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COMPULSORY BASIC
EDUCATION

INCLUSION

EQUITY

SAFE
INFRASTRUCTURE

QUALITY

20%

NATIONAL BUDGET

LIFE LONG
LEARNING



SCHOOL EDUCATION FINANCING IN NEPAL

BRACKET Vs. BLANKET APPROACH

A Research Report



NCE
NEPAL

SCHOOL EDUCATION FINANCING IN NEPAL BRACKET VS. BLANKET APPROACH

A RESEARCH REPORT

SUBMITTED TO:

NATIONAL CAMPAIGN FOR EDUCATION-NEPAL
(NCE-NEPAL)

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FOREWORD

National Campaign for Education (NCE) Nepal is a civil society movement whose mandate is to ensure equitable inclusive quality education for all. The key role of the movement is therefore to raise the voice of the voiceless so as to guarantee quality education in an equitable manner for all children. Currently, it has 286 members ranging from International and National non-government organizations, federation, education journalists, teachers' organizations to grassroots institutions working in the field of education and child rights. NCE Nepal is therefore a platform for sharing experiences and learning among the members who have common issues of concern. NCE Nepal mainly focuses on holding the government agencies accountable for their role in providing quality 'Education for All' and in monitoring the service delivery at the grassroots and national level. Similarly, NCE Nepal critically engages with the government and its agencies involved in education. NCE Nepal also critically monitors the commitment of government agencies in the national and international forums. Nepal's government commitment in Incheon Declaration has made it obligatory to allocate at least 15 to 20% budget for education from total budget and 4 to 6% from GDP, however, the current five year's budget allocation for education has shown that government's commitment is only in the words but not in actions.

NCE Nepal's research in education financing since 2010 has shown that government budget to education has been decreasing from 17.1% to 12.04% which is against its commitment in different forums. Observing the trends of financing in education, the total share of education is declining every year. Besides, researches have also found the issues of effectiveness and efficiency in education financing. Therefore, the concern of today is not only increasing public funds to education but also equally important and alarming to utilize the allocated funds effectively and efficiently.

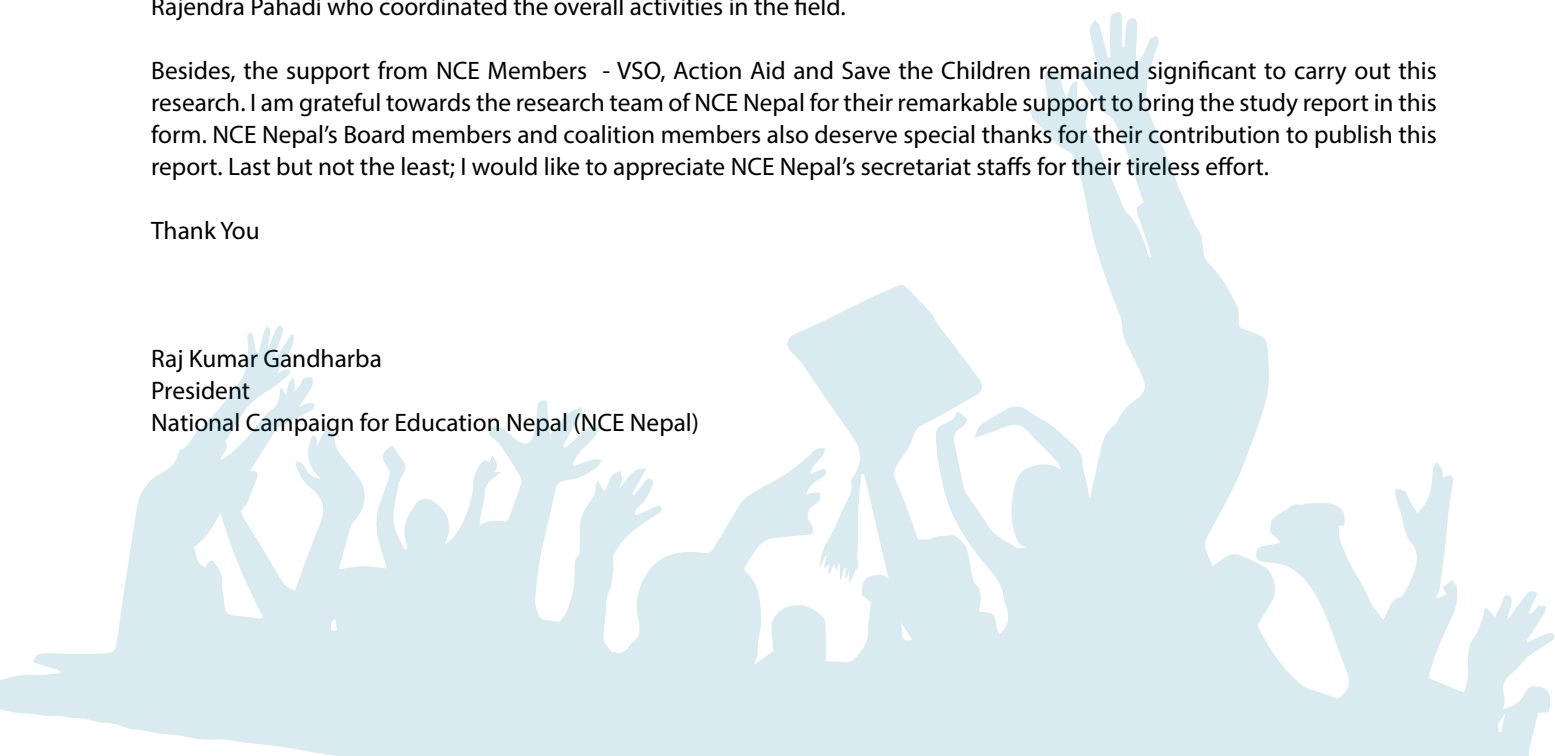
In the above context, NCE-Nepal undertook this study on **School Education Financing in Nepal** to explore the financing trends and level of financing to community schools and analyze the physical, human resource and economic utilization in community schools from the perspectives of school financing. Moreover, the study has also assessed potential sources of financing in school education and the areas of improvement for making available resources more effective.

In accomplishment of this study, there is huge contribution from NCE Nepal's member organizations from districts to national level, government agencies, UN system, academia and school and university level students. Therefore, I would like to adore their precious contribution in accomplishing this study and acknowledge the contribution of all the stakeholders for their views, without which this report would not have been possible. Similarly, my sincere thank goes to Mr. Mahashram Sharma, the team leader of this research who successfully led the competitive team towards accomplishment of the given task. Dr. Megh Raj Dangal and Dr. Roj Nath Pande are other key persons to be thanked for their continuous support throughout the research process. I would also like to appreciate the contribution of Mr Babu Kaji Karki, Mr Keshar Rana and Mr Rajendra Pahadi who coordinated the overall activities in the field.

Besides, the support from NCE Members - VSO, Action Aid and Save the Children remained significant to carry out this research. I am grateful towards the research team of NCE Nepal for their remarkable support to bring the study report in this form. NCE Nepal's Board members and coalition members also deserve special thanks for their contribution to publish this report. Last but not the least; I would like to appreciate NCE Nepal's secretariat staffs for their tireless effort.

Thank You

Raj Kumar Gandharba
President
National Campaign for Education Nepal (NCE Nepal)



EXECUTIVE SUMMARY

The main aim of this study is to identify and assess the status of school education financing in Nepal, its prospects and challenges. The study has been conducted in the periphery of the objectives set by the Terms of Reference (TOR) of the study so as to explore the financing trends and level of financing for community schools, analyze the physical, human resource and economic utilization in community schools from the perspectives of school financing, and assess the potential sources of financing in school education and recommend areas of improvement for making available resources more effective. Accordingly, this study was conducted to ascertain the school financing mechanism of community schools by covering five development regions and three ecological zones including six districts and Kathmandu valley; by including two broad types of school: low performing and high performing community schools with the purposive sample selection method and the total schools covered in this study was twenty four. Both primary and secondary data were used for the study. The questionnaire, focused group discussions and check lists approaches were utilized to conduct the field study. To supplement the research, case studies of the schools were also conducted..

The study analyzed and appraised existing financing patterns, production units, and activities, object of expenditures and beneficiaries of community schools. The major part of the findings were based on how the community schools sustained by the government's subsidy or grant and how it is utilized whereas on the other hand how institutional schools are surviving and doing better in terms of its income and expenditure pattern was also analyzed. The study data and information represented from sample districts revealed and reflected the glimpse financing patterns of Nepalese education system. Financing in school education was found more related in consumption rather than on investment. Most of the financing units were not reflected in national data base and production units were out of the track of grants policy. This has indicated for the need of setting the benchmarks for quality performance and quality assurance for the best utilization of the resources available for educational institutions. The study found that there is a greater need and demand that schools should offer better education at the reasonable costs. Education service providers and stakeholders, need to emphasize on cost effectiveness. The study concluded that there is extreme need of concrete school funding policy with benchmarks of quality assurance and accreditation in cyclic basis. Medium term budgetary and expenditure planning in bottom level along with result based monitoring system in place is essential to make sustainable and justifiable investment in school education. If there is an effective team work among teachers, management committee and parents, the study showed that there is scope for the progress of school.

The Study recommends that government should initiate reengineering of existing budget and program development patterns, prioritization of activities, focus on investment rather than on consumption items in school financing, allocation in terms of value for money and result focus rather than on mere outputs. The redeployment of teachers has been found necessary, along with merging, upgrading, downsizing the schools based on school mapping. Instead

of blanket policy of resource distribution like in scholarship and other grants to schools, there should be bracket approach focusing on targeted groups and their needs to get access in education. Multi-sector involvement should be properly coordinated with clear roles and responsibilities.

Schools produce audited accounts of their income and expenditure and send them to DEOs, the financial data reported by schools through the Flash report, and possibly a sample of audited accounts, should be used to produce estimation for further budgeting. The VEP and DEP should be strictly followed during programme and budget approval process. There needs for the provision of disclosing I/NGOs budget and their contribution has not been reflected in national data base. Further survey is recommended to assess the I/NGO funding in education. Parents and local stakeholders of schools should be encouraged to explore innovative ideas for creating alternative source of funds for school development with options open to the local resources available.

