COST OF PUBLIC EDUCATION

An Assessment of Basic Education

Prof. Dr. Mana Prasad Wagley Mr. Akash Shrestha Mr. Ashesh Shrestha Ms. Ayushma Maharjan

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Akash Shrestha
Ashesh Shrestha
Ayushma Maharjan

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Abbreviations and Acronyms

CBS	Central Bureau of Statistics
CCTV	Closed Circuit Television Camera
CEC	Comprehensive Education Committee
CFUG	Community Forest User Group
DCC	District Coordination Committee
DDC	District Development Committee
DEO	District Education Office
DoE	Department of Education
ECD	Early Childhood Development
EMIS	Educational Management Information System
EVS	Education Voucher Scheme
FGD	Focal Group Discussion
FSSAP	Female Secondary School Assistance Program
GC	General Cost
GoN	Government of Nepal
IIEP	International Institute for Educational planning
INGO	International Non-Governmental Organization
MoE	Ministry of Education
MoFALD	Ministry of Federal Affairs and Local Development
NEA	National Education Accounts
NESP	New Education System Plan
NEPC	National Education Planning Commission
NRFC	Natural Resource and Fiscal Commission
NRs	Nepalese Rupees
NGO	Non-Governmental Organization
OBC	Outcome-Based Cost
OECD	Organization for Economic Co-operation and Development
PEF	Punjab Education Foundation

PPP	Public Private Partnership
PIM	Program Implementation Manual
RBC	Retention-Based Cost
RoI	Return on Investment
SIP	School Improvement Plan
SLC	School Leaving Certificate
SMC	School Management Committee
SSC	Secondary School Certificate
UIS	UNESCO Institute for Statistics
UNESCO	United Nations Educational, Scientific and Cultural Organization
VDC	Village Development Committee

Executive Summary

Public spending on education covers a significant portion of the annual budget of Nepal. As the Constitution stipulates that all citizens have a right to get compulsory and free education up to a basic level, education has become one of the country's largest sectors in terms of population covered and budget allocations. However, as shown by national level statistics, public education has fallen to its lowest level in recent years, rendering the gap between educational performance of community schools and their institutional (private) counterparts bigger by the year. This, merged with the fact that a large part of the annual budget and huge finances from other sources go to public education, makes it imperative to question the the efficacy of current model of public education and calls for an assessment of its financing mechanism.

This paper thus analyses the current system of financing public education, attempts to identify problems therewith, based on which, it highlights the need to identify other effective alternative means for the same. The paper has come up with the following findings:

i. Sources of Financing

Providing free basic level education to all children implies huge cost. Although, Government of Nepal allocates a significant portion of the annual budget to this sector, it is often rendered as insufficient. The survey conducted in Eastern Jhapa also depicts that the central government funding is only enough to finance 60-70% of total expenditure of community schools. Community schools , therefore, raise a significant amount of money and resources from various other private and institutional sources such as: NGOs/INGOs, parents, individual donors, community, local businesses, rents and other income generating activities. All these add up to make public education in Nepal very expensive. However, it has been noted in this paper that the employment of such large financial resources, which has increased over the years, has not yielded desirable results.

Researchers have identified negative correlation between educational spending in community schools and their total enrollment as well as educational outcome. Strong positive correlation between these variables would have meant effective spending on education. However, the dismal state of these variables depicts that large spending in public education does not necessarily result in better performance.

ii. Cost per Child

In an effort to make some useful inferences, researchers made an attempt to calculate general, retention-based and outcome-based (based on the number of passed students) cost per child.

General cost per child in community schools was found to be much lower than that of institutional schools. However, the lower retention rate in community schools led to an increase in the cost per child, which differed from the general cost per child by 60.27% in the year 2015/16. Moreover, when considering the pass rate, the cost per child differed by 73.22% in the same year. When compared between the community and institutional schools, outcome-based cost per child was almost similar. Yet, the standards of education provided in the two starkly deferred.

The study identified that as more indicators were taken into consideration, the cost per child in community schools were likely to increase. Results from this study support that additional expenditures alone are unlikely to improve student outcomes.

iii. Financing of basic education in the federal context

Although the Local Government Operation Act, 2017 provides a legal basis for the functioning of local governments across the country, there is still a lack of clear legal frameworks to fulfill many of their functions. The education sector is no different. In the midst of all the uncertainty about basic education funding, there is an opportunity for local governments. The Constitution gives them the power to regulate basic education, including planning and legislation. This could be the starting point for local governments - they might choose to pilot alternative models of education funding, such as the voucher model or charter model, or merge several community schools and opt for multiple class shifts in a single community school to cater to larger demand.

However, local governments will have to face a number of challenges if, and when, they are ready to try these alternatives. On the one hand, these alternatives can be great tools to improve accountability of community schools, and they can greatly improve their educational quality. On the other hand, local governments will have to deal with the interests and rights of their employees, including teachers. They must ensure that their alternative decisions can be implemented without restricting the rights of their employees. They will need to develop their own models to rationalize teachers or to scientifically work out details of their alternative choices.

Discussions made in this paper regarding existing financing model of public education, size of public investment on education, and quality of output of public investment on education point to the fact that there is an urgent need to introduce a structural reform in the sector. Education is one of the biggest areas of government investment. In that sense, it runs heavily on taxpayers' money. It therefore becomes imperative to ensure that allocation of resources is optimal to the extent possible; their use - efficient, and quality of outcome - high.

Based on these findings, the study has come up with some noteworthy implications:

a. Cost of public education could be reduced if improvements are made in outcomes.
b. Allocative efficiency in public education could be enhanced through local autonomy.
c. Parents should be involved in financing of their children's education if we are to enhance quality of education.
d. Opportune moment for public education to make a big departure through structural reforms is here.

1 Introduction

There exists a direct and positive relationship between development of education sector and overall economic and social development of a country. Attainment of basic education can affect people's behaviors in favour of positive social and economic changes (Bashir, 2004). Individuals who invest in education benefit not only themselves but also increase the general level of knowledge in society (OECD, 2002). Empirical evidences have shown that basic education has an important role in increasing productivity in formal, rural and informal sectors as well as in raising people's incomes (Colclough and Lewin, 1993). Furthermore, research shows that an additional year of schooling raises incomes by 20 percent or more in very poor countries, given that a minimum threshold of five to six years of schooling is attained (Bruns, Mingat and Rakotomalala, 2003). For a country like Nepal, these mean that basic education can play a significant role in enhancing productivity, bolstering economic growth and reducing poverty.

1.1 The Roots of Formal Education and Public Investment in Education in Nepal

Establishment of institutional schools paralleled the arrival of Nepal's democracy in 1951. In 1956, National Education Planning Commission (NEPC) was formed, which, through the country's first education plan, formalized operation of institutional schools. Then, following the King Mahendra's coup in 1960, Comprehensive Education Committee (CEC) was formed under the king. The CEC formulated the first Education Act. Again in 1971, New Education System Plan (NESP) was designed under the new Education Act which nationalized all institutional schools in Nepal. However, the plan could not sustain for more than a decade and the Education Act was amended to provide room for institutional schools again (Bhattarai, 2009).

After restoration of multi-party democracy in 1990, a new constitution was promulgated. Article 26 (8) of the constitution stated that the State would gradually make arrangements for providing free education. Nepal's newest constitution—Constitution of the Federal Democratic Republic of Nepal, 2015—has enlisted basic education as one of the fundamental rights of its citizens. Article 31 of the constitution clearly states that every citizen has the right to get compulsory and free education up to a basic level[1] . Throughout these developments, Government of Nepal (GoN) has continued to make a significant investment in the education sector.

1 *Education Act (eighth amendment), 2016 defines grade one to grade eight as basic level of education.*

Education is one of the largest sectors in the country in terms of size of population covered and annual government budgetary allocation. The fiscal year of 2016/17 saw the government allocate NRs. 116.36 billion to education sector out of the total budget of NRs. 1.048 trillion rupees. A decrement in relative terms compared to the previous years (which have seen the education budget go as high as 17% of the total outlay) – much of which has been done to spare more for aiding reconstruction after the devastating quakes of 2015—this is still a historical allocation for the education sector as the budget has increased in absolute terms. In addition to government expenditure on public education, community schools also receive funds from other sources such as donations from individuals and various institutional donors (NGO/INGOs).

1.2 The Question Over the Quality of Return on Public Investment

With public education's performance having slid down to the lowest in recent years, and faring considerably poorer than its private counterparts, it becomes logical to question this massive public spending. Given the poor performance of community schools, one may claim that the government has only been focused on providing education to all but has largely neglected the quality of education being provided in community schools. This is also depicted by a massive divide between the performances of the two kinds of schools. If we look at the pass percentage in community and institutional schools, from 2004/05 - 2013/14, we can observe this divide. An alarming need to examine what really goes on in public education and create a critical mass for holding the government accountable for its handling of public resources then becomes starkly apparent. This calls for an outcome-based analysis of current system of financing of public education, study of problems associated with it, and identification of alternative and effective means to ensure quality of return on public investment.

Table 1: School Leaving Certificate (SLC) level pass rates

Year (A.D)	Community Schools	Institutional Schools	Overall
2004/05	28.91 %	81.83%	38.72%
2005/06	36.45%	86.13%	46.51%
2006/07	51.26%	90.39%	58.64%
2007/08	57.40%	89.80%	63.73%
2008/09	63.64%	90.83%	68.47%
2009/10	58.54%	92.49%	64.95%
2010/11	46.62%	85.82%	55.50%
2011/12	36.87%	85.77%	47.65%
2012/13	28.42%	87.03%	41.87%
2013/14	29.76%	89.06%	44.32%

Source: School Leaving Certificate Education Statistics, Office of the Controller of Examinations, Ministry of Education.

UNESCO, in its report of National Education Accounts 2016, found that majority of countries spend more in education than what the government allocates in its education budget. Contrary to general perception, households are the major source of funding, not Education Ministries. In many of the Least Developed Nations like Nepal, data on the complete sources of education financing is often absent due to incomplete data collection or complexity in educational financing flows. This is a critical issue as there needs to be a clear picture about different fund disbursement processes, beneficiaries and potential leakages in order to improve the efficiency and effectiveness of the financing model. These incomplete data often do not include fundings from households and NGOs (UNESCO, 2016). Thus, a study on realistic investment in education is also required to help policymakers come up with relevant policies.

1.3 The Challenge for Low-Income Governments

One of the major problems faced by policymakers and people in governments, in the underdeveloped world, is to cover various costs associated with providing education given tight revenue constraints (Pillay, 2010). Tuition fee, textbooks, stationeries, uniforms, school maintenance and repair, extra-curricular activities, exam fee and computer classes are few among the many costs associated with quality. Additionally, the cost of providing education has been further rising due to low participation rates, high per unit costs and huge wastage due to class repetition and delayed entry of students (Bashir, 2004). When a child repeats the same grade, the cost of educating him/her doubles and when the number of students who repeat is high, the cost increases significantly. A major problem that has been identified in poor countries is a high dropout ratio which increases per unit cost of education. Even when basic public education is free, there are various indirect costs associated with it such as providing books and stationeries as well as high opportunity costs of sending children to schools instead of involving them in income generating activities. Due to these indirect costs, poor households are reluctant to send their children to schools (World Bank, 1995).

