

Review & Overview of Economic Contribution of Education in Nepal

Prof. Dr. Tanka Nath Sharma & Koshish Acharya

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Samriddhi, The Prosperity Foundation

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Acknowledgement

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July, 2012

Preface

The Nepal Economic Growth Agenda (NEGA) Report, 2012, which aims at contributing to create an environment for making better informed policy decisions concerning Nepal's economic growth scenario took its first leap in 2011 by working on key sectors that have important roles in initiating growth in Nepalese economy. After rounds of individual and group consultations for months since early 2011, five sectors were selected which were Agriculture, Education, Hydropower, Infrastructure and Tourism. Studies on all the five sectors were then carried out for a few months by a Research Guide and a Research Assistant and five detailed reports like this were prepared. On the basis of these five detailed reports on the five sectors, a single Nepal Economic Growth Agenda (NEGA) Report 2012 was prepared which was released in July 2012 and was handed over to the Nepalese government. With this, we as a policy think tank are making an effort to initiate the necessary change in in the economy through the Nepal Economic Growth Agenda (NEGA), Report 2012.

This report, "Review and Overview of Economic Contribution of Education in Nepal" is an outcome of the study conducted on education for the Nepal Economic Growth Agenda (NEGA), Report 2012, carried out by our Research Guide Prof. Dr. Tanka Nath Sharma and Mr. Koshish Acharya.

As the issue of economic growth is slowly finding its way into mainstream political discourse and discussion on priority sectors are ongoing, this report presents useful analysis on the current status and prevailing challenges in the sector. In this regard, the effort made through this publication takes the discussion one step ahead as it has made an attempt to look into the details and identify those constraints which have been keeping the sector from growing. The study looks upon the sector from the perspective of economic growth and recommendations are based on how the sector can grow and consequently play a greater role in the larger economic growth of Nepal. Hence, the study has some key focus points.

Meeting the market demand through education i.e. the economic outcome of education was chosen as a focal point in this study. Some of the major challenges in this sector were found to be lack of skilled human resource in the labor force, high drop-out rates, lack of adequate returns on public spending on education and other issues related to investment and promotion of technical and skill based training. Based on this context, recommendations are centered around promoting private sector in addressing these challenges, developing a national qualification system, introducing flexible means to incorporate non-formal modes to enhance skill development for market outcomes and implementing alternative spending modes such as education voucher system to enhance productivity of government spending.

Overall, the report outlines the key hurdles impeding growth and provides recommendations to remove the hurdles while introducing new ideas to build on the potential in this sector. With this, we believe this publication will be a key document to refer to in the process of policymaking to encourage growth. Samriddhi, The Prosperity Foundation will be publishing the Nepal Economic Growth Agenda (NEGA) on an annual basis highlighting important issues concerning Nepal's economic growth.

Abbreviations and Acronyms

AAMN	Alliance for Aid Monitor Nepal
ADB	Asian Development Bank
CBS	Central Bureau of Statistics
CTEVT	Council for Technical Education & Vocational Training
DEO	District Education Office
DoE	Department of Education
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GDI	Gender Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GoN	Government of Nepal
GPI	Gender Parity Index
HDI	Human Development Index
Helvetas/EF	Helvetas/ Employment Fund
HPI	Human Poverty Index
IGNOU	Indira Gandhi National Open University
ILO	International Labour Organization
LFPR	Labour Force Participation Rate
MDG	Millennium Development Goals
MoES	Ministry of Education and Sports
MoF	Ministry of Finance
MoLT	Ministry of Labour and Transport
NCED	National Center for Education Development
NFEC	Non-Formal Education Center
NLSS	Nepal Living Standard Survey

NPC	Nepal Planning Commission
NSTB	National Skill Testing Board
PABSON	Private and Boarding Schools' Organization Nepal
PPP	Purchasing Power Parity
SDAN	Sustainable Development Agenda for Nepal
SLC	School Leaving Certificate
SSRP	School Sector Reform Plan
TEVT	Technical Education & Vocational Training
TSLC	Technical School Leaving Certificate
TYIP	Three year Interim Plan
TYP	Three Year Plan
UNIRP	United Nations Interagency Rehabilitation Programme
UNO	United Nations Organization
USAID/EIG	United States Agency for International Development/ Education for Income Generation
WB	World Bank

The Nepali year is based on the Bikram Sambat Calendar and is approximately 57 years ahead of the Gregorian calendar (2062/1/1=2005/4/14)

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Introduction

Education, all across the globe, has been recognized has a human right and international treaties have been highlighting the right to education for more than half a century now. It is a prerequisite for both economic and social development and its significance has increased in the recent times of globalization as the world economy has inclined more towards employment based on knowledge and skill. The Interim Constitution of Nepal also recognizes education as one of the fundamental rights regardless of socio-economic, cultural or any other dimension of human life, following the global trend (GoN, 2007).

The importance of education in the socio-economic development of an individual and the overall nation is undeniable due to its power to equip individuals with the capacity to bring them out of poverty and acquire a better living standard (Khan & Williams, 2006). The four main intended outcomes of education, as identified by UNESCO for renewal and education reform (UNESCO, 2010) are:

- i. for the purpose of preparation of higher level of education,
- ii. for the purpose of social wellbeing,
- iii. for the purpose of access, equity and inclusiveness, and
- iv. for the purpose of creating skilled human resource competent with market's need (economic outcome).

There are various modes to attain education to meet these outcomes, which are broadly categorized into three main types, viz., i) formal, ii) informal, and iii) non-formal modes.

1.1 Formal Education in Nepal

In Nepal, the history of formal education system began with the establishment of Durbar High School during the Rana regime in 1853. Durbar High School, initially established to provide formal education to children of the then ruling Rana families and handful of high-class families, opened its gates to general public in 1950 under the rule of Prime Minister Bir Samsher. By the end of 1951, there were already 300 schools and 2 colleges catering to 10,000 students in various parts of the country (Bhatta, 2009).

Education has always been considered to be one of the basic necessities, more so in the Nepalese context after the formalization of the education system in 1951. Thus, primary education was made free to all the Nepalese children eventually (GoN, 1990). The establishment of democracy in 1990 further helped to propel the growth of education sector throughout the country with the inclusion of private sector.

Education, along with its important social aspects also plays a major role in bringing about development in the economic sector of the country. The economic aspects of education, when ignored hamper economic growth of a country. As Nepal Government's focus has been primarily on the social aspects of education, it is plausible that Nepal's economic growth hasn't picked up a pace.

This paper intends to look for facts and figures related to the current situation, government plans and policies and existent hurdles in the education sector of Nepal with special focus on its economic outcome to derive policy recommendations that can increase its contribution in the economic growth of the country.

1.2 Status of Education in Nepal

Since the introduction of public schools in 1950, the focus of the government in education has been concentrated mainly on increasing literacy rate. Thus, all through the last six decades, majority of the public spending has been poured into the formal education system mainly in primary through to the secondary levels of education. The literacy rate has also increased significantly from 2% in 1951 (Isaacson, et al., 2001) to 60.9% in 2011 (MoF, 2012).

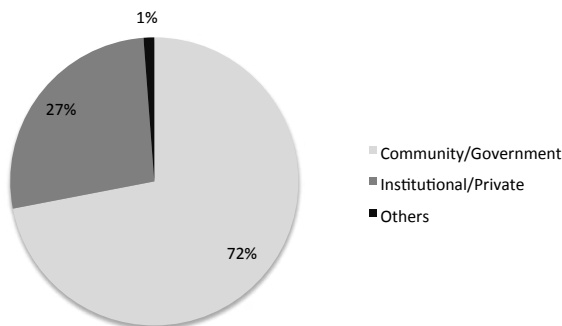
Out of the total population of 26.6 million (CBS, 2011), the literacy rate of population aged 6 years and above is 60.9% (CBS, 2011), whereas that of those aged 15 years and above is 55.6%. However, there is a considerable disparity between the gender with 72% of males and only 51% of females above the age of 6 being literate. Similarly, 70.7% of males and only 43.3% of females above the age of 15 are literate (MoES, 2011).

As of 2011, 34.4% of the population above 6 years of age had never attended school and 28% of the population had attended school in the past but were already out of the formal education system. And, only 37.5% of the population above 6 years of age was attending school. A study conducted by Central Bureau of Statistics (CBS) in 2011 indicates the main reasons for majority of children not attending school as being unwillingness (30.4%) followed by unwillingness of parents to send their children to school (14.5%), their need at home for daily chores and economic activities (13.5%) and various other reasons like the children being too young, education being too expensive, schools being too far from home and disability in children (CBS, 2011).

According to the Ministry of Education and Sports, there were 33,160 primary, lower secondary and secondary schools, 3067 higher secondary schools and 5 Universities existent in Nepal, as of 2011 (MoES, 2011). Out of the total schools and Universities, almost 15% of it is operated by private sector which constitutes of 4836 primary schools, 3078 lower secondary schools, 2306 secondary schools and 685 higher secondary schools (MoES, 2011).

Out of the total population enrolled in school/college, 71.9% attend community/government schools and colleges while 26.8% of them attend institutional/private schools and colleges and 1.2% attend other schools and colleges (CBS, 2011). The majority of the primary, lower secondary and secondary level students are enrolled in public schools (5,449,736), followed by community schools (1,062,694) and only a small number of them are enrolled in private schools (951,363) (FNCCI, 2011).

Fig. 1: Students' enrollment in various types of schools, 2011



Source: Central Bureau of Statistics, Government of Nepal

After the introduction of Millennium Development Goals, the government policies have also been aligned to achieve universal education for all. This is made more evident with the initiation of projects like “Education for All”, literacy campaigns and enrollment campaigns, “School Sector Reform Plan”, and so forth.

