 2008-12.