Nepal fares no different than these other underdeveloped countries. Nepal's poor economic condition limits the government's ability to generate large revenues and subsequently to expand investment in education. Due to this constraint, the government has been investing highly on recurrent activities and not on other infrastructure development activities. As a result, community schools face problems such as lack of physical infrastructures, textbooks and centralized curriculum, lack of constructive and critical pedagogical strategies, poverty and social exclusion; which then contributes to the poor performances of community schools (Parajuli, 2013).

The quality of public education is thus poor, and relatively well-off parents opt to send their children to institutional schools, hoping for better education

opportunities and a higher return on investment (RoI) (Aryal, 2012). Budget institutional schools or low-fee institutional schools are also coming into existence and they have been providing quality education services to the middle class and poor households (UNESCO, 2008). The practice of parents choosing institutional schools for educating their children is thus gradually increasing around the world (Koirala, 2015).

1.4 Alternative Initiatives for Enhancing Quality of Return of Public Investment in Education

Patrions and Ariasingam (1997) through their research on demand side financing, suggested an alternative way of financing education—to provide funds to poor families to send their kids to school. Such measure was practiced by Brazil in 1995, in which it launched a program called Bolsa Escola to increase educational attainment among poor children and reduce child labor. This program was successful in achieving not only better education for children but also a decline in poverty rates over time[2]. Another successful project that has used stipend mechanism is the Bangladesh Female Secondary School Assistance Project[3].

Education financing through vouchers in this way has been seen as a prominent model of improving school performance, thereby improving quality of return. Under this model, the government gives a sum of money to the parents (a transfer payment) in the form of a voucher that the parents can use to pay tuition fees of their children. In that sense, it is a way of funding students directly, as opposed to funding schools. Vouchers can cover either full or partial cost of education. Also depending in the kind of voucher system adopted, vouchers could be given to all children, or those who come from low-income families, or those meeting said criteria. Vouchers give the parents the choice to enroll their children in the school of their preference. This in turn fosters competition and subsequently enhances the performance of the schools. (McEwan and Carnoy, 2000; Weidrich, 2007).

Charter Schools are another successful model where the schools receiving state grants are run independently with greater flexibility which in turn results in enhanced performance through greater accountability. Private Sector Philanthropy is also highly practiced to help improve access to quality education for the poor children (Latham, 2009).

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2 *Cash grants were given to mothers to send children to school, covering a child's living expenses and the opportunity cost of attending school. This program set an example as one model for increasing education attainment and immediate poverty reduction. In 1996, after the implementation of the program, the dropout rate among the beneficiaries was found to be much lower at 0.4% than compared to 5.6% drop out of the non-beneficiaries. A large proportion of benefitted children not only started attending school at the right age, but also showed a higher promotion rate of 80% whereas the promotion rate of non-beneficiary children was only 72%. Brazil also experienced an immediate decline in poverty due to the monetary transfer – the income gap decreased from 0.41 to 0.04 (World Bank, 2001).*

3 *The project has been discussed at length in the International Practices section.*

More evidences from around the world show that there are various other methods for attaining a higher quality of return in public investment in education. Public Private Partnership (PPP) model – combination of public sector as enablers and facilitators, and private sector as contributors of expertise, technology, and management – has been used by many countries as it ensures optimum utilization of existing resources (Jha & Chatterjee, 2005). Under the PPP model, programs like Government Purchasing Program[4], Adopt a School Program[5], Capacity Building Program[6], Outsourcing of school[7] and Concessions to Institutional schools[8] are popular (Koirala, 2015).

Given this background, this study on the financing model that Nepal has so far adopted to fund its public education system attempts to assess the quality of return of public investment, and draw from lessons from international best practices of financing public education. A goal of the paper is also to bring to local discourse in Nepal, potential new approaches to funding public education that can be used under the new governance context of federalism.

1.i Objectives of the study

1. To identify and study the sources of funds for community schools in Nepal.
2. To calculate the cost of providing basic education to a child. The study aims to calculate cost of education per child in community schools at basic level.
3. To gain insights on plans and policies of the local government regarding financing of basic education in the federal context given that the new Constitution puts basic education within the jurisdiction of the local governments.

1.ii Limitations of the Study

1. Due to time and resource constraints, the sample size has been kept small and limited to 38 schools in Eastern Jhapa[9]. Therefore, findings could not be generalized to entire country. However, the findings do paint a picture of Nepal's reality.
2. This is not purely a quantitative study. The study use both quantitative and qualitative analyses. Attempts have been made to expound available data trying to avoid biases.

The study chiefly relies on primary data collected through a sample survey

4 *A contract with institutional schools to deliver quality education which will be funded by the government.*
5 *Cash, in-kind resources or other support provided by private institutions and received by the community schools to enhance its quality.*
6 *Programs like pedagogical support, management training and teachers training.*
7 *Private sector manages or operates community school through some contractual agreements with the teachers*
8 *Help in expansion of institutional schools through tax exemptions, free land allocation, etc.*
9 *28 out of these 38 were community schools. In order to run a general comparison between the findings from community and institutional schools in the area, 10 institutional schools were also surveyed.*

2 Methodology

in the eastern part of *Jhapa* district. However, to complement and corroborate the data obtained from the primary source, secondary data was also used. The secondary data was obtained from various government documents like Flash Report of Department of Education as well as academic and financial records of schools. Additionally, community schools go through a yearly social audit process where the school presents its audit report to the community and other related stakeholders. Thus social audit reports, wherever available, were also used to verify community school expenditure.

The unit of analysis were schools of eastern *Jhapa* that provided basic education (meaning schools that at least run grades 1 to 8). The research was centered on collecting data on educational spending and its sources of finance. Both quantitative and qualitative data were collected through primary sources. Questionnaires and interview schedules were used to collect quantitative data. Similarly, non-participatory observation and six Focused Group Discussions (three with parents and three with students) were conducted for the collection of qualitative data.

2.1 Sampling Technique

As mentioned above, the sampling units were schools from eastern part of *Jhapa* district.

In the first stage of sampling, whole of eastern *Jhapa* was divided into three strata, namely, urban, semi-urban and rural. From the urban area, three local units were chosen - *Birtamode* Municipality, *Bhadrapur* Municipality and *Mechinagar* Municipality. Similarly, three local units were chosen from the rural area - *Haldibari* Rural-Municipality, *Kachankawal* Rural Municipality and *Barhadashi* Rural Municipality. Also, two local units were chosen from the semi-urban setting- *Arjundhara* Municipality and *Kankai* Municipality.

The reasons for the selection, primarily, depended on several factors as enumerated by a comparative review of the district indicators. *Jhapa*, with a population of 812,650, has a similar trend with respect to the sex ratio of Nepal. Bounded by Indian states on the southern and eastern fronts, the district headquarters is located in *Bhadrapur*. The district ranks high on human development indicators, claiming the top ten spots on several aspects. The demography which includes a population density of 510 per km^2 covering an area of 1606 km^2 is in a favorable condition conducive for overall dedicated development in human resource capital.

The under-15 age bracket accounts for roughly 30.33% of the total population while under-20 accounts for 41.1%, thus tipping the demographic dividend in favor of human capital potential of the district. The median age calculated is recorded to be 26. It should be noted that the structural changes post 2015 constitution lay considerable emphasis on the division of power and responsibility to the district to fully capitalize the potential feeding into all sectors of the economy. The foundation for capitalizing these human resources is basic education and the power to improve the basic education rests within the scope of local governments. Jhapa district will have one District Coordination Committee (DCC) with a total of 15 local governments as per the new structure. A total of eight urban municipalities and seven rural municipalities divide the district into administrative zones, for effective functioning of public service needs of the residents.

Jhapa has a marginally high bracket of per capita income of $1226 when compared to the national average of $1160[10]. About 10.6% of the population lives under the poverty line; which is 12.9 percentage points lower than national poverty rates[11]. The considerable urgency of skilled human resources demands a detailed analysis of the districts' human capital growth. This study in education could be one way to help the district realize its potential of improving the overall quality of human capital.

70.5% of the population aged 5-25 are currently involved in formal education as students and educators; a marked 4 percentage points higher than the national average. The district literacy rate is 75.08%, which is approximately 10 percentage points higher than the country's literacy rate, recorded at 66.6%. A total of 187 community schools and 229 institutional schools provide at least basic level of education[12].

In the second stage, researchers picked sample schools from each stratum using purposive sampling technique. The total number of community schools providing basic education in the selected three municipalities of the rural area is 19, out of which 9 schools were surveyed. In the semi- urban area, there are 32 community schools, out of which 10 were surveyed. Similarly, out of 35 community schools in the urban area, 9 schools were surveyed.

The key informants in the study were head teachers, parents, students and School Management Committees of the sampled schools. For the purposes of selecting students and parents from each sampled schools, researchers again used purposive sampling technique. For the collection of data from the students and parents, focused group discussions were conducted among the selected students and parents from one school in each stratum. Furthermore, researchers interviewed School Management Committee Chairs and Head teachers of all sampled schools.

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10 Nepal Human Development Report 2014, UNDP

11 Poverty Estimates 2011.csv. Derived from Small Areas Estimates of Poverty,

12 District Profile: Jhapa, NepalMap. Retrieved from https://www.nepalmap.org/profiles/district-04-jhapa/

Table 2: Number of Respondents

Surveyed place	Stratum	Respondents							
		Head Teacher		SMC Chairperson		Parents*		Students**	
		Community schools	Institutional schools	Community schools	Institutional schools	Community schools	Institutional schools	Community schools	Institutional schools
Eastern Jhapa	Rural	9	3	9	3	8	-	12	-
	Semi-Urban	10	4	10	4	9	-	7	-
	Urban	9	3	9	3	12	-	8	-
Total		28	10	28	10	29		27	

** Total number of parents that sat for the Focused Group Discussion from the school selected for FGD*

*** Total number of students that sat for the Focused Group Discussion from the school selected for FGD*

2.2 Method of calculation of Cost per Child

Researchers collected three categories of financial data from the sample schools, viz. annual funding for the community schools between the years 2012/13 to (May) 2016/17, annual expenditure details of community schools between the years 2012/13 to (May) 2016/17, and fee structures of the 28 community schools (wherever applicable) and ten institutional schools for all grades of basic education for the year 2015/16. Furthermore, researchers also compiled annual student enrolment, repetition, pass-out and retention data for eight years between the years 2010/11 to (May) 2016/17.

From the data obtained through primary survey, researchers calculated the cost per child in the surveyed community schools. Three types of cost per child, namely, general cost (GC) per child, retention-based cost (RBC) per child and outcome-based cost (OBC) per child were calculated.

In this paper, general cost (GC) per child has been defined as the cost per child who is enrolled in any class at the beginning of an academic year. In order to measure general cost per child, researchers have calculated total funds from various sources that go to the surveyed schools in a year, and divided that evenly across each student enrolled at the beginning of the academic session.