As the government focused on formal education in primary and secondary levels, other modes of education attainment like informal and non-formal modes along with technical education and vocational training, University level education and new modes of education like Open and Distance Learning lay outside the focus area. However, with around 50% of literacy rate prevailing in the country, government tried to address the issue of lack of skilled human resource with the establishment of Council of Technical Education and Vocational Training (CTEVT) in 1989.

CTEVT, since its establishment in 1989, has provided technical education to mere 1.5 million Nepalese till 2011 (CTEVT, 2011), whereas an average of 0.4 million youths were added to the labor force each year between 2000 to 2011 (MoLT, 2008). These data present the inability of CTEVT, as a single TEVT institution in the country, to cater to the need of technical education and vocational training in a country of approx. 30 million population, 29.8% of which is aged between 15-29 years. There have been several initiatives from NGO sector to provide non-formal education and skill development trainings as well. However, these initiatives have been fragmented and uncoordinated leading to duplication of efforts and inefficient use of resources.

Despite of several national policy documents, such as National Education Commission's Report, 1991; High Level Education Commission's Report, 1998; CTEVT policy documents (CTEVT, 2001; CTEVT, 2005; GON, 2007); and currently endorsed School Sector Reform Plan (SSRP, 2008), advocating for the need of horizontal and vertical mobility in education with provision for skilled workers to re-enter the general/academic education by means of relevant remedial or bridge courses (Sharma, 2011), very less has been done to address the issue of low level education and skills of majority of Nepalese labor force. The situation has been further worsened due to limited opportunities available to advance careers for novices and semi-skilled workers outside the formal education system.

1.3 Status of education based on UNESCO's four pillars of intended outcomes

1.3.1 For the purpose of preparation for higher level of education, social well-being, and access, equity and inclusiveness

The rate of enrollment in all three levels of education system—primary, secondary and tertiary level, has seen gradual growth over the years. The net enrollment rate in primary level of education have had the

highest growth—from 64% in 1990 to 93.7% in 2010 (see Annex I). This has been followed by the gross enrollment rate in the tertiary level standing at 10.3% in 2011, which was a mere 4.9% in 2002 (CBS, 2011). However, this is a lot less than the South Asian average of 48.05 % for (2002-2006) for secondary level.

The lowest growth, almost stagnant, is seen in the enrollment rate of secondary level of education, which has grown to 42% in 2011 from 41.8% in 2002. Infact, the gross enrollment rate in secondary level had grown as high as 46.1% in 2005, but it gradually decreased after that. The Legatum Prosperity Index, which measures prosperity based on several factors like wealth, economic growth, personal wellbeing, and quality of life, has also ranked Nepal at 101th position out of 110 countries indicating the poor performance of education sector in Nepal.

Table 1: Students who appeared for and passed SLC (2001-2011)

Year	Total Appeared (Regular)	Passed (Percentage)	Dropouts
2001	132210	31.62	911
2002	152334	31.22	1721
2003	170389	32.05	1247
2004	175418	46.18	1550
2005	216303	38.72	1165
2006	225031	40.38	1105
2007	274210	58.64	1677
2008	304078	63.73	1088
2009	342632	68.47	1949
2010	385146	64.31	4586
2011	397759	55.50	4902

Source: Office of Controller of Examinations, Ministry of Education

The pass percentage of School Leaving Certificate (SLC) examination, which is considered as the major threshold of the basic education in Nepal, had seen a steady growth since 2001 (31.62%) to 2009 (68.47%). After

2009, it has been declining and in 2011, the pass percentage of the students attending SLC examination was recorded to be a mere 55.50% only (Table 1). Despite the decrease in the pass percentage, the number of students appearing in the SLC examination has been increasing gradually.

However, the increasing number of students appearing in SLC examination is followed by the increasing number of dropouts from the education system, which was a mere 911 in 2001 but has increased to a staggering 4,902 (2011) in just 10 years (Table 1). Higher Secondary level of education presents a similar scenario, where more than 50% of the students fail to graduate and only a small number of them retake the examination while the rest drop out of the formal education system (see Annex II).

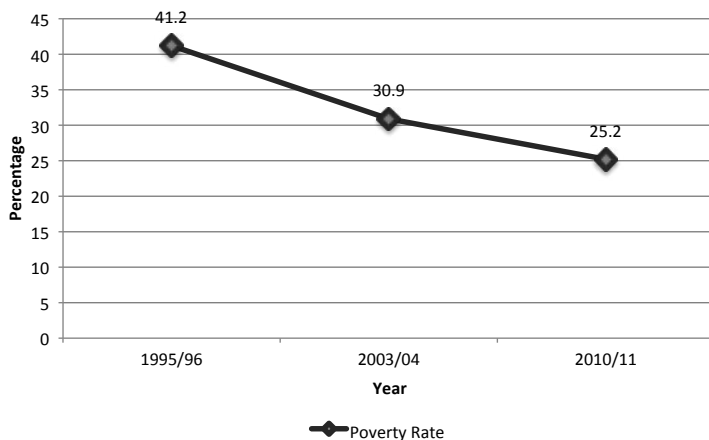
The education system of Nepal has also performed weakly in terms of meeting its outcome of social well-being. Nepal's Human Development Index (HDI) has been recorded to be mere 0.458 and Nepal is ranked at 157th position out of 187 countries by the Human Development Report, 2011, UNDP. Similarly, the Real GDP per capita of Nepal is US\$ 371 in 2011 whereas its South Asian neighbors India and Bhutan's Real GDP per capita are US\$ 1,123 and US\$ 1,879 respectively. Further, the total growth rate of Nepal between 1971-2000 was 57.32%, which is very low as compared to other South Asian countries like Bhutan, whose total growth rate in the same period was 218.57% (See Annex III).

To add to the poor performance, Nepal still tops the chart of poorest countries in the world, better than few African countries. The percentage of people living under poverty line, according to the Nepal Living Standard Survey of 2010/11 is 25.5%, which is a huge reduction from 41.2% of 1995/96 (Fig. 2). However, this sharp reduction in the poverty percentage has been owed mostly to the huge increment in the remittances flowing into the country rather than the contribution of education.

The third outcome of education is to create a harmonious society with access, equity and inclusiveness regardless of gender, ethnicity, geography, income or any other aspects related to society. Unlike the

first two outcomes, Nepal's education system has showed some positive results in reducing gender parity and fostering gender development. For instance, UN's Gender Parity Index (GPI) which measures relative access to education of males and females, shows an increase of Nepal's value from 0.63 in 1991 to 0.86 in 2002 (see Annex IV) for primary level of education indicating a decrease in inequality in enrollment of males and females in primary level education. Similarly, the inequality in enrollment of males and females in secondary level has drastically changed from 1991 to 2006 increasing the value of GPI from 0.46 to 0.89 (see Annex IV).

Fig. 2: Changes in Poverty Rate of Nepal (1995/96, 2003/04 & 2010/11)



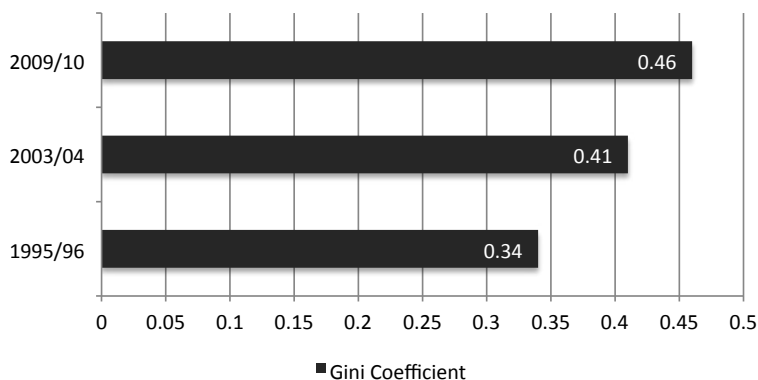
Source: Nepal Living Standard Survey III

The gender inequality relative to HDI, which is measured by Gender related Development Index (GDI) has also slightly reduced. GDI of Nepal reached 0.499 in 2006 from 0.452 in 2000 (see Annex V) signifying increasing equality among males and females. The data shows that gender inequality is lowest in eastern and central development zones of Nepal.

However, in case of the society, inequality has increased by 0.12 units from 1995 to 2009 (Fig. 3), as indicated by GINI coefficient, which measures the inequality based on income, health, education and other

factors. Similarly, inequality also prevails in the poverty level among different castes and ethnic groups in Nepal. The Human Development Report prepared by UNDP reports that the poverty headcount in Brahman/Chhetri and Terai Janjati has declined significantly between 1995/96 and 2003/04, but the reduction of the same for Dalits, Muslims and Hill Janjatis is not much (see Annex VI).

Fig. 3: Changes in Gini Coefficient of Nepal (1995/96, 2003/04 & 2009/10)



Source: *Labour and Social Trends in Nepal, 2010, ILO*

Lastly, there is a huge disparity in the access to opportunities between the urban area and rural area and different regions of the country. As indicated by UNDP's Human Development Report (HDR) which measures inequality based on access to opportunities and choices to people for poverty alleviation, the Human Poverty Index (HPI) of overall Nepal had reduced from 39.6 in 2001 to 35.4 in 2006 (see Annex VII). Yet, the data also indicates that the access to opportunities and choices is higher in eastern and western zones compared to mid-western and far-western development zones.

