

# ANALYSIS OF EDUCATION BUDGET AND EXPENDITURE OF LOCAL GOVERNMENTS



**National Campaign for Education Nepal (NCE Nepal)**

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## List of Abbreviations

1	CEHRD	Centre for Education and Human Resource Development
2	EMIS	Education Management Information System
3	FCGO	Financial Comptroller General Office
4	LL	Local Level
5	MOEST	Ministry of Education, Science and Technology
6	NCE	National Campaign for Education
7	SSDP	School Sector Development Programme
8	SuTRA	Sub-national Treasury Regulatory Application

# 1 Background and Purpose

## 1.1 Background

1. The Constitution of Nepal 2015 has provided school education within the jurisdiction of the local level. Resources are transferred to the local levels in the form of grants from the federal government and provincial governments. Apart from this, local levels invest their own free fund in education as well. In spite of this school education sector still faces huge financing gap.
2. Domestic resource mobilization is one of the key components of efficient financing. Beyond the grants from the federal and provincial government, local governments themselves have the responsibilities for funding school education at the local level. However, prioritisation of the education sector at the local government is a matter of concern and discussion.
3. Hence, NCE Nepal plans to analyse the education budget and education expenditure of the local governments to draw conclusion and design its advocacy approach from the empirical results obtained from such research.

## 1.2 Purpose

4. The analysis serves the following major purposes
  - a. Analyse and monitor budget allocations to education sector (including children and women to the extent possible) in the current fiscal year;
  - b. Assess the efficiency, effectiveness, equity and adequacy of past spending to the extent possible; and
  - c. Form the basis for advocacy, through key messages for policy and financing changes;

## 2 Approach and Methodology

### 2.1 Review of Constitutional Mandate

5. Constitution of Nepal has following provisions relating to the education relevant to Local Level (LL):

#### Article 31 Right to education

1. Every citizen shall have the right to access to basic education.
2. Every citizen shall have the right to compulsory and free basic education and free education up to the secondary level.
3. The physically impaired and citizens who are financially poor shall have the right to free higher education as provided for in law.
4. The visually impaired person shall have the right to free education with the medium of brail script.
5. Every Nepali community living in Nepal shall have the right to acquire education in its mother tongue up to the secondary level and the right to open and run schools and educational institutions as provided for by law.

#### Article 38(5) Right of Women

Women shall have the right to special opportunity in the spheres of education

#### Article 39(2) Right of Children

Every child shall have the right to education, health care nurturing, appropriate upbringing, sports, recreation and overall personality development from family and the state.

#### Article 40(2) Right of Dalits

Provisions of free education with scholarships shall be made for Dalit students from the primary to higher level of education as provided for in law.

#### Article 42(2) Right to Social Justice

Citizens who are economically very poor and communities on the verge of extinction shall have the right to social opportunity and facilities in the areas of education, health housing, employment, food and social security for their protection, progress, empowerment and development.

## 2.2 Approach

6. This study has been undertaken during September and October 2020. It was planning in following phases:
  - i. Data was obtained from FCGO from SuTRA software for budget allocation for education including the sources.
  - ii. Expenditure data was also obtained from the SuTRA software used by the local level on the expenditure incurred. This phase includes expenditure under various sub budget headings indicating the area of expenditure relevant with education.
  - iii. Sample of 727 Local Levels have been selected, that included those Local Levels that had entered budget and expenditure in SuTRA until the date of obtaining the data.
  - iv. Analysing data
  - v. Producing a report presenting the findings from all the above phase with recommendations, wherever appropriate.
7. The budget allocation for education at Local Level is tabulated considering the sources of funds available namely conditional grants from federal government grants from provincial government and from their own sources. The actual expenditure against each of the budget sources are tabulated and compared with the budgeted amounts. Expenditures are further segregated based on the expenditure according to the sector / area of the expenditure
8. Budget allocation and expenditure data stems from data made available by FCGO after compiling budget and expenditure data for all LLs. The data collected included general revenue and expenditure data in total for each LL as well as detailed budget and expenditure data for education.
9. All the above data were consolidated into one database education specific data for LL combined with aggregate budget and expenditure data as well as budget and expenditure data for education.
10. After consolidation, the data were subject to several consistency checks. As data along some dimensions was either missing or subject to obvious errors, these data were not included in the analysis. These data entry errors features are separately reported including the impact thereof.
11. All financial data are for the fiscal year ending mid-July 2020 (Asadh end 2077).
12. This report is based only on analysis of data from the above-mentioned consolidated database. This research analysis of subject to the limitations of

the availability and the quality of the data mentioned in the limitation section.

## 2.3 Limitations and justifications

13. The analysis has been done based on the following limitations:

- a. Out of the total 753 Local Levels in Nepal only 727 Local Level have used SuTRA and data of 727 Local Levels have been used for the analysis.
  - However, the available data substantially covers the Local Levels.
  - Local Levels are representative of the provinces they belong to
  - The data of the reported LL provides enough information to analyse the education financing, budgeting and spending.
  - The entire set of data has been analysed in place of selected Local Levels to get the overall picture rather than limited by way of using a sample, by this the selection bias has also been avoided.
- b. Due to the initial phase of use of technology in LL accounting and reporting the quality of output is subjective and dependent on the quality of input of information in SuTRA. Some of the LL has reported expenditure in one sector/ area to another. Some have reported budget without reporting the corresponding expenditures.
  - Considering the large number of LLs few such aberrations and anomalies are expected to average out while analysing for LLs across the country and LLs in a particular province.
- c. The analysis is limited to the areas and scope allowed as per the availability of the data. Issues such as gender, social equity could not be analysed though constitutionally mandated. The Education Management Information System (EMIS) data available with MoEST/CEHRD cannot be directly correlated and mapped with accounting and financial information available from SuTRA.
  - Only the financial information available in SuTRA have been used for the analysis and conclusions and recommendations are drawn from thereof.
- d. The scope requires analysis of the efficiency and effectiveness of the education financing. However, the reporting data does not specifically provide for how efficiently the funding had been made and the outcome

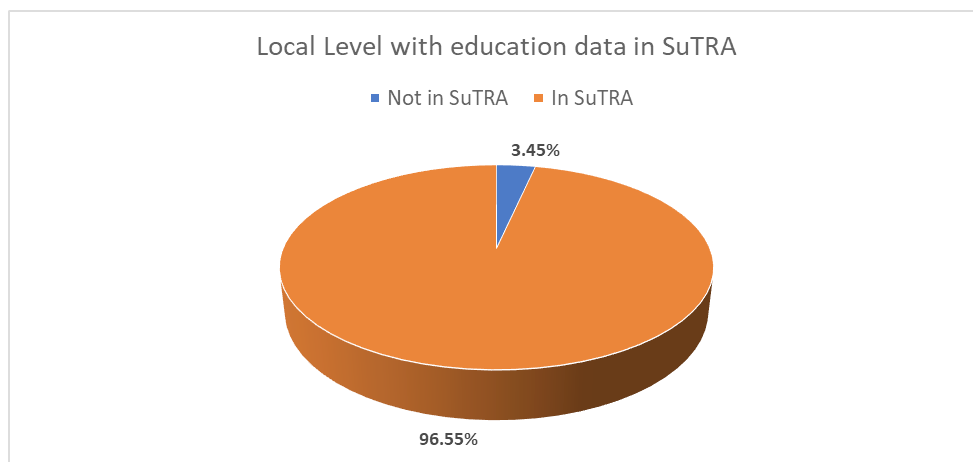
of the expenditure are subjective to the larger extent and cannot be deduced from the financial data

- The conditional grants which make the bulk of the education financing is disbursed by the federal government under the law when they are appropriated. The instalments of the conditional grants are paid out upon fulfilment of the reporting and other conditions laid out.

## 3 Analysis of Local Level Education Financing

### 3.1 Local Levels using SuTRA

14. The analysis is based on the data availed from SuTRA. There are 753 Local Levels in Nepal and out of which data pertaining to 727 is available in SuTRA. This gives the coverage of 96.55%. Therefore, it is assumed that the analysis of 727 Local Levels will be able to provide the picture of education financing as envisaged in the scope.

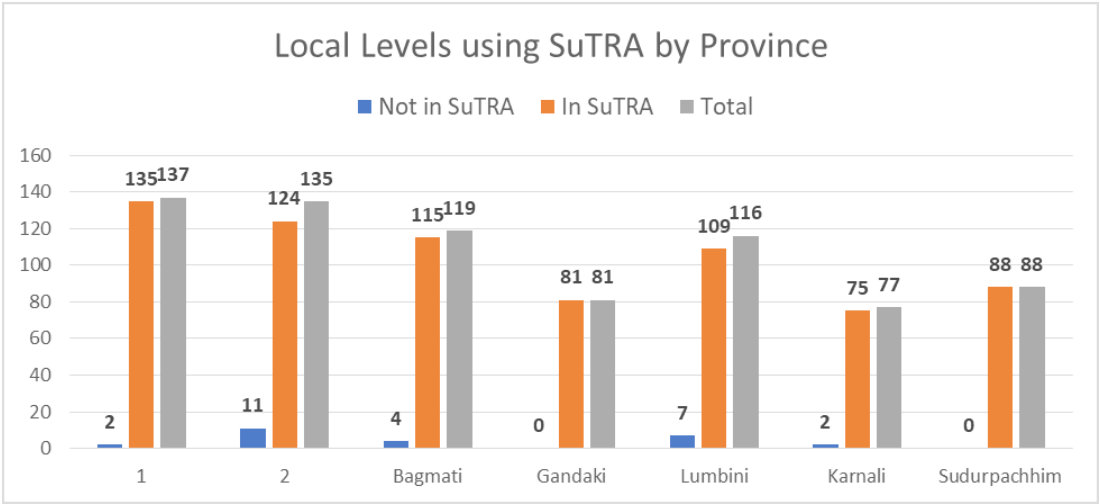


15. The distribution of the Local Levels using SuTRA in various provinces are given as below. All the LLs in Gandaki and Sudurpachhim are using SuTRA whereas 8.15% and 6.03% of Local Levels in Province 2 and Bagmati and Lumbini as per the information received from table below) respectively have not been using SuTRA system which gives comparatively poorer status of the two provinces.
16. However, more than 90% of the Local Levels in all the provinces are using SuTRA the analysis is expected to represent the overall picture of education financing within the provinces.

Province	Not using SuTRA	Using SuTRA	Total
1	1.46%	98.54%	100.00%
2	8.15%	91.85%	100.00%
Bagmati	3.36%	96.64%	100.00%
Gandaki	0.00%	100.00%	100.00%
Lumbini	6.03%	93.97%	100.00%
Karnali	2.60%	97.40%	100.00%
Sudurpachhim	0.00%	100.00%	100.00%
OVERALL	3.45%	96.55%	100.00%

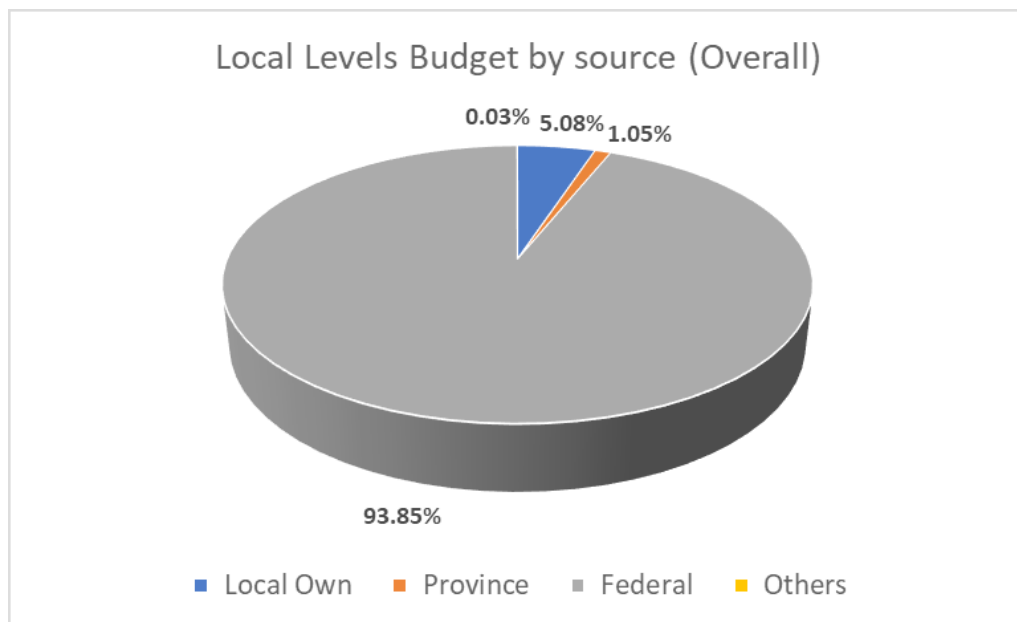


Pictorial representation of the local levels using SuTRA by provinces is depicted as under.

