

RESEARCH BRIEF ON FINANCING GAP IN EDUCATION

The Context

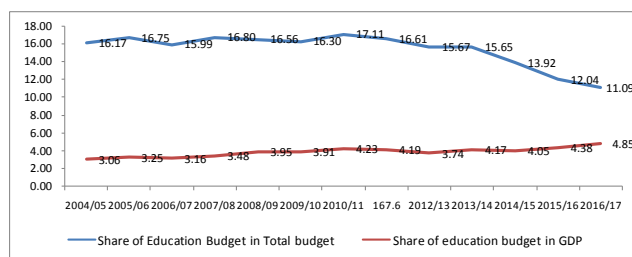
Education is not free goods, many cost involved in it. In this context, the State itself will be liable to bear the entire costs towards education up to the secondary level. According to the Constitution "Every citizen shall have the right to get compulsory and free education up to the basic level and free education up to the secondary level from the State. As it has been inscribed in the Constitution itself, the State cannot retract on this. However, given the status of government investment in school education, it has given many a room to doubt about free education.

In previous years, the government has gradually constricted its investment in education. Hence, it is expedient that we become serious and wary on this issue in time. Despite of the commitments made by the government in the national and international forums (especially in Incheon Declaration on SDGs4) allocating at least 20 percent of the national budget and 4 to 6 percent of GDP to the education sector has been allocated. Major political parties have also been committed in same things by their parties' manifestos. This study report has focus on the financial provisions and investment in the context of free education as set in the Constitution of Nepal.

Trend and Pattern of Budget Allocation for School Finance

The allocation of public funding to education varies year to year, it seems unpredictable. In some year it reaches up to 17 percent whereas sometimes it went down to about 10 percent. So the education budget is fluctuating, decreasing in recent years. The allocation of education budget against Gross Domestic Product (GDP) and National Public Budget is given below (Figure1).

Figure: 1. Allocation of public funding to education (2004/05-2016/17)



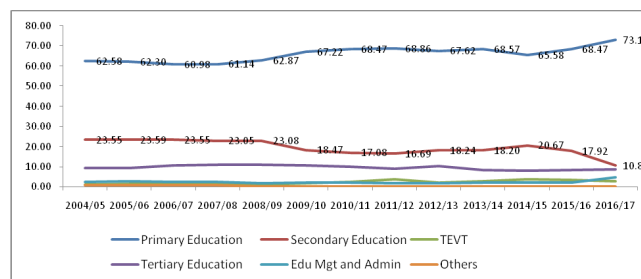
Source: Ministry of Finance Red Books, 2004/05 to 2016/17

The chart above shows that the budget allocation in education in terms of GDP is more or less in consistent. However, the

share of education budget against national public budget is fluctuating and declining at the end.

Budget allocation to education is one aspect; on the other how the education budget is reallocated to different sub-sectors of education is another important dimension. The chart below shows the shares of public education budget as per the levels of education (Figure 2).

Figure: 2. Shares of public budget as per the levels of education (2004/05-2016/17)



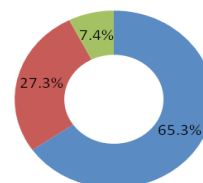
Source: Ministry of Finance Red Books, 2004/05 to 2016/17.

Out of the education budget the highest share consumes by the primary education, followed by secondary education. Till 2008/09, secondary education budget includes the budget of both lower secondary and secondary. After 2009/10, education system was restructured under school sector reform program, where basic education includes both the primary and lower secondary whereas secondary only includes the secondary education. This has resulted changes in budget allocation. So the allocation to primary and secondary education varies significantly after 2009/10 because of restructuring of school education.

Most of the budget of school allocation will go for the salary and non-salary purpose. As shown in the SSDP Plan, the expenditure categories are given in the figure below;

Figure: 3 SSDP expenditure framework by cost categories (2016/17-2020/21) (current prices)

- Salaries and remuneration
- Programme cost (ICT, Textbook, Scholarship, Civil works etc.)
- Management and administration costs



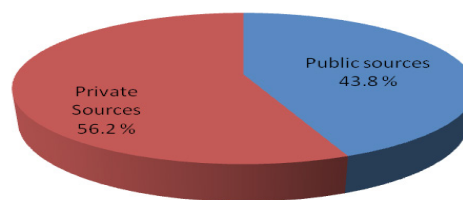
The most of the SSDP budget will consume by the items of salaries and remuneration (65.3%), followed by programme costs (27.3%) and management and administrative cost (7.4%).

Funding Sources of Schools

Schools receive fund from different sources. If we observe minutely, only two sources i.e. public and private are applicable to fund schools. A study carried out by the Ministry of Education, UNESCO Montreal and IIEP revealed that the funding sharing patterns on education is as follows (MOE and UNESCO, 2016);

One of the most remarkable aspects of the study is that public authorities are funding 43.8 percent of education expenditure whereas more than 56.2 percent are being covered by the private sources including household contribution.