This study is a micro level analysis of school financing in Nepal taking the sample from six districts with 24 public schools. Further study taking a larger sample and covering the financial mechanism of all kinds of schools and the overall education sector is highly recommended. This would be useful for a detailed understanding and for planning of the education sector in the changed context.

ACKNOWLEDGEMENT

The research report on “**School Education Financing in Nepal**” is the collective effort of a team of researchers. First of all, we would like to express our gratitude to NCE Nepal for providing this opportunity to our team. This study explores the financing trends and level of financing for community schools and analyses the physical and human resources and economic utilization in community schools from the perspectives of school financing. It also assesses the potential sources of funding in school education and areas of improvement for making available resources more effective.

We would like to thank the officials of National Planning Commission (NPC), Ministry of Finance (MoF), Ministry of Education (MoE), Department of Education (DOE), National Centre for Education Development (NCED) and other central level agencies under MoE for their support. Our special thank goes to all the District Education Officers and officials of District Education Offices of Lalitpur, Rasuwa, Lamjung, Rolpa, Kailali and Sunsari districts for their coordination, support and providing us with necessary information. We would also like to thank to the District Development Committee (DDC) officials and Village Development Committee staff who supported us in this endeavor in above mentioned districts. Our sincere thanks go to the senior instructor, instructors and staffs of Teacher Training Centre of Sunsari.

Our sincere gratitude goes to the Resource Persons, Head Teachers, Teachers, SMC members, PTA members, CBO members, parents and students of the sample schools of above mentioned districts. Our appreciation goes to the Association of International NGOs in Nepal and other non-government organizations working in the above mentioned districts. We would like to thank Research Assistants of respective districts for their work to collect information for the research. Our special thank goes to the participants including University Professors, government officials, non-government representatives and other stakeholders for giving valuable feedback to the study report during the workshop organized by NCE Nepal. Our sincere appreciation goes to the friends and colleagues at NCE Nepal for their support.

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Research Team

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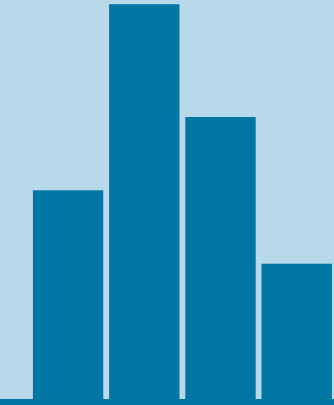
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ACRONYMS

CBO	Community Based Organization
CBS	Central Bureau of Statistics
DDC	District Development Committee
DEO	District Education Office
DEP	District Education Plan
DLE	District Level Exam
DPMAS	District Level Poverty Monitoring System
ECD	Early Childhood Development
EFA	Education For All
EMIS	Educational Management Information System
GCE	Global Campaign for Education
GDP	Gross Domestic Product
MDG	Millennium Development Goals
NCE	National Campaign for Education
NPC	National Planning Commission
PCF	Per Child Fund
PMAS	Poverty Monitoring System
RED	Regional Education Directorate
SIP	School Improvement Plan
SLC	School Leaving Certificate
SMC	School Management Committee
SSRP	School Sector Reform Programme
SWAp	Sector Wide Approach
SWC	Social Welfare Council
TEVT	Technical Education and Vocational Training
VDC	Village Development Committee
VEP	Village Education Plan



OVERVIEW OF EDUCATION SECTOR AND ITS FINANCING MECHANISMS

National Campaign for Education-Nepal (NCE-Nepal) is a network of 286 National and International Non-Government Organizations (I/NGOs), Teachers' association and education journalists and other civil society organizations ranging from grassroots to central level. NCE- Nepal is member of Global Campaign for Education (GCE) and Asia South Pacific Association for Basic and Adult Education (ASPBAE). Being a national chapter of the GCE, NCE Nepal acts locally, regionally and internationally. NCE- Nepal focuses on advocacy in achieving Education for All NCE Nepal has been working since 2003 in advocacy for ensuring quality and inclusive education for all children in Nepal. It also advocates for formation, reformation and implementation of the state policies in order to achieve its goals.

National Campaign for Education Nepal (NCE-Nepal) since 2009 has been conducting budget analysis focusing on Budget Allocation for the education sector. The analysis conducted by NCE-Nepal also analyzed the sources of revenue collection through education taxation to sensitize wider audience through media and lobby with policy makers accordingly. Besides, budget analysis is conducted to disseminate information on budget formulation and dissemination process in education sector and based on the evidence produced from research, NCE-Nepal carries out its evidence based advocacy initiatives.

Observing the trends of financing in education, the total share of education is below 17 percent of the total budget. The previous research reports of NCE-Nepal show that in the last five years the percentage of budget allocated to education sector proves the fact that it is under 17 percent and the trend of education budget allocation is declining every year. 15.99 percent budget was allocated in the fiscal year 2063/64, 16.80 percent in 2064/65, 16.56 percent in 2065/67, 16.3 percent in 2067/68, 17.1 percent in the fiscal year 2068/69 and 16.16 percent in the fiscal year 2069/70. Besides, the research also found effectiveness and efficiency as the major issues in education financing.

Therefore, the concern of today is not only increasing public funds to education but also equally important and alarming to utilize the allocated funds effectively and efficiently. In this backdrop, NCE-Nepal is undertaking a budget analysis in order to explore the budget formulation process to find out how government formulates the education budget in school education. Moreover, there is the issue of adequacy

in existing share of budget that goes for the administrative cost but resource seems not sufficient to achieve the better quality in public education. In addition, government and other stakeholders invest large amount of resources in education every year but the achievement in quality has not been remarkable or there is no analysis of education budget in terms of investment.

RESEARCH CONTEXT

The share of education budget as compared to GDP remained below 17% despite of increasing in volume of national budget allocation. Although education budget is considered as an investment, it falls under the category of consumption items like in salary and consumable goods covering three fourth of total budget. There is issue of prioritization within sub-sectors and within the educational development activities. The existing patterns of budget allocation largely follow the number of students based on Per Child Funding (PCF). This situation resulted into the flow of higher amount of budget in largely populated areas and nominal in most of the rural areas. Geographically remote and sparsely populated areas received low priority in terms of education budget from this mechanism of allocation.

Although public investment in education has been increasing every year, the number of students and pass out rate in public education system has been decreasing over the years. Another important consideration is parent's contribution in education in terms of monetary allocation that has not been reflected in national education account.

Education has been expensive year by year in terms of pedagogy, language and technology. This has negative impact on national treasury in a sense there is less return against the investment made. In one hand, the government has been increasing the budget in education sector, parents still prefer private schools believing and expecting that there is opportunity of quality education to their children. The study has accounted into three concerns in the areas of school budget as: adequacy, equity and efficiency. How much budget is adequate, and how much a school needs, are always a matter of concern for policy makers and implementers. In the same way, the resource/budget varies from place to place and context to context based on the conditions defined and conceptualized. Equity has been addressed with the subsidies and scholarships provided to the students in terms of cash and kind support. The policy has been applied with blanket approach rather focusing on the bracket approach to target groups. Therefore, one of the major aspects in this regard is that how the education system, contents and pedagogy are defined and practiced. The minimum requirements or conditions required for a school, has been defined in education regulation and in other directives but the adequacy of the budget to school has not been yet analyzed from this perspective.

PRINCIPLES AND STRUCTURES OF FINANCING FLOWS

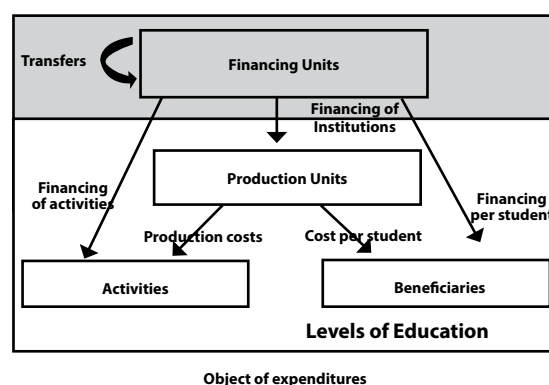
The framework for analyzing educational expenditures is aimed at gathering the different financial flows in the domain of education. This will help to make it possible to bring out a cohesive vision of education finance, the economic stakeholders involved in the funding or production of educational activities, and the nature of the economic transactions carried out. The framework is based on a vision of the domain of education seen as a list of activities within levels of education. Economic agents involved in the domain are classified in two categories: the providers or production units, mainly educational institutions who are delivering the activities, and the financing units who are paying but not delivering educational services. To complete this framework, financial transactions are analyzed by nature of operation or object of expenditure, remuneration, recurrent, capital. Beneficiaries, represented by the number of students, are recorded by level of education and production units. Following this general organization of information, each financial flow in the domain of education has to be characterized by four variables (financing unit, production unit, activities and beneficiaries): who is paying for, what is the financing unit? Who is receiving and utilizing it, what is the production unit? For which level of education

and which activity? What kind of expense is it, what is the object of the expenditure? What are the unit financing and cost at each level and for each category of provider? The general framework gathering all educational expenditures can then be organized using five dimensions providing the structure of the information system on expenditures:

1. levels of education;
2. activities defining the domain of education;
3. financing units who assure the financing of these activities;
4. production units who are delivering the activities; and
5. Object of expenditure, to analyze economic transactions.

Each dimension is associated with a list or nomenclature that will form the structure of the accounts. However, in order to limit the number of dimensions, some dimensions can be combined. In the Nepalese Education Account, levels of education and production units have been combined as providers are more often delivering at a specific level of Education; activities and economic transactions have also been combined, however maintaining sufficient details for the analyses of production costs.

Figure 1: Principles and Structure of Financing Flows



The financing units, production units and the object of expenditure are the three layers in the structure.