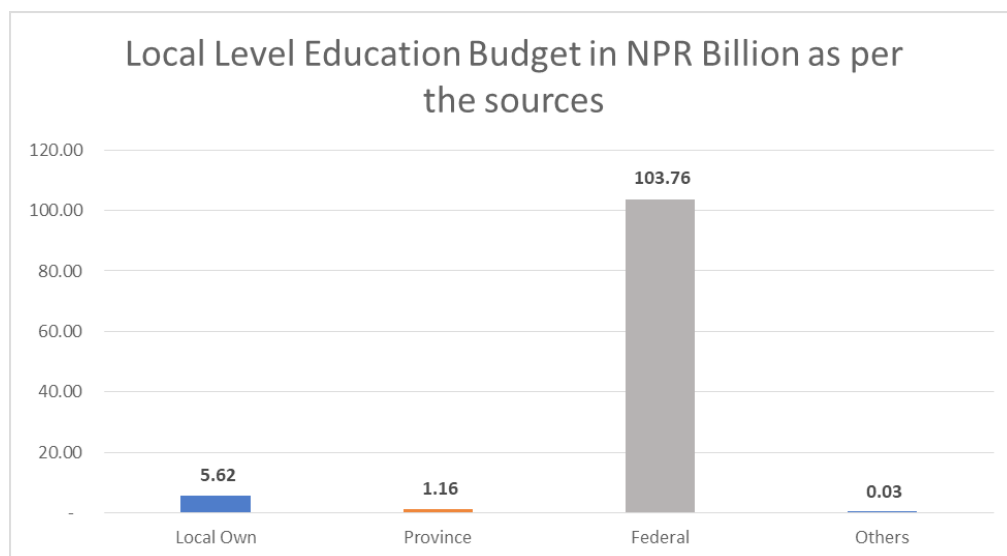


### 3.2 Education budget and its sources at local level

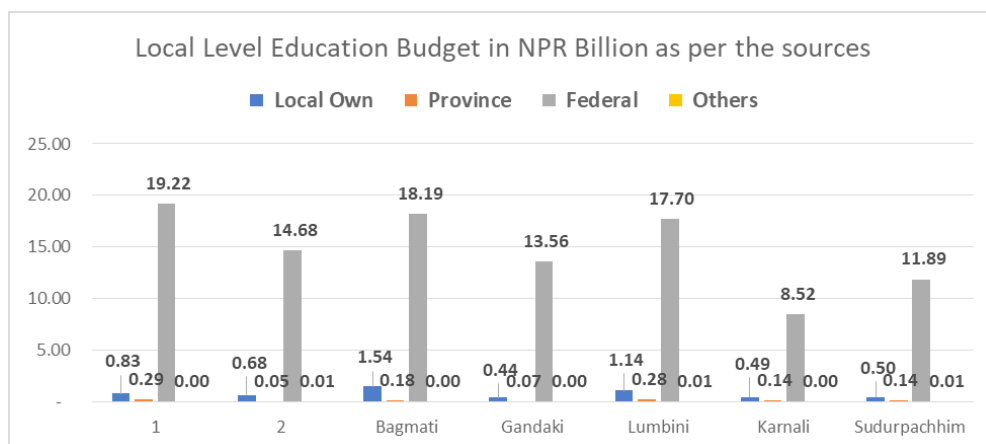
17. The overall education budget at local level is financed by principally the conditional grant received from the federal budget. The next source of finance is by the local levels’ internal resources itself that they can spend at their discretion. Some small grants received from province and other donations and contribution which are very nominal. As per the fiscal transfer act, Local levels can get four types of grants. Local level can also provide support to education from these grants. As we know that the conditional grants for education are only from Ministry of Education, Science and Technology. This does not mean that this is entire education budget at the local level. And it may be misleading to draw conclusion by saying that this is only the education budget of respective local level. So it would be better to clarify that only federal allocation to education from Ministry of Education under the heading of conditional grants are taken into consideration for this analysis. If we mention such either in the delimitation section or somewhere else would help to understand it. And local level can allocate fund to education other than the conditional grants, may be in program head as a recurrent in nature.
18. The fund available at Local Levels are contributed by the local taxes and revenues, equalisation grants received and the receipts of revenue sharing from federal and provincial governments



19. The education budget at 727 Local Levels in terms of absolute numbers is as follows. This shows the heavy dependency for school education on the conditional grants from the federal governments. Though there is some contribution from the LL's own source / fund to education it is still at very nominal level.
20. There is nominal contribution from Provincial governments. The grants / donation received from others is grouped and presented as others.



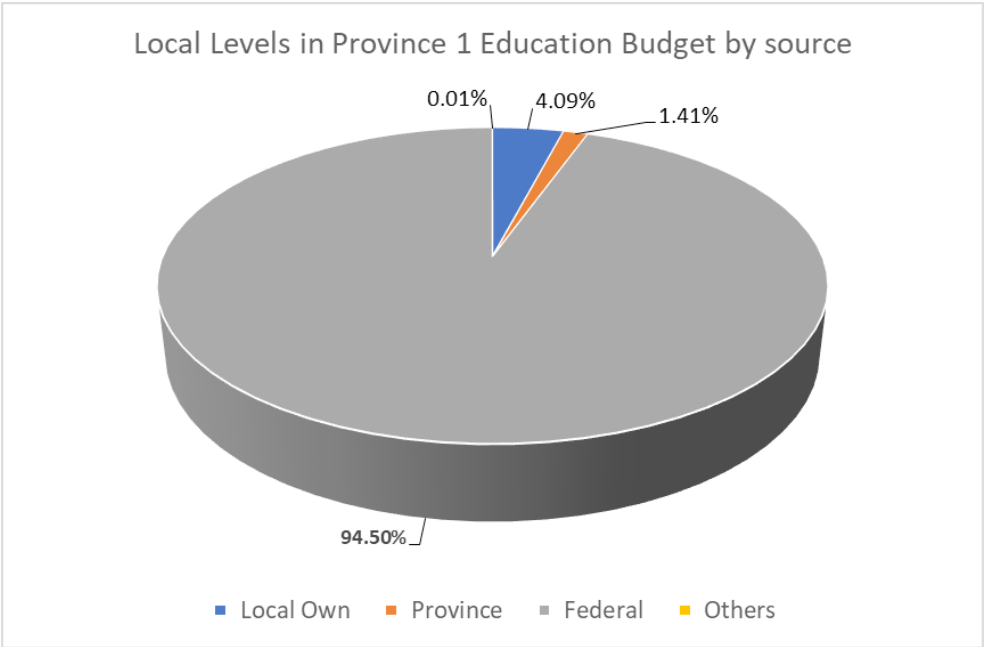
Education budget at LL by source and by the province they belong to is as below.



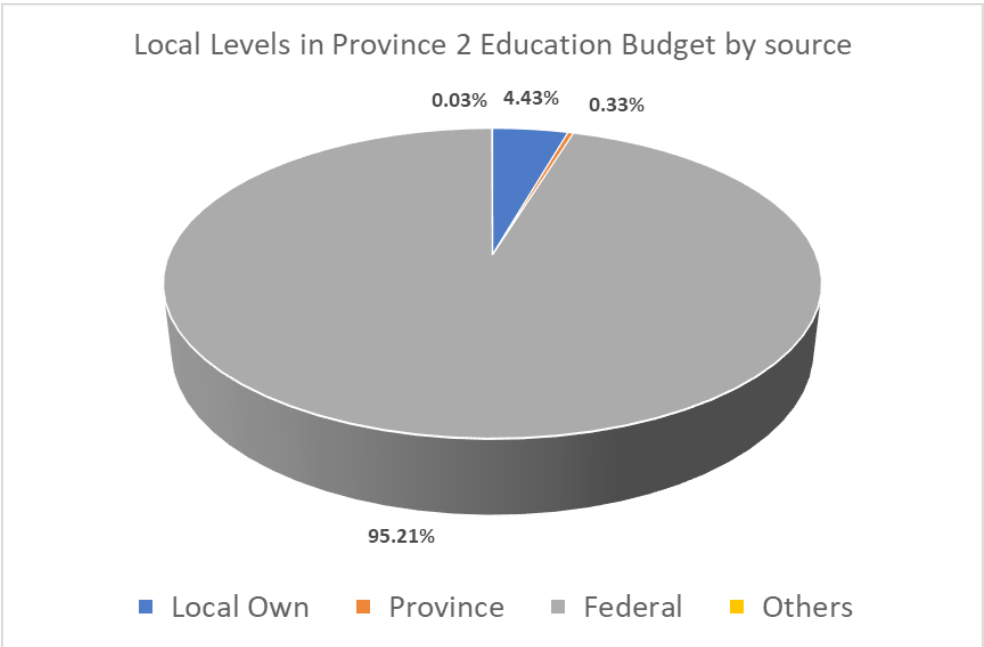
21. Analysis of the proportion of the source of budget at Local Levels in various provinces is given in the following table. Local Levels in Bagmati have invested in education from their own sources more than in any other province. This can be attributed to the higher internal revenue generating potentials of LLs in Bagmati province.
22. Provincial government's contribution on the education budget of LL is very nominal across the country.