Retention-based cost (RBC) per child has been calculated by only considering the students who have been retained until the end of the academic year and not considering the students who have dropped-out in between the academic year. By dividing the total funds received by the schools by the total number of retained students, researchers have obtained retention-based cost per child.

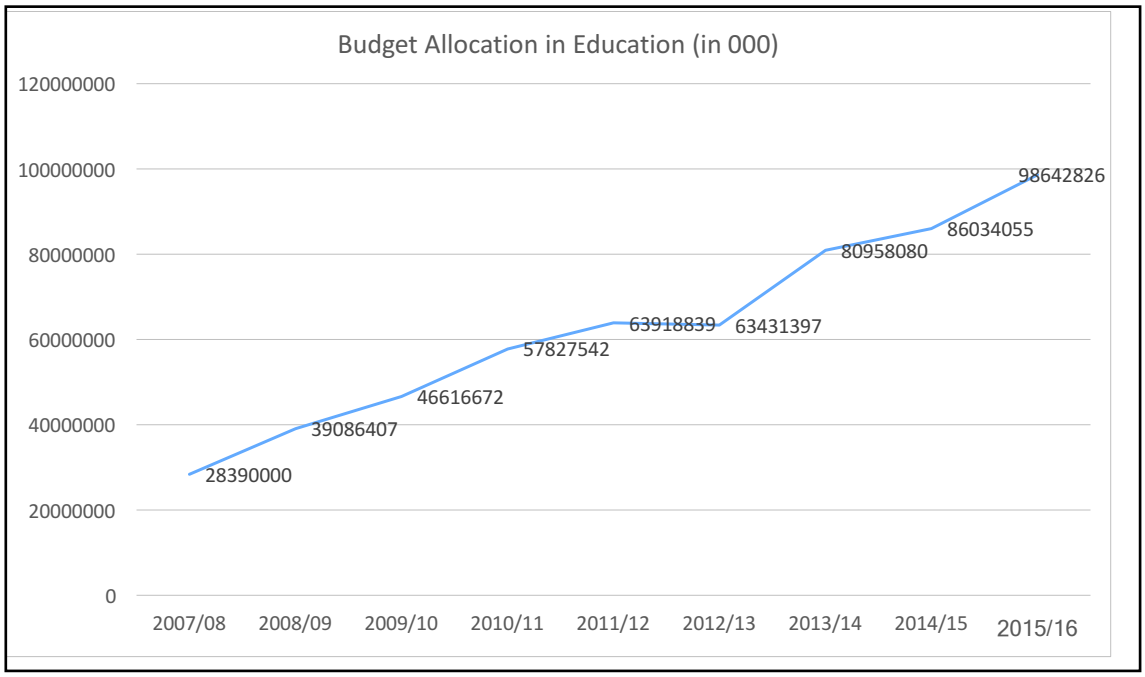
Similarly, outcome-based cost (OBC) per child only accounts for the students who have been able to pass the final exam in that academic year. It has been calculated by simply dividing the total funds received by the schools from various sources by total number of students who have managed to pass the final exam.

3 Sources of Funds of Community Schools in Nepal

3.1 Sources of Funds

It is evident that quality education cannot be achieved without adequate educational funding. However, providing basic education to all children implies huge costs. Government of Nepal (GoN) is the main financier of public education. Education budget for the fiscal year 2015/16 stands at NRs. 98,64,28,26,000. Between 2007/08 and 2015/16, the education budget has grown by 26.96% per annum, adjusted for inflation[13].

Figure 1: Government of Nepal's Budget Allocation in Education



**Source: Red Book, Ministry of Finance*

3.1.1 Central Government (Ministry of Education/Department of Education)

From the primary survey conducted in Eastern Jhapa, researchers found that central government sources are only enough to finance 60-70 percent of the total expenditure of community schools. Schools are required to spend the budget as specified by the government. The government pre-allocates budget under various headings and charges community schools with the duty of implementing and administering the expenses.

13 *Base year 2014/15. Education Consumer Price Index, Statistical Yearbook 2015, Central Bureau of Statistics*

3.1.1.1 Teachers' Salary

Teachers' salary comprises the largest portion of government spending on education. From the primary survey, researchers found that teachers' salary encompasses more than 60 percent of the total budget allocated to schools by the government. As per the information received from the headmasters of community schools, administrative expenses are also stacked under the heading 'Teachers' salary' and hence the schools do not receive separate funds under the heading 'Administrative Expenses'.

3.1.1.2 Scholarship

Government provides various types of scholarships. Female students and students from marginalized communities who are enrolled in basic level education receive annual scholarships ranging from Rs.400 to NRs.600 (Program Implementation Manual, 2016/17). Additionally, according to the Program Implementation Manual (2016/17), four different types of scholarships are provided to disabled students:

a. Residential Scholarship

Government provides scholarships of NRs.4,000 per month for 10 months to disabled students who are unable to commute to school. The scholarship is to fund hostel fees or rent a room near the school. Additionally, these students also receive NRs.500 per month for 10 months to buy personal hygiene materials.

b. Assistance Service Scholarship

This scholarship is provided to the students who need assistance in order to travel to school. An amount of NRs.500 per month for 10 months is provided to this category of students.

c. Transportation Service Scholarship

For the disabled students who are able to commute to their schools, an amount of NRs.300 per month is provided for 10 months to cover their transportation expenses.

d. Educational Materials Scholarship

This scholarship is provided to the students who have minor disabilities and can easily travel to their schools. An amount of NRs.100 per month for 10 months is provided for buying educational materials.

3.1.1.3 Infrastructure Development and Maintenance

According to Program Implementation Manual (2016/17), government allocates funds for the development and maintenance of infrastructure under the Comprehensive School Building/Laboratory/Library Program. A list of schools that are in urgent need are determined by the decision made in the meeting of Headmasters of all schools under a particular resource center[14] and is sent to the District Education Office (DEO). The DEO, on the basis of urgency, then sends a list of schools that are in serious need of infrastructure development and maintenance to the Department of Education (DoE). Finally, the DoE publishes the list of schools that are eligible for this funding.

Responses from primary survey in Jhapa showed that current funding from government to community schools is insufficient to carry out major activities that would enhance the quality of education in these schools. As mentioned earlier, the government of Nepal funds the academic aspects of schools – teacher's salary, training, books, scholarships, etc. However, 25 out of 28 community school SMC members who were interviewed showed their discontent regarding government funding. They expressed that the government funding was insufficient to meet their aspirations for better combination of academics, infrastructure, sports, extracurricular activities and trainings, technology, practical education, quality teachers and courses, and a persistent growth of English medium. In other words, it was insufficient to foster quality education in their schools. Introducing these activities remained a major priority for these schools so as to deliver quality education and to compete with institutional schools in the area.

Since government funding is inadequate, community schools are often in search for other funding options to carry out additional activities. For this purpose, the surveyed schools were also found to be dependent on following financing sources:

3.1.2 Local Government

National Education Accounts (NEA), 2009-2015 states that local government includes authorities like District Development Committees (DDCs), Village Development Committees (VDCs) and Municipalities. These committees had been receiving funds through a DDC (or VDC) Grant Fund or District/Village Development Fund provided by Ministry of

14 *Resource centres are local education bodies that implement educational programs of the District Education Office. Their functions include supervision of schools under their wing, formulation of strategic plans and their implementation to ensure enhancement of quality of education (formal and non-formal) at local level, and making continuous necessary observations of and collecting data from schools under them. Resource persons are assigned to resource centres to ensure collection, compilation, and reporting of school-level Educational Management Information System (EMIS) data and social audit reports of each school to the DEO.*

Federal Affairs and Local Development (MoFALD). The local governments usually support community schools for different activities like renovating, facilities and equipment and providing salaries to facilitators like non-teaching staff and contractual teachers (UNESCO, IIEP - UIS, 2009-2015). Under the new federal structure, the local government structure has been changed; they have been provided with the authority to finance and manage community schools[15].

Local government in the surveyed jurisdictions were found to be contributing to majority of schools for activities like:

a. Roof maintenance of the classrooms that were either destroyed by the 2015 earthquake or were leaking
b. Providing drinking water facilities
c. Library establishment
d. Fencing of the walls

According to the NEA report, in the fiscal year 2014-15, contribution of District Development Committees (DDCs) and Village Development Committees (VDCs) accounted for 2.2 percent of the total expenditure in primary level and 1.2 percent of the total expenditure in lower secondary level of the community schools. The amount of financing by DDC/VDC and other ministries over the period of 2009 – 2015 has increased by 12.5% and 17.2% respectively on an annual basis.

3.1.3 Donation

Donation in education can be regarded as voluntary contributions for funding educational programmes that are financially managed either through the Government and recorded in the Ministry's budget or outside the budget and recorded in the Technical Assistance book established by the Ministry of Finance (UNESCO, IIEP - UIS, 2009-2015). Community schools often receive additional funding in the form of donations, bequests, sponsorships, and parent fundraising (OECD, 2012). 7.2% expenditure of basic level education in the community schools of Nepal is covered by donations from varied sources which are broadly categorized as externally generated fund. Between 2009-2015, the funding re-

Rule 146 (2) of the Education Rules, 2002 bars community schools from collecting any fees from students of primary and lower secondary level. Nonetheless, the clause 13(A) of the Education Act, 2002 permits schools to include amounts received as donations and gifts in the School Fund. Thus, parents have agreed to voluntarily donate a certain amount to community schools.

15 *Recent developments around basic education financing in the federal structure have been discussed in latter sections.*

ceived from NGOs and INGOs increased by 19.1% and 5.2% respectively, external grants increased by 3.8% and other in-kind support or technical assistance increased by 24.4% annually (UNESCO, IIEP - UIS, 2009-2015).

3.1.3.1 Donation from Parents

FGDs with parents and interviews with SMC chairpersons revealed that many community schools lack teachers who are well-versed in English. In order to tackle this problem, the parents and School Management Committees have reached a consensus to hire teachers through private sources. However, the government does not provide funds to cover the cost of privately-managed teachers and hence, schools face the problem of deficits. One possible way to deal with this problem as identified by SMCs is to charge minimal fees to the parents. However, rule 146 (2) of the Education Rules, 2002 bars community schools from collecting any fees from students of primary and lower secondary level. Nonetheless, the clause 13(A) of the Education Act, 2002 permits schools to include amounts received as donations and gifts in the School Fund. Thus, parents have agreed to voluntarily donate a certain amount of money to pay for the privately-managed teachers.

Apart from financial aid, these parents were found to have helped schools with in-kind support at times of infrastructure development, by providing free labour services and providing traditional or cultural tools for exhibition hall construction or other occasions as and when required.

3.1.3.2 Donation from Teachers

In some of the surveyed community schools, teachers were found to be making donations to provide free lunch to all children in their respective schools. The Government only provides funds for free lunch to Early Childhood Development (ECD) classes. In some of the schools, teachers were also contributing for infrastructure maintenance.

3.1.3.3 Individual/Institutional Donors

Individual/institutional donors often fund schools for specific purposes like infrastructure development or providing scholarships. In some schools individual donors had established endowment funds, the interest generated from which could be used for providing scholarships to children. In some other, local businesses and big industrialists had been making donations to schools in the neighborhood.