Financing Units and Providers

Financing units are economic stakeholders who provide the necessary resources for undertaking activities, but do not themselves produce these activities. The financing units can be grouped into three main categories:

1. Public administrations that redistribute tax resources collected from the economy. This comprehensive group includes different Ministries being part of the Central Government acting through GON's budget, and Local Governments acting through the Local Authorities. Within Government, the national Education Accounts shows separately the Ministry of Education which are in charge of education sub-

- sectors, and group together the other Ministries.
- Households and private entities including private persons, communities in which the school is located and social and Non-Governmental Organizations.
 - Development partners, whether governmental or multilateral agencies. Aid provided can consist of loans repayable by the Government of Nepal (in this case, funding constitutes a differed expense for national public administrations); it can also come from non-reimbursable grants and then corresponds to genuine foreign financing.

The nomenclature used for the financing units includes eleven categories of economic agents organized in three groups, to which should be added resources internally generated by the schools to be able to record in the accounts those income generated at institution level.

Table 1: Financing Units of Public School Financing

Public Administration
Ministry of Education
Ministry of Higher Education
Ministry of Youth Affairs & Sports
Other Ministries
Constituency Development Fund
Local Government Authorities
Private entities
Households (parents)
NGOS and religious bodies
Companies
Development Partners
Loans
Grants
Internally generated funds

PRODUCTION UNITS/ SERVICE PROVIDERS AND THEIR LEVELS

The production units are the institutions which perform activities and produce graduates of different human resource categories. It is based on the level of education they provide. The activities of the production units include teaching, training, monitoring and supervision as well as other ancillary activities. The following units were considered as production units or service providers based on the level in school financing:

Table 2: Level Wise Production Unites/ Service Providers

Pre-school Education	Public schools
	Private schools
Basic/ Primary Education	Public schools
	Public special schools
	Private schools
	Private special schools
Secondary Education	Public schools
	Public special schools
	Private schools
	Private special schools
Non Formal Education	Non formal schools & centres
In-service training	Centres
General administration	Central Offices
	Regions & Districts

The pre-school level production units cover both private and public ECD/ pre-primary schools. The primary level service providers are public, public special and private schools. Similar categories are in lower secondary and secondary level. On the other hand, there are non-formal flexible and open schools, in service training centers and general administration service provides from center, region and district levels.

OBJECT OF EXPENDITURE, ECONOMIC TRANSACTIONS AND SCHOOL ACTIVITIES

The classification by object of expenditure used for analyzing the financial flows for education is based on the classical distinction between personnel costs, other recurrent expenses, and investments, but also strives to set apart expenses of a pedagogical nature (teachers, equipment and materials). Investment corresponds to operations registered as capital expenditures by accountants: purchase of land, construction, major repair work, large furnishings. No depreciation is noted. Capital expenditures are posted the year they are made. Loan operations are not differentiated. Eventual loan interest is considered as recurrent expenditure. The nature of an expense is always analyzed from the point of view of the economic agent who pays. Thus, school fees paid by families are recurrent expense for parents and a recurrent income for schools, no matter how they are used by the school for staff salaries, other recurrent expenses or investment.

Activities of educational providers include teaching activities, administration, school meals and accommodation, medical care and other support to students. In the National Education Account, those activities have been grouped into two: teaching activities and management, and meals, boarding, medical care and transport organized by the school. This corresponds largely to the difference between activities of a day school and for ancillary services. Activities of administrative offices fall under the management component. Those activities of educational providers are complemented by the purchase of goods and services by families.

Table 3: Related Goods, Services and Activities of Production Units

Personnel employment Teaching staff Contribution to pensions of Teaching staff Non-Teaching Staff Contribution to pensions of non-Teaching staff Other recurrent expenditure Pedagogical supplies and materials Other recurrent expenses School Meals, Boarding and Transport Capital investment	Related goods and services Books and other materials Uniforms and other clothing Transport costs Extra tuition fees Transfers between financing Units Scholarships & direct support to families
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BENEFICIARIES

Non-financial information is currently limited to the number of students. Number of students is recorded for each education level and each category of production units. This provision authorizes to calculate average financing per student when comparing financing of providers and number of students; this average financing can be detailed by financing unit, average production cost per student when comparing expenditures of providers and number of students; average production cost can be detailed by object of expenditure. Further development of non-financial information, like classes or teachers could be envisaged.

FOCUS OF THE STUDY

Based on the available data, two important considerations have been made while talking about the efficiency and adequacy of school budget. The first one is whether the allocated budget is utilized wisely and efficiently or not. And the second concern is that whether the allocated budget is

enough to meet the minimum requirements. One can easily say that there are several arguments in the first concern, i.e. in utilization of the available budget. If we utilize the available budget in wise manner, many more concerns can be addressed from the existing allocation. With regard to the adequacy of the existing allocation, education seems to be underfunded that has directly impacted on quality of teaching and learning. Up to a certain level there seems a strong relationship between/among cost, time and quality. It can be argued that the existing allocation may not be adequate to meet the minimum requirements set by the education policy documents.

Along with the above concerns, this research was carried out based on the following research questions:

1. How have the trends of financing been developing in school education in Nepal?
2. What are the sources of school financing?
3. What financial practices have been adopted to make available resources more effective?
4. What are the areas that need to improve in terms of investment and the gap in education budget in Nepal as compared to existing allocation?

OBJECTIVES OF THE RESEARCH

This research had set the following objectives for the purpose of the study:

1. To explore the financing trends and level of financing to community schools.
2. To analyze the physical, human resource and economic utilization in community schools from the perspectives of school financing
3. To assess the potential sources of financing in school education and the areas of improvement for making available resources more effective

EXPECTED OUTPUTS

The ideal situation in education financing has been identified from the perspectives of utilization of education budget. The following outcomes have been expected from the study:

1. Contribution of different stakeholders in education along with government regular budget figured out
2. Last five years' budget in education analyzed
3. Per capita investment of community schools explored
4. Better and worse factors in school education to make effective use of the resources identified
5. Evidence based advocacy tools for advocating civil society organizations in financing in education produced.

SCOPE OF THE STUDY

The study was framed within the following scope of the research areas:

1. Developing research design/tools, determining sampling methods and selecting key informants as required, sharing with NCE-Nepal team and finalizing them,
2. Carrying out desk study for analyzing trend of budget of previous five years from the perspective of budget formulation and areas of prioritization in education,
3. Carrying out research in 24 schools of six districts of five development regions including better and lower performing
4. Taking interview with key informants including from NPC, MoF, MoE, school teachers, students, parents, professional and other relevant persons/organizations and exploring their perception in terms of efficiency and adequacy of budget allocated for education,
5. Observing the school records to identify the factors affecting in the better and lower performance by the schools,
6. Analyzing previous five year's budget in considering process of budget formulation and release in education (centre to local level),

7. Preparing analytical report and share/submit to NCE-Nepal,
8. Participating sharing workshop in central level and present the findings
9. Finalization of the report by incorporating comments and feedback from the workshop and NCE-Nepal team and
10. Submission of the final report to NCE-Nepal

ORGANIZATION OF THE REPORT

The report has been organized in five chapters in general. The first chapter deals with the background of the study, its context and rational, objectives and scope of the study including expected outcomes. The second chapter deals with the study approaches and methods used for the research. The third chapter has illustrated about the financing in education in national context. The next chapter is about the local and district level context of school financing. The final chapter draws conclusion and recommendations.

STUDY METHODS AND APPROACHES

The study approach of this research was qualitative dominant which was supported by the quantitative data for exploring meaning and perceptions of school financing. The qualitative research examined people's experiences and knowledge towards financing patterns and their ideas to make the resources more effective. In addition, the study focused on the practices and experiences of Government Organizations (GOs), Community Based Organizations (CBOs), Non-Governmental Organizations (NGOs) and International Non-Government Organizations (INGOs). The research was largely interpretative in nature in which the meaning was generated through practices, cases and experiences.

IDENTIFICATION OF THE DATA SOURCES

The Education account is an information system which gathers a large number of financial data, in order to measure and analyze the effort that the nation devotes to acquiring knowledge via its education system. A prerequisite for any initiative of this nature is an accurate determination of the area covered. When we think about education, our first thought is for school-type educational teaching activities, the common feature of which being the existence of a programme divided into annual cycles and conducted in specialized institutions i.e. primary schools, lower secondary and secondary schools, or other educational institutions. Teaching activities constitute certainly the core of the education domain. This involves a very large number of students. The school system accommodates nearly 40% of the total population of the country (CBS, 2011). For the purpose of the present study, the following sources of data were identified and utilized for the purpose:

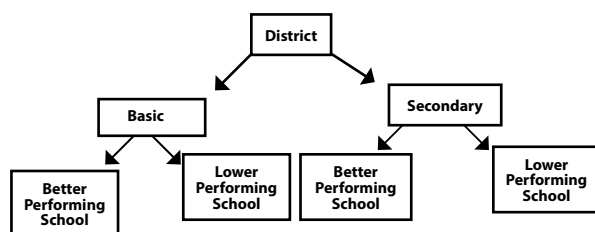
1. Implementation of Government budget,
2. External funded projects,
3. District & Village Development Committees
4. Surveys on NGOs,
5. Household survey,
6. EMIS DOE School censuses,
7. Audited Accounts of Government Institutions, and
8. Survey on schools

These sources have been the authenticated sources for the purpose of public and private educational financing.

SAMPLING CRITERIA AND THE SAMPLE

For the purpose of the data collection, the stakeholders of education sector were considered including government officials, students, teachers, parents, community members, and development partners. The criteria for the selection of better performing school were based on the trend of students' increment in the school and higher achievement results in the SLC for secondary level and in the District Level Examination for lower secondary schools for the last three years. Similarly, the lower performing schools were selected based on the decrease in the number of students and lower achievement in the exam since the last three years. The following figure shows the selection criteria of schools for the purpose of the study.

Figure 2: Sampling Frame of the Study



Other criteria for the selection of the schools were the ecological belts including mountain, hill and Terai covering each development regions. The Sample Districts were selected as shown in the table.