	Local Own	Province	Federal	Others	Total Budget
1	4.09%	1.41%	94.50%	0.01%	100.00%
2	4.43%	0.33%	95.21%	0.03%	100.00%
Bagmati	7.72%	0.92%	91.35%	0.01%	100.00%
Gandaki	3.12%	0.48%	96.39%	0.01%	100.00%
Lumbini	5.95%	1.49%	92.51%	0.04%	100.00%
Karnali	5.32%	1.54%	93.12%	0.02%	100.00%
Sudurpachhim	4.00%	1.15%	94.78%	0.06%	100.00%
Mean	4.95%	1.05%	93.98%	0.03%	100.00%
Median	4.43%	1.15%	94.50%	0.02%	100.00%
Max	7.72%	1.54%	96.39%	0.06%	100.00%
Min	3.12%	0.33%	91.35%	0.01%	100.00%

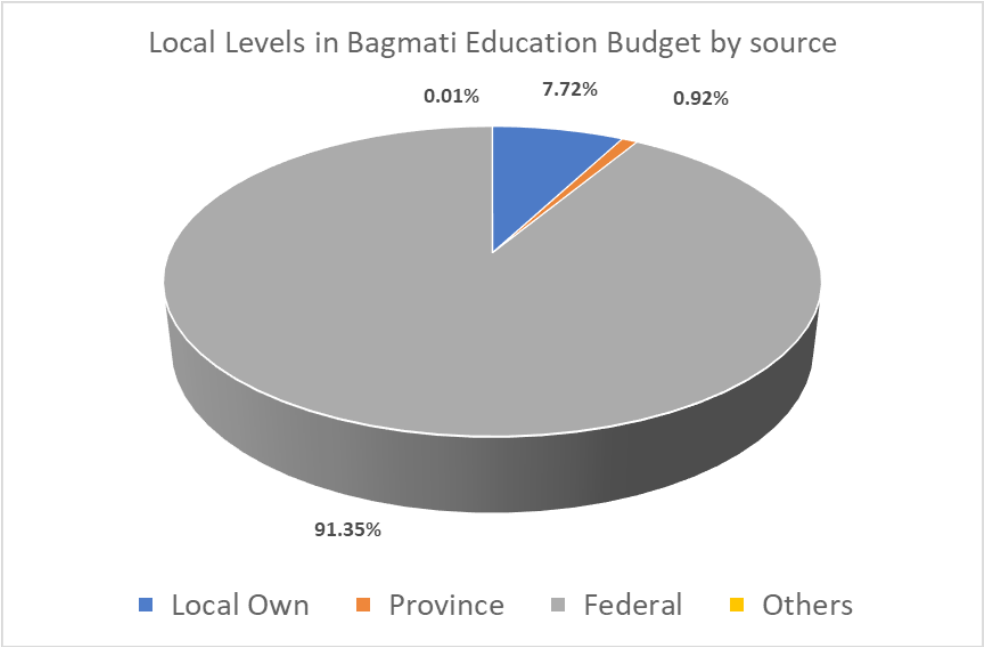
Percentage of education budget by the sources of Local Levels in Province 1 is as depicted in the following diagram.



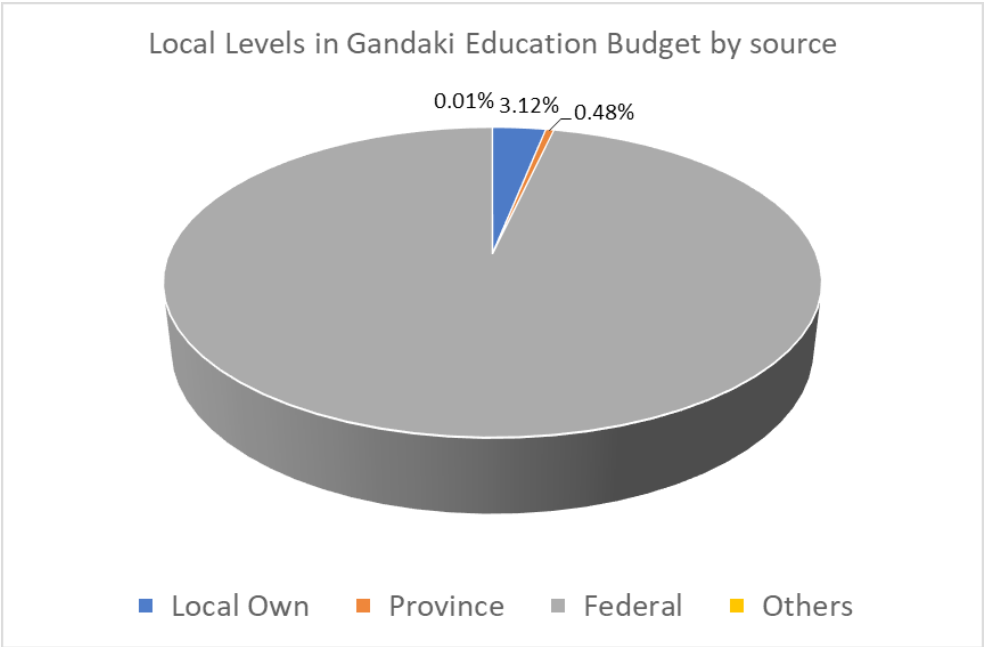
Percentage of education budget by the sources of Local Levels in Province 2 is as depicted in the following diagram.



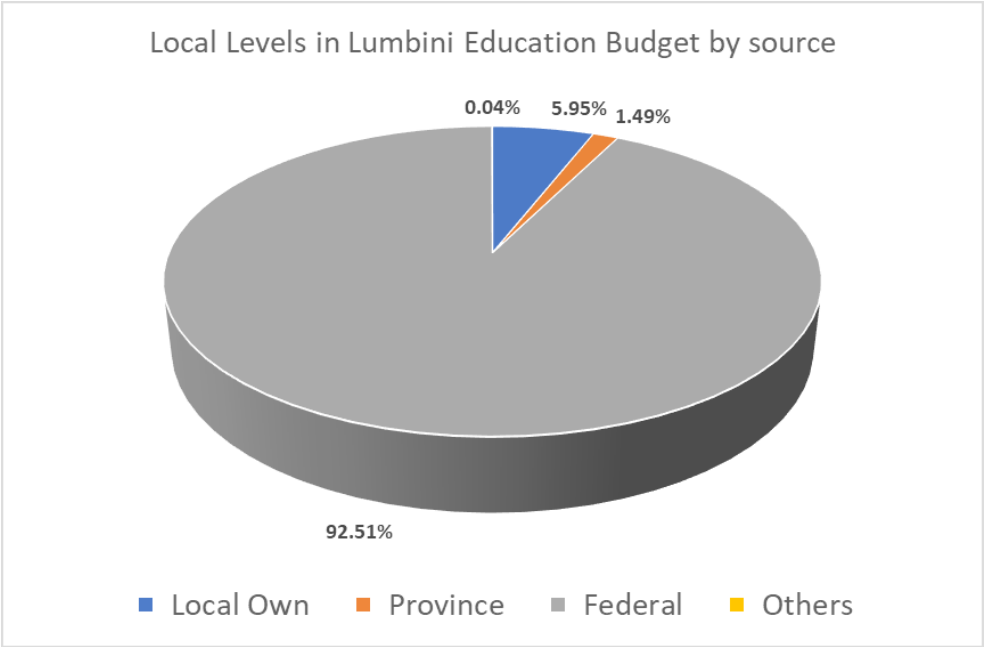
Percentage of education budget by the sources of Local Levels in Bagmati Province is as depicted in the following diagram.



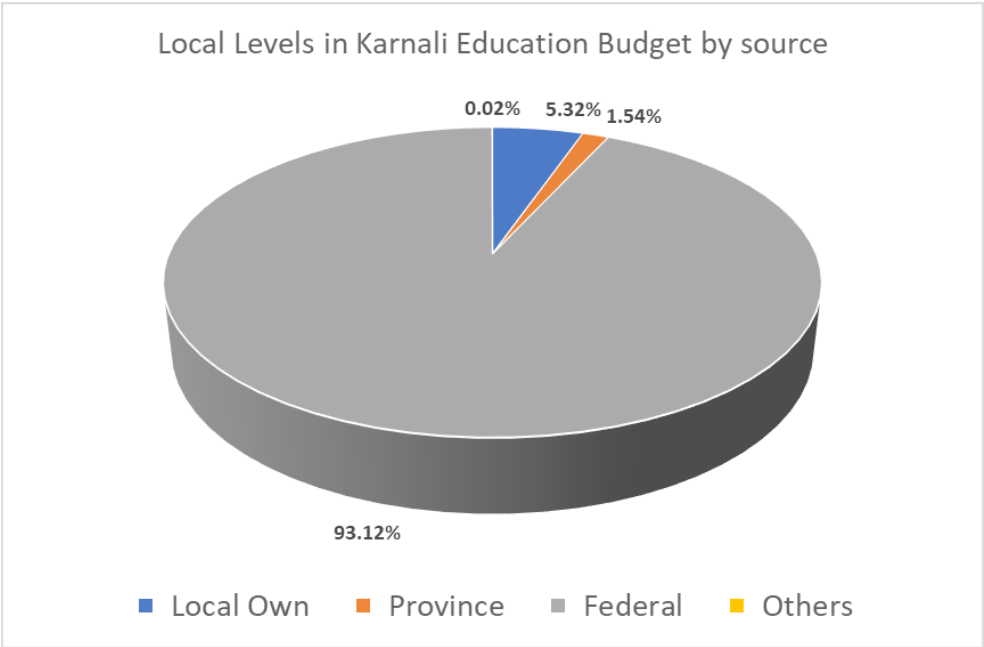
Percentage of education budget by the sources of Local Levels in Gandaki Province is as depicted in the following diagram.



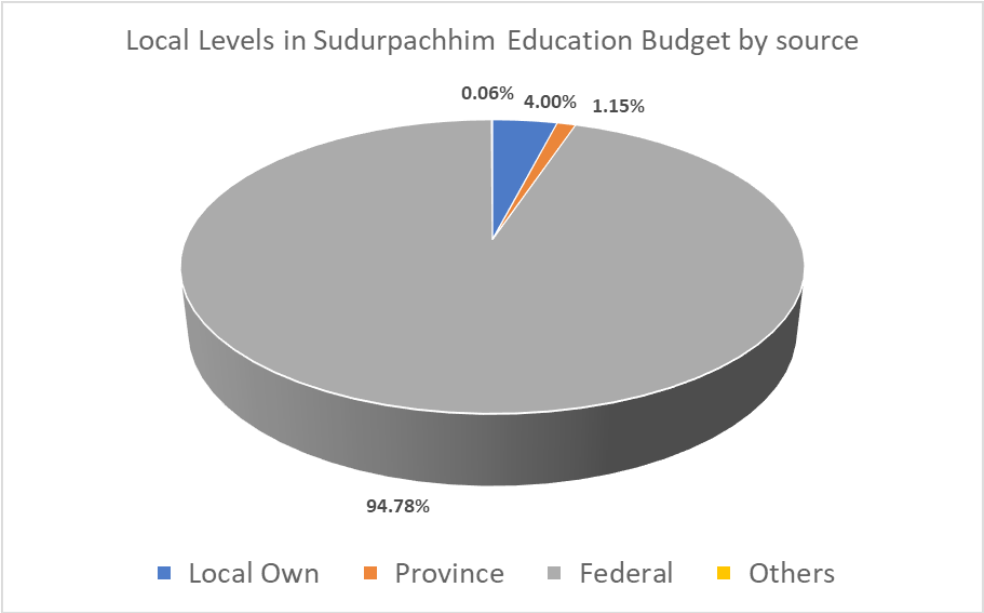
Percentage of education budget by the sources of Local Levels in Lumbini Province is as depicted in the following diagram.



Percentage of education budget by the sources of Local Levels in Karnali Province is as depicted in the following diagram.

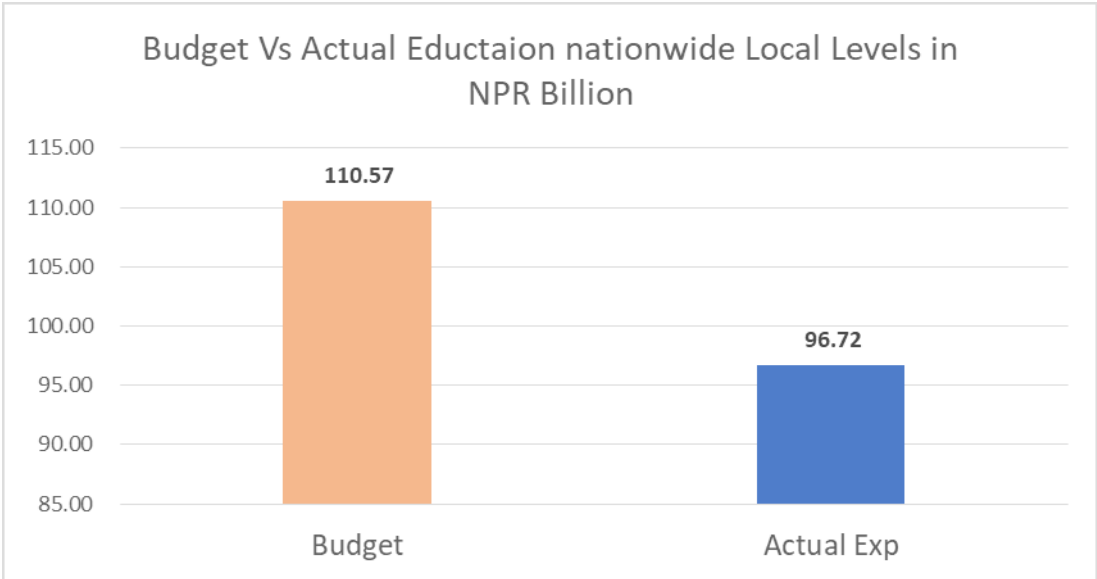


Percentage of education budget by the sources of Local Levels in Sudurpachhim Province is as depicted in the following diagram.