Thus, in regards of social outcomes, education system of Nepal has been able to show some results. However, the results are not satisfactory and a huge task lies ahead, requiring an increase in the participation of the

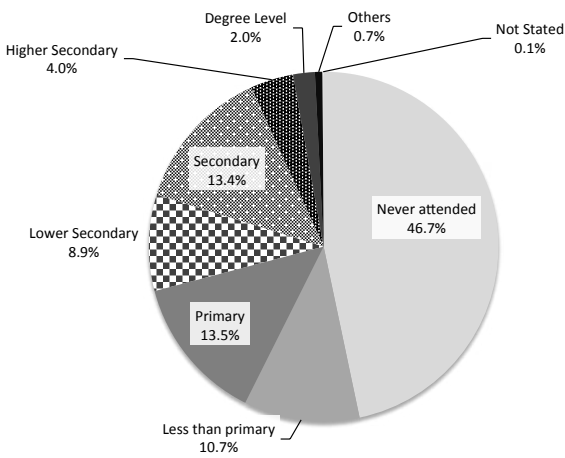
population in higher levels of education for reducing poverty, increasing equal access to opportunities and creating an equal and balanced society.

1.3.2 For the purpose of creating skilled human resource competent with market’s need (economic outcome)

For economic growth, education’s purpose of creating skilled human resource is of the highest importance. The availability of skilled, efficient, productive, and competent human resource as per the market demand is one of keystones in the economic development of any nation. But, in case of Nepal, education’s outcome in this regard has been the weakest despite of its highest importance.

International Labor Organization (ILO) has projected the annual labor growth rate of Nepal to be 2.75% indicating an approximate 400,000 youth being added to the job market annually, which is much higher than 2% of Bangladesh (Barkhat, n.d.).

Fig. 4: Level of education among working age population, 2008

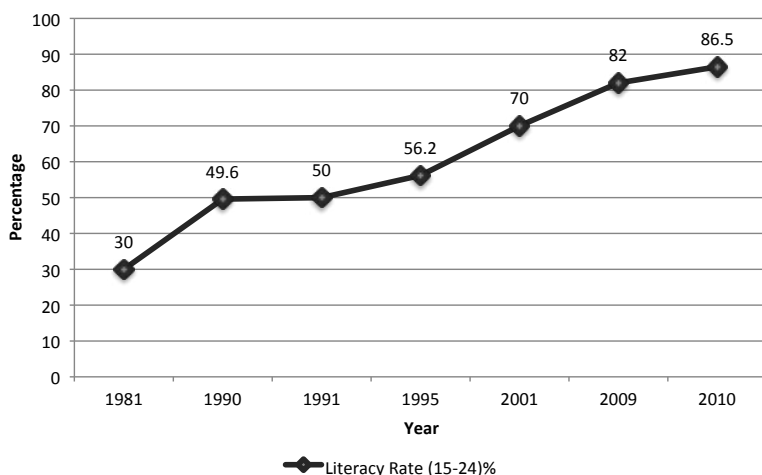


Source: Nepal Labour Force Survey, 2008

However, the population aged 15-64, which is considered as the main working force of the country, has very low levels of education. As of 2008, only 6% of the total workforce had received higher levels of education, whereas 46.7% of the workforce had never even attended school (Fig. 4). Additionally, only 1.03% of the workforce had received vocational training (see Annex IX). And the situation of rural workforce is even worse when compared to the urban ones.

The literacy rate among the youth aged between 15-24 years had significantly increased to 82% in 2009 from 30% in 1980 (Fig. 5). However, factors like unemployment, underemployment, skill mismatch and disguised unemployment have forced increment in the number of foreign migration for employment. The Economic Survey 2010/11 of Ministry of Finance (MoF) recorded a total of 210,663 people who had already left the country for foreign employment by the mid-March 2011. This number is more than double the number of people who went abroad for foreign employment in 2001.

Fig. 5: Youth Literacy Rate - aged between 15-24 yrs. (1981-2009)



Source: World Development Indicators, The World Bank and Ministry of Education & Sports, Department of Education, MOES School Statistics, CBS and Nepal Status Paper, United Nations Conference on Sustainable Development, 2012.

The Labor Survey, 2008 presents the total unemployment rate of Nepal to be 2.1% only. But, other forms of unemployment like underemployment (6.7%), inadequate earnings (8.1%), skill mismatch (13.2%) and underutilized (30%) paints a clearer and grim picture of the employment situation of Nepal. Nevertheless, the Labor Force Participation Rate (LFPR) indicates that the percentage of people either engaged in work or seeking work, had slightly increased from 70.6% in 2002 to 71.5% in 2009 (see Annex X).

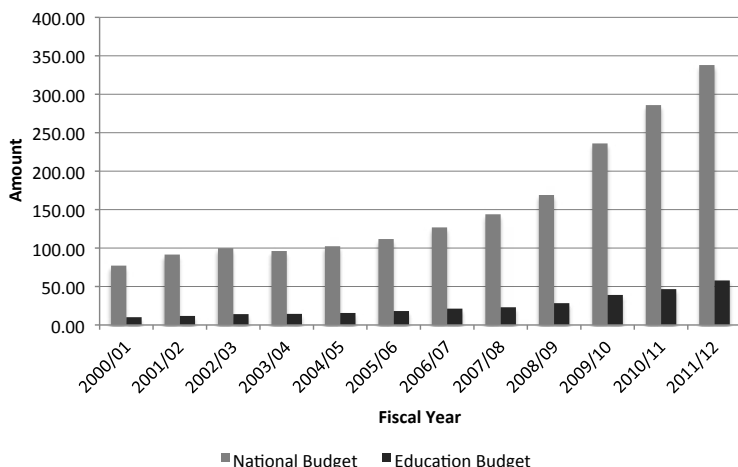
According to CTEVT, in 2008 out of working age population of 14.4 million only over a million people had received formal trainings outside the school system in Nepal, where almost 50% of the labor force had never attended school. Among the population who had attended formal trainings, major subjects/areas like computers, tailoring, health worker, agriculture, teaching, handicrafts, hairdressing, etc. were the most common. However, most of these trainings are relatively short. For over 60% of the times, the trainings last for less than six months and 88% last for less than 12 months.

Hence, the outcome of education in the creation of skilled human resource is very poor despite huge investment in the sector. As government's focus has been on the social outcome of education, the supply of skilled human resource in the market has been very less hence limiting growth of industries and the living standard of the labor force.

1.4 Public Spending in Education Sector

Nepal Government's focus on education sector has always been high since the introduction of democracy in the country in 1951. After 1975, public spending in this sector was massively increased, as the government introduced the policy of making primary education free for all. The financial burden of the government further increased when it declared free education to all the citizens up to secondary level in 2007. In 2011/12 the government allocated 17.11% of the total budget for education, which was 3.4% of the GDP (see Annex XI).

Fig. 6: Share of Education Budget in National Budget of Nepal (2000/01-2011/12)
(Amount in NRs. million)



Source: Nepal Education in Figures 2011, Ministry of Education, GoN

The share of education in the yearly budget has always increased than the previous years since 2000/01, except in 2001/02, 2009/10 and 2010/11. The share has remained at an approx. average of 15% of the total budget. In between 2000 and 2012 only, a massive amount of NRs. 30,02,50,442 has already been invested in the education sector (see Annex XI).

Although the percentage of budget allocated for education is of significant proportion, majority of the amount is used for administrative and non-productive purposes. For instance, the budget allocated for education in 2011/12 was an increment of 9.79% from the previous year's allocated budget but this increased budget was entirely used for paying salaries of teachers and administrative staffs, whose salary was hiked by 40%.

The allocation of education budget in different levels of education has come under harsh criticism from various stakeholders and education experts time and again. In 2011, 60% of the total education budget was allocated to school level education and the rest 40% to elementary

education. And, out of the 60% allocated to primary level of education, 90% was spent on teacher and staff salaries and in infrastructure development (AAMN, 2011). Similarly, only 2% of the total education budget was allocated for higher secondary level, 9.92% for higher education and 7.85% for University education. Further, the allocation of the budget for Technical Education and Vocational Training (TEVT) was merely 1.65% of the total education budget (Ghimire, 2012) indicating an almost entire focus of the government to primary education neglecting the other sections of education system.

Despite of a huge government investment in the education sector, only a small amount reaches the principal beneficiary of the investment—the students—thus putting a large question mark on the system and the productivity of the spending.

1.5 Private Sector's involvement in Education Sector

The governmental programs and institutions have dominated the education sector of Nepal since the 1950s. There were attempts from the private sector to participate in the educational sector from about the same time. The establishment of St. Xavier's School, a convent school based in Kathmandu, started the involvement of the private sector in the educational system of Nepal in 1951. By 1998, there was a significant growth in the private sector's involvement due to the liberalization policy (Carney & Bista, 2009), and private schools expanded at a greater pace after the democratic movement of 1990.

The private sector has mostly been involved in the formal education system, and its involvement in the non-formal and informal education system has been almost next to negligent. Nevertheless, in the formal education, this has been showing remarkable results. According to the Ministry of Education there are currently 10,478 private schools which is 20% of the total schools in Nepal, which consisted of 4836 primary, 3078 lower secondary, and 2306 secondary and 685 higher secondary schools (MoES, 2011). Similarly, there are 664 private campuses, 160 private higher secondary (+2) schools in the country (MoES, 2011).

Table 2: Performance of students from public & private schools in SLC examination, 2011

	Public School	Private School
Total Appeared	307,611	90,148
Pass Percentage	46.62	85.82
Distinction	0.01	0.24
First Division	25.05	60.38
Second Division	68.25	15.41
Third Division	5.43	0.59

Source: Nepal Education in Figures, 2011, Ministry of Education

The enrollment rate in private schools is still only 16.9% (MoES, 2011). Yet, it has always been a leading sector in terms of quality and delivery of education. The School Leaving Certificate (SLC) examination of 2011 saw a staggering 85.82% pass rate against 46.42% of public schools out of which 0.01% passed with distinction from public school whereas for private schools 0.24 percent passed with distinction (Table 2) (MoES, 2011). The increased involvement of the private sector has also helped to minimize the cost of the government spending in education, as parents/students themselves started investing in education in addition to government spending. The establishment of private universities like Kathmandu University has provided more career options for Nepalese students. It has also helped create competition in the education sector, in turn increasing the quality of education.