Table 4: Status of the Sample Districts

	Eastern Development Region	Central Development Region	Western Development Region	Mid-Western Development Region	Far-Western Development Region
Mountain	-	Rasuwa	-		-
Hill/ Valley	-	Lalitpur	Lamjung	- Rolpa	-
Terai	Sunsari	-	-	-	Kailali

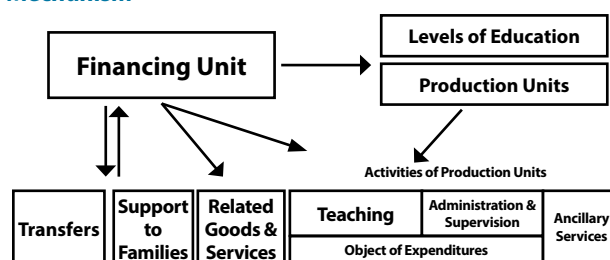
There were four schools from one district including better and lower in performance representing one from lower secondary and another from secondary level. Therefore, from the total six sample districts, altogether 24 community schools were selected for the research purpose and 2 private schools from each districts were also consulted during the research.

COLLECTION OF DATA AND ANALYSIS OF FINANCING MECHANISM

Data were collected through primary and secondary sources. The primary sources of data collection consisted of individual questionnaires, in depth interviews, focus group discussion, and interaction as well as scheduled observations. Secondary data were collected through desk study and document review. Different relevant articles on school financing published on books, journals, research reports, periodicals, magazines, newspapers and other

relevant documents of various organizations available in print version and in the internet were reviewed.

Figure 3: Framework for the Analysis of Financing Mechanism



The framework as illustrated above was used for the analysis of the financing mechanism of the education financing in the country. The components of the framework were financing units, production units, and activities of production units and object of expenditures.



FINANCING IN EDUCATION

The previous section described the study approaches and methods to assess the level of education financing. This section deals with the overall financing mechanism of the education sector in Nepal. The education financing has been described based on the socio-economic, human development and macro-economic context of public financing as well as funding and expenditure in education sector.

SOCIAL, ECONOMIC AND HUMAN DEVELOPMENT CONTEXT

In 2000 the Government of Nepal adopted the Education for All (EFA) and Millennium Development Goals (MDGs) in its national goals and visions of development, a new blueprint for development seeking to make Nepal a globally competitive, prosperous country with a high quality of life by 2015. It is founded on three pillars: economic, social and political. The objective of the first pillar is to increase Nepal's annual Gross Domestic Product (GDP) growth rate to 10%. The main drivers of Nepalese economy are tourism, agriculture, trade, manufacturing, business process and financial services.

The second pillar is social transformation, motivated by the fact that building an economically prosperous society must go hand in hand with creating a just and cohesive society where people enjoy fundamental freedoms and liberties and a secure environment. It addresses eight key areas including education and training: health, water and sanitation, environmental protection, housing and urbanization, gender, youth, sports and culture, equity and poverty reduction, science, technology and innovation.

The third pillar is a political strategy aimed at creating a democratic society reflecting the aspirations and expectations of its citizens. This pillar is founded on the following principles: rule of law; competitive and fair electoral and political processes; democracy and public service delivery; transparent, accountable, ethical and results-oriented public institutions; improved public administration and service delivery; security, peace-building and conflict management.

CONTEXT OF EDUCATIONAL DEVELOPMENT IN NEPAL

Government of Nepal sought to reform the education system inherited from the British education system in 1971 to make it more responsive to the needs of the country. The government has continued to address the challenges faced by education sector through the appointment of commissions, committees and taskforces that have influenced policy formulation and implementation. Nepal is a signatory to several international conventions and agreements and has ratified a number of them. These conventions have gone a long way towards providing a broad framework for the attainment of the right of every citizen to access quality education.

At the national level education development in Nepal is anchored on legal frameworks that include the Interim Constitution of Nepal (2007) in which the right to free and basic education for every child, and education for every person including persons with disabilities and marginalized groups, has been articulated. Since 1991 in particular, major reforms and innovations have been launched, some of which include the implementation of Free Primary Education. This has enabled the country to make significant progress towards attaining Education for All (EFA) and the Millennium Development Goals (MDGs). To date, the main focus has been on improving levels of access, retention, equity, quality, relevance, and the overall efficiency of the education sector.

Nepal's education system has evolved significantly since the restoration of democracy, starting in 1991. This introduced a broad-based curriculum that was meant to offer learners pre-vocational skills and technical education. The system was intended to make education more relevant to learners

by making them more self-reliant and preparing them for the world of work. The current system is under reform to establish Early Childhood Education and Development (ECED), Basic Education, Secondary Education and Higher Education. Other programmes include: Technical Education and Vocational Training (TEVT); and Non-Formal Education (NFE) all of which have been managed through a

Sector-Wide Approach to Planning (SWAp), a method that has been used to develop and secure funds for the School Sector Reform Program (SSRP).

Education services are delivered by public and private institutions. The coverage of schools, their levels and population of students are as follows:

Table 5: Present Status of the Schools and Students

Categories of School	Number of Schools	Number of Students
Primary	34291	4576639
Lower Secondary	14447	1823192
Secondary	8416	878047
Higher Secondary	3596	387516
Total	Level:60757 & Schools:34782	7665448
ECD and Pre primary	34174	1053051

Source: DOE, 2014

Funding patterns of public institutions differ according to the level of education and the degree of administrative and financial autonomy of the institutions. Private schools are not subsidized in Nepal and their funding relies on fees charged to the students and their families. Resources of Public Primary schools are on one side the human and physical resources put in place by the Ministry of Education and other contributors in kind, and financial resources including the grant received from Government, contributions paid by families and other contributions received in cash. Internally generated income is another source of funding for the schools, like religious ceremonies and other schools festivals, sale of a number of items produced at the school level, etc. Other friends of the school contribute to the funding of activities through donation in nature or financial donation.

The information on various fees and donations to technical and vocational schools and polytechnics as

well as internally generated revenues are reported in the school at the end of the yearly financial report and social audit reports. Schools accounts are audited by the School Audit Unit. Private educational institutions at all levels rely entirely on the fees paid by students to finance their teaching and boarding activities.

MACROECONOMIC CONTEXT AND PUBLIC FINANCING

Over the period covered, Nepal's real GDP recorded fluctuating growth of varying magnitudes with a high of five percent and the lowest being three percent. The fluctuation in economic growth in the year 2013 was as a result of political unrest that resulted to the delay in making constitution and thus unstable macroeconomic environment and high inflationary pressure.

Table 6: Ratio of Public Finance to GDP

(in NRs 10 million)

Descriptions	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
GDP	119277.4	136695.4	152734.4	169264.3	192851.7
Expenditure	25969.9	29536.1	33916.8	35863.8	51724.0
Government Income	21849.2	24574.1	28798.4	33392.7	42953.6
Budget Deficit (-)	-4119.7	-4962.1	-5118.4	-2471.1	-8770.4
Ratio to GDP (in percentage)					
Expenditure	21.8	21.6	22.2	21.2	26.8
Government Income	18.3	18.0	18.9	19.7	22.3
Budget Deficit	3.5	3.6	3.4	1.5	4.5

Source: CBS and Financial Comptroller's General Office, 2014

The total government expenditure is as represented in the above table. The expenditure grew during the period 2009-2013. As a result, it increased from 21.8 percent of GDP in 2009 to reach a high point of 26.8 percent in 2013. The expenditure in 2010 and 2011 reflect continued growth in the real-terms level of education spending. The Average growth in government spending over the period after accounting for inflation stood at 9.2 percent per year.

EDUCATION FINANCING MECHANISMS

At Government level, different Ministries are involved in the funding of the Education system. The Ministry of Education (MOE) is responsible for formulating and implementing policy pertaining to education in Nepal at the different levels including early childhood, primary, secondary and higher secondary education. Ministries in charge of health, agriculture, federal affairs and local development, and women children and social welfare have also under their authority some educational services. Those Ministries are funding partly the public institutions placed under their authority through their budget. The funding can be made of direct expenses made by the Ministry for educational institutions when the Ministry of Education is paying teachers or building classrooms in a primary school; it could be done also through grants allocated to more autonomous institutions, like Grants allocated by the Ministry of Federal Affairs and Local Development. The Ministry of Education has established Regional Education Directorate, district offices and resource centers spread over the country in order to manage the large numbers of schools. The field offices of the MOE at district levels ensure the effective management at both the basic and secondary levels. Government funding can be traced through the appropriations made in the GON Budget. Actual expenditures for each Ministry are recorded in a specific budget heads, the recurrent budget and the development budget. The main function of the Local authorities in Nepal is to provide public services, including support to education. For them to fully achieve this function, the Government of Nepal has established a Local Government financing system which is endowed of various sources of revenues. Local Authority provides facilities for primary education, infrastructure for basic schools (including ECD), equipping and furnishing those schools, and teachers' salary for pre-school. The information on the expenditures carried out can be obtained at the Ministry of Local Government or the VDCs/ Municipalities at local levels.

External Funding: Development partners such as ADB, USAID, WB, EU, Norway, AusAID, Finland, UNICEF, UNESCO, WFP and others are contributing to the financing of education in Nepal through pooling and non-pooling fund. Apart of their contributions is made through the budget support to the Government or programmes recorded in the Government development budget for education as Appropriation in Aid, for the implementation of programmes and projects

implemented by the various departments of the Ministry and within the framework of the Ministry adopted development plan that is supported by external partners. The main source of information on the expenditure from development partners is the appropriation account of the development budget and the audited accounts of support program from the auditor's office. In addition, there exist a number of education projects which are financed by certain development partners through different channels than the ones referred to above. For example, a number of Technical Assistance funds are not recorded in the Red Book of Ministry of Finance. The sources of information on the actual expenditure for such projects are the accounting departments of the development partners themselves.

Parents are paying tuition and various user fees, including for boarding, to the private institutions and to the public colleges and the universities. Teachers Parents Associations were also used to contribute to some financing of basic education. Direct fees are not paid to the schools; however, other contributions at the school level (fees for boarding, for uniform, for examination, for school development etc.) are still paid. Examination fees paid to schools are used for the arrangements of examination answer sheets, question papers and for other expenses related to term examinations. The amount of fees is fixed by the school management committees and varies with students' grade. The information on contributions paid by parents can only be obtained at the school level. Parents have also to make direct expenditures in addition to the payments made to educational institutions. Those direct expenditures are required by school attendance and include purchase of uniforms and school supplies, transport services to and from school, private extra-tuition.