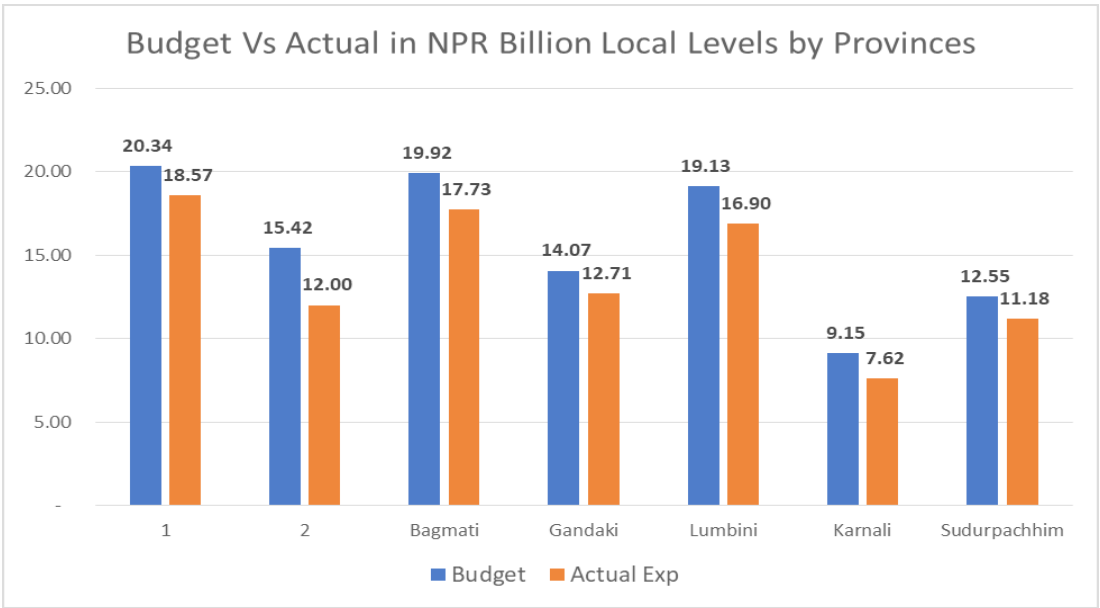


### 3.3 Budget Vs Actual Analysis

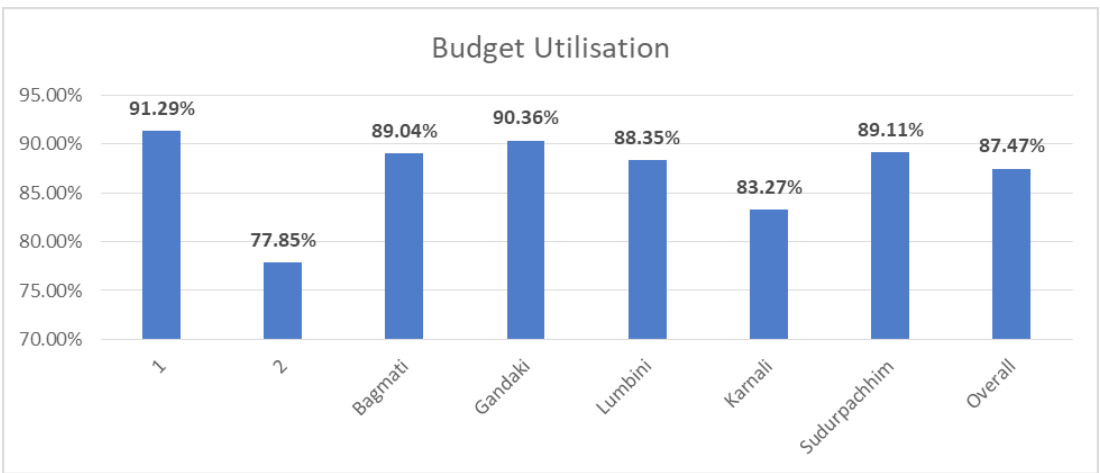
23. The overall budget Vs actual Expenditure for education for the fiscal year 2076/77 (i.e. the year ending 15 July 2020) for 727 Local Levels is as under.



24. Budget Vs Actual for education for local levels by province for the financial year 2076/77 is as under in terms of absolute figures.



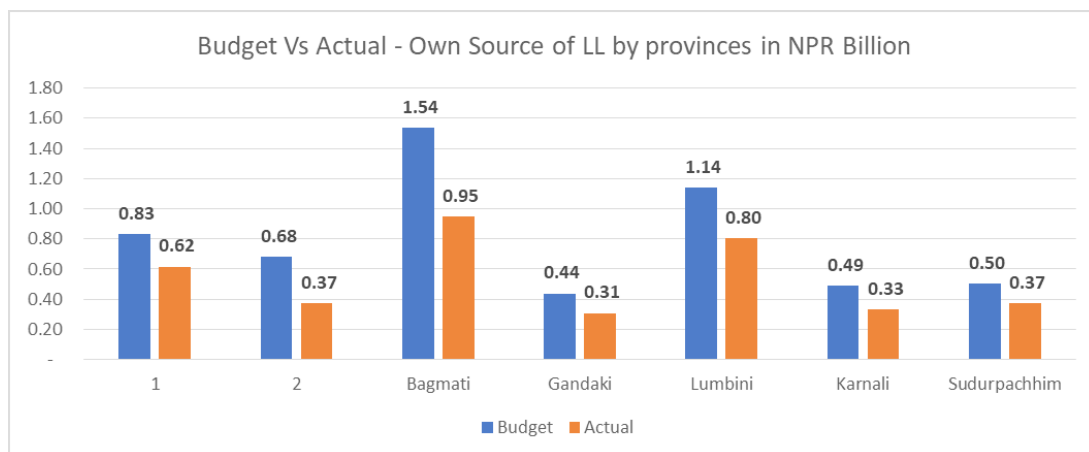
25. The budget utilisation for local levels by province is depicted in the following chart including for the overall.
26. Apart from Local Levels in Province 2, whose budget utilisation in education is just 77.85% and Local Levels in Karnali Province whose utilisation is 83.27% all other local levels have utilisation near 90% (or in between 87.5% t 91.3%).
27. This indicates that there is still a scope for Local Levels to work on their efficiency so that they can achieve the stated objectives. The fact that local levels have not been able to utilise the budgeted amount in educations, which is always short of resources is a serious matter.



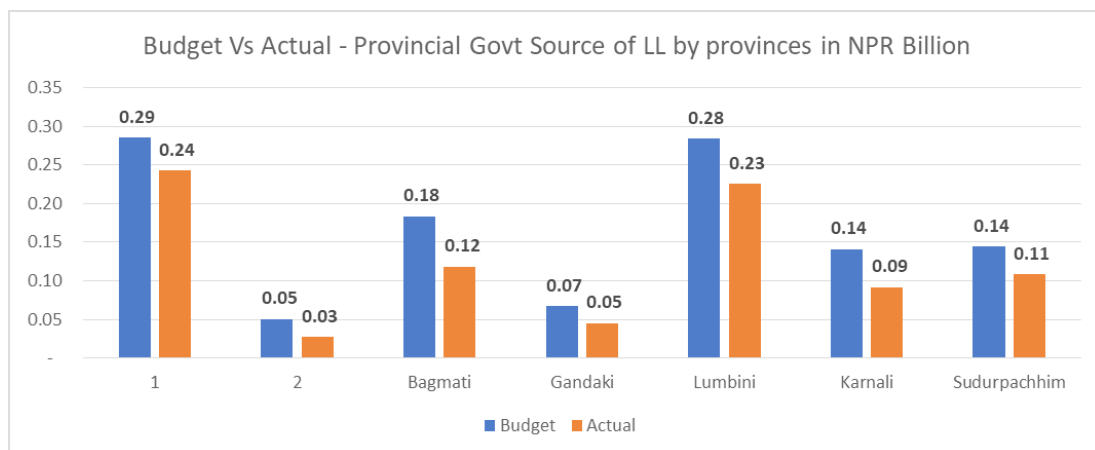


## Budget Vs Actual by source

28. Budget Vs Actual – for the Local Levels for their Own Source in education sector is as follows



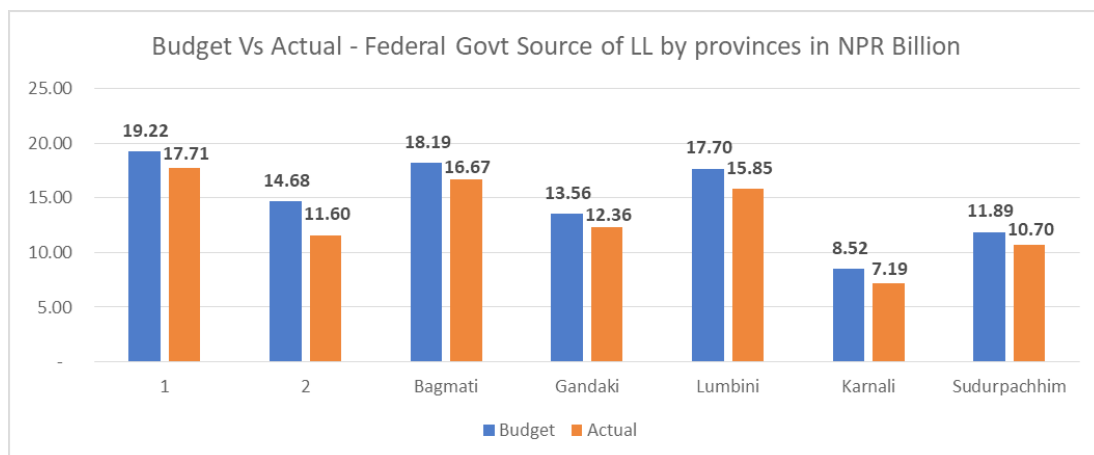
29. Budget Vs Actual – for the contribution from Provincial government in education sector is as follows



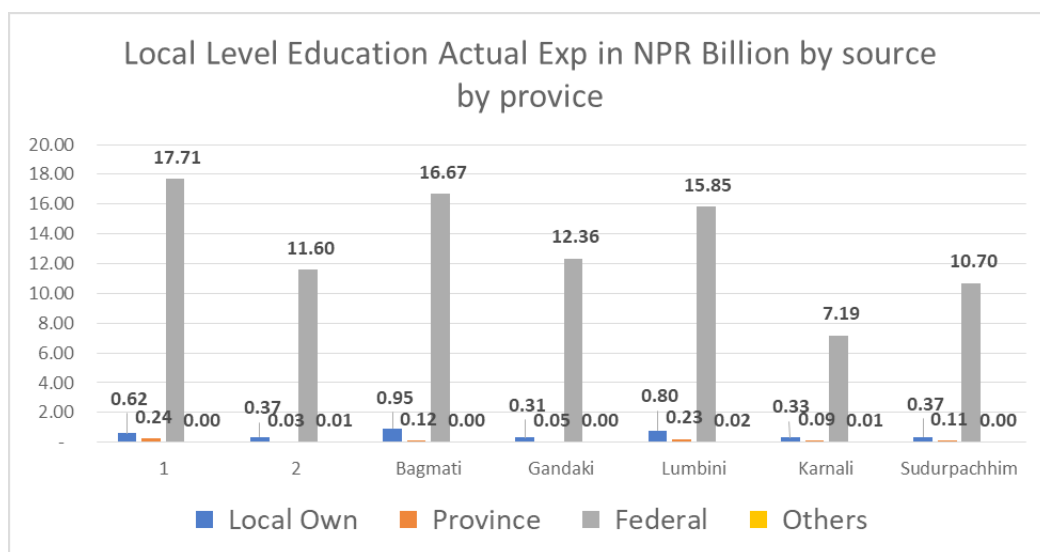
30. Budget Vs Actual – for the contribution from Federal Government in education sector is as follows. The federal government's contribution goes to the local levels

- In the form of conditional grants
  - Conditional grants under School Sector Development Programme (SSDP) forms the if not the entire the amount, substantial portion of contribution from the federal government

- These grants depend on the federal level planning and estimates based on the number of students, teachers, school infrastructure etc.
- Other grants



31. Local levels' expenditure in education sector in accordance with the source and by the province they belong to is as follows.