3.1.3.4 Community groups

Community groups have been found to be the most active group in providing donations to majority of the schools. Community donations

have mostly been funding infrastructure development in these schools. These groups below were found to have been engaged in providing financial aid to many of the surveyed schools.

a. Local Community
b. Community Forest User Group (CFUG)
c. Religious Institutions (for example, Arjundhara Temple)
d. Citizens' Forum

3.1.3.5 NGO/INGO and Diplomatic Missions

National and International Non-Governmental organizations (NGOs/ INGOs) and Diplomatic Missions participate in funding schools through the help of local NGOs. In the surveyed schools, their participation was found to be mostly in the form of support to schools with equipment like drinking water tap, training of teachers and staff, providing funds for contractual teachers and infrastructure development.

Nine out of the twenty-eight surveyed community schools received funding from the following NGOs/INGOs and diplomatic missions:

a. Japanese Human Power
b. Rotaract Club
c. Gorkha Welfare
d. Indian Embassy

3.1.3.6 Political Parties

The SMC members who were also members of political parties were also found to be raising additional funding for their schools. Many headmasters of the schools believed that having an SMC chairperson with high level political affiliation was extremely helpful since they could easily raise additional financing through their connections.

3.1.3.7 School Management Committee Members

The school management committee members were also providing funds or in-kind support to the schools voluntarily. The SMC members of the surveyed schools were found to be supporting the schools by depositing money in the schools' bank accounts, donating wood for building constructions, providing computers and internet facilities, constructing libraries, initiating multimedia classes, financing the fitting of electric wires in the schools and other such activities.

3.1.4 Internally Generated Fund

Many schools that received insufficient government funding also chose to meet their required expenditures by performing various income generating activities. These activities were usually initiated with the help of SMC members. The surveyed schools were found to be engaged in the following activities:

3.1.4.1 Deusi Bhailo Program

Deusi Bhailo[16] Program is a traditional practice in the Nepali community, where children as well as adults form groups and perform in Deusi Bhailo songs and dances. These groups go house to house in their communities, during the festival of Tihar, collecting money, sweets and food.

The surveyed community schools in Jhapa district also shared that they conduct Deusi Bhailo programs annually through which they are able to collect a decent amount of money to finance different school activities.

3.1.4.2 Business operation

Two of the surveyed community schools had also started their own businesses to generate long-term funding. Few of the business activities operated by these schools are listed below:

a. Beetle Nut Business
b. Fertilizer Production
c. Fish farming

3.1.4.3 Religious Events

One of the surveyed schools in Jhapa also conducted religious events like 'Saptaha' where the community would participate as well as donate money as offerings to God. Some schools also rented their premises to the community for conducting such events.

3.1.4.4.Rent

Six of the surveyed community schools financed their additional expenditures through rental income. The schools were found to be leasing the land under their possession or even renting shutters built around their premises for small business operators.

3.1.5 Examination Fees

Community schools are not permitted to charge fees to students undertaking basic level education. Despite that, engagements with parents, students, headmasters and SMC members revealed that most schools were charging examination fees to parents.

16 *Deusi-bhailo is a traditional practice of going around houses in the neighbourhood singing songs that convey blessings for good health and prosperity of the inhabitants of the house, to which, the house-owner responds by giving food, sweets and money to the deusi-bhailo singers. These events are practised during the festival of Dashain.*

The additional funding thus received were used to finance those activities and necessities that are not funded by the Government of Nepal or for which public funding is insufficient. Said activities are listed below:

a. Initiation of English Medium Classes
b. Initiation of bus services
c. AC classrooms to cope with hot weather in Jhapa
d. Building drinking water tap
e. Sound system for conducting events
f. Providing books and stationeries for library construction
g. Construction of museums
h. Building toilets
i. Providing computer and internet facilities
j. Roof maintenance
k. Distribution of t-shirts and bags
l. Construction of buildings
m. Earthquake reconstruction
n. Free mid-day lunch
o. Extra-curricular activities
p. Coaching
q. School electrical wiring
r. Contractual teacher salary
s. School fencing for security
t. Installation of CCTV camera

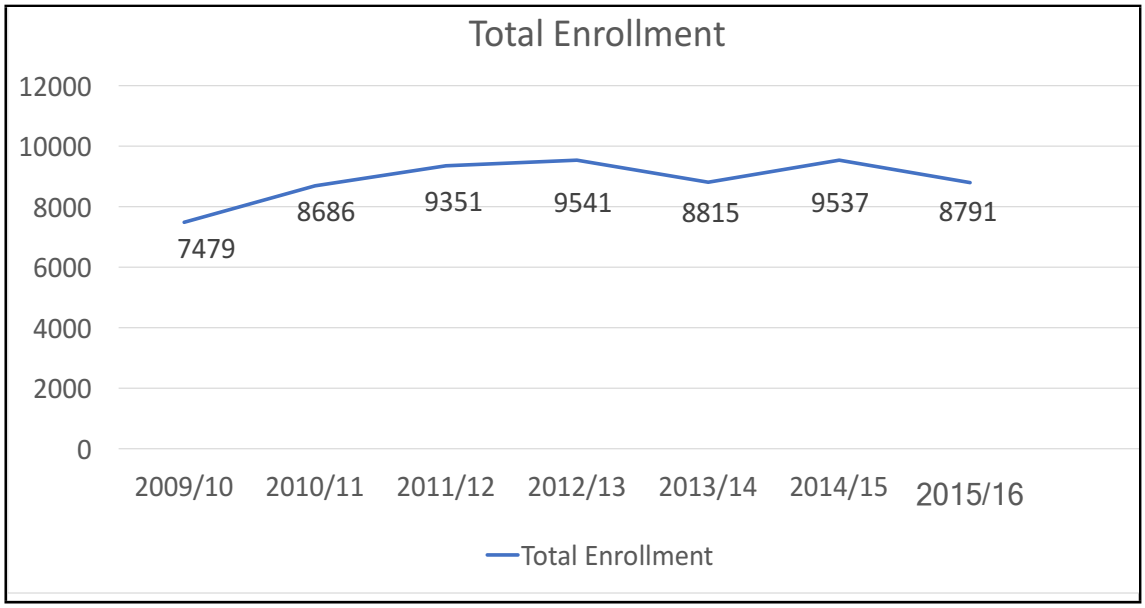
3.2 Testing the Effectiveness of Spending on Education

Findings thus clearly established that in addition to government funding, community schools draw a significant amount of resources in cash and kind from various private and institutional resources. Researchers then tested whether or not these resources are effectively utilized.

In order to test the effectiveness, researchers considered two variables and independently tested the relation between these variables with the total expenditure of the surveyed schools. The variables considered are: total enrollment and pass rate. For educational spending in community schools to be effective there would have to be a strong positive correlation between these variables and educational expenditure.

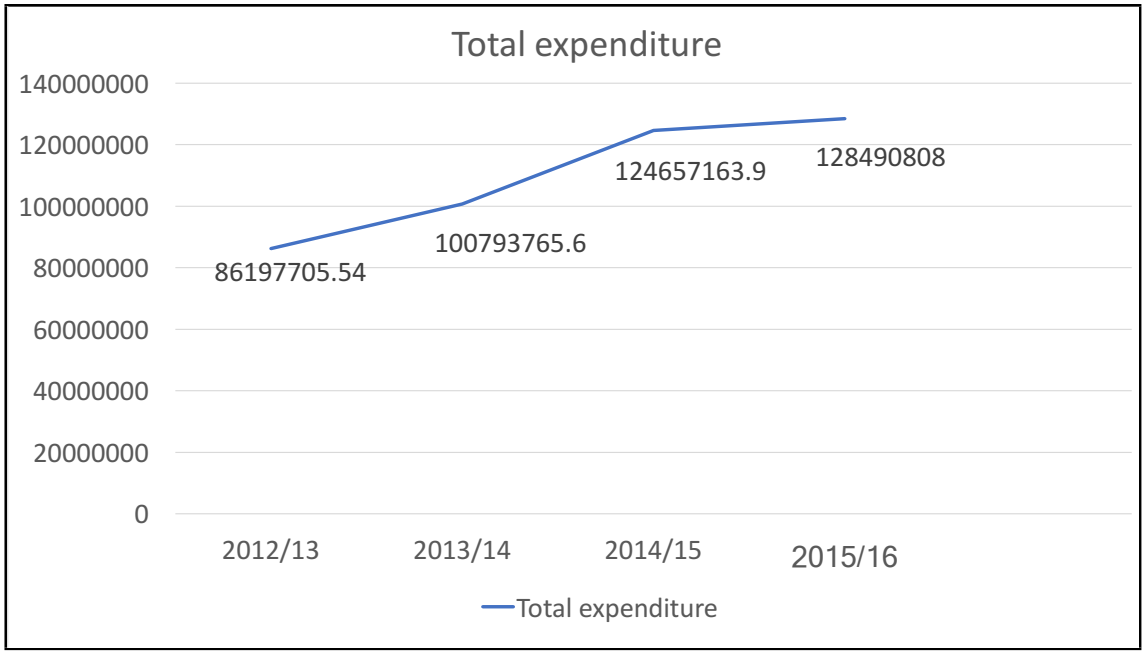
3.2.1 Association between educational expenditure and total enrollment.

Figure 2: Total Enrollment in Surveyed Community Schools



Source: Authors' calculation based on the survey, Jhapa 2017

Figure 3: Total expenditure of surveyed community schools



Source: Authors' calculation based on the survey, Jhapa 2017

Observation of the enrollment trend for the last eight years shows that total enrollment has been somewhat stable over the review years—no significant fall or rise is seen in enrollment. However, inflation adjusted educational expenditure sees an increasing trend over the years. Comparision between these two variables shows that there is no relationship between educational expenditure and total enrollment in community schools.

Furthermore, testing the association between these variables using correlational analysis for four years between 2012/13 and 2015/16, results in an 'r'[17] value of -0.39552. The negative coefficient of 'r' depicts that there is a negative association between educational expenditure and total enrollment in community schools. This negative correlation is a significant observation particularly considering the fact that increase in educational expenditure is expected to improve quality of education and subsequently bring a positive impact in total enrollment.