Non-Governmental Organizations (NGOs) are regulated and coordinated by SWC. The Education sector welcomed I/ NGOs acknowledging their contribution in the development of the sector of Nepal. A number of international NGOs as well as national NGOs contribute to the financing of basic education in Nepal. Their participation may be in the form of support to schools with equipment, or support to students by providing scholarships. They may be also in the form of research and advocacy for the expansion and development of education for all. They have also contributed to non-formal education through adult literacy programme of the Ministry of Education. The financial records of these NGOs' contributions are available only from their accounting departments and sometimes from the SWC for the INGOs. They are the most relevant sources for obtaining their actual expenditure to education.

EXPENDITURE IN EDUCATION

The National Expenditure in Education covers expenditures from all public, private and external sources of funding, for all levels of education from early childhood to university,

and all categories of education providers, public and private. It includes funding activities within education institutions, teaching learning activities, administration, school meals and boarding, plus direct expenditures by families that are required by school attendance like uniforms, books and supplies, transport to school. This national spending for Education represents 4.5% of the

Gross Domestic Product. When compared to the number of students enrolled at all levels of education, the global picture is more stable. The total expenditure for education has evolved with the increased number of students. The expenditure per student as percentage of GDP per capita is a spending measure that takes a country's relative wealth into account.

Table 7: Trend of Government Expenditure

Year	Government	Grant	Loan	Total
2009/2010	34,727,774,486	8,730,816,077	2,752,892,278	46,211,482,842
2010/2011	39,455,302,916	8,370,375,969	169,110,415	47,994,789,301
2011/2012	49,255,204,306	12,235,998,657	561,814,823	62,053,017,786
2012/2013	51,057,023,175	11,372,756,179	0	62,429,779,354
2013/2014	64,666,698,760	12,783,300,166	301,496,712	77,751,495,638

Source: MOF, 2014

FINANCING OF EDUCATION EXPENDITURE

The level of education financing is indicative of the contribution of education to economic growth, productivity and citizens' personal and social development. Education financing facilitates reduction of social inequalities in any country. The spending/financing units were classified into public and private sectors. The public sector financing of education originated from many sources which include the Ministry of Education, Ministry of Federal Affairs and Local Development, Ministry of Health and Population, and other agencies, Households, Local Authorities, Non-governmental Organizations, religious bodies, corporate bodies, internally generated funds and external (foreign) funding. Private contributors of education financing included households, I/NGOs and religious bodies and private companies. While analyzing the available resources, the Ministry of Education and the households constituted the bulk of the total education expenditure. Several other financing units contribute to the remaining expenditure that included; Local Government Authorities, among others. The contribution of the households to financing of education has increased over the last five years. This indicates the importance that the households have put in the need to invest in education despite the implementation of Free Primary Education conversely, the contribution to education financing from the Central Government declined marginally from 15.2% percent in 2013 to 13.9 percent in 2014. This trend in the share of households can be explained by two developments: the increased access to higher levels of education with higher contributions from students and the development of enrolment in private institutions. As parents have to cover the full cost of schooling in private schools, this explains the large increase in household expenditure over the years.

FINANCING OF EDUCATIONAL ACTIVITIES

The total expenditure in absolute terms is presented and also the share of the education sub sector compared to the total expenditure. Total expenditure on early childhood activities has remained low (less than 1 percent in 2013) compared to other subsectors. Most of the expenditure is attributed to household financing to cater for teacher salaries and physical development. The Government has mainly supported ECD in training to enhance quality, provided phased support on grants for infrastructure development including ECD facilitators' remuneration on a program scheme. The policy of recruitment of ECD facilitators was not implemented that could have seen increased public expenditure to the early childhood subsector.

Basic education received the highest education expenditure at 68 percent in 2011. Over the last three years, though on the increase, the share of the primary subsector has declined from 68 percent in 2011 to 63 percent in 2014. This is attributed to the Government's focus to have more funding to the basic education. The Government has sustained implementation of Free Primary Education that was started in 1999, retaining the grant schools. The primary education stakeholders called for a review of the grant and also the expenditure. In the last five years, the total expenditure in the secondary education sector remained same. This is attributed to the investment from the households and implementation of Free Secondary Education in 2009. The secondary education grant was low and due to increased secondary enrolment, the total grants have increased propelled by improved transition from primary to secondary education. The Government initiated infrastructural investments to have secondary schools

increase the number of streams and in addition communities have accessed devolved funds under graduation from Least Developed Country to Developing Country by 2022.

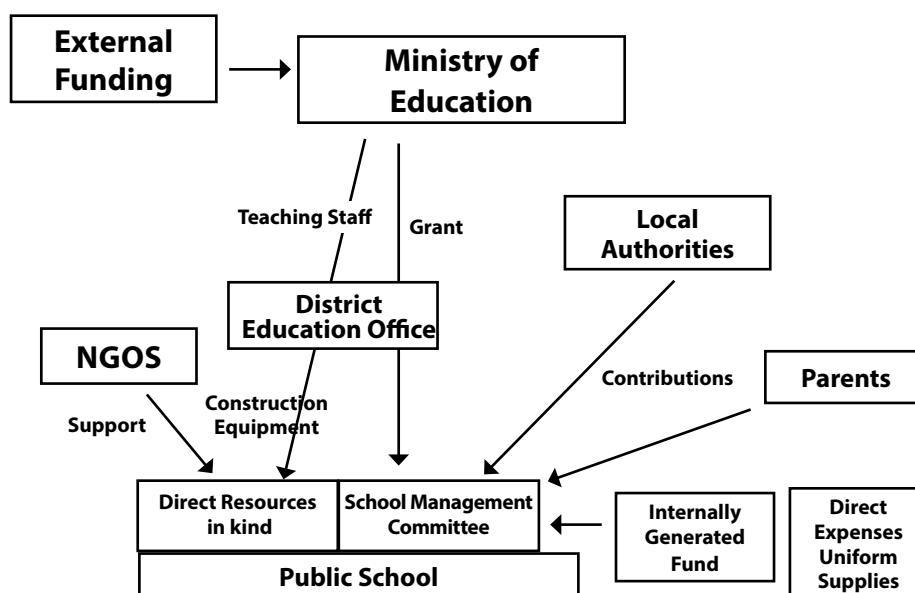
EXPENDITURES OF FINANCING UNITS

The financing includes what the government disbursed through the Ministry of Education, Ministry of Federal Affairs and Local Development, Women, Children and Social Affairs, Health and Population and other ministries. The government allocated slightly over more than half of its education budget to payment of remuneration of teaching staff in the public primary schools. Households and private entities provided 34.6 per cent of the total education budget in the country in 2013.

FUNDING (REVENUES) OF EDUCATIONAL INSTITUTIONS

The National Education Accounts provides estimation of the flows and uses of funds throughout the education system and identifies roles played by central government, local governments, international and local donors, private contributors and households in financing education. These estimates also include funds derived from income generating activities and grants and loans from international community. All private institutions, which cover about 15 percent of school students collectively received 21 percent of total resources and were supported wholly by funds provided by households.

Figure 4: Fund Raising Mechanism in Schools



Source: Field Survey, 2015

Across all educational units, households' direct purchases on items such as books, uniform, transport and extra tuition contributed nine percent of the total education expenditure during the review period. Public sector spent approximately three quarters of the total expenditure indicating that public sector continues to be the main investor in education sector. The expenditures incurred by education production units reflect a combination of unit prices of the various expenditure components and the corresponding quantities. Moreover, the quantities purchased are expected to be correlated to the number of students, hence, an average expenditure per student measure provides useful information in terms of efficiency and quality of services offered. In 2014, the estimated average expenditure per student by level of education showed varied outcomes between public and private institutions. Education levels from pre-school to secondary recorded higher unit cost in

private schools compared to public institutions while the reverse was true for higher education sectors.

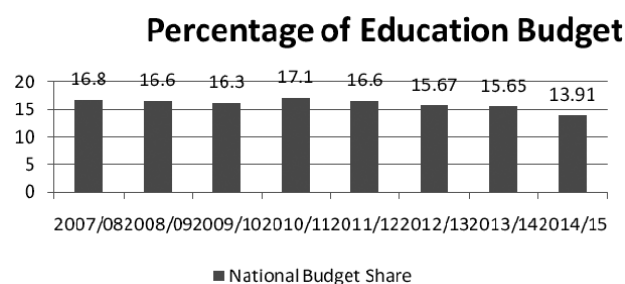
EDUCATION COST AT DIFFERENT LEVELS OF EDUCATION

The government's commitment on investment in education has been found fluctuating between 13.91% and 17.1% of the total national budget. The national level share only reflects the partial sharing of the investment in education. This share is only centrally allocated budget through Ministry of Education. The grants allocated through other ministries and other government agencies have not been reflected on the share. The following table shows the last eight years budget allocation from central level.

Table 8: Trend of National Budget in Education

Year	Education Budget	National Budget Share
2064/65	28390000000	16.8
2065/66	39086407000	16.6
2066/67	46616672000	16.3
2067/68	57827542000	17.1
2068/69	63918839000	16.6
2069/70	73431397000	15.67
2070/71	80958080000	15.65
2071/72	86034050000	13.91

The figure shows that the maximum budget has been allocated on the year 2067/68 and minimum can be seen on this year 2071/72. However, the total volume of the budget has been increased and that trend can be seen on the following bar graph.

Figure 5: Trend of Education Budget of past eight years

Source: MoE, 2014.

Table 10: Status of the Expenditure in Past Five Years in Education Sector

Year	Government	Grant	Loan	Total
2009/2010	34,727,774,486	8,730,816,077	2,752,892,278	46,211,482,842
2010/2011	39,455,302,916	8,370,375,969	169,110,415	47,994,789,301
2011/2012	49,255,204,306	12,235,998,657	561,814,823	62,053,017,786
2012/2013	51,057,023,175	11,372,756,179	0	62,429,779,354
2013/2014	64666698760	12783300166	301496712	77751495638

Source: MOF, 2014

The trend of expenditure has been found maximum in comparison to other line ministries. The expenses were mostly on recurrent grants rather than grants allocated for capital formation.