Figure: 4 Funding sharing patterns on education, 2016



Source: Ministry of Education and UNESCO/IIEP, 2016

Per Student Cost in Education

The study carried out the Ministry of Education and UNESCO/IIEP (2016) shows the following status in terms of per child expenditure in education.

Table: 1: Status in terms of per child expenditure in education 2016

Level of Education	Public/Community Institution				Institutional/Private Institution			
	Total	Government (%)	Household (%)	Others (%)	Total	Government (%)	Household (%)	Others (%)
Preprimary	3,602	52	8	40	17,336	0.1	94.6	5.3
Primary	11,536	66	2	31	20,254	0.3	92.4	7.3
Lower secondary	11,251	58	6	36	19,984	0.3	93.2	6.5
Secondary	10,681	85	14	1	31,696	0.2	93.2	6.7
Higher Secondary	16,556	40	48	12	37,752	0.1	93.1	6.9
TVET	1,77,053	87	8	5	89,159	2.1	92.9	5.1
Higher education	56,525	65	16	18	1,32,136	1.9	80.6	17.5

Source: Ministry of Education and UNESCO/IIEP, 2016

The table above reveals that the students studying in private schools have received higher level of funding as compared to their counterpart who is studying in public schools. The pre-primary education students who are studying in private schools are receiving higher share of fund as compared to their public education counterpart in all levels.

Estimation of Budget for School Education

Government of Nepal, by far, has been contemplating and practicing free education by allocating amounts in heads like salaries of teachers, scholarships, construction works, lump sum school operation cost, non-salary costs etc. The meaning of free education is different for different people. Some attempts are being made to define free education in Education Regulation but this is not sufficient. Now a pertinent question is looming as to whether this is, in fact, a criterion for free education or not.

In line with the spirit of Constitution, recently, a preliminary draft of a Bill for providing on the Right to Education has been readied and is being floated for study and discussion.

That Bill provides for numerous arrangements such as education till the secondary level to remain free, and that the household families not required paying any forms of fees, charges or donations save for voluntary donations, grants, aid or rewards. Moreover, all students of basic education to be supplied with textbooks and uniforms, provision of midday meal, educational aids, and the conferment of financial aid for the children from regions and communities lagging behind the prescribed indices in terms of human development index, etc. figure out in that Bill. In case the State can properly invest in these indices, then we can hope that the journey of free and compulsory education as envisaged by the Constitution will be fulfilled.

The budget required for ensuring the teachers, non-teaching staff, student facilities, ECD facilities are calculated based on certain assumptions such as teacher requirements and their salary, availability of text books, scholarship, ECD grants, mid-day-meal,, stationary, uniform, insurance, SIP grants and staffs salaries.

Summary of the total requirements

Based on the analysis of different criteria, the table below includes the summary of the existing allocation in different items, total requirements based on certain assumptions and

norms and gaps at present to cover the requirements. This is time the research needs to estimate required budget for school education in the context of free education. On the basis of above conditions, estimation of required school budget and gap at present in school finance is presented in table 2.

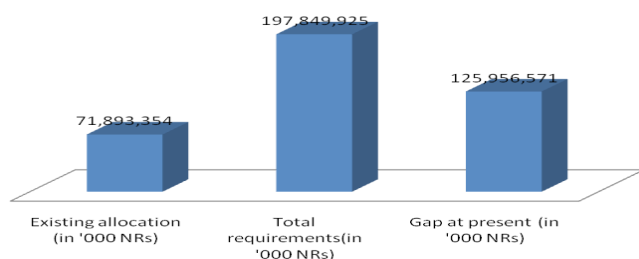
Table: 2 Estimation of required school budget, 2018 (NRs)

Items	Existing allocation	Total requirements	Gap at present
Teacher salary	Amount (NRs)	Amount (NRs)	Amount (NRs)
Primary	41,064,822,066	50,447,786,826	9,382,964,760
Lower secondary	10,311,395,258	16,474,552,258	6,163,157,000
Secondary	8,523,289,678	18,030,566,678	9,507,277,000
Sub-total	59,899,507,002	84,952,905,762	25,053,398,760
Textbooks	24,61,046,000	2,966,289,900	505,243,900
Scholarship	2,181,119,000	3,465,299,400	1,284,180,400
ECD	2,032,545,000	15,199,641,600	13,167,096,600
School Karmachari	2,290,604,000	13,666,121,430	11,375,517,430
Mid day meal	1,176,235,000	28,546,637,000	27,370,402,000
Insurance	0	11,927,310,600	11,927,310,600
Stationary	0	16,333,923,000	16,333,923,000
Uniform	0	17,326,497,000	17,326,497,000
SIP grants (Non-salary)	1,852,298,000	3,465,299,400	1,613,001,400
Sub-total	11,993,847,000	112,897,019,330	100,903,172,330
Total	71,893,354,002	197,849,925,092	125,956,571,090

Source: Calculation based on the assumptions.