### 3.4 Sector-wise expenditure within education at Local Level

32. The sector-wise analysis of education expenditure at local levels is based on the data available in SuTRA. All major sectors have been considered for analysis. Minor sectors have been consolidated under the 'Other' heading. The sector used are as follows

- Preliminary education
- Basic Level
- High School
- Miscellaneous (*Bibidh*)
- Infrastructure
- Scholarship
- Education materials
- Others – it includes the following combined together for practical purpose
  - Informal education
  - Open and Alternative education
  - Library
  - Technical education
  - Examination
  - Statistics
  - Others

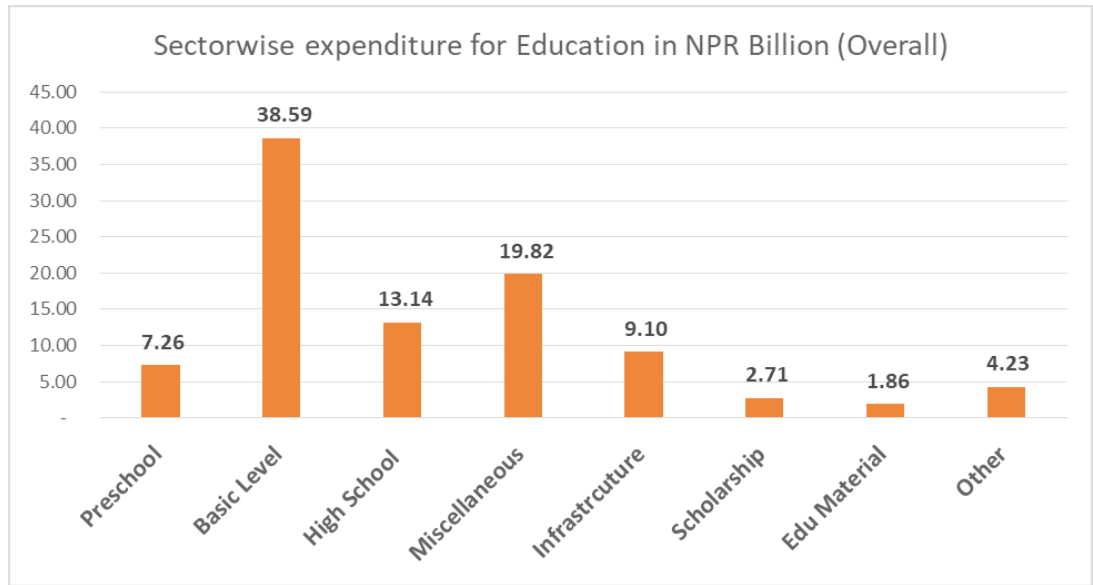
33. The distribution of expenditure in accordance with the section within the education at local levels are given in the following table.

34. This analysis is based on the raw data availed from SuTRA and expends on the accuracy and appropriate input classification of expenses by the local levels.

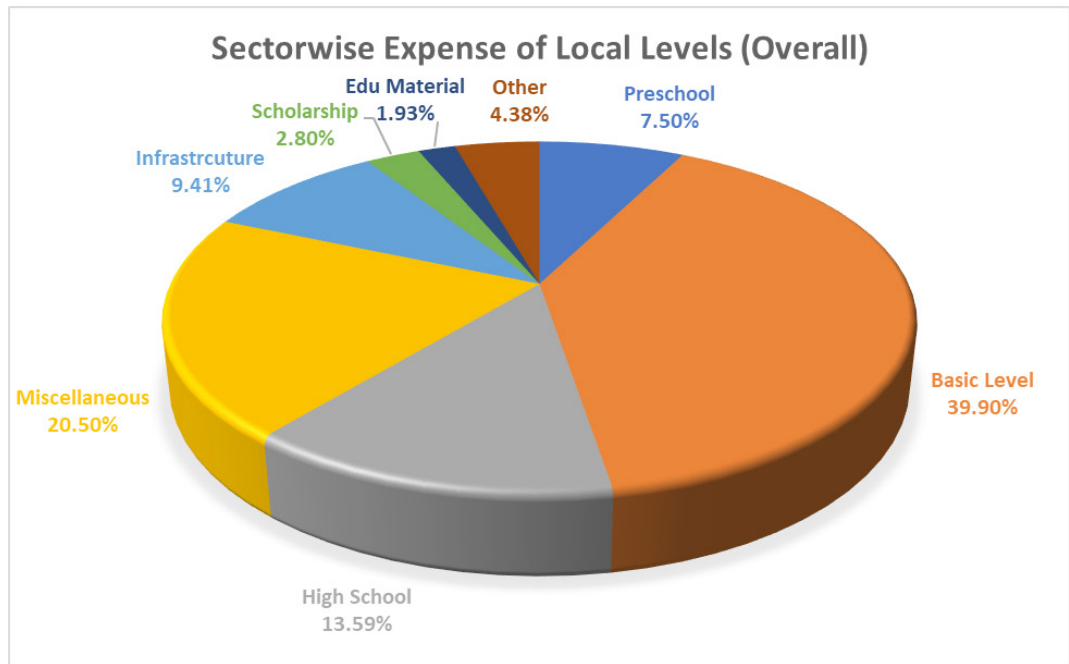
	Preschool	Basic Level	High School	Misc.	Infra structure	Scholarship	Edu Material	Other	Total
1	7.31%	39.58%	14.82%	19.98%	9.68%	2.45%	1.87%	4.31%	100%
2	7.21%	39.55%	12.11%	14.47%	12.10%	4.87%	2.70%	6.99%	100%
Bagmati	6.31%	42.43%	14.89%	23.49%	5.23%	2.81%	1.56%	3.29%	100%
Gandaki	7.92%	42.74%	16.18%	19.78%	7.27%	1.48%	1.48%	3.14%	100%
Lumbini	9.01%	39.70%	11.19%	19.54%	10.79%	2.82%	1.95%	4.99%	100%
Karnali	7.74%	34.72%	11.01%	25.28%	11.96%	3.15%	2.13%	4.00%	100%
Sudurpachhim	7.10%	37.40%	13.50%	22.06%	11.28%	2.42%	2.10%	4.13%	100%
Overall	7.50%	39.90%	13.59%	20.50%	9.41%	2.80%	1.93%	4.38%	100%

35. These sectors have been determined by the federal government under the conditional grant requirements and the centralised planning by MOEST / CEHRD. Such planning is based on the number of students, number of teachers, infrastructure requirement assessed at the federal level for all the public school across the country.

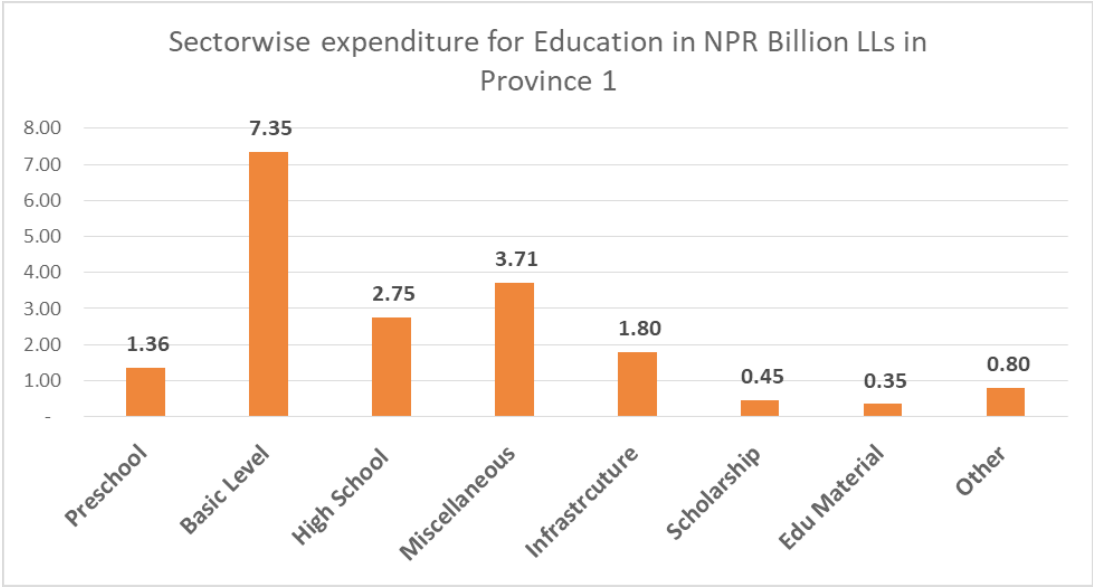
36. If these financial data are correlated with the non-financial data (such as those available with EMIS) it would generate constructive research results.
37. Sector-wise expenditure of local levels (Overall) for 727 of 753 LLs in terms of the absolute numbers is given in the following chart.