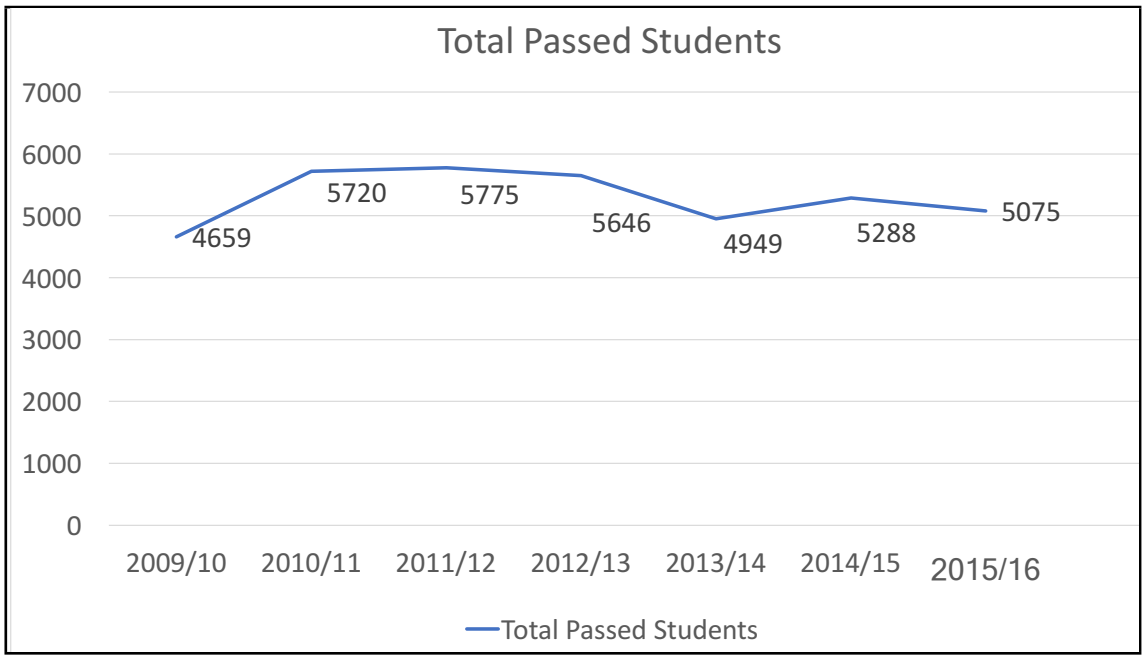
Interviews with the Principals and SMC chair persons of the sample schools and the parents' FGDs have helped researchers answer why there is a negative correlation between these variables. The primary reason behind decline in enrollment in the surveyed community schools is found to be that students are transferring from community to institutional schools. Most parents prefer institutional schools to the community schools, but due to low level of income, parents are generally incapable of sending their children to institutional schools. However, the inflow of remittance money in the past decade has escalated the income and living standards of people and enabled them to afford institutional schooling for their children. Hence, enrollment in community schools have been declining even though the budget allocated to public education has been increasing.

3.2.2 Relationship between educational spending and educational outcome (pass rate of students)

One of the tools to measure the effectiveness of educational spending is to measure the impact of spending on educational outcomes. Better educational outcome measured in terms of total number of students who have passed the exams is one of the techniques which can depict effective spending on education.

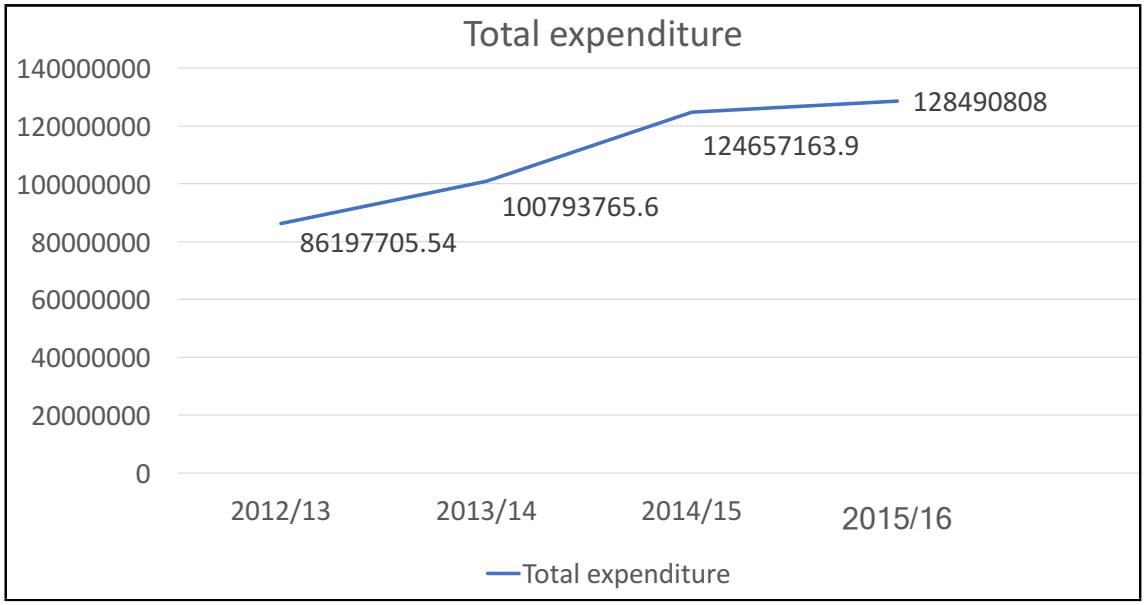
17 *'r' is the symbolic denotation of Correlation Coefficient which measures strength and direction of linear relationship between two variables. The value of 'r' ranges from -1 to +1. -1 indicates perfect negative correlation which means, two variables have perfect relationship but they move toward opposite direction. Similarly, +1 indicates perfect positive correlation, i.e. two variables have perfect relationship and they move towards same direction. An 'r' value of '0' signifies that there exists no relationship between two variables.*

Figure 4: Pass rates of students in surveyed community schools



**Source: Authors' calculation based on the survey, Jhapa 2017*

Figure 5: Total expenditure of surveyed community schools



**Source: Authors' calculation based on the survey, Jhapa 2017*

It can be approximated from an observation of the two graphs above that no substantial relationship exists between total expenditure and total number of passed students. Furthermore, the correlation coefficient between pass rate and total expenditure for the past five years is seen to be -0.27482, which tells us that these two variables are negatively correlated. The negative correlation depicts that the increase in educational spending in public education will not result to increase in pass rates.

4 Cost Per Child

For LDCs like Nepal, lack of sufficient resources to finance quality education is one of the major barriers (Hillman & Jenkner, 2004). Since education falls under the top priority for even the most deprived countries, they should try to overcome their financial shortcomings by reappraising their models of education; introducing more balanced and efficient educational organizations (Perrot, 1988).

The purpose of community schools is to provide quality and free basic level education to all regardless of their economic circumstances (Hillman & Jenkner, 2004). Basic Level education constitutes the highest percentage of government's educational spending amounting approximately to 50.8%. However, the lowest spending per student is also seen in basic level education, with NRs. 15,000 to 16,000 spent at primary and lower secondary levels in 2015 (UNESCO / IIEP - UIS, 2016). Different conditions of schooling, level of remuneration of teachers teaching at lower classes and comparatively higher student per teacher ratio at basic level explains the lower per unit cost despite higher allocation.

Table 3: Basic education budget, Enrollment and Cost per child

Year	Total Education Budget	% Share of budget on basic education	Basic Education Budget	Basic Level Enrollment	Basic Level Cost per child
2011/12	63,91,88,39,000	72	46,02,15,64,080	58,02,511	7,931.318714
2012/13	63,43,13,97,000	73	46,30,49,19,810	56,58,326	8,183.501589
2013/14	80,95,80,80,000	74	59,90,89,79,200	54,22,616	11,047.98481
2014/15	86,03,40,55,000	74	63,66,52,00,700	52,68,701	12,083.66174
2015/16	98,64,28,26,000	75	73,98,21,19,500	52,09,898	14,200.30095
2016/17	1,16,36,06,49,000	76	88,43,40,93,240	49,90,095	17,721.92578

**Source: Red Book, 2011/12- 2016/17 and Nepal Education Accounts, 2016*

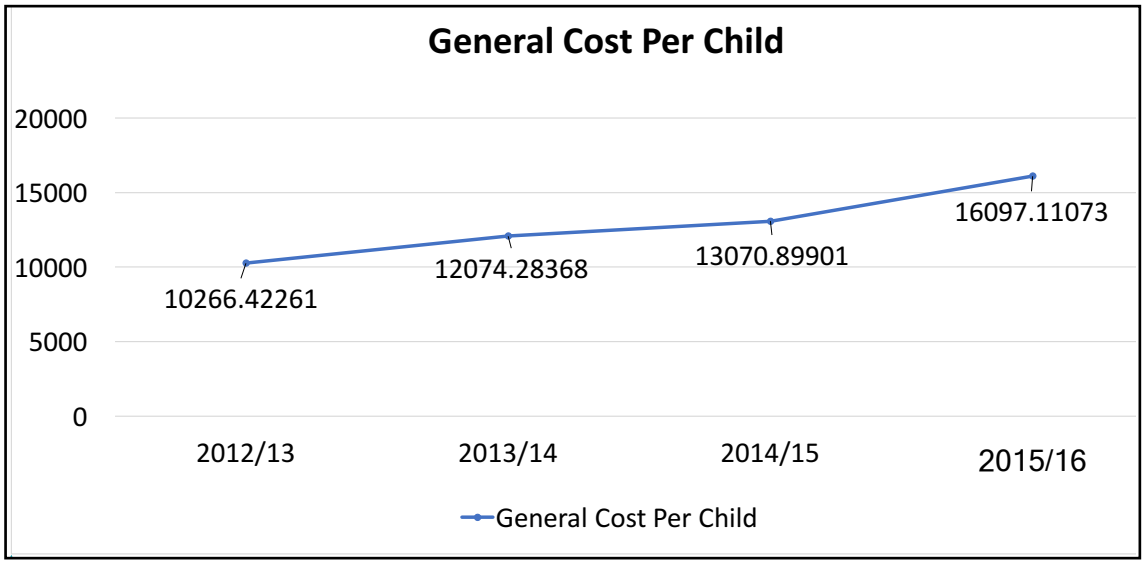
The cost per child in community schools of Nepal has increased approximately by 123.44% over the last 5 years.

Moreover, the table presented above constitutes of only those expenditures that were financed by the Government of Nepal. A large portion of expenses of community schools is also borne by various other financing sources like NGO/ INGOs, households and other internal sources. Factoring for all these additional sources along with costs incurred by family members while purchasing school related goods and services causes the cost per child to increase substantially (UNESCO / IIEP - UIS, 2016).

4.1 Cost Per Child in Surveyed Schools of Jhapa

The survey results in Jhapa also demonstrated that expenditure in community schools are financed through multiple sources – central and local government, community, NGOs/INGOs, individual donors, etc. Including funding – both cash and in-kind from all these sources – the general cost per child in community schools was NRs. 16,097.11 in the year 2015/16. In the four years between 2012/13 and 2015/16, general cost per child has increased by almost 56.79%.