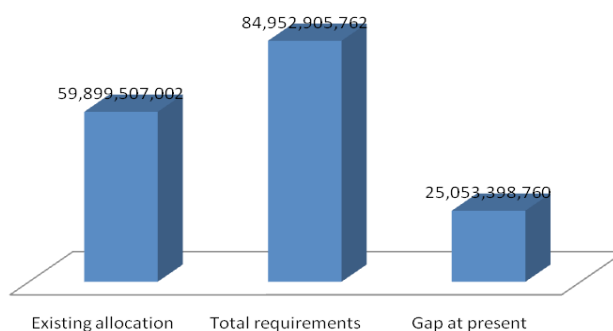
The estimation based on certain assumptions show there is a huge gap in education budget to fulfill the constitutional provisions.

Figure 5: Estimation of required school budget for total Gap, 2018



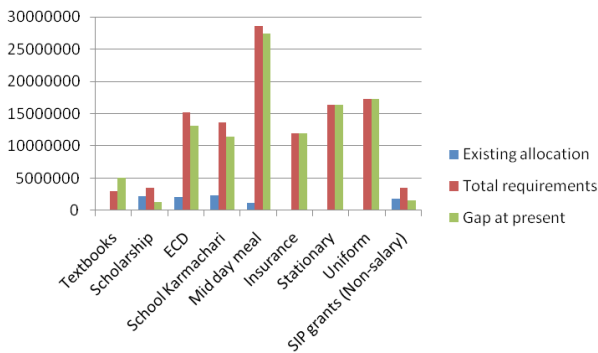
Huge amount of additional budget is required to fulfill the minimum number of teachers in each school (Figure 6).

Figure 6: Estimation of required school budget for Teachers, 2018 (NRs)



Similarly the additional budget required for other major and selected items are given below;

Figure 7: Estimation of required school budget for Scholarship, ECD, Mid-day meal, Stationary and Uniform, 2018 (NRs '000)



The above details offer a basis to calculate the size of investment or the additional amount to be managed by the State of Nepal so as to implement the constitutional sentiment of making the school level education (1-12) free. A sum of Rs. 197.85 billion current budget for school education is needed. Thus, altogether, incur an additional financial burden to the tune of Rs. 129.56 billion on the State. Thus, if we are to add this Rs.129.56 billion on top of the present education budget of Rs. 71.89 billion, then it would reach a figure of Rs. 197.85 billion. This is nearly more than double the current financial layout.

The above calculation does not include the budget required for the construction of physical facilities and school environment improvements. If we include this the required amount may go further up.

Another matter is that in order to enhance the quality of school education - school, students and teacher-support systems need to be developed invariably. It would be equally expedient to garner expenses at this end also. In addition to the expenses towards free education, it would be urgent to also foot the costs incurred in heads such as capacity building of teachers (training and incentives), use of audio-visual material, co-curricular activities and development of sports, tour, and additional coaching for maintaining the quality of school education. As per an estimate, every school should compulsorily spend a minimum of 20 percent of the total education budget in its quality enhancement.

Recommendations

There is an urgent need to increase the budget to education. As per the commitment made by the government international forum, the education budget should be at least 20 percent of public national budget. The available education budget should be used from the perspectives of investment which maximizes the benefits of the expenditures in the long run.

Restructuring of existing budget is also equally necessary at present.

Investment patterns should also be increased.

There is a need to re-engineering the existing education budget, school education budget and current and capital budget with a view to give more focus on quality of education. In order to mitigate the existing gaps, there is a need to explore the alternative sources of financing. All schools should have at least minimum enabling conditions for ensuring the equitable access to quality education. Greater emphasis should be given to teacher management as it is the largest component of budget consumption.

While considering the total school education budget at Rs. 197.85 billion, 20 percent required for quality enhancement would translate into a sum of around Rs. 40 billion.

Though the Constitution has conferred the power of management and operation of school education to the Local levels, it is not possible at the moment that the expenses required for sustaining free education could be mustered from these levels. Thus, the federal government should step in to provide for the same and assume liability thereof. The Provincial governments also cannot rid of this responsibility and liability. Hence, in order to guarantee free and quality education, the Union and Provincial governments shall have to make adequate investments in this regard. Moreover, it is compulsory that the Local levels should allocate certain percent budget from their sources so as to retain their ownership in this area.

Conclusion

Education is the main precursor of human development. Once the Constitution of Nepal has established education as a fundamental right, it is all but natural that State liability in this sector will eventually rise up. Thus, education will become a top priority in any State investment. In order to impart free and quality education, it is expedient that the current investment rate is beefed up. Gap at present school finance system is found very huge. It is urgent that the federal, provincial and local governments increase their investments in education by means of education tax and other internal sources. For this to happen, the various levels of government are better off paying special attention to the mobilization of internal as well as external resources.

As the Local governments have been endowed with a special responsibility in the operation and management of school level education, it has accordingly amplified the role of these governments for the fiscal mobilization and management to meet this obligation. Moreover, the Provincial governments also should be made accountable in this regard. If it were done, then one may hope that the citizens will be benefited from free and quality public education as provided by the Constitution and may expect that the prospects of reforms in the declining public school education may also finally set off.

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