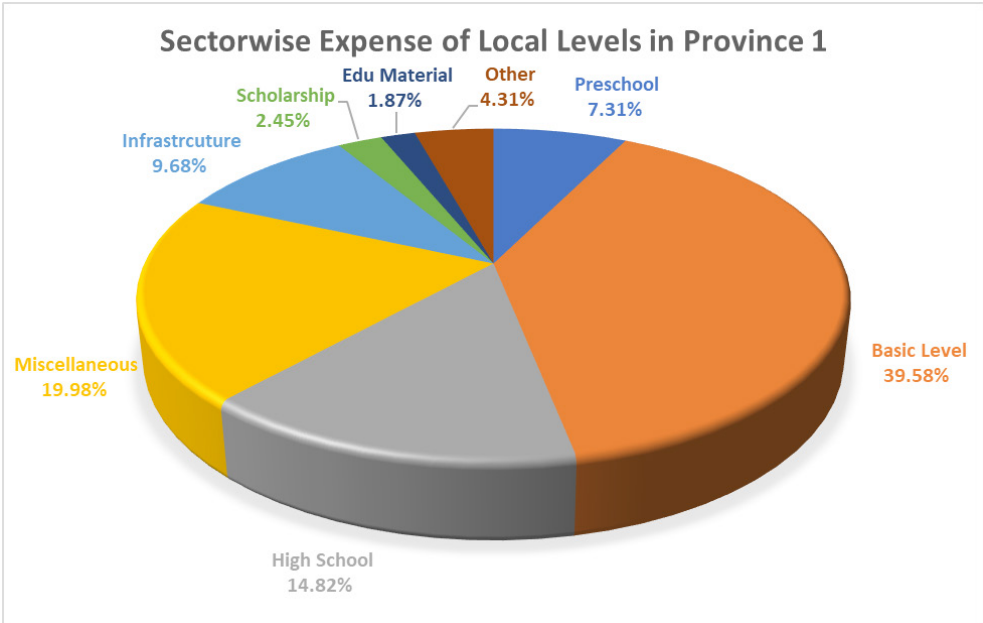
Distribution of the sector-wise expenditure within education for local levels (overall)



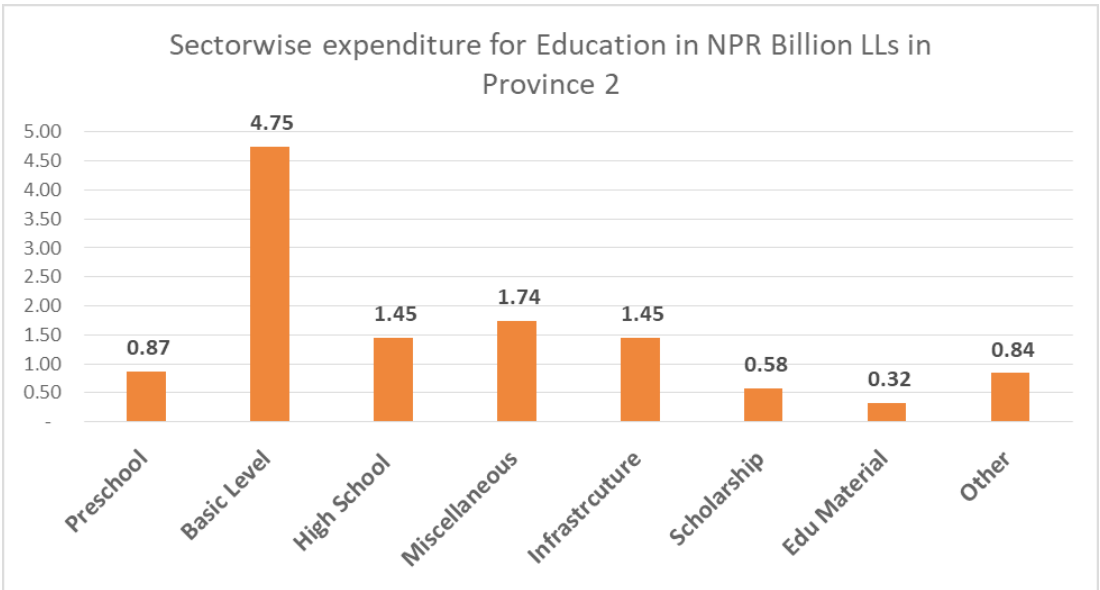
38. Sector-wise expenditure of local levels in Province 1 in terms of the absolute numbers is given in the following chart.



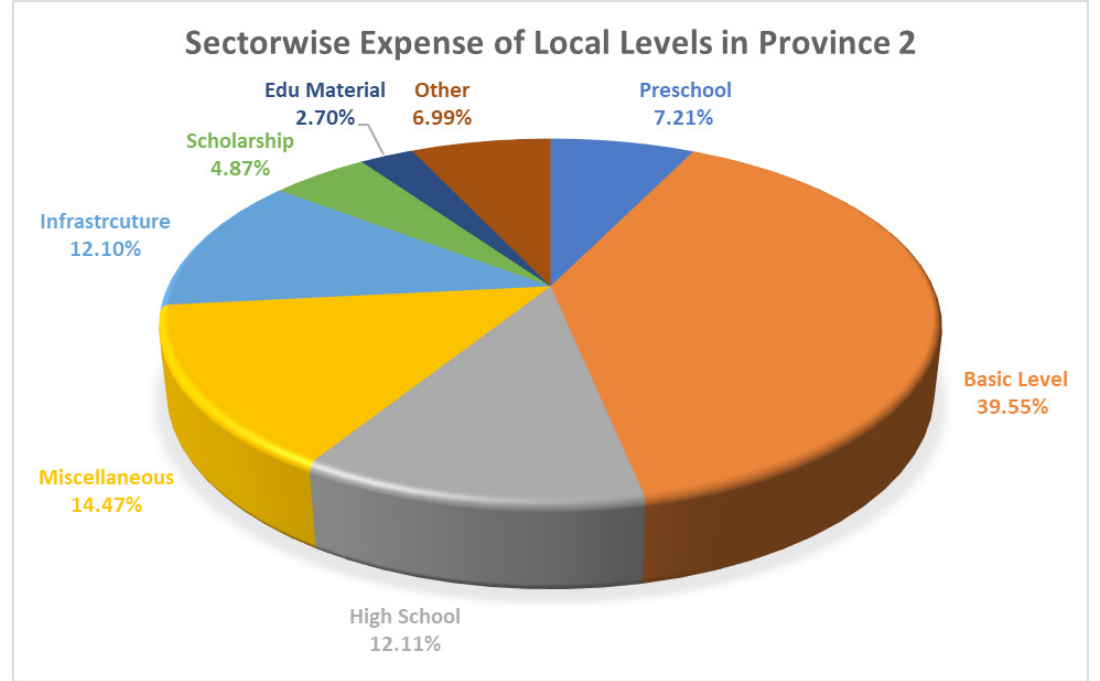
Distribution of the sector-wise expenditure within education for local levels in Province 1



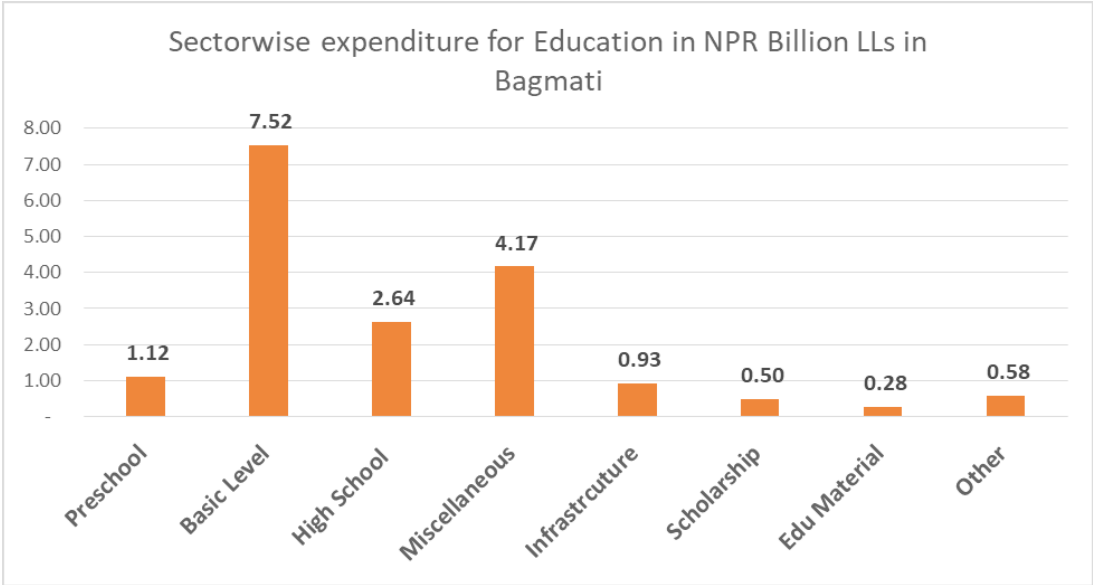
39. Sector-wise expenditure of local levels in Province 2 in terms of the absolute numbers is given in the following chart.



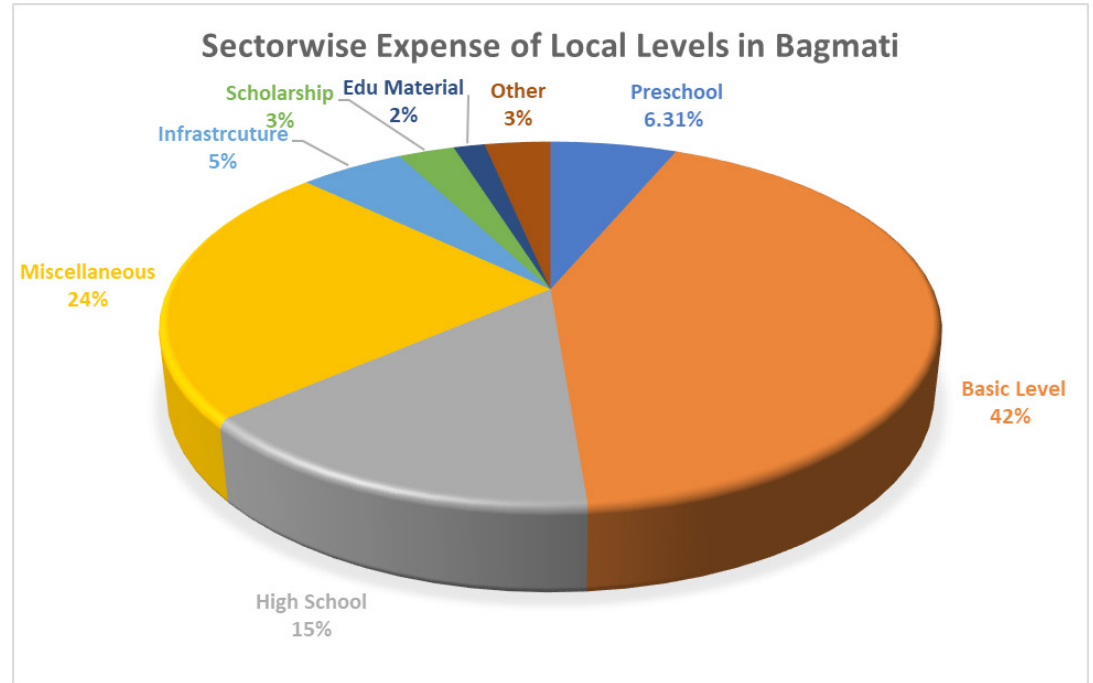
Distribution of the sector-wise expenditure within education for local levels in Province 2



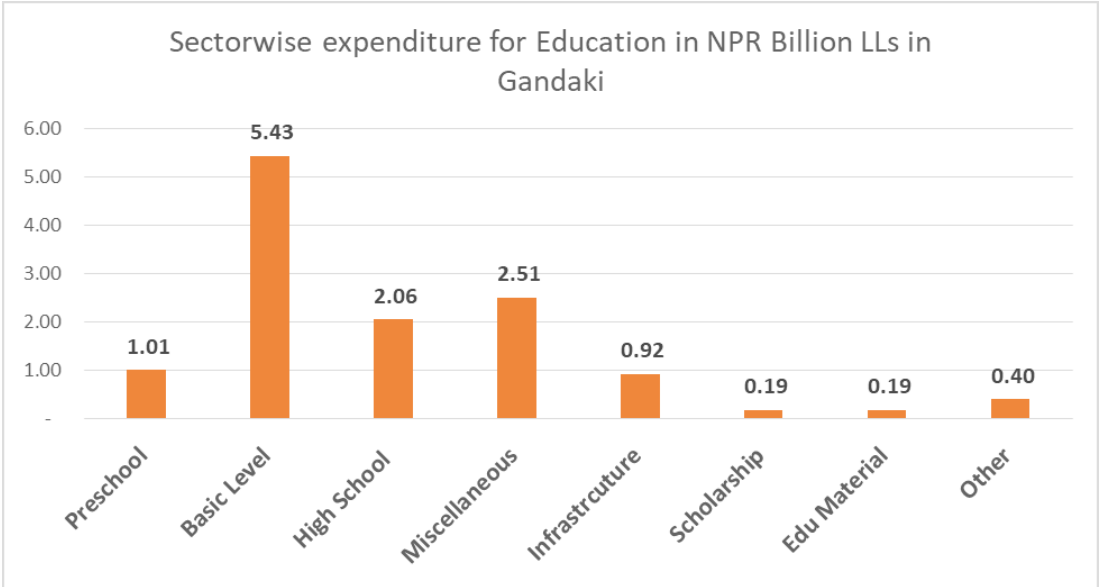
40. Sector-wise expenditure of local levels in Bagmati Province in terms of the absolute numbers is given in the following chart.