Figure 6: General cost per child of surveyed community schools

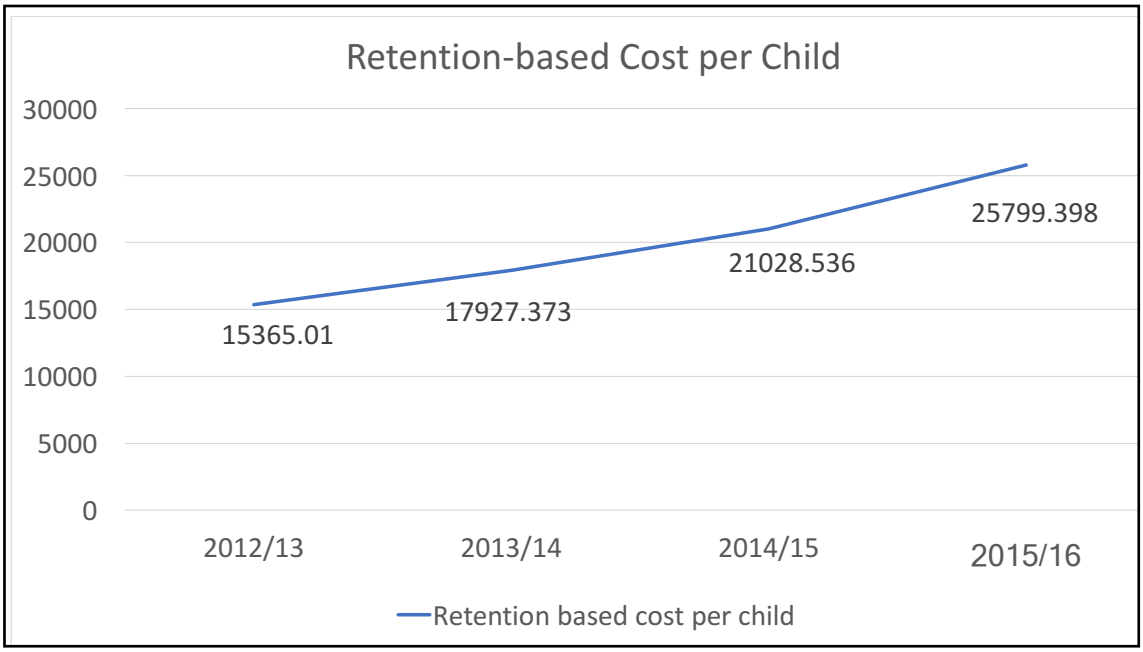


**Source: Author's calculation based on the survey, Jhapa 2017*

Since this figure only gives a general overview, it becomes imperative to compare the cost per child with other variables like outcomes and retention. Thus, in an effort to make some useful inferences, researchers have made an attempt to calculate retention-based cost per child and outcome-based cost per child (cost per child based on pass rate).

While considering only those students who were retained till the end of the year 2015/16, the cost per child in community schools increases to NRs. 25,799.39 from NRs. 15,365.01 in the year 2012/13.

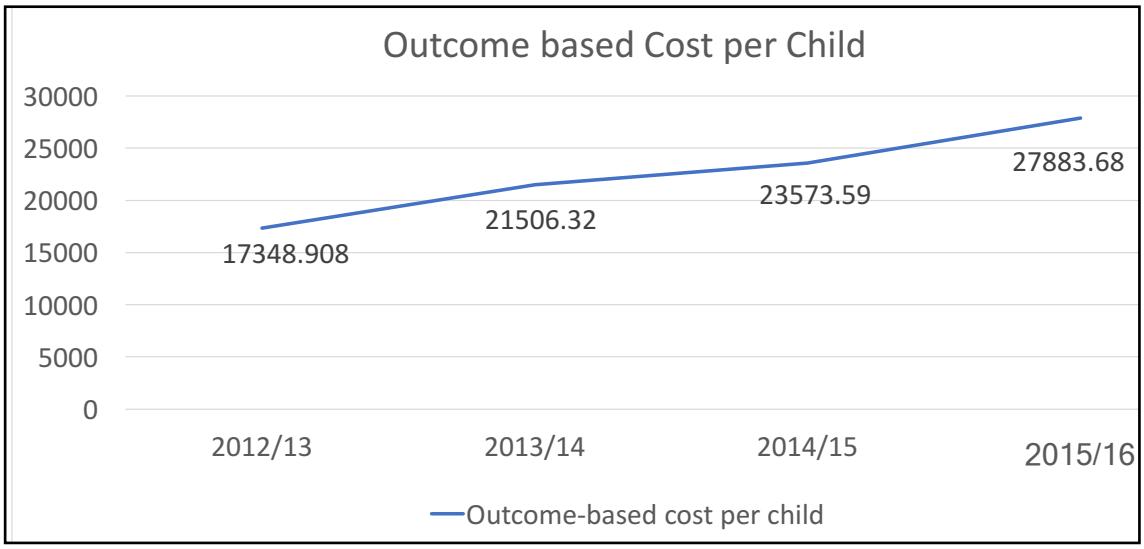
Figure 7: Retention-Based Cost Per Child of Surveyed Community schools



**Source: Author's calculation based on the survey, Jhapa 2017*

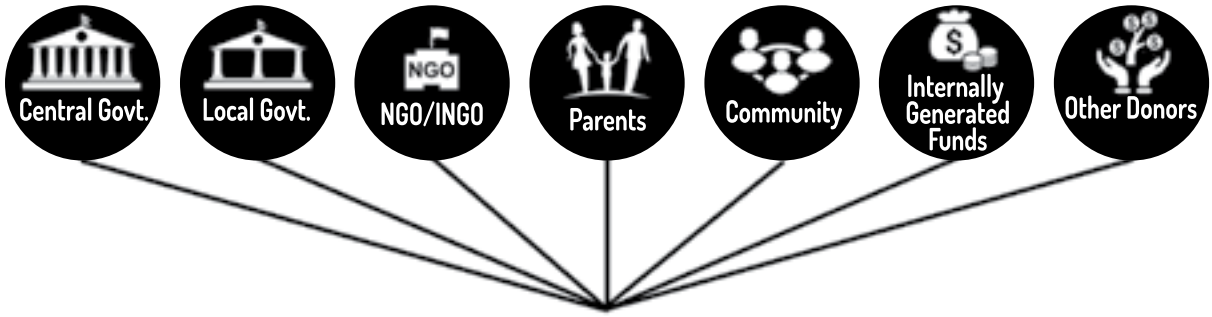
Factoring for only the students who pass the final exam, the outcome based cost per child increases further from NRs. 17,348.91 in 2012/13 to NRs 27,883.68 in 2015/16.

Figure 8: Outcome Based Cost per child of surveyed community schools



Source: Author's calculation based on the survey, Jhapa 2017

Cost per Child in Public School* (2015/16)



NRs. 1,41,50,97,004

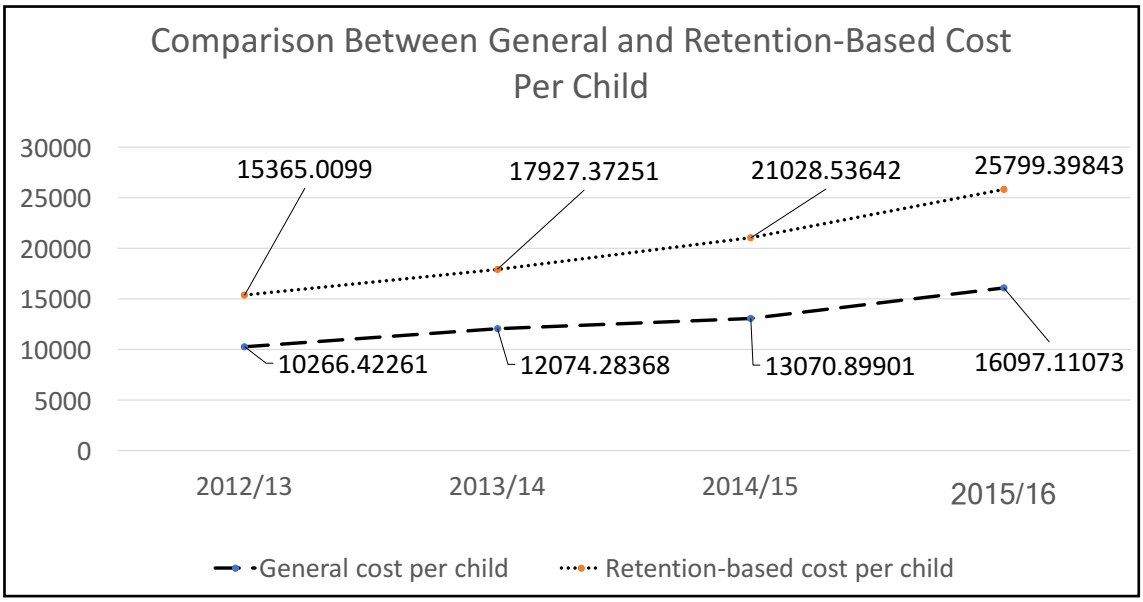
Enrollment	Retention	Graduation
8,791	5,485	5,075
		
NRs. 16,097/student	NRs. 25,799/student	NRs. 27,883/student

Cost per Child (Graduate)

NRs. 27,883/-

*Surveyed Community Schools in Jhapa

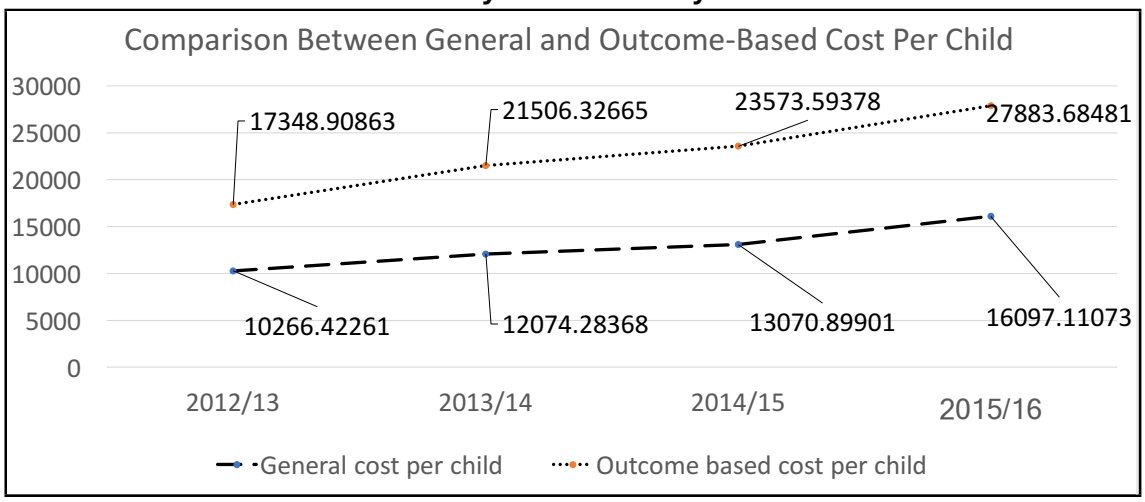
Figure 9: Comparison between general and retention-based cost per child in the surveyed community schools



**Source: Author's calculation based on the survey, Jhapa 2017*

In the four years, retention-based cost per child differed from general cost per child by 49.66%, 48.47%, 60.88% and 60.27% respectively.

Figure 10: Comparison between general and outcome-based cost per child in the surveyed community schools



**Source: Author's calculation based on the survey, Jhapa 2017*

In the same four years, outcome-based cost per child differed from general cost per child by 68.98 %, 78.12%, 80.35% and 73.22% respectively.

