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# Sri Lanka mulls cutting brick and mortar funding for education to focus on quality

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The government will deliberate on National Policies and Economic Affairs Deputy Minister Dr. Harsha de Silva's proposal to cut back on the capital expenditure on education to free fiscal space to improve the quality of education Sri Lankans receive at schools and universities.

Dr. de Silva said that in the past, 60-70 percent of education capital expenditure had gone into buildings, classrooms, labs and hostels, which did not have the requisite equipment such as computers, microscopes, bunsen burners, etc. to fulfil the educational objectives.

"We have to prioritise expenditure where we want it, not just in bricks and mortar. When we found out this number, we came up with a plan," Dr. de Silva said during his address at the launch of the 'State of the Economy' publication of the Institute of Policy Studies, this week.

Dr. de Silva said that the proposal is now at the Cabinet Committee on Economic Management and that he is confident of both the committee and cabinet approving the plan.

"That means, all buildings—school buildings, hostels, etc.—will get taken away from the government's capital budget. Instead, we will do BOT (build, operate and transfer) projects," Dr. de Silva said.

He said that based on a government guarantee to act as collateral, private companies could seek funding and sign agreements with a school or a local government body for a BOT project to provide fully-furnished buildings through a well-structured special-purpose vehicle.

However, there could be some reservations about this plan, since according to the International Monetary Fund, the government is already running the risk of a debt shock arising from past contingent liabilities based on Treasury guarantees, while the BOT projects have received considerable public backlash.

Dr. de Silva said that the state could enter into a lease-purchase agreement or some other mechanism to buy the buildings and equipment from the private sector after a set period such as 10 years.

"We can then utilize the money that we save into investments in improvement of the quality of education," he said.

He noted that since the government has limited fiscal space and due to slow growth, this plan could serve to address both these issues by taking capital expenditure out of the government budget and the resulting improvements in education leading to a competitive, knowledge-based economy, which stimulates growth.

Sri Lanka already has a low educational spending to gross domestic product (GDP) ratio, at 2.18 percent of GDP in 2015, compared to the global average of 4.71 percent of GDP, according to the World Bank. (CW)