Although, small in size, the private sector has also contributed to providing skill-based and non-formal education through private training institutions, especially in the urban areas of the country. The Federation of Nepalese Chambers of Commerce and Industries (FNCCI) has introduced *Elam Prashikchan Kendra* (Trade School) to provide skill-based education to meet the market demands. However, the number of graduates produced through these institutions has not been significant. The FNCCI's Trade School had a mere 633 students graduated since 2008. Similarly, the private sector has produced only 17,145 graduates through skill-based trainings since 2008 (CTEVT, 2011). Besides CTEVT and FNCCI bilateral and

multilateral agencies like International Labour Organization, UNIRP, USAID/EIG, Helvetas/EF, GIZ/STTP are involved in providing skill based education in the country. These bilateral and multilateral agencies have contributed in producing 18922 graduates till date, whereas the government agencies have produced 32403 graduates (CTEVT, 2011).

The trend of Nepalese students going abroad, especially to the USA, Australia, the UK, etc., in search of quality education and recognition from popular educational institutions, have been growing constantly over the years. In between July 2008 and July 2011 alone, more than 60,000 Nepalese students have gone abroad for educational purposes (MoE, 2011). Owing to this demand, the number of private schools and institutions affiliated to foreign universities has increased largely over the period. The GCE A-Levels, under the Cambridge International Examination Board of the UK, is one of such courses which have been gaining popularity in the education market of Nepal. More than 30 schools are currently providing these specific courses.

There has also been little foreign investment in the education sector of Nepal. Yet, schools like Modern Indian School, Manipal School of Medical Science, Lincoln School, Delhi Public School, Euro Kids, Indira Gandhi National Open University (IGNOU), and the British School are among the institutions that have invested in the sector. The growing market of South Asian students demanding foreign university degrees combined with the central geographic location, serene environment and mild climate makes Nepal a potential hub for foreign investment in education.

Review of Plans, Policies and Programs

Various initiatives have been taken by the Government through its different institutions to reform the education system and make it more effective and efficient in meeting its goals since 1951. The first of such initiatives was the establishment of National Education Planning Commission in 1954. The establishment of All Round National Education Committee in 1961 and National Education Advisory Board in 1968 followed subsequently. These institutions governed the early phase of Nepal's education system.

A major reform was made in the education system in the year 1971 when the New Education System was introduced under the Fourth Five-Year Plan (1970-75). The new system was designed to address individual as well as the societal needs in regards to the goals of national development. This also facilitated the formation of Nepal's first act in education—Education Act, 1971.

2.1 Education Act 1971

Education Act of 1971 was introduced alongside the introduction of New Education System. This Act is the governing policy for the development and management of education sector in Nepal. It has gone through series of amendments, the first of which was done in 1976. Until 2004, the Act was amended 9 times. Lots

of changes were made during the seventh amendment in 2001. Some of the major amendments done in 2001 were the addition of Department of Education under the Ministry of Education and Sports, creation of Village Education Committee, running Mobile Schools, requirement of teaching license, provision of grants and scholarships, formation of Rural Education Development Fund, etc. The Act also includes provisions for the operation of special, non-formal and distance education. It provides options for educational institutions to either register as a profit-making company under the Company Act at the Company Registrar's Office or as a social institution at the Educational Trust. Further, the Income Tax Act 1974 has exempted income tax for educational institutions, even for the ones registered under Company Act.

Similarly, the National Development Plans developed by Nepal Planning Commission every five years are also key policy documents in shaping up the education sector of the country. The Five-Year National Development Plan, since its inception in 1956, has included plans and programs for development of education sector. Yet, the focus on the sector was increased after the Seventh Five-Year Plan (1988-1992) both in terms of social development and the development of technical manpower.

2.2 Seventh National Development Plan (1988-1992)

The Seventh Five-Year National Development Plan recognized the need of trained administrative personnel and technicians for the implementation of the development plans and for better utilization of investment in the country. It also acknowledges the shortage of such skilled and technical manpower in the country. Hence, it suggests the addition of institutes to enhance the technical workforce both qualitatively and quantitatively, increase formal and informal trainings especially short term skill development trainings, create provisions for scholarships both nationally and internationally, etc. The plan also focuses on implementation of manpower development schemes in five sectors, viz., i) Engineering,

ii) Health, iii) Agriculture, iv) Forestry and, v) Scientists and Technicians. However, the plan projects the supply of demanded manpower through educational and technical institutions under Tribhuvan University and returnees from abroad studies only. Finally, it explicitly states that the Seventh Plan plans to meet the manpower demand for the government's development projects only and does not cater the demand of the private sector, despite of acknowledging the importance of private sector's role in economic development of the nation.

2.3 Eighth National Development Plan (1992-1997)

The Eighth Five-Year National Development Plan was brought into action right after the restoration of democracy in 1990. It held a lot of expectations from the general public for the overall development of the country. The same existed in regards to the education sector as well.

The Eighth plan prioritized employment generation and human resource development acknowledging issues of majority of the labor force being illiterate and unskilled. It recognized gender disparity, quality and relevancy issue, high dropout and repetition rate, lack of clear policies and regulations regarding the involvement of private sector and high cost of technical education and vocation trainings as some of the major challenges in the education sector. It also clearly states in the list of existing problems that the financial burden created by free Primary education along with Secondary education on government finances are increasing and that the efforts of government alone is not sufficient in promoting qualitative education hinting towards the involvement of private sector in the promotion and development of education sector.

To overcome these challenges and meet the country's demand of skilled manpower, it brought forward plans and policies to increase opportunities of technical education and vocational

trainings and to extend institutions providing higher education and technical schools. It also focused on informal education campaigns like *Cheli-Beti* and *Shikshya Sadan* for school dropouts aged between 6 to 14 years. Similarly, it proposed policy for medium and large-scale industries to provide mandatory informal education programs for the illiterate workers.

The Eighth plan, though not able to meet its targets, was able to make some mark in the development of the education sector in Nepal. Of the target of attaining 60% literacy rate and adding 1.4 million of people under literates' list, the government was able to achieve 48% literacy rate and make 1.36 million people literate. Similarly, it met its target of establishing additional 4 vocational training centers in Doti, Banke, Dang and Mustang. More than 6,700 people were given short-term trainings in the plan period along with 22,937 people being trained through vocational and skill training programs run by 13 Skill Development Training Centers and 2 Vocational Training Centers throughout the country. Two new universities – Kathmandu University and Eastern University, were established and the establishment of Pokhara University was also announced during the term.

2.4 Ninth National Development Plan (1997-2002)

The importance of education was reflected in the Ninth Five-Year National Development Plan as well. The plan added to the significance of education in the alleviation of poverty and in reduction of inequalities among people and gender alike. The Ninth plan strategized to conduct literacy programs extensively to meet the goal of eradication of illiteracy by the end of Twelfth Plan, reducing inequalities on the basis of sex, region and community in education sector, encourage private sector and non-governmental organization to invest in providing basic as well as technical education, and also to encourage foreign investment to establish high level quality educational institutions in Nepal.

However, due to the decade long civil conflict started in 1996, lot of the goals of the Ninth plan could not be achieved. The target of establishing 10,000 pre-primary schools was the most hampered project, as only 2915 of them were established. The net primary enrollment reached 80.4% against the target of 90%. Similarly, the target of increasing literacy rate to 70% had also to be satisfied with a mere 55.5%. The targets on technical education and vocation trainings also fell short. Out of the targets of training 4995 and 20,000 individuals in technical education and vocational training respectively, only 3537 and 16,366 people were provided with regular and short-term trainings. Yet, the gross enrollment in lower secondary level exceeded its target of 55% by reaching 58%.

2.5 Tenth National Development Plan (2002-2007)

Similar to the earlier two Five-Year Plans, the Tenth Five-Year National Development Plan also emphasized on the importance of education in the overall development of the country. Besides carrying on the unfulfilled goals of the previous plans, it had added new objectives such as increasing access of women and people with disability to the opportunities of education, helping the backward communities and women to raise their living standards by carrying out programs like literacy, post-literacy, income-generating and valuable non-formal education in the context of the principle “Education for All”. It also mentioned the strengthening of the supervision, monitoring and evaluation of educational institutions, making teaching license compulsory for teachers of all levels and specifying intermediate levels as the minimum qualification along with compulsory training. The plan also focused on the decentralization of the education system.

On the program planning, the Tenth Plan proposed the development of National Non-formal Education Centre, establishment of Open University, establishment of university in Mid Western and Far Western regions among others.

The Tenth plan achieved most of its goals besides the target of literacy rate. The plan targeted to achieve literacy rate of 70% and 63% for the age of 6+ and 15+ years respectively, but it was able to achieve only 63% and 52% respectively. However, it excelled in its targets of pre-primary gross enrollment, lower secondary, secondary and higher secondary education. Similarly, the target of achieving 47%, 45% and 45% in the percentage of girl students in primary, lower secondary and secondary level of education was comfortably reached and in fact even exceeded.

The proposed targets were also over achieved in the area of technical education. Out of the target of 7,100 people, 20,345 people were provided with regular trainings. However, in case of short-term trainings, the target of 23,555 people fell short by almost 8,000 people.

2.6 Three-Year Interim Plan (2007-2010)

The Three-Year Interim Plan was brought into action right after the end of decade long civil unrest and political consensus of 2006. This plan emphasized on issues of primary enrollment rate, unequal access to school and higher education for all genders, groups and regions. It listed the deprivation of 12.6% children from primary level education, mostly poor, Dalits, Mahdasis and Adibasi Janjatis as one of the main problems. It also mentioned problems of high dropouts and repetition rates.