4.2 Cost per Child in Urban, Semi-Urban and Rural schools

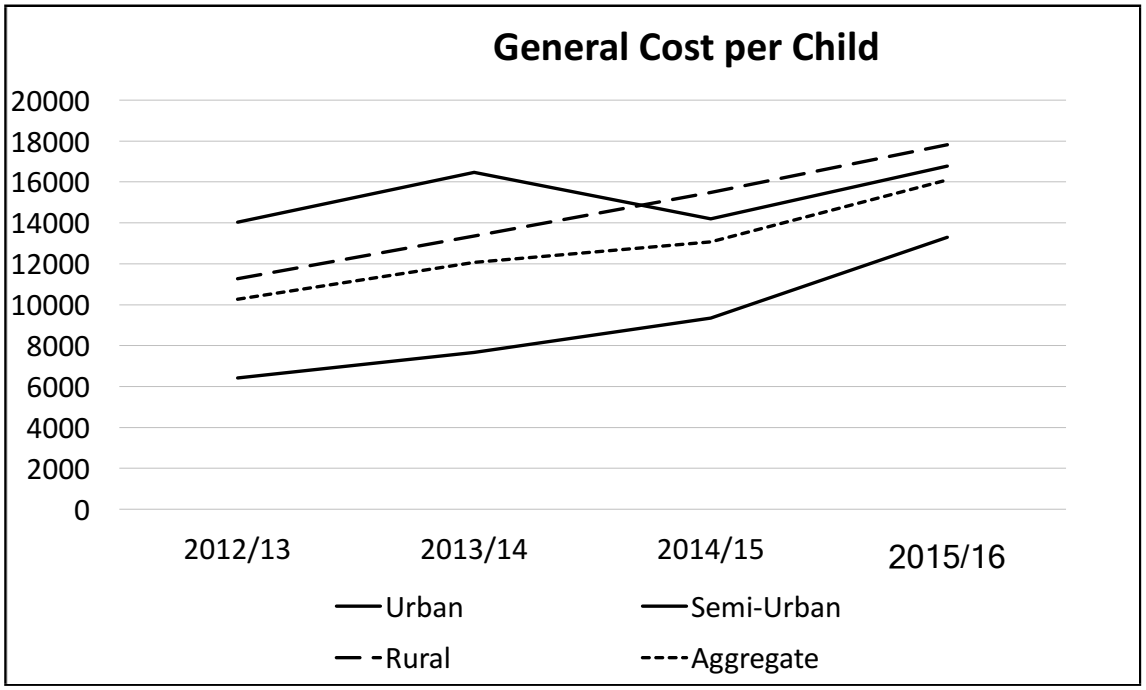
4.2.1 General cost per child

Table 4: Comparison between total enrollment and total expenditure of the surveyed community schools based on different strata

Year	Total Enrollment (Urban)	Total Expenditure (NRs.) (Urban)	Total Enrollment (Semi-Urban)	Total Expenditure (NRs.) (Semi-Urban)	Total Enrollment (Rural)	Total Expenditure (NRs.) (Rural)
2012/13	2,372	3,32,79,442	3,312	2,12,31,972	3,857	4,34,40,525
2013/14	2,205	3,62,95,872	3,183	2,43,86,757	3,427	4,57,52,182
2014/15	3,237	4,59,53,185	3,079	2,88,04,400	3,221	4,98,99,579
2015/16	2,947	4,94,64,041	2,667	3,54,49,440	3,177	5,65,96,220

**Source: Author's calculation based on the survey, Jhapa 2017*

Figure 11: General cost per child of surveyed community schools based on different strata



**Source: Author's calculation based on the survey, Jhapa 2017*

A comparison between general cost per child across different strata studied in eastern Jhapa shows clear strata-wide distinction. The general cost per child has been increasing steeply over the years in the semi-urban area. However, the cost per child in rural and urban areas as well as the aggregate

cost per child is on a decrease. This may raise an interesting question as to why the cost per child is relatively lower in the semi-urban area. Data from the survey shows that despite similar enrollment trends, total budget received by schools in the semi-urban area is relatively lower than the budget received by schools in rural and urban areas. This particular factor has played a major role in reducing the cost per child in semi-urban area. However, the survey does not provide answer to why schools in the semi-urban area received relatively lower budget.

The cost per child in the urban schools saw a steep rise in the year 2013/14 followed by a similar fall in the year 2014/15. Due to the sudden fall, the cost per child in the urban schools, which was the highest went below the cost per child in the rural schools after 2014/15. In both rural and urban schools, the cost per child has been higher than the aggregate cost per child.

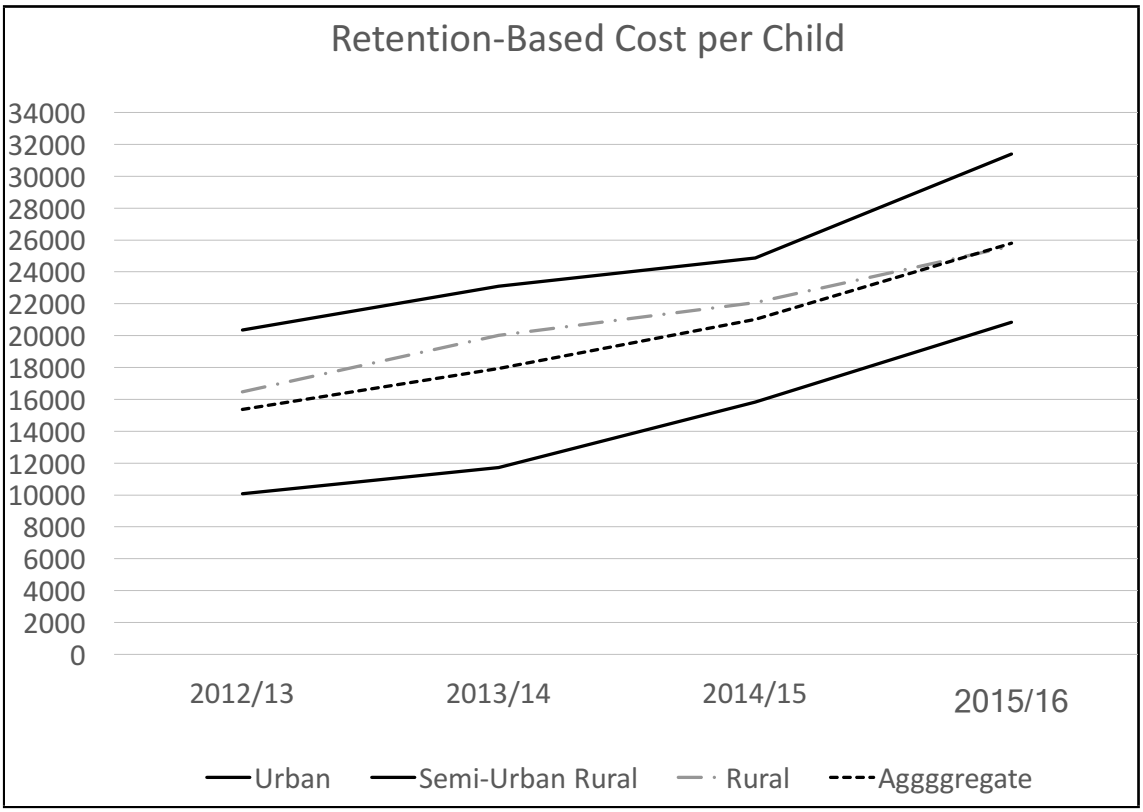
4.2.2 Retention-based cost per child

Table 5: Comparison between total number of retained students and total expenditure of surveyed community schools based on different strata.

Year	Total number of retained students (Urban)	Total Expenditure (NRs.) (Urban)	Total number of retained students (Semi-Urban)	Total Expenditure (NRs.) (Semi-Urban)	Total number of retained students (Rural)	Total Expenditure (NRs.) (Rural)
2012/13	1,635	3,32,79,442	2,104	2,12,31,972	2,636	4,34,40,525
2013/14	1,572	3,62,95,872	2,079	2,43,86,757	2,286	4,57,52,182
2014/15	1,848	4,59,53,185	1,818	2,88,04,400	2,262	4,98,99,579
2015/16	1,575	4,94,64,041	1,701	3,54,49,440	2,209	5,65,96,220

**Source: Authors' calculation based on the survey, Jhapa 2017*

Figure 12: Retention based cost per child of surveyed community school based on different strata



**Source: Authors' calculation based on the survey, Jhapa 2017*

The retention-based cost per child for the schools in all three areas have been increasing sharply over the years. Furthermore, the retention-based cost per child has been higher in urban and rural schools than that of the average of all three regions. Similar to the general cost per child, retention based cost per child has been lowest in the semi-urban area due to the lower amount of budget their schools received.

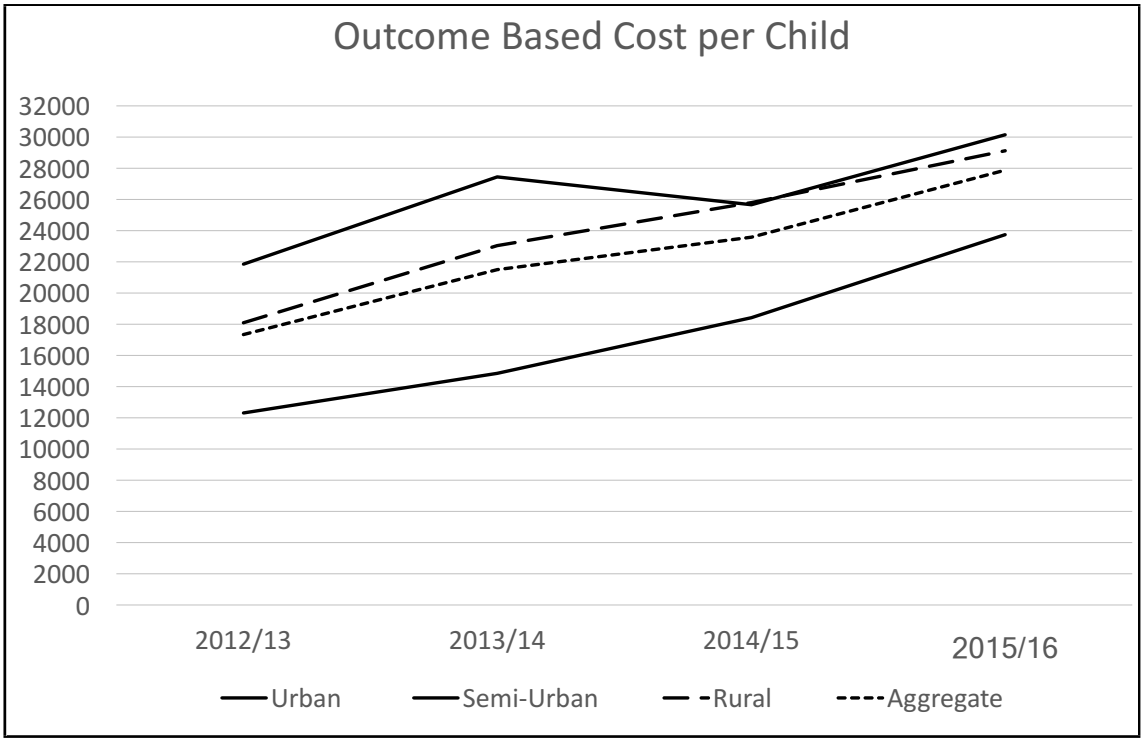
4.2.3 Outcome-based cost per child

Table 6: Comparison between total number of passed students and total expenditure of surveyed community schools based on different strata.