Within the centrally allocated budget, the budget has been reallocated to the various education sub-sectors. Among them the basic education has got the highest percentage of allocation ranging from 60 to 70%. The following table shows the subsector allocation of the budget for more than four years starting from 2010/2011.

Table 9: Sub-sector Allocation of Budget

Education sub-sector	2010/011	2011/012	2012/013	2013/014
Pre primary	1.4	1.3	1.7	1.3
Basic Education	66.9	65.9	65.2	65
Secondary Education	16	16	17	17.04
TEVT	2.3	2.9	2.1	2.91
Tertiary Education	9	9.9	10	8.35
Non formal	1.1	1	1	1.85
Education Management and Administration	3.4	3.1	3.4	4
Total	100	100	100	100

Source: MOF, 2014

The expenses of the budget in education sector have been found within the range of 90 to 96% in in the last five years. The total share of the government budget expenditure has been recorded within the range of 13 to 17% of the total national expenditure. The following table shows the total expenditure of the education sector budget in past five years.

DISTRICT AND LOCAL CONTEXT OF SCHOOL FINANCING

The previous chapter overviewed the national context of education financing in general and school financing in particular. This chapter deals with the district and local context of school financing in practice. The school financing context in regional and district as well as local level is quite diversified in terms of funding sources, financing units and production units. The district development grants, grants from other agencies and from district education office as well as the parental contributions were found the major. The diversified sources were found on the field visit and the variation was also based on geographical location, number of schools and students, their levels as well as rural urban differences.

DISTRICT CONTEXT

The selected districts from various ecological belts reflected the different stories of school financing. The cases of the district were quite important to analyze in terms of its efficiency and effectiveness. The following table shows the major chunk of budget contributed by DEO and DDC grants in the sample districts.

Table 11: Budget Allocation in Sample Districts in

Sample Districts	DEO budget	DDC budget	Total
Rasuwa	49322000	2188000	51510000
Kailali	427759000	7350000	435109000
Rolpa	182748000	1954000	184702000
Lamjung	152841000	5762415	158603415
Lalitpur	159325000	9422000	168747000
Sunsari	323026000	4582000	327608000

Source: DDC Planning Reports, 2013/14

The figures of contribution by DDC in terms of centrally obtained grants and local grants were included. The major volumes of the budget from the DDC were found to be spent on school infrastructure, teacher salary, scholarship and recurrent costs borne by the schools.

DDC AS COST CENTER

The district development committee is sole responsible for the district development planning and it has reflected all

the budgets in its planning documents under the financing sources. The programs were approved and conducted in education sectors in various activities. The following table reflects the allocation of DDC budget in various education sub sectors in Lamjung District in 2013.14.

Table 12: Details of Budget Allocation of 2013/14 of Lamjung District

S.N.	Headings	Amount	Percentage
1	Allocation in education other than targeted	5260182	9.845
2	Allocation of budget for different sector (Education)	9144870	6.18
3	Early childhood development centre details and activities preparation	25000	
4	Child Club Donation	100000	
5	Library infrastructure development assistance	200000	
6	Deaf Resource Centre Enhancement Programme	100000	
7	Cultural Competition	400000	
8	Others (Sakchharta abhiyaan)	200000	
	Total	15430052	

Source: Field Survey, DDC Lamjung, 2015

A CASE OF ROLPA DISTRICT

During an interaction with the DDC stakeholders, the budget allocated for the education sector was felt inadequate. Already allocated from central grants cannot be diverted to education. They said that a major portion almost with the figure of Rs 1.51 Crores DDC budget goes to physical infrastructure in schools. The budget allocated was found to have small figure in comparison to other districts. On the basis of allocated budget to VDCs, it is difficult to reach to address the demand and need in education sector. They said that education sector requires huge amount for physical infrastructure and little available amount for the sector do not hold any meaning.

During the interaction, people suggested different interventions for uplifting education services to ensure quality. One window policy shall be implemented for education. The entire amount should be channelized through DEO only. Because of non-availability of district's internal resources and incomes, it is practical to arrange for education sector budget. Education structure should be indigenous friendly; local resources should be used. There has to have a policy for local contribution considering the recent decline in the contribution of people. Amount is sent to schools even no activities are undertaken and hence proper monitoring mechanism needs to be adopted. They also emphasized the fulfillment of subject wise appointment of teachers rather grade teaching. Monitoring and Evaluation base management and quality education should be prioritized and accordingly budget shall be managed.

A Case of Rolpa DEO: The district has 406 public schools and 2 colleges in operation. Allocated budget are spent on the mentioned subjects and sectors. During observation, the DEO program officer mentioned that 80-90 percent of the total public schools have submitted social and financial audit report. DEO has blocked the second quarterly fund to school in case of non-submission the social audit report by schools. In a discussion with the researcher, one of the participant said that enrolment has been increased in 118 schools because of daily nutrition programme (FREE LUNCH) in schools. District Education Officer demonstrated the details of the contents of budget allocation to each school; which also served as the basis of social audit of the schools. One of the tragic things found was that even a single teacher has not yet received permanent appointment in more than 100 schools.

A CASE OF KAILALI

During the time of in depth interview, the program officer from Kailali DDC said that Rs 74 Lakhs had been allocated for Education Sector in the last accounting year. Major portion of the amount was spent for physical infrastructure

development. VDCs also contributed 10% of the budget to children welfare. Considering the bigger size of the district, he said that it is difficult to monitor the amount spent of the allocated budget. He mentioned that there should be strategic planning for the development in education manpower and changes should be adopted as required in contemporary scenario. There should be responsive governance focusing on cost effective investment.

In an interaction, the participants from Kailali agreed that we should avoid or minimize duplication of budget through Program Baskets and Budget Baskets. One window policy is must. They also demanded that government should device lower income family indicators and should take responsibility of the families who are economically deprived.

DISTRICT EDUCATION OFFICE AS COST CENTER

The district education office has been assigned as the responsible agency in the district for looking over all the educational institutes and management of educational development interventions. The programs were approved by the National Planning Commission, and activities approved by DDC. The District Education Committee looked after the planning, implementation, monitoring and evaluation of the programmes.

A Case of Kailali DEO: During the interaction with the DEO personnel, they realized that there has been improvement in management of examination and scholarship distribution in Kailali. Most of the schools have their own land or fish pond as alternative source of income. All the schools were receiving the fund as planned and committed. None of the schools have completed the audit of financial report of last fiscal year. DEO has not initiated the procedure in this regard. But almost all of the schools have submitted social audit report. One of the participants said without hesitation,

“Some schools are facing conflict between school authority and parents where there is not transparency on spending for physical infrastructure. I found one teacher being absent for more than 55 days in last academic year. How can we think of quality in the school?”

It was found that in one recent survey of 30 schools, none of the teachers were present for 180 minimum school days. One of the DEO officials said, “We have been threatened by teachers as if we take any action against them.” Similarly, one of the participants demonstrated the reality, Majority of the people participated realized that personality development training was required for teachers along with reward and punishment on the basis of achievement.

A CASE OF SUNSARI

In an interaction with the DEO officials, they emphasized that community has not supported schools with sufficient resources. Number of School inspectors should be increased considering the number of ECD and schools in the districts. They felt their school administration section always crowded, that has made it difficult to operate. Higher number of schools has been a big challenge for DEO. They also explained that, although local governance principles have been adjusted in policy, parents have less capacity to carry out the concept in the community schools. They also demanded inclusion of ECD in school structure.

Quality is questioned in ECD and physical infrastructure is a prime need for quality in education. During discussion they also demanded for devolution of responsibility and authority based on individual capacity. They also pointed out that district education and development programmes have been managed by the same number of people today since 1992, while the number of schools and students has been almost double during these days. Some officials also pointed out that some schools are using funds allocated for one program to another purpose based on their own priorities and it has increased fiduciary risks and financial irregularities. They also said that priority should be given to sanitation, drinking water, equipment for science lab, and education materials rather than school buildings.

A CASE OF RASUWA

The case of Rasuwa has been found a little bit different as there was contribution of hydroelectricity projects in education sector in the form of cash and infrastructure development. Community owned forests were another sources in the district to support schools for cash and kind to build schools and furniture.

Participants in an interaction in DEO pointed out that the eco-tourism, and Langtang National Park could be the possible source for income to education sector in Rasuwa. They also pointed out that blanket policies for scholarship has not been effective and they demanded the target group specific interventions for school investment. The following table shows the glimpse of budgetary allocation in current fiscal year.

Table 13: Expenditure details of Rasuwa District Education Office- 2070/71

SN	Activities	Budgeted Amount
1	Infrastructure, renovation	18,950,000
2	Text books and other	3,714,000
3	Salaries (Non-teaching staff)	6,828,000
4	Salaries (Teaching Staff)	130,072,400
5	ECD Salaries	3,555,000
6	Scholarship	1,743,200
7	Child Club	0
8	Nutrient	3,983,040
9	School Miscellaneous & Stationeries	1,905,000
10	Education and teaching material	2,289,000
11	Training (Including management cost)	1,507,000
	Total Expenditure for 2070/71	174,546,640

Source: Field Survey, DDC Lamjung, 2015

From the above table it can be concluded that major chunk of budget goes to salary and recurrent costs. Only limited amount has been used for educational development interventions.

NGO'S CONTRIBUTION

Non-governmental organizations have played pivotal role in the educational development in Nepal. They have involved on capacity development, raising awareness, advocacy and lobbying for ensuring the educational rights of the children. They have also been engaged on building models and experimenting good practices as well as fulfilling gaps in educational programmes. They have also supported to make education accessible to marginalized and poor people.