Besides the targets of increment in enrollment rates in all levels of education, it intended to provide regular trainings to 24,000 individuals including 15,000 short-term trainings and 6,000 foreign employment trainings.

However, due to the unstable political situation, unclear status of government formations and constant struggle between different political parties in the issues of constitution making process, the

targets of the Three-Year Interim Plan were not achieved. Out of the targeted 96% for net enrollment rate at primary level, only 93.7% was achieved. Similarly, the enrollment rate at lower secondary and secondary, targeted at 75% and 60%, were only 63.2% and 40.8% respectively. And, the literacy rate of only 55.6% was achieved despite the target of 60%.

Besides the Education Act 1971 and Five-Year Plans, there have been various policy reform attempts by different government agencies to strengthen the educational development of the country. Some of the policies introduced are as follows:

2.7 Sustainable Development Agenda for Nepal (SDAN), 2003

Sustainable Development Agenda for Nepal is a national document produced jointly by Nepal Planning Commission (NPC) and Ministry of Population and Environment in 2003 to guide and influence national-level planning and policies upto 2017. SDAN was developed in compliance with longer term goals envisaged in the Ninth Plan (1997-2002), the Tenth Plan (2002-2007), the Poverty Reduction Strategy Paper, the United Nations Millennium Development Goals (MDG), and the commitments made by the country in various international forums. It covers a huge range of national issues like economy, poverty, health, environment, infrastructure, education, good governance and, peace and security.

Some of major concerns raised by SDAN in the education sector are SLC dropout rates, number of children not incorporated in the formal education system, number of yearly student enrollment in technical schools, formal vocational trainings, etc.

The agenda has strongly emphasized on the necessity of increment in access of general population to vocational training opportunities by suggesting the need of increasing the enrollment

rates in existing vocational training schools, adding new vocational training schools, and encouraging the private sector to provide formal vocational training opportunities for both men and women.

SDAN has also raised a serious issue of a huge number of children (30% of boys and 40% of girls) not being included in the formal education system, especially in the rural areas. It also shares concerns on the high dropout and grade repetition rates existent in the country. The agenda suggests increment of school facilities, instructional quality, access to books and other educational materials, etc. to raise the primary attendance to 100%. The document also suggests revamping the curriculum of primary schools to teach more skills and improvement of education system to increase access and quality of education, especially to rural population.

Further, SDAN raises the issue of inability of Tribhuvan University to function effectively due to the frequent changes in politically appointed administrative staffs and excessive political activism among students. It recognizes the effectiveness of private universities in providing quality education, but comments on the lack of accessibility to majority of students due to high costs involved.

Finally, the agenda visions Nepal being an attractive location for private and foreign investment in tertiary education sector in order to increase choice, competition, quality and reputation, and also to increase domestic revenue.

2.8 School Sector Reform Plan (2009-2015)

The School Sector Reform Plan (2009-2015) was developed by Ministry of Education (MoE) on the basis of the framework set by the concept paper prepared by the Ministry of Education and Sports on February 2007. The plan was developed through a series of consultations and discussions throughout the country engaging all key stakeholders along with Ministry of Finance and National

Planning Commission. The cabinet approved this plan on June 17th 2008.

The School Sector Reform Plan presents the strategic interventions, program targets, implementation arrangements and resourcing for the period of 2009-2015. It lists quality of education, relevancy of the curriculum in different levels, high dropout and repetition rates, and equity and parity among different geographic, ethnic and economic diversities as the major problems existent in the education sector of the country. Like other policy documents, it also emphasizes the lack of access and quality of primary and secondary level education.

On the technical and vocational education side, the plan indicates the frequently changing market demands along with high cost and lack of societal respect for human resources trained in technical and vocational skills as major challenges.

The plan was developed with the objectives to: a) develop a vocational stream of secondary education responsive to continuously changing demands of labor market, b) provide opportunity for further education in vocational stream through integration of formal, non-formal and informal modes of learning, and c) develop basic skills in school graduates and promote employability of the graduates in the job market through relevant courses and effective programs.

With these objectives, the School Sector Reform Plan sets its goals to producing skilled and semi-skilled workforce catering to the needs of technical human resource contributing to inclusive economic growth in the country. In order to achieve these goals, the plan has put forth the following program strategies:

- Integrating Technical Education and Vocational Training (TEVT) functions with school system and expanding access to TEVT through school-based programs,

- Providing different modes of management including partnerships with private sector, and
- Providing alternative pathways and avenues with horizontal/vertical links.

Besides formal education and overall education reform policies, the government has introduced various policies and vision documents to guide the informal, non-formal, and TEVT types of the education. Some of the major policies in these areas are as follows:

2.9 Technical Education and Vocational Policy 1999

Council of Technical Education and Vocational Training (CTEVT) proposed Technical Education and Vocational Policy along with strategic plans in 1999 to strengthen institutions and create better opportunities and access for TEVT in Nepal. This national TEVT policy intended to: maximize the opportunity for entry into TEVT programs by creating national network to cover as broad a segment of the population as possible; expand the TEVT working area to cover both public and private sectors and open equal opportunities for the underprivileged section of the community regardless of their caste, gender and location; ensure that government grants and supports are effectively and efficiently utilized; encourage local governing bodies and I/NGOs to participate in employment based TEVT programs; streamline public run TEVT programs through national coordinating body; ensure a system for authority delegation and institutional accountability; ensure that all TEVT programs are demand driven; ensure that workforce has Skill Certificate to enter into the national and international job markets and incorporate employability skills in all types of TEVT programs; and create a favorable environment for strengthening traditional skills.

However, the TEVT stakeholders did not accept the policies reasoning their exclusion in the policy development process. And, the government also denied endorsing it. Yet, a similar policy document was prepared in the same time by International Labor Organization (ILO) in Kathmandu upon the request of the Government of Nepal through the then Employment Promotion Commission. Both the policy statements presented by CTEVT and ILO had the common approach and same directions for strengthening Nepal's TEVT system. Nonetheless, the government never implemented this policy.

2.10 TEVT Skill Development Policy 2007 (Revised 2010)

In 2007, the Government of Nepal approved TEVT Skill Development Policy with the objectives to expand the training opportunities and services, increase access of such trainings, integrate various modes of trainings and training providers, meet market demands of technical manpower, and ensure sustainable funding for technical education in the nation.

In order to produce adequately competent manpower in vocational and professional areas as per the market demand the policy majorly targeted to expand training programs and to ensure access and inclusion of women, Dalits, ethnic groups, Madhesi and deprived communities.

The policy also suggested the organization of new training courses under National Skills Testing Board. It further added that the Board will coordinate on all types of vocational trainings by framing a policy for conducting a formal examination and providing certificate. TEVT Skill Development Policy 2007 concludes that all modes and places of learning formal or informal, in school or on the job, will be organized in a single system making it useful for progression and transition through this policy.

2.11 Non-Formal Education Policy 2007

Education Rules 2002 along with two amendments on 2003 and 2004 respectively initiated the policies on non-formal education. It stipulated organizational and implementation structure including target population consisting of out-of-school children, illiterate youths and adults. It also mentions about the provision of National Non-Formal Education Council and District Non-Formal Education Committee for effective implementation, monitoring and facilitation of non-formal education throughout the nation.

In 2007, the government endorsed a separate policy on non-formal education named Non-Formal Education Policy 2007. This policy was introduced in the face of several problems and challenges faced by Non-Formal Education Center (NFEC) under Ministry of Education and Sports regarding the vision, management and program implementation.

The Non-Formal Education Policy, 2007 stipulates policies on: the expansion of non-formal education to provide academic and practical knowledge, skills and information to different age and levels of learners; the provision of non-formal education equivalent to formal education to those deprived from educational system or school dropouts; the increment in access to education; localization and decentralization of development and distribution of curricular and learning materials along with the monitoring, supervision and evaluation of non-formal educational programs; increment of networks among governmental, non-governmental and private sector contributing to the non-formal education sector; and so forth.

Education in Nepal was a luxury set aside for the elite until the 1950s. It was only in 1951 that the perception of who had access to education changed with the coming in of a wave characterized not only by the setting up of educational institutions but also by increased enrollments across the country. The first educational development plan in Nepal was in March

1954, when the National Educational Planning Commission (NEPC) was installed with support from the USA. In 1969, under the Panchayat government, a New Education System Plan (NESP) was initiated as per which primary schools were established in places that were accessible to many people, and in the following decades Nepal experienced a great increase in its literacy rate. The National Development Plans, especially following the Seventh National Development Plan along to the Tenth National Development Plan, recognized the need to develop education and widen its access. Similarly, policy level reforms were made as can be seen reflected in Sustainable Development Agenda for Nepal (SDAN) and School Sector Reform Plan (SSRP). Apart from a focus on formal education, much recently efforts have been directed towards the integration of non-formal education into the overall system of Nepalese education at policy level characterized by Technical Education and Vocational Policy, Non-Formal Education Policy and a few others.

Issues and Challenges

The governmental programs and institutions have dominated the education sector. Despite of decades of public investment along with growing private market, the education sector of Nepal still faces various challenges in both formal and informal modes of education. Low literacy rates, high dropout rates, quality and access of education, low return on investment, political intrusions, etc. are some of major hurdles existent in formal education sector. Similarly, informal and skilled-based education also face challenges like lack of access, demand-supply mismatch in job market and lack of quality human resource. Some of the major problems and issues existent in the education sector of Nepal, based on the findings in the previous chapters of the study are as follows:

3.1 Lack of opportunity for dropouts from formal education system

The enrollment rate in all the three levels—primary, secondary and tertiary—of formal education has been growing constantly over the years. The raise in the enrollment rate of primary education has been one of the most significant factors. The reason behind it is the raised awareness of the importance of education through huge investment in the sector by the government as well as the private sector. However, despite all the investment and efforts towards increasing the enrollment rates and literacy rates, a huge number of students dropout from formal education system at various levels.