Year	Total number of students who passed the final exams (Urban)	Total Expenditure (NRs.) (Urban)	Total number of students who passed the final exams (Semi-Urban)	Total Expenditure (NRs.) (Semi-Urban)	Total number of students who passed the final exams (Rural)	Total Expenditure (NRs.) (Rural)
2012/13	1,522	3,32,79,442	1,725	2,12,31,972	2,399	4,34,40,525
2013/14	1,322	3,62,95,872	1,641	2,43,86,757	1,986	4,57,52,182
2014/15	1,790	4,59,53,185	1,564	2,88,04,400	1,934	4,98,99,579
2015/16	1,640	4,94,64,041	1,492	3,54,49,440	1,943	5,65,96,220

**Source: Authors' calculation based on the survey, Jhapa 2017*

Figure 13: Outcome-based cost per child of surveyed community schools based on different strata



**Source: Authors' calculation based on the survey, Jhapa 2017*

As expected, the difference in outcome-based cost per child or cost per child based on the number of students who graduated, in the schools of urban, semi-urban and rural areas is similar to the differences observed in the previous categories. Since pass rates are similar in all the three types of schools over the years, the cause of the difference is due to budget allocation.

4.3 Comparison between cost per child in public and institutional schools

The average per child cost in institutional schools was found to be NRs. 28,312.27, where, the per child cost between grades 1-5 was NRs. 26,180.79 and that between grades 6-8 was NRs. 32,797.43.

Table 7: Variation in Cost per Child in community schools

	Community Schools			Institutional Schools[18]
Year	General Cost per Child (NRs.)	Retention Based Cost Per Child (NRs.)	Outcome Based Cost Per Child (NRs.)	Cost Per Child (NRs.)
2012/13	10,226	15,365	17,348	22,800
2013/14	12,074	17,927	21,506	24,622
2014/15	13,070	21,028	23,573	26,000
2015/16	16,000	24,000	27,883	28,392

**Source: Authors' calculation based on the survey, Jhapa 2017*

When compared, the outcome-based cost per child between the two types of educational institutes was found to be almost similar. However, the standards of education provided in the two starkly defer. As more indicators are taken into consideration, the relative cost per child of institutional schools are likely to reduce further.

Over the years, institutional schools have outperformed community schools in terms of improving their enrollment rates and dropout rates. From 2008 to 2016, the enrollment in community schools decreased by 5.83% whereas, the enrollment in institutional schools increased by 44.39% in the same period (Ministry of Education, 2008; 2016).

The data presented above lays bare the popular misconceptions that community schools are free educators; in fact, on a per child basis, costs are similar in both community and institutional schools.

18 *The cost per child 2014/15 of Institutional Schools (NRs. 26000) has been derived from National Education Accounts (UNESCO, 2009-2015). The cost per child of remaining three years are estimated calculations based on Consumer Price Index (CPI) on education given by Central Bureau of Statistics (CBS) (Statistical Yearbook Nepal, 2015). The cost per child of community schools are derived from the data received from the survey conducted in Jhapa. These numbers for institutional schools have been calculated in order to give the readers a perspective to look at the cost of education in community schools. These numbers are not based on surveyed institutional schools in Eastern Jhapa. It would be worthwhile to note, however, that average fees in the 10 consulted institutional schools in Jhapa was also found to be NRs. 28,312, which is very close to the national average of NRs. 28,392*

The poor quality of basic education in community schools is also depicted by that fact that among the children enrolled in grade one, 8% drop out, 23% repeat, only 70% children who enter grade one complete their primary education and less than one third reach grade ten in Nepal (Gautam, 2013). The study showed that the situation in Jhapa is much worse compared to national statistics. Among the children enrolled in grade one, 15.2% drop out, 22.4% repeat, only 51.3% students who enter in grade one finish their primary education and mere 37.5% graduate SLC (District Education Office, Jhapa, 2015/16).

This inefficiency observed in the operation of community schools has three serious implications. Firstly, it results in huge financial losses created by the incompetence of community schools in achieving outcomes comparable to that of institutional schools. Institutional schools, with same amount of financing, have successfully introduced higher standard educational services. Community schools have lower return on investments compared to that of institutional schools despite the government's motive of optimum utilization of financial resources. The unsatisfactory results of community schools is one of the major reasons for parents—even from relatively poor backgrounds—to send their children to institutional schools instead of supposedly free and more readily accessible community schools (Gautam, 2013).

Secondly, it is true that the literacy rate and enrollment rate in Nepal have increased over the past decade; however, as shown by the pass rate, retention rate and dropout rate, one cannot guarantee that those are translating into quality education.

Thirdly, since majority of students in Nepal (83.24%) are enrolled in community schools, the sub-par performance of these institutions in the present context is likely to jeopardize the future of maximum Nepalese students.

5 Developments around financing of basic education in the federal context

Article 31 of the Constitution of Nepal guarantees Right to Education to all Nepalese citizens.

a. Every citizen shall have the right of access to basic education.
b. Every citizen shall have the right to get compulsory and free education up to the basic level and free education up to the secondary level.

- Article 31, Constitution of Nepal, 2015

Two years after the promulgation of the Constitution, major homework of the government of Nepal regarding education sector are captured in two documents – the Unbundling Report prepared by the Council of Ministers and the Local Government Operation Act, 2017.

The unbundling report elaborates on the list of powers (exclusive and concurrent) of the Federal, Provincial and Local governments that have been provisioned for by the Constitution of Nepal. The Local Government Operation Act, 2017 aims to facilitate and strengthen local governance and to institutionalize legislative, executive and judicial practices at local levels. The law lays down 23 functions and duties of local governments regarding education sector, including:

a. Planning, policy and law-making, setting criteria for education at local level and ensuring their implementation, monitoring and evaluation
b. Granting permissions for establishment of, operating, managing and regulating community schools
c. Keeping ownership of lands of community schools, and protecting, managing and maintaining records thereof
d. Distributing educational materials and enhancing the quality of schools
e. Managing teachers and staffers at community schools
f. Building, operating and managing educational infrastructure of community schools
g. Conducting examinations for basic education
h. Testing and management of students' learning
i. Management of free education, student encouragement and scholarship programs
j. Managing grants provided to community schools, and maintaining financial discipline regarding the school's income and expenses
k. Training and capacity building of teaching and non-teaching staff, and
l. Operation and management of extracurricular activities.

Although the Local Government Operation Act, 2017 offers a legal foundation for the functioning of local governments across the country, clear legal frameworks for delivering many of their functions are still lacking. Education sector does not fare any different. Clear directives and guidelines regarding this sector also have yet to be devised, and necessary institutions have yet to be put in place before local governments can take charge of basic education within their jurisdictions. Discussions with spokesperson of the Ministry of Education and newly-elected mayors at municipalities in Eastern Jhapa point to the fact that alike the rest of the country in rest of the matters, education sector has also been going through a transition phase.

5.1 Reflections of the Governments

5.1.1 The Central Government

Lack of clear legal frameworks and necessary institutions means that there is still no way for the central government to tell what financing of basic education will look like in the days to come. Spokesperson of Ministry of Education (MoE) shared that under the federal structure, it is in fact the local governments that should demand from the federal and the State governments the amount of money they require to carry out their functions (as per their plans). He added that that might however take our newly-formed governments at least a year before they can do all necessary back-end works to be able to quote their requirements.

The money that local governments have received in the current fiscal year has been doled out under the principle of transitional management. Financing model in the future, however, will be affected by a number of factors. Article 60 (3) of the Constitution of Nepal states that fiscal transfers to local governments will be as per the recommendation of National Natural Resource and Fiscal Commission. Till date, the Commission has yet to be formed. Lack of State government also means that there is no way to work out the size of support/ grant from State governments for basic education at local levels. Furthermore, the government does not have complete information regarding local (tax) revenue generation capacities. As such, the size of the basket of fund that will be at the local government's disposal cannot be ascertained. This, merged with the lack of a scientific budgeting for the programs and activities of local governments means that neither local governments' requirements nor size of the basket of fund at their disposal have been worked out. Consequently, there is an uncertainty regarding the model of financing of basic education in the Federal context.

The spokesperson of the Ministry of Education also pointed out that amidst all the uncertainty looming over financing of basic education, there is an opportunity for local governments. The Constitution gives them the power to regulate basic education, including planning and law-making. This could be the

point of big departure for local governments—they could opt to pilot alternative models of financing education, like the voucher model or the charter model or even merge multiple community schools and opt for multiple class shifts in a single

There are however a number of challenges local governments will have to deal with if they are willing to try these alternatives. On one hand these alternatives can be great tools to enhance accountability of community schools and could contribute immensely to enhancing their quality of education. On the other hand, local governments will have to deal with the interests and rights of their employees, including teachers. They will have to ensure that their alternative choices can be implemented without limiting the rights of their employees. They will have to come up with their own models to rationalize teachers, or scientifically work out details of their alternative choices. For example, if a municipality chooses to pilot a voucher program, what does their eligibility criteria look like? Or what is the size of their voucher going to be?

5.1.2 The Local Governments

For many of the newly-formed local governments, these however, are not the most pressing questions. They have a number of things that need to be taken care of before they can start governing. Many have yet to set up proper offices, and many more are looking to recruit staffers that will be necessary to perform tasks that will come the government's way in the future. This has also meant that many local governments have not assumed a proactive role in terms of taking charge of their powers relating to basic education (among others).

Discussions with elected representatives of Eastern Jhapa lends a perspective into the current state of mind, willingness and preparedness of local governments in terms of enhancing basic education at their jurisdictions. Mayor of Kankai Municipality expressed that so far local governments have only been assigned the responsibility of distributing salaries to and managing school teachers and other staffers. He shared that all other works including those related to programs, infrastructures and resource centers have to be carried out through the District Education Office (DEO). However, the DEO is yet to receive any directive from the central government regarding coordinating its functions with the local governments. The Mayor was hopeful that things would move forward once the Provincial and Federal Assembly Elections were held.

Mayor of Bhadrapur Municipality shared that his local government was only at a stage of wait and watch as no other legislation has been passed or even a clear notice issued regarding local government's power over basic and secondary education. Bhadrapur is thus awaiting regulations from the Federal government. The Mayor also shared that once they start steering basic education in Bhadrapur, any deficit in terms of financing education would be met

through internal sources. However, there were no clear indications regarding the conditions that could lead to deficits, or the nature of these 'internal sources.'

The Mayor of Arjundhara municipality shared that the local government would be willing to channel some portion of development budget to meet their goals of accessible and quality basic education for all, given the important role quality education would play in the development of their municipality.

5.2 Reflections of the Schools

From schools' point of view, they are mostly reliant on government funding for their operations (as evidenced by the findings on the previous section). Survey has shown that on an average, between 60-70% of school's funding comes directly from the central government. As evidenced by the survey and discussions with representatives of the SMC, one common feature across all surveyed schools has been that they all want government contribution to their schools to increase in the federal context. On an average, schools expect government funding to go up by 27%. Schools intend to utilize this additional fund to implement the plans and programs as envisioned in their School Improvement Plans