One of the NGOs working in education sector named as Rural Community Development Centre in Lamjung supported by World Vision International, an international nongovernmental organization with NRs. 4518601 illustrated the expenditure in the following headings:

Table 14: Expenditure details of Rural Community Development Center- 2070/71

SN	Activities	Budgeted Amount
1	Support to community school	
	ECD	516420
	Basic Education	383225
	Special Needs school	398486
2	Teacher Professional development	Rs 598436
3	Other programmes	Rs 244263
4	Institutional Core Cost	270,000
	Total	4518601

Similarly, Global Action Nepal, another NGO in Lamjung with the support of DFID has been investing with Rs 5318058 out of which they have allocated budget for community school support with the amount of Rs.3245392 and their own core institutional cost Rs. 2072666. From the above data, it can be concluded that the NGOs are mainly focusing on community school support and teacher training.

One of the NGOs named as Backward Society Education (BASE) in Kailali with the support of Save the Children allocated Rs 4700681 in Education sector out of the total budget Rs 24700000. The budget was distributed to community schools for basic education support with Rs 292,000 and for special needs schools with Rs 4,407,801.

It was difficult to witness the presence of Non-Government Organizations in education sector in Rasuwa District. SAAHARA Program was started in 2012 in the district offering Integrated Nutrition, Agriculture, Hygiene and social mobilization services and training to the communities with implementation Partner as RADAR. It has followed the approaches of making its contribution for Education Sector as awareness training to teachers, resource persons and students concerning nutrition and hygiene. It has also addressed the training to students related to school gardening.

VDC CONTRIBUTION

The local governance Act 2055 and its regulation 2056 has given clear mandate to govern the local educational

institutions through VDCs and Municipalities in the country. There is provision of making village education plan for the overall development in education sector.

VDC secretary in Lamjung in an interview mentioned that village education plan has been formulated but not implemented. There is mandatory provision for allocating minimum of 10% of the local budget for children's welfare. Portion of Internal Revenue generated from the sales of gravels, concrete etc. goes to community schools. Resource allocated from DDC and MOE are most reliable. Likewise, income generated from school internal source, contribution made by individual and agencies are also considered effective.

He further pointed out that the budget allocated for education is insufficient and there should be proper planning and campaign that help to create feeling of ownership and positive attitude of people towards schools. A major portion of revenue generated through local resource should be allocated to education sector and made mandatory. Scholarship amount are relatively less when considered with increase in price of products and services, and should be increased. He further suggested that while allocating the budget provided by DDC, reference should be taken from DEO, VDC, and Municipality to avoid duplication. During an interaction in the village people working in education sectors pointed out that even if not required by schools, there is a trend of appointing relative or friends as a teacher in private resource in schools. They explained that they do not allocate fund for salary but fund are taken for physical infrastructure; works are carried out at low cost and free labour from people. If any amount remains after completion of the above mentioned, such amount is used for salary of teachers. Free labour is also valued in amount and shown as expenditure adding financial irregularities. They also agreed that if one window policy is adopted and the entire amount released from DDC directly, it may reduce duplication and improve financial mismanagement.

In Rasuwa, VDC financial records showed that there has been a trend to allocate 10% of its total budget to schools as per the Village Education Plan (VEP) in due consultation with Village Development Committee. VDC's Contribution is mainly focused on two segments for School Development: Physical Infrastructure and Children Welfare. According to one of the VDC secretaries looking after four VDCs in Rasuwa provided with following picture of budget allocation in education sector:

Table 15: Allocation of Budget in VDCs for School Support in 2071/72

SN	Activities	Budgeted Amount
1	i. Laharepauwa, Rasuwa for children's welfare	104700
	ii. Dhaibung, Rasuwa for children's welfare	150,400
	iii. Dhunche, Rasuwa for children's welfare	133,700
	iv. Goljung, Rasuwa for children's welfare	117400
2	Field ground maintenance	150000
3	Shree Narayansthan L S S, Gombodada: VDC Scholarship	6000
4	Shree Setidevi HSS, Dhusenie: VDC Scholarship	135000
5	Shree Dhupcheshwori LS School, Khalchet:VDC Grant	19700
6	Shree Gosaikunda Sec. School, Bhorle: VDC Grant	32505

SCHOOL AS A UNIT OF CHANGE

Public schools are taken as major cost centers as well as change units in education management in the country. They get the support from the government and from other agencies in terms of grants. They have their own account and have autonomy to manage the school development activities. The school management committee is the apex body in school for school governance. DEO, DDC and VDC have been the major funders of public schools in this regard.

During the interaction with SMC people in Rolpa, the following comments have been recorded regarding school financing:

1. There has been less public concern towards schools.
2. Lack of resource leads to facing difficulty in timely payment of salary to locally managed teachers.
3. School does not have its own drinking water tap and students are facing the problem from not having fences around school premises.
4. School is facing difficulty in arranging required financial resource.
5. They are following traditional method of accounting and trained personnel are not available to perform the task.

Stakeholders' consultation from Balmandir Primary School in Rolpa mentioned that parents and guardians are living in distant location, economically weak, and separated. It has become difficult to manage the resource. Daily lunch has contributed to keep the students at school for whole day. Organization like Save the children is providing assistance

for books and drinking water but there is requirement for water tank. CIWIN also helped in floor setting but no grants released from VDC in the current fiscal year. Internal source has been utilized for toilet construction along with DEO grants. They demanded that DEO Budget allocation should be on the basis of requirements and geographical remote location of schools. Budget allocated for scholarship is always inadequate. They also suggested that monitoring and supervision shall be done on the basis of Academic Calendar; penalty and motivation to teachers and staff should be implemented.

A head teacher from a community school in Kailali in an interview mentioned that they have not got any additional source of income other than fund from DEO. Earlier they collected some amount from students as financial support but recently that has been not the case. Bank interest contributed small portion income. Some I/NGOs are making their contribution in sanitation and ICT Components to schools. They generate revenue from transfer certificate and it has been difficult to bear the monthly expenses. Small financial contribution has been received from Municipality for compound renovation. They also blamed the parents that their sons are enrolled in private schools and daughters in public school. They suggested that government should focus on quality education rather focusing only on infrastructures. They also pointed out the weakness of DEO on monitoring and suggested for proper supervision.

SUCCESS STORIES

One of the exemplary model schools from Sunsari, Saraswoti Jigdi Lower Secondary School, provided many clues of success. During an interaction with the parents and teachers association in the school, the participants realized changes in cleaning school compound and surrounding, even no piece of paper and litters thrown in the ground, and proper garbage management. They explained that students clean toilet and washrooms in rotation every day before leaving school in the evening. It was surprising that in a public school, they had managed mirror, nail cutter and clean napkin in the premises. They informed that it has been four year that the school was declared as child friendly school. For ensuring quality, they said that examination report of the first quarterly examination would be sent to parents/guardian and received their feedback. One teacher explained that weekly test is conducted at school. They applied one trick to control students and teachers through the registration of their name every day either of the two registers, one for being good student by doing as per the rule and task given and another register for those who violate the rules. One interesting innovative mechanism of controlling absenteeism they applied was that, students from grade four to eight were not allowed to remain absent without any reason and if they become absent, they had to deposit certain sum of money at piggy bank. Same rule applies to School Management Committee members and

teachers. One of the INGOs named World Vision, provided some books, and small library has been set up. The child club has been so effective that they take the responsibility of library use. School is found excellent in extra-curricular activities. Staff have been working before and after regular school time. They developed a trend of celebrating birthday of each student. The head teacher and SMC chair claimed that the school has set an example and higher standard among the lower secondary schools of the district.

A Public School from Rasuwa was found generating fund from locally available sources and activities. One higher secondary school i.e. Kalika Himalaya HSS rented the community campus for running bachelor's level classes in the morning and the SMC chair in an interview said that University Grant Commission has made the commitment for Infrastructure Development in the school premises to support the college building. They had performed different religious activities to generate fund for the school.

A STORY FROM PRIVATE SCHOOL

In an interaction with the principal and teachers of private school of Lalitpur claimed that they are offering quality education providing support to nation's educational

achievement without the government support. They further added that they fully depend on students' fee and individual investment as source of income. They said that government has not given the recognition which is not justifiable. In their experience, the public schools are given freedom more than required. According to them, it is contrary that there is lack of quality education in public schools even though there are trained teachers and resources available. They believed that government provides resource INPUT but expect OUTPUT without considering PROCESS. They all agreed that there should be uniformity in the education system in all categories of schools.

Similarly head teacher from one of the renowned private schools of Kailali told her success story that good administration; proper management and non-presence of political influence were the formulas of success in private schools. She demanded that government should offer tax exemption to private schools considering it as a social institution rather than considering as a factory. She also demanded that government should implement Voucher System that may offer students to choose option for studying in school of good quality either private or public school. Policy makers should take the initiative rather than making commitments or promises.



CONCLUSION AND RECOMMENDATIONS

The study for education financing in public and private schools was accomplished as per task assigned in a stipulated time. The study outcomes were described and analyzed in appropriate sub-headings of the main text as presented earlier. It is substantially analyzed and appraised all financing units, production units, cost pattern and activities as well as beneficiaries. The major part is that how the community schools sustained by the government's subsidy or grant and how it is utilized whereas on the other hand how institutional schools are surviving and doing better in terms of its income and expenditure pattern.

CONCLUSION

The study data and information represented from sample districts reveal and reflect somewhat the glimpse of Nepalese education system financing. There were some schools having very poor physical facilities and some private schools having large facilities of physical infrastructure as well as income source. In conclusion, it can be concluded that there is extreme need of concrete school funding policy with benchmarks of quality assurance and accreditation in cyclic basis. Medium term budgetary and expenditure planning in bottom level along with result based monitoring system was felt needed to make sustainable and justifiable investment in school education. If there is an effective team work among teachers, management committee and parents, progress of school can be ensured.

RECOMMENDATIONS

Financing in school education has been more related in consumption rather the investment. Most of the financing units are not reflected in national data base and production units were out of the track of grants policy. The benchmarks of the performance and quality has been felt to be set for the quality assurance of educational institutions. While analyzing the cost of education at the school level it would also be beneficial to take into account the experience and prevalent practice of other countries. Undoubtedly, there is a greater demand that schools should offer better education at the reasonable costs. Education service providers and

stakeholders, all, need to acquire cost effectiveness. Within this arena, this study recommends following actions/ steps on the basis of study of school financing in the country.