The Flash I Report 2011-12 published by the Department of Education revealed that the dropout rates in grade I is the highest in 2011/12 registering 21.3% repetition and 7.9% of dropouts (MoE, 2011). Besides grade I, the dropout rates are found to be higher in grade 1, 5, 8 and 10 (MoE, 2010). Similarly, the dropout and the failure rate in SLC have been also increasing every year.

The increase in dropouts from formal education system is creating a huge labour mass with low level of education and skills, which has adversely affected the quality and productivity of services and industries. The low level of education also acts as a barrier in the job opportunity and income growth of the labour force, which is also one of the major reasons for the increasing trend of foreign migration for employment. On the other hand, the lack of formal education and job skills has created a lack of skilled human resource as per the demand of the domestic job market.

Furthermore, limited investment by the government as well as the private sector in the field of technical education and vocational training has reduced the opportunities available to enhance the skills and subsequently the income growth for the dropouts in the formal education system. Though the government has been addressing the issue of lack of skilled human resource in the market through its budget and various policies, there has not been any significant investment in the TEVT sector. For instance, only 1.65% of the total education budget was allocated for the TEVT in the budget of 2011/12. And, only 10% of the total students who had failed in SLC were enrolled in TEVT programs of the government (CTEVT, 2011).

Thus, owing to the huge number of population not acquiring formal education being integrated in the job market, lack of opportunities for such labour in acquiring higher skills and trainings to enhance their income capacity is a grave issue in our education system.

3.2 Formal education focused on the outcome of preparing students for another level of education

The government's focus is seen to be overpowered with the determination to increase enrollment rates in primary education. Almost 60% of the total education budget allocated for primary education verifies it. However, the increasing rates of students falling out of the formal education and entering labour market have not been given much importance.

Besides the lack of opportunity to formal education dropouts another major problem persistent in the current system is the inability of dropouts, especially those from the secondary level, being able to indulge in an income-generating activity due to the lack of basic skills. The curriculum and the teaching methodologies in Nepalese schools are focused on passing exams and moving to next level of education. Out of the four pillars of outcome of education, the current education system is more focused on the outcome of preparing students for another level of education.

There have been constant debates on the inclusion of basic skill trainings in secondary levels of education now and again to make sure that even if the students drop out of this level they will be empowered with basic skills to earn their own living. Basic skill trainings were in fact introduced in the secondary level during the mid 90s. However, due to the lack of choices for students in the type of vocational/skill training and irrelevancy of the course the initiatives failed badly.

Yet, CTEVT has recently redesigned the vocational training to be included in the curriculum of secondary level and is planning to pilot it in 30 community schools from 2013 (Republica, 2012, April). Based on the result of the pilot project, CTEVT plans to include the soft skills training program in the curriculum permanently.

3.3 Relevancy and quality of education

Two major issues in the education sector of Nepal discussed quite often in public arena and sometimes referred to by the government policies

are the relevancy of the current curriculum of formal education and the quality of the teaching and educational institutions.

The relevancy of the curriculum has been one of the most debated issues in the education sector. The lack of regular updates in the curriculum of all levels to match the changes in societal and worldly technology and demands is one of the major concerns with the existing curriculum of formal education. The courses included in the all levels are concentrated around preparing the students for next level of education but lack in preparing students to able to get jobs in the market or utilize their skills to be involved in income-generating activities.

The inability of our education system to correlate with the international standards creates further challenges for students opting for higher education abroad as most of the foreign universities do not recognize the certifications of Nepalese universities and this requires students to take additional set of classes to match their standards.

Similarly with the TEVT courses, it lacks relevancy as per the human resource demand of the market. For instance, a national daily reported, with a participant's quote regarding a training program conducted by CTEVT on herbal farming, that majority of the participants of the program attended the training as the organization was paying them to attend the courses rather than their interest in the subject of the training program itself (Republica, 2012, March).

The lack of making education including TEVT relevant to the market need on the basis of demand and the lack of involvement of the pioneers of the market in creating trainings and programs for the people according to their demand and need of human resource has made the education system quiet irrelevant in Nepal.

3.4 Public spending in education

An average of 15% of the total annual budget has been spent in the education sector for a number of years. A huge amount of taxpayer's money

is being spent on education: 76.16% of the education budget comprises of taxpayer's money while the remaining 23.84% is covered by foreign aid. However, due to the massive size of the administrative bodies created to execute this budget forces the majority of the budget, 80% at times, to be used for the administrative and infrastructure development purposes. This leaves a very small amount from education budget to be actually utilized for the real purpose of education itself.

The fact that the beneficiaries—the students—receive only a smaller portion of the entire education budget raises the question of relevancy, given the size of education budget.

To add to it, the poor performance of the public schools, indicated by SLC results, along with the salability of the public school graduates as compared to that of private school further raises the question of efficiency of the public spending in the education sector.

The lack of accountability of management in public school towards students and parents coupled with the lack of competition among public schools has also added to the minimal return, and sometimes even negative return, of the government spending in education.

Despite of huge investment, the low return and ineffectiveness puts forth a huge question in the process and system of government spending in education.

3.5 The unbalanced demand and supply of human resource in the market

Moreover, on one hand, Nepal has a significant level of unemployment while on the other hand the employers complain about the lack of skilled human resources. This clearly indicates the demand-supply mismatch in the human resource market of Nepal.

The lack of coordination between the educational institutions and the industries and the unavailability of a demand-supply determination system in Nepal have been the major reasons for the unbalanced demand-supply of human resources.

Both the private sector as well as the public sector are unaware of the amount of labour demanded in the market and the changes in this demand. Due to this, the educational institutions are not able to generate manpower as per the demands from the labour market.

Thus, there is a significant level of unemployment and underemployment despite the labour demand from the industries.

3.6 Low participation of the private sector in TEVT

Another challenge to the education sector is that the private sector does not support the technical educations (TEVT). Currently, private companies find it difficult to identify manpower with sufficient skills, as seen by for example the inflow to Nepal of technicians from India.

The private sector in general demands technical human resources which the Council for Technical Education & Vocational Training cannot supply. It is therefore necessary to secure a mechanism that can efficiently match supply and demand of technical labour. This must include a stronger role for the private sector in identifying its exact need in terms of skilled technical labour and the changes in demand over time. Furthermore, foreign investment from private parties into this part of the education sector should also be a component in improving technical education and narrowing the gap between needed and available technical labour.

3.7 National Qualification System lacking international standard

Finally, it is a problem that the official Nepalese qualification system does not match the level of other countries' systems. Especially, an

international standard is crucial for the formal education system because of the fact that a lot of Nepalese students have tendencies to pursue their further education in foreign nations. The recognition of the technical and vocational certificates issued by CTEVT are regarded equal to certificates provided by formal education system. However, employers do not regard the two educational tracks as equivalent. This stems from a general perception in the Nepalese society whereby the two different modes of acquiring education are not seen as being equal which creates a gap between students pursuing educational degree from the two different modes.

The education system is also riddled by the problems of corruption, nepotism and favoritism which leads to biased enrollment into different colleges and universities.

On top of this, vertical and horizontal mobility is obstructed in the present system. Students cannot easily change the educational stream originally chosen, making it difficult to change from formal to non-formal education and vice versa.

Moreover, the national qualification system—as maintained by the National Skill Testing Board—does not recognize prior learning, thereby depriving students of educational choices.

Conclusion & Recommendations

The quality of education in Nepal has taken a great leap since the establishment of the Durbar High School in 1853. Yet, it was only after the democratic movement of 1990 that the education sector really got into the mainstream discussion. Education has played an important role in increasing the literacy rate which was at 2% in 1951 and had reached 60.9% in 2011. Similarly, other areas where education has impacted are access, equity, and inclusiveness, and to some extent social well-being. On the other hand, the education system has not been able to make significant impact on the creation of skilled human resource which has resulted in migration of labour to destinations overseas in search of skilled as well as unskilled employment.

In 1971 the New Education System was incorporated under the Fourth Five Year Plan (1970-1975). The plan propelled massive public spending by the government in the education sector which at that time was mainly based on providing free primary education to all children. The investment in education by the government has since then been on a rise and reached a massive 17.11% of the total budget in 2011/12 . One of the main concerns resulting from the investment in the education sector by the government has been the issue of allocation of education budget. A significant proportion of this budget has been used in non-productive areas like that of administrative expenses going into teachers' salaries and

infrastructure development. The area has furthermore seen a financial increase of 40% in 2011.

Many plans, policies and programs have been initiated by the government regarding the development of the education sector since the New Education System was introduced in 1971. The Education Act of 1971 is an important governing policy for the education sector in Nepal. Similarly, national development plans like the Seventh, Eighth, Ninth, Tenth National Development Plan as well as the Interim Plan have given ample priority to education. Other plans and programs initiated for the development of education particularly focusing on formal education were the Sustainable Development Agenda for Nepal (SDAN) 2003 and the School Sector Reform Plan (SSRP) 2009-2015.

Along with plans and policies for the formal education system, there have been initiatives for the development of informal and non-formal education in Nepal. Technical Education and Vocational Policy 1999 and TEVT Skill Development Policy 2007 (Revised 2010) are some policies focused on developing technical and vocational education and on providing skilled human resource for the labour market. Non-Formal Education Policy 2007 focuses on out-of-school children, illiterate youths and adults and provides these groups with practical knowledge, skills and information.