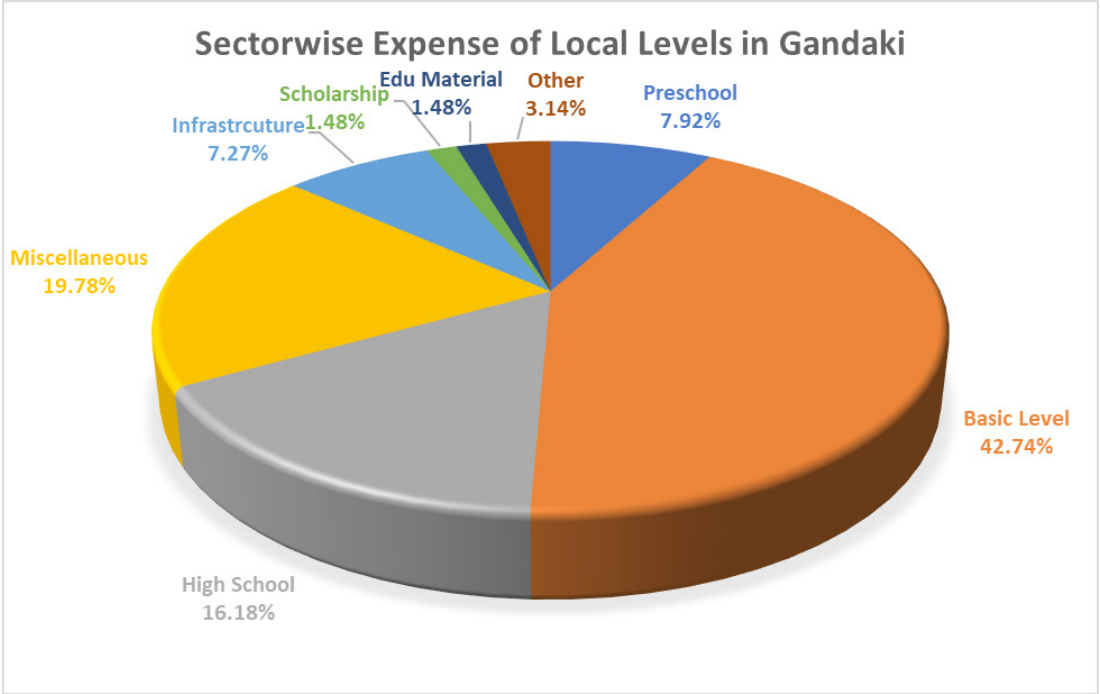
Distribution of the sector-wise expenditure within education for local levels in Bagmati Province



41. Sector-wise expenditure of local levels in Gandaki Province in terms of the absolute numbers is given in the following chart.

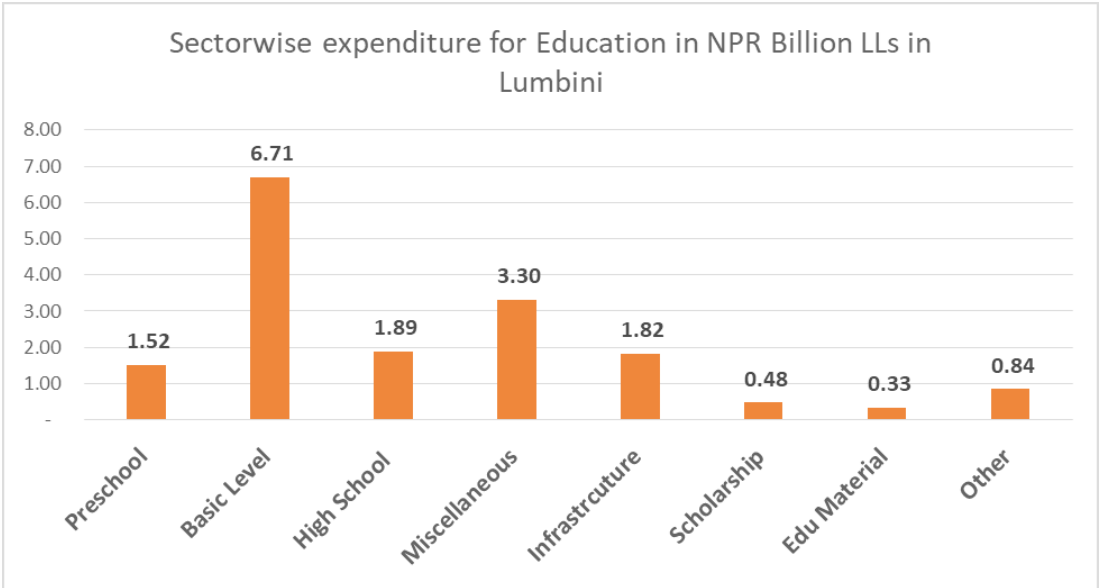


Distribution of the sector-wise expenditure within education for local levels in Gandaki Province

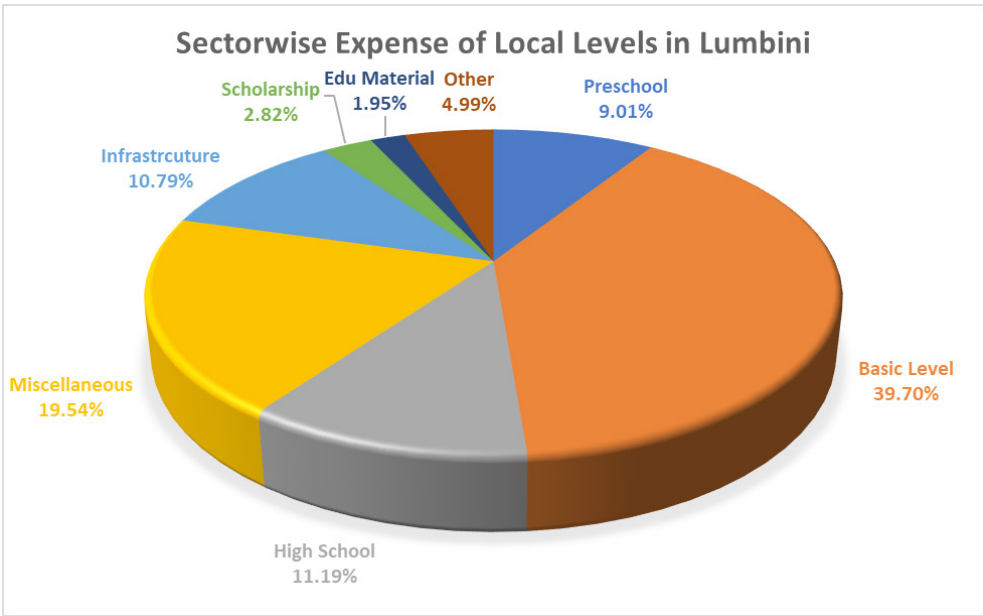




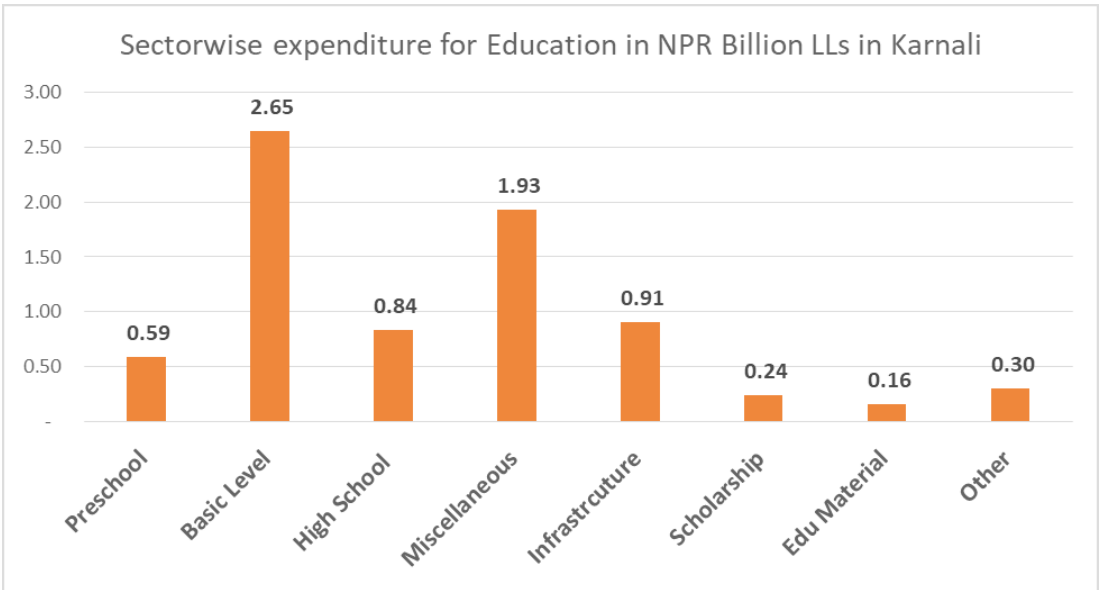
42. Sector-wise expenditure of local levels in Lumbini Province in terms of the absolute numbers is given in the following chart.



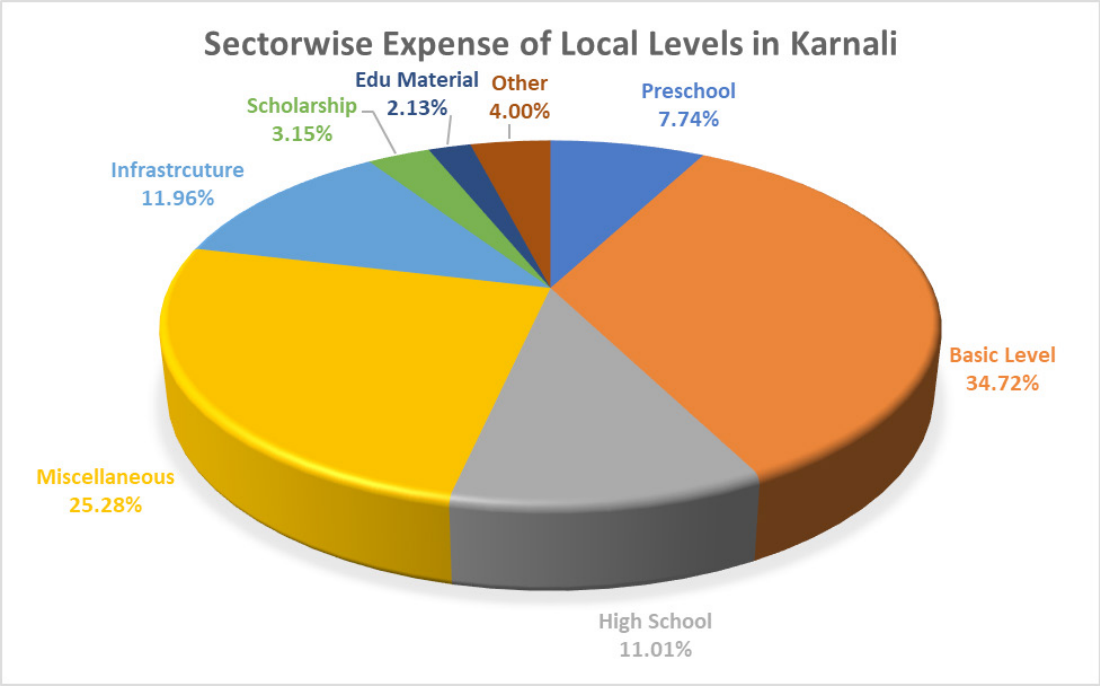
Distribution of the sector-wise expenditure within education for local levels in Lumbini Province