- The areas of improvement in terms of existing investment at national level can be engineered in existing budget and program development patterns, prioritization of activities, focus on investment rather than on consumption items in school financing, allocation in terms of value for money and result focus rather than on inputs.
- The redeployment of teachers is necessary, along with merging, upgrading, downsizing the schools based on school mapping. One teacher school concept would be a viable option in remote mountain areas where there is less students and big school concept in urban populated areas.
- Instead of blanket policy of resource distribution like in scholarship and other grants to schools, there should be bracket approach focusing on targeted groups and their needs to get access in education.
- Funding Policy of the government to the schools should be immediately reviewed. Government should clearly develop policy which can guide schools to carry out certain functions from government fund and others from community resources.
- Students tracking system should be developed either using vital registration or student identification number that avoids fake data, duplication and proper allocation of resources.
- Education budget allocation and formulation should

be on the basis of one window system. Multi-Sectorial involvement should be properly coordinated with clear roles and responsibilities. While formulating the Education Budget, Government should ensure the fundamental education rights of children.

- Schools produce audited accounts of their income and expenditure and send them to DEOs, the financial data reported by schools through the Flash report, and possibly a sample of audited accounts, should be used to produce estimation for further budgeting.
- DDCs and VDCs spend on education out of their own funds and grants they receive from Ministry of Federal Affairs and Local Development, the central grants. VDC and DDC should report the status of the grants spend along with the investment through DEO.
- The VEP and DEP should be strictly followed during programmes and budget approval period.
- There should be medium term expenditure and medium term budgeting system of three years rolling planning to avoid unnecessary influence on planning

and to overcome shortcoming of the budget available.

- I/NGOs have not been much disclosing their funding in education and data has not been reflected in national data base. Further survey is recommended to assess I/NGOs' funding in education.
- Yearly plan has to adjust the interaction with guardians/parents in regular interval of time. There should be provision to interact with students and phone calls to parents.
- Parents and local stakeholders of schools should be encouraged to explore innovative ideas for creating alternative source of funds for school development.
- This study is a micro level analysis of school financing in Nepal based on the sample of 24 public consultation with 12 private schools from six districts. Further study taking a larger sample and covering the financial mechanism of all kinds of schools and the overall education sector is highly recommended. This would be useful for a detailed understanding and for planning of the education sector in the changed context.



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ANNEXES I

VARIATIONS OF FINANCING IN EDUCATION

Indicators (In billions)	1990	1995	2000	2005	2010
Gross Domestic Product current	1247	2221	3484	4945	5881
Gross Domestic Product 1990 prices	1247	1424	1528	1570	1620
Total public expenditure current	512	980	1550	1994	2193
Public exp. on education current	52.4	100	179.8	227.4	258.8
Number of pupils (thousands)	1267	1384	1478	1542	1641
Population (thousands)	3200	3680	4232	4866.8	5596.82
GDP per capita current	389,688	603,533	823,251	1,016,068	1,050,775
Growth rates					
Gross Domestic Product current		78.1%	56.9%	41.9%	18.9%
Gross Domestic Product 1990 prices		14.2%	7.3%	2.7%	3.2%
Total public expenditure current		91.4%	58.2%	28.6%	10.0%
Public exp. on education current		90.8%	79.8%	26.5%	13.8%
Number of pupils (thousands)		9.2%	6.8%	4.3%	6.4%
Indices					
Gross Domestic Product current	100	178.1	279.4	396.6	471.6
Gross Domestic Product 1990 prices	100	114.2	122.5	125.9	129.9
Total public expenditure current	100	191.4	302.7	389.5	428.3
Public exp. on education current	100	190.8	343.1	434.0	493.9
Number of pupils (thousands)	100	109.2	116.7	121.7	129.5
Values at 1990 prices					
GDP price index	100.0	156.0	228.0	315.0	363.0
Gross Domestic Product 1990 prices	1247	1424	1528	1570	1620
Total public expenditure constant	512	628	680	633	604
Public exp. on education constant	52.4	64.1	78.9	72.2	71.3
GDP per capita constant	389,688	386,957	361,059	322,594	289,450
Percentages					
% GVT within GDP	41.1%	44.1%	44.5%	40.3%	37.3%
% Education/ Gvt Budget	10.2%	10.2%	11.6%	11.4%	11.8%
% Education/GDP	4.2%	4.5%	5.2%	4.6%	4.4%
Unit spending per pupil					
Current	41,358	72,254	121,651	147,471	157,709
constant 1990	41,358	46,326	53,353	46,821	43,443
growth rate cst prices		12.0%	15.2%	-12.2%	-7.2%
% GDP per capita	10.6%	12.0%	14.8%	14.5%	15.0%

ANNEXES II

अभिभावक तथा बिब्यस पदाधिकारीका लागि प्रस्नावाली

नाम: पेशा: जिल्ला: गाबिस रनपा:
बिद्यालयमा भू मिका: अभिभावक, बिब्यस, शिक्षक, प्र.अ, शिक्षक अभिभावक संघ, अन्य

तलका प्रस्नहरु आफ्नो अनुकुलातामा जवाफ दिनुहोस्

१. तपाईंका बालबालिकाहरु कुन कुन बिद्यालयमा अध्ययन गरिरहेका छन् चिनो लगाउन होस्
क. सामंदायिक स्व. संस्थागत (निजि बोर्डिंग) ग. प्राबिधिक शिक्षालय घ. धार्मिक बिद्यालय,
ङ. अन्य

२. कुन कुन कक्षामा पढिरहेका छन् ?

३. बिगत १२ महिनामा तपाईंले निम्न शिर्षकमा कति कति खर्चा गर्न भयो ?

छोराछोरी	कक्षा	बिद्यालयमा तिरेको फी	परिक्षा सुल्क, भर्ना सुल्क, आदि	युनिफर्म खर्च	पाठ्यपुस्तक खर्च	यातायात खर्च	निजि ट्युसन खर्च	अन्य (खाजा, चिया, आदि)
पहिलो								
दोश्रो								
तेश्रो								

४. तपाईं ले आफ्ना नानीहरुलाई पढाउन छात्रवृति पाउनु भएको छ ?.....
छ भने

१. बिगत १२ महिनामा कति प्राप्त गर्नु भएको छ?..रुवा समान भए विवरण

२. छात्रवृति कुन कुन कुरामा खर्च सुल्क , पाठ्यपुस्तक, युनिफर्म, होस्टेल, वा अन्य

३. कुन किसिमको छात्रवृति पाउनु भएको छ ?

गारिब वा जेहेन्दार, छात्रा छात्रवृति, ट्रान्द पिडित, अपाङ्ग, दुर्गम, कमलरी वा अन्य

५. तलका प्रस्नहरुको उत्तर दिनुहोस्

a. बिगत तिन बर्षमा तपाईं को बिद्यालयमा कुन कुन श्रोत बाट आम्दानी भयो ?

.....

b. कुन श्रोतहरु बढी प्रभावकारी रहे ?

.....

c. बिगत तिन बर्षभित्रमा कुन श्रोतबाट बिद्यालयमा आम्दानी आउन छाड्यो ?

.....

d. बिगत तिन बर्षभित्रमा कुन कुन नयां श्रोतबाट बिद्यालयमा आम्दानी आउन थाल्यो ?

.....

६. तपाईंका लागि तलका मध्ये कुन कुन कुरा सान्दर्भिक छन् ? घेरा लगाउनुहोस्

a. घरमा प्रयोग गर्ने इन्धन र दाउरा वा मट्टीतेल वा बायोग्याँस वा एलपीजी ग्याँस वा अन्य

b. घरको भित्ता र माटो ढुंगा, सिमेन्ट, बाँसको बारेको, ढलान गरेको, माटोले लिपेको वा अन्य

c. घरको छानार फुसको, खरको, टायलको, जस्ताको, ढलान वा अन्य

d. बस स्टपबाट घरको दुरी: किमी (अनुमानित)

ANNEXES III

GENERAL CHECKLIST FOR DATA COLLECTION

1. Select the two good and two least performing schools one from each secondary and one lower secondary school
 - a. secondary school on the basis of SLC result, number of students, community participation and infrastructure
 - b. lower secondary school on the basis of District Level Examination result, number of students, community participation and infrastructure
2. Select one good and one least performing institutional school and collect the data on prescribed form.
3. Collect data from NGO network on prescribed form/ DEO also can provide information
4. Collect data from DDC audit report/ program or account officer can support you
5. Organize the SMC/PTS/ teacher group meeting and fill questionnaire from each individual. Then organize interaction program and collect information on diary from them about
 - a. financial source of their school
 - b. parents contribution
 - c. government contribution
 - d. local government contribution
 - e. donation
 - f. investment sustainability plan
6. Interview from VDC secretary/ LDO/ HT/ DEO/ Program Officer (whoever available)
Guiding questions for interview:
 - i. What are the sources of funding included for education planning?
 - ii. Which sources have become effective?
 - iii. What are the possibilities of funding available?
 - iv. What are the possible funding deficiency areas?
 - v. How do you prioritize for funding?
 - vi. How do you think alternative modality for funding?

ANNEXES IV

INCOME AND EXPENDITURE TABLE OF SCHOOLS

Please including following information based on last years' audit report including primary, lower secondary, secondary and higher secondary level income and expenditure

Income headings	NRs	Expenditure headings	NRs
Grants-in-aid other than Immediate Teacher Support (Rahat) and Per Capita Funding, including salary of teachers working on approved teacher positions, stationaries and other administrative grants)		Salary, allowances, provided fund and gratitude of teaching and non-teaching staff working on approved positions	
Grants-in-aid on Immediate teacher support (Rahat)		Salary of teachers appointed under Immediate Teacher Support (Rahat) and PCF provisions	
Grants-in-aid on Per Capita Funding (PCF)		Student Scholarships	
Student Scholarships		Education materials	
Block Grants (School Improvement Plan and others) only		Furniture, classroom construction and school maintenance	
Other Government Grants-in-aides		Stationaries	
Fee collected from students and other internal sources		Textbooks	
Other than government sources		Student and teacher welfare	
Total Income		Total Expenditure	



act:onaid