The private sector has been playing an important role and has been contributing largely to the formal education system over the last two decades. Despite a mere 20% of the total schools in Nepal being run by the private sector and with an enrollment rate of only 16.9%, the private sector has made a significant impact in lifting the standard of education in Nepal. The results of pupils appearing School Leaving Certificate (SLC) of 2011 and previous years is one of the examples showing that private schools have out-performed the public/government schools. In the SLC examination of 2011, 82.52% of the total students passed from private schools compared to 46.42% from public schools. Although the private sector in education is

comparatively lot smaller than the public sector it has made a remarkable contribution to uplift the quality of education.

Although the education system has gone through heavy transformation in the last six decades, it is still vulnerable and lacks quality and relevancy. Certain major problems and hurdles prevailing in the sector are: no opportunity for dropouts; government bias towards non-formal and informal modes of education; high public spending in education with less return; mismatch between supply and demand of human resource; minimal participation of the private sector in providing technical and vocational training and absence of a national qualification system.

Though there have been several plans and policies, campaigns and initiations from both the government as well as private sector for the improvement of education sector in the country, improvement in the sector has been very low. Some of the issues have been identified and discussed upon for years yet critical and long-term solutions of those are yet to be implemented through both plans and policies. Despite of the huge investment being poured in the sector, the efficiency and the productivity of the investment has not been considered much. This section of the paper tries to present policy recommendations, based on the status and challenges discussed previously in the paper to address the critical issues existent in the education sector of Nepal and to make it effective, efficient and to meet the market demand.

The recommendations on the basis of the study are categorized as follows:

4.1 Including career and technical education in the curriculum of secondary and post secondary level and lowering the entry criteria for enrollment in Technical Education and Vocational Training for dropouts

The inclusion of career and technical education in the secondary level education can address various problems mentioned in the report. Skilled-based career and technical education has been identified as one of

the major components in mitigating the issue of inadequate skilled human resource. Inclusion of career and technical education in formal education system will provide students with choices of formal higher education or skilled-based technical education at higher level. Currently, formal education does not provide adequate choices for students while choosing between formal and technical education.

This particular recommendation is brought forward as to address the problem of lack of opportunity for dropouts. CTEVT has been planning to conduct technical and vocational classes in secondary level from the academic session of 2013. Although the CTEVT have already taken measures to address this issue by incorporating 30 annex programs in different schools, the number is still very low. The Annex program needs extension from current 30 schools to schools all over the country. An effective implementation of the plan proposed by the government would be fruitful in creation of skilled human resource competent with market needs.

The subjects in TEVT range from medicine, engineering to carpentry, plumbing and midwifery. Since CTEVT offers such a wide range of courses but the entry qualification is mentioned as SLC or Test pass this deprives a huge number of students who fall out from primary and lower secondary education to utilize these opportunities. Some of the courses offered like medicine and engineering do require certain skills in mathematics and hence entry criteria being higher is understandable, but courses on agriculture, plumbing, general construction, auto mechanics, mid-wife, welding technician, electrical technician and many more do not necessarily need high level of skills to start the training. Thus, the entry criteria needs amendment and it should be changed as per the requirement of different courses.

4.2 Introducing the dual model in education system

The dual education system is a system of education whereby the formal and non-formal modes of education are given equal priority and

recognition. In this system of education all the students study up to the secondary level and then are presented with a choice of enrolling in either vocational school or grammar school. The student will have a choice to either enroll in the grammar school that leads to university or in the vocational school that leads to labour market. The graduates from both the formal and non-formal schools are given similar recognition and opportunities. This system of education provides more choices to the students and parents.

This system is effective because the return from education can be experienced in a relatively shorter period of time for the graduates of the vocational school. The dual model of education also addresses the problem of lack of skilled human resource. Similarly, the issue of relevancy can be addressed by the involvement of private sector. The government can focus on the academic side or the formal education and the private sector can be involved in vocational training, which would ease the pressure for the government in education spending as well.

4.3 Integrating various modes of learning and pathways for promoting mobility of the workforce through National Qualification System

The three modes of attaining education—formal, informal and non-formal—should be made open and should be given equal priority and should be facilitated by the government. This would increase the choices for people and thus students wishing to get formal education and those wishing for informal mode and non-formal mode would be able to get equal access to education. This would eventually make education convenient for people.

People should be allowed to change their educational stream from one to another, abiding to a certain criteria for enrollment that can be formulated by the national qualification system. A restrictive education system that does not allow people to change from one mode of education to other and one stream to another cannot be termed as an effective system in a democratic order. A qualified student from informal mode of education should be allowed to join the formal system and vice versa. The traditional

mode of formal education cannot create globally competitive human resource and hence the country cannot grow economically and socially.

A national qualification system should be formulated that would provide a standard certificate to different levels and modes of education. This system can be upgraded along with the already implemented National Skill Testing Board (NSTB). All students that have acquired education through formal or informal medium could sit for the national testing and acquire a nationally recognized qualification regardless of their previous education level.

Institutions like Institute of Engineering (Pulchowk) and Institute of Medicine (Maharajgunj), which have been successfully producing competitive graduates for several years, have been able to keep their testing framework effective and transparent. This can be replicated for other educational institutions as well.

The Ministry of Education, which is the most important body in the overall development of education sector of the country, needs an effective monitoring and evaluation team that would create a check and balance in this sector.

4.4 Promoting active participation of private sector in providing TEVT including apprenticeship training as per the demand of job skills in the market

The labour market is currently characterized by gap between the supply and demand of qualified manpower. Government institutions such as CTEVT that produce skilled labour cannot meet the demand that the private sector asks for, and this situation has resulted in an unbalanced market for such skilled human resource.

To rebalance the situation, more and better information on both supply and demand need to be developed and thoroughly evaluated. When the exact need of companies seeking skilled workers to take part in the production is measured and mapped it is much easier for educational

institutions to set their output levels on how many skilled individuals they need to graduate within the given year and during the following years. Also, the type of skills can be adapted to the ever-changing need of the private sector companies, by updating the curriculums of the specific courses offered by the education institutions.

In addition, companies should also be provided with incentives to invest directly in TEVT so that more and better education can be produced by the institutions. Direct investment also gives companies a stronger influence on the nature and composition of the skills being developed, which in turn create human resource with the form and capacities that the companies seek. Investment could be used to establish private training institutions that are allowed to generate profit to be paid back to investors. To facilitate this it will be necessary to reduce the bureaucratic hurdles that currently exist when private training institutions are set up and registered.

4.5 Increasing access to Technical Education and Vocational Training for working population, unemployed youths and adults through informal and non-formal means

Since the labour force is already employed and hence have no time for going to regular classes a provision to allow them to study in the time available to them should be made. Although all the labour force in the market may not be able to grasp further education but there are certain number of people who did not continue education due to weak economic condition but with proper opportunity could perform well and raise their education level which would eventually raise their qualification and salary. This would be a motivating factor for others in the labour force to continue with education and raise their living standard.

There is an opportunity for government and the private sector to provide specific on the job training to this workforce. The enhancement in specific job skills for the workforce would make them more competent while contributing positively to the productivity of the organization. Trade schools that had been conducted by FNCCI can be continued by making

it more effective. Remittance amounts to 23 percent of GDP in Nepal. Remittance has been contributing to the alleviation of poverty in Nepal. The human resource going for foreign migration can be given specific job and occupational training that can increase the demand of human resource from Nepal and contribute to rise in salary and wages resulting in higher remittance. The demand of skilled human resource along with the improvement in the wages and salaries would be beneficial to both the parties.

4.6 Increasing the budget of TEVT and non-formal education from existing 1% to 5%

Since the budget allocation in overall education sector and its contribution in GDP have not been according to international standards and technical education and vocational training has been receiving only about 1 percent of the total education budget, increment in the budget for strengthening CTEVT could be one important step towards TEVT development in Nepal.

In order to increase the budget of TEVT the percentage of education budget in the national budget needs an increment to an international standard of 20 percent of the total budget. The existing one percent of budget in technical education needs an increment to five percent for effective functioning of the CTEVT which can produce skilled human resource.

4.7 Introducing the education voucher system which finances the students rather than schools

The ineffective spending of the education budget has been one of the major problems in education sector of Nepal. The system of “funding the schools and not the students” has made the schools ineffective and incompetent which has resulted in degradation of education standard of the country. The students who are to be benefited from the spending in education are deprived of most of the facilities because most of the school budget goes in salaries and administrative work.

A system of financing the students rather than the schools needs to be considered to improve the public spending on education. Education Voucher System can be one of the best practices that can be introduced to improve public spending in education. In this system the government provides a voucher to the economically weak and deserving students that can be only used to pay for the school of their choice.

Since the voucher cannot be used for any other purpose and cannot be cashed the students can choose from any private or public schools. In this way the public as well as the private schools would be in competition to attract students; this sense of competition makes schools more effective and qualitative. The education voucher system has been successfully implemented in different states of India, Bangladesh, Chile and other countries.

4.8 Effectively implementing the TEVT Skill Development Policy 2007

The TEVT Skill Development Policy 2007 that has been introduced by the government since 2007 is yet to be implemented. This particular TEVT policy have addressed all the major issues but since there has been no effective implementation the situation of TEVT in Nepal has not been able to bring about intended outcomes. The government needs to revise the policy and introduce and implement an effective TEVT policy for strengthening TEVT in Nepal. The policymakers need to embrace new modern education system that provides skills for employment and self-employment. The implementation of this policy would only be possible with clear financial policies and a commitment to transform that into action.

4.9 Creating environment for foreign investment in education sector to make Nepal a knowledge hub

Education has become one of the most reliable sectors for investors in the present context. With more and more students and parents opting for quality education free from political intervention education can

be an attractive sector even for domestic and foreign investment. The geographical condition of Nepal has a huge comparative advantage for establishment of international educational institutions. International educational institutions have already started investing in Nepal. Some of the examples of FDI in education sector are Modern India School, Manipal School of Medical Science, Lincoln School, Delhi Public School, Euro Kids, Indira Gandhi National Open University (IGNOU), and the British School.