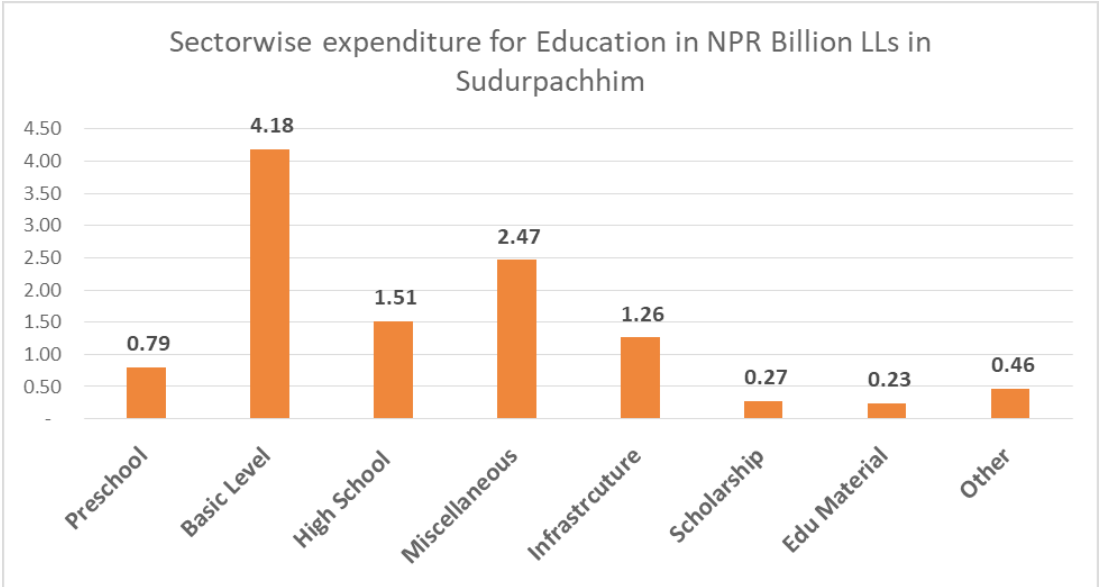
43. Sector-wise expenditure of local levels in Karnali Province in terms of the absolute numbers is given in the following chart.



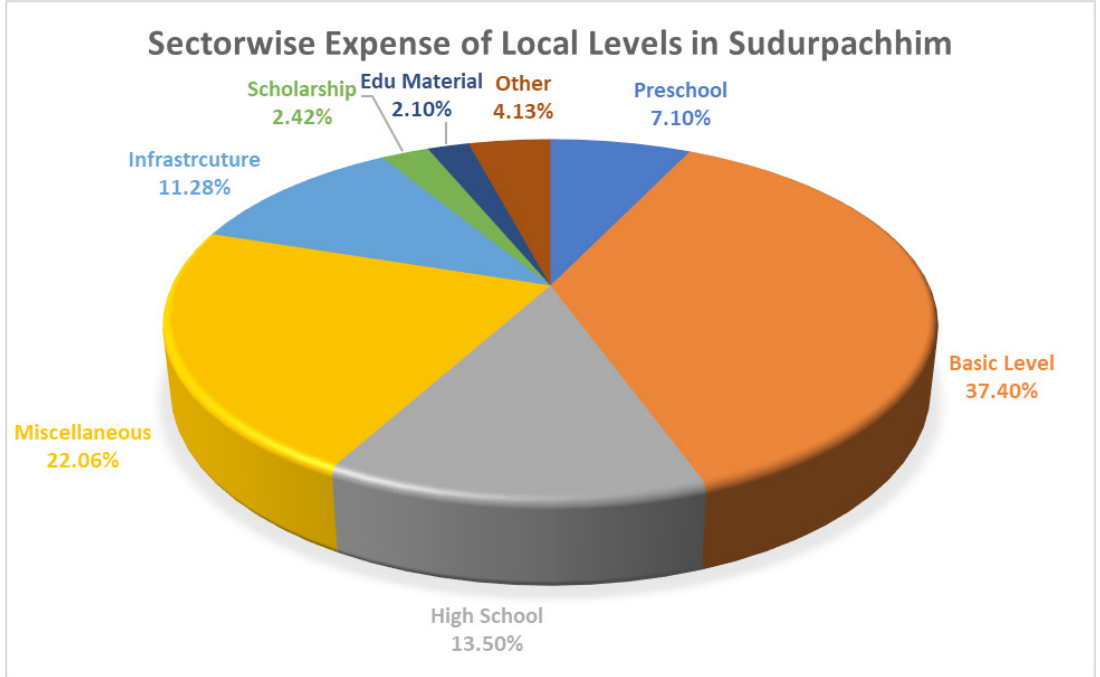
Distribution of the sector-wise expenditure within education for local levels in Karnali Province



44. Sector-wise expenditure of local levels in Sudurpaschim Province in terms of the absolute numbers is given in the following chart.



Distribution of the sector-wise expenditure within education for local levels in Sudurpaschim.



## 4 Conclusion & Recommendation

45. The Constitution of Nepal has identified education as the basic right under multiple provisions of the constitution. Article 38(5) - Rights of Women, Article 39(2) - Rights of Children, Article 40(2) – Rights of Dalits and Article 42(2) - Rights for Social Justice specifically require education as the basic rights. Therefore, it is imperative that there is a mechanism to monitor whether those provisions of the constitution have been honoured and reflected in the state policies and activities. However, the financial information and the budgetary allocation does not reflect the extent of adherence to the constitutional requirements. This would allow assessment and monitoring of financing of education from the perspective of gender parity, social inclusiveness and social equity.
46. Article 51(h)(2) of the Constitution of Nepal specifically mentions the increasing investment of the state in sectors such as education. However, the data has clearly shown that the school sector education is very heavily dependent on the conditional grants from the federal government. The Local Levels who are entrusted under Schedule 8 of the contribution for basic education has not given education as the priority sector for investment. Only nominal amounts of the resources available with the LL from the internal revenue, equalisation grants and revenue sharing receipts have been allocated to education.
47. There is an ‘in-principle’ anomaly between the constitutional provisions and actual practices for managing school level education in Nepal. Schedule 8 of the Constitution of Nepal List of Powers / Jurisdiction of Local Levels keeps ‘Basic Education’ as the Local Level domain. However, almost all of the school sector expenditure is financed by way of conditional grants received from the federal government. The amount of appropriation of the conditional grants is planned at the federal level. Therefore, Local Levels merely act as the financial intermediary between the federal government and the recipient public schools transmitting the funds from the federal government to the schools. They have nominal role in planning and controlling the schools. Under the constitutional provisions the authorities have to be transferred to LL and if there is the capacity gap, all levels of governments need to work to mitigate the gaps. Higher the amount of conditional grants higher the say of federal government. In the same time, it indirectly affect the bargaining power of the local government as they have been working as a recipient of funds, nothing to say for the prioritization.

48. SuTRA is a treasury software to facilitate and support LL in financial recording and reporting. In addition, it ensures seamless flow of information between all levels of governments and makes easier to consolidated financial information of whole of the governments. 26 LLs are still to use this system, which has put limitation on the research work. From the government's policy making perspective the entire data analysis of all the LLs would be absolutely necessary for budgeting, planning, monitoring and reporting. Therefore, training and support to the local should be enhanced for them to use and report using SuTRA. These support to be sustainable should be of continuous nature as against the one-time support. Further the system has to be made robust to capture broad parameters of the education financing that meets the constitutional requirements.
49. There is a heavy dependence of the federal conditional grant for education expenditure at local levels. 93.85% has to be borne by the federal conditional grant. The provincial governments contribute mere 1.05% of the LL's educational expenditure. And Local Levels themselves spend only 5.08% of the educational expenditure from their own free resources. On one part the Constitution of Nepal entrusts local levels with basic education and on the other part the local level contributes only 5.08% of educational expenditure is in itself a contradictory situation. Local levels should be encouraged to take up more responsibility and put education as their priority investment amount other sectors.
50. While analysing the efficiency of the education financing it is observed that there is underutilisation of the available resources. The local levels have not been able to spend what has been budgeted. The overall budget utilisation in education across all local level is only 87.47%. Further in Local Levels in one particular province the utilisation is as low as 77.85% of the allocated budget. The maximum by local level in any province is 91.29% even when there is the utilisation gap of 8.71%. This can be attributed to either the lack of capacity at local level or to the non-correlation between the planning at the federal level and requirements at the ground level. This can be overcome by capacity enhancement at local level and adopting bottom up budgeting mechanism for education.
51. The local levels' financial recording and reporting mechanism required further support for sector wise accounting and reporting. Output of data is only as good as the input. The local level will benefit from the support to enhance

their capacity on sector-wise reporting. This will not only benefit the education reporting but also benefit other sectors such as health, agricultures and others.

52. The Constitution of Nepal has conceived the governance structure of the country to be a collaborative federal structure where there are no tiers of governments but 761 governments with specific roles responsibilities and authorities. The expenditure made by the local level on education is the part and parcel of the government's overall expenditure in education. Education specific expenditure by all 761 governments, avoiding duplicity forms the state's educational investments and should be consolidated and reported likewise.

# National Campaign for Education Nepal (NCE- Nepal)

National Campaign for Education Nepal (NCE- Nepal) in UN ECOSOC special consultative status is a civil society movement with mandates to lobby and advocacy for ensuring quality education for all. The history of NCE-Nepal traced back in April 2003, after obtaining membership from the international network, Global Campaign for Education (GCE). As GCE Nepal network decided to broaden its spectrum on advocacy, all coalition members felt a need of it legal identity. As a result, NCE-Nepal was formally established on 2010 as civil society movement to ensure the right to equitable, inclusive quality education for all.

NCE-Nepal is a campaign for undertaking collective efforts and coordinating among individuals/organizations engaged in promoting the human rights to quality education in Nepal. It works as a watchdog to ensure everyone's rights to education and advocates for the same. It focuses on strategic interventions related to policy advocacy, networking, lobbying and campaigning at the district, regional, national and international levels. Currently, it has 409 member organizations including 48 General members and 361 affiliated members ranging from international and national non-government organizations, federation, education media organizations and teachers' community to grassroots institutions working in the field of education and child rights. Besides, it has district coalition in 30 districts covering 7 provinces of Nepal. NCE-Nepal is also a member of Asia South Pacific Association for Basic and Adult Education (ASPBAE) and Global Campaign for Education (GCE). In addition to this it has recently registered as a member of Inter Agency Network for Education in Emergencies (INEE). Being a member of GCE and ASPBAE, NCE-Nepal has access to engage to debates on education issues at local, regional and international forums. It is one of the recognized CSO network to contribute in the national policy making process for education in Nepal as acknowledged by the Government.

## Vision

Equitable inclusive quality public education for all in Nepal.

## Mission

Lead the creative campaigning to hold the government accountable and to ensure right to quality public education in Nepal with civil society organizations, social justice movements progressive academia and marginalized communities.

## Goal

To ensure equitable, inclusive, free, compulsory and quality education for children, youth and adult as their fundamental right to education in Nepal.

For More Details:



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