There are many opportunities to attract the investors to establish educational institutions in the country. The climatic condition, moderate temperature, landscape, low operational cost, low human resource cost can be instrumental in making Nepal an educational hub for Asia and the world. The government can itself promote and establish such institutions to attract more students from Nepal and abroad. The government will be able to make good revenue with higher investment in education. The government needs to create a favorable environment for the investors to establish large-scale schools and universities.

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Annexes

Annex I: Net Enrollment Rate in primary education, Nepal (1990-2015)

Indicator	1990	1995	2000	2005	2010	2015*
Net enrolment rate in primary education (%)	64	69	81	84	93.7	100
Proportion of pupils that start grade 1 and reach grade 5	38	NA	63	76	77.9	100

* Targeted

Source: Ministry of Education & Sports, Department of Education, MoES School Statistics, CBS and Nepal Status Paper United Nations Conference on Sustainable Development 2012.

Annex II: Total number of students who appeared for and passed higher secondary education (+2)

Year	Grade 11		Grade 12	
	Appeared	Passed %	Appeared	Passed %
2008/09	205200	41.0	132940	50.6
2009/10	254771	40.0	186817	46.7
2010/11	298051	39.3	229715	43.9

Source: Nepal Education in Figures, 2011, Ministry of Education, GoN

Annex III: Indicators of social well-being in Nepal

Year	Poverty Rate (%)	HDI	GDP (Per capita US\$)	Annual Growth Rate
1980	-	0.242	190	-4.50
1985		0.285	213	3.49
1990	-	0.340	234	1.83
1995/96	41.2	0.366	260	0.49
1999	-	-	279	1.96
2000	-	0.398	290	3.85

2001	-	-	298	2.66
2002	-	-	292	-1.74
2003	30.9	-	299	2.12
2004	-	-	308	2.99
2005	-	0.424	314	2.01
2006	-	0.432	320	1.99
2007	-	0.437	327	2.04
2008	-	0.433	342	4.72
2009	-	0.449	352	3.07
2010	25.2	0.455	364	3.15
2011	-	0.458	371	3.50

Source: NLSS III, UNDESA, UNESCO Institute for statistics, World Bank, IMF, ERS International Macroeconomics Data Set

Annex IV: Gender Parity Index (GPI) in primary, secondary and tertiary levels of education

Year	GPI Tertiary	GPI Secondary	GPI Primary
1991	0.33	0.46	0.63
1999	-	0.70	0.77
2000	0.40	0.71	0.79
2001	0.27	0.72	0.84
2002	0.27	0.74	0.86
2003	0.34	0.77	-
2004	0.40	-	-
2005	-	0.86	-
2006	-	0.89	-

Source: United Nations Statistics Division

Annex V: Gender related Development Index, Nepal (2000-2006)

Region	2000	2004	2006
Urban	0.605	0.430	0.618
Rural	0.426	0.562	0.471
Mountain	0.355	0.363	0.423
Hill	0.494	0.498	0.534
Terai	0.456	0.450	0.482
Eastern Region	0.465	0.475	0.516
Central Region	0.476	0.467	0.517
Western Region	0.463	0.477	0.511
Mid-Western	0.376	0.385	0.441
Far-Western	0.356	0.377	0.447
Nepal	0.452	0.452	0.499

Source: Human Development Report 2001, 2004 & 2009, UNDP

Annex VI: Poverty Incidence by caste and ethnicity, Nepal (1995/96, 2003/04)

Caste and Ethnicity	Poverty headcount rate		
	1995/96	2003/04	Change in Percent
Brahman/Chhetri	34.1	18.4	-46
Dalits	57.8	45.5	-21
Newar	19.3	14.0	-28
Hill Janjati	48.7	44.0	-10
Terai Janjati	53.4	35.4	-34
Muslim	43.7	41.3	-6
Terai Middle Class	28.7	21.3	-26
Others	46.1	31.3	-32
Nepal	41.8	30.8	-26

Source: Human Development Report 2009, UNDP

Annex VII: Human Poverty Index, Nepal (2000, 2001, 2006)

Region	2000	2001	2006
Urban	23.9	25.2	20.7
Rural	41.4	42.0	38.2
Mountain	46.1	49.8	43.3
Hill	37.2	38.8	32.7
Terai	40.2	39.6	36.9
Eastern Region	42.0	37.1	33.7
Central Region	40.7	39.7	35.3
Western Region	39.9	36.7	33.2
Mid-Western	43.4	46.3	38.7
Far-Western	45.3	45.9	39.0
Nepal	39.2	39.6	35.4

Source: Human Development Report 2009, 2004, 2001 UNDP

Annex VIII: Level of Education among working age population, 2008

Completed education level	Male (%)	Female (%)	Total
Never attended	32.4	58.2	46.7
Less than primary	13.2	8.8	10.7
Primary	16.7	10.9	13.5
Lower Secondary	11.2	7.0	8.9
Secondary	17.0	10.4	13.4
Higher Secondary	5.4	2.9	4.0
Degree Level	3.3	0.9	2.0
Others	0.7	0.8	0.7
Not Stated	0.1	0.1	0.1
Total	100	100	100

Source : Nepal Labour Force Survey, 2008

Annex IX: Educational status of population aged 15 years and above in Nepal (%)

	1998/89	2008
Population (ages 15+) who never attended school	60.3	46.7
Population (ages 15+) who have completed secondary or higher level education	8.8	20.1
Urban	26.3	44.0
Rural	6.4	15.2
Number of people(15+) who have received vocational training (in millions)	0.40	1.03

Source: Nepal Labour Force Survey 1998/99 and 2008

Annex X: Total labour force, Employment to population ratio and Labour Force Participation Rate (2002-2009)

Year	Total Labour force	Employment to Population ratio 15+	Employment to Population ratio (15-24)	Labour Force Participation rate 15+
2002	10,740,318	68.8	56	70.6
2003	11,063,442	69.2	56	70.7
2004	11,398,275	69.3	56	70.8
2005	11,745,487	69.2	56	70.9
2006	12,122,076	69.2	56	71.1
2007	12,493,743	69.4	56	71.2
2008	12,912,347	70	57	71.5
2009	13,286,965	70.1	56	71.5

Source: The World Bank, Nepal Labour Force Survey

Annex XI: National and Education Budget of Nepal (2000/01-2011/12) in NRs. millions

Year	National Budget	Education Budget	% of Edu. Budget	% of GDP in Education	AGR Edu.
2000/01	77238226	10176074	13.17	2.5	-
2001/02	91621335	11749579	12.82	2.8	15.5
2002/03	99792219	14072847	14.1	3.0	19.8
2003/04	96124796	14402421	14.98	3.1	2.3
2004/05	102400000	15613274	15.25	3.1	8.4
2005/06	111689900	18059654	16.17	3.5	15.7
2006/07	126885100	21250447	16.75	3.6	17.7
2007/08	143912300	23005525	15.99	3.7	8.3
2008/09	168995600	28390000	16.8	3.6	23.4
2009/10	236015897	39086407	16.56	3.7	37.7
2010/11	285930000	46616672	16.30	3.8	19.3
2011/12	337900000	57827542	17.11	3.4	24.0

Source: Nepal Education in Figures 2011, Ministry of Education, GoN

Samriddhi, The Prosperity Foundation an introduction

Samriddhi, The Prosperity Foundation is an independent, non-partisan, not-for-profit, research and educational public policy institute based in Kathmandu, Nepal. As the name suggests, Samriddhi works with a vision of creating a prosperous Nepal.

Initiated in 2007, it formally started its operations in 2008. The specific areas on which the organization works are:

- i. Entrepreneurship Development
- ii. Improving Business Environment
- iii. Economic Policy Reform
- iv. Discourse on Democratic Practices

Centered on these four core areas, Samriddhi works with a three-tier approach—Research and Publication, Education and Training, Advocacy and Public Outreach.

As per the above mentioned four core areas, Samriddhi has been performing educational programs and researches—publishing several books, handbooks, articles and other publications. Samriddhi is also known for creating a discourse on contemporary political economic issues through discussions, interaction programs and several advocacy and outreach activities. With successful programs like “Last Thursdays with an Entrepreneur”, it also holds regular interaction programs bringing together entrepreneurs, politicians, business community, bureaucrats, experts, journalists and other groups and individuals making an impact in the policy discourse. It also hosts the secretariat of the ‘Campaign for a Livable Nepal’, popularly known as *Gari Khana Deu!*.

One of Samriddhi's award winning programs is a five day residential workshop on economics and entrepreneurship named Arthalaya, which intends to create a wave of entrepreneurship and greater participation among young people in the current policy regime.

The organization is also committed towards developing a resource center on political economic issues in Nepal with its Political Economic Resource Center (PERC). Besides this, Samriddhi also undertakes localization of international publications on the core areas of its work. Samriddhi was the recipient of the Dorian & Antony Fisher Venture Grant Award in 2009 and the Templeton Freedom Award in 2011.

(For more information on the organization and its programs, please visit www.samriddhi.org)

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All the publications are available in Samriddhi, The Prosperity Foundation and major bookstores in the country.

“Review and Overview of Economic Contribution of Education in Nepal” is the detailed study report prepared on the education sector for the Nepal Economic Growth Agenda (NEGA), Report 2012.

The NEGA Report 2012, being a consolidated document suggesting reforms on five key sectors of the Nepalese economy, is based on five detailed reports like this where the other four sectors are agriculture, hydropower, infrastructure and tourism.

This study on education has looked upon the sector from the perspective of economic growth and recommendations are based on how the sector can grow and consequently play a greater role in the economic growth of Nepal. Overall the report outlines the key hurdles impeding growth and provides recommendations to remove those hurdles while introducing new ideas to build on the potential in this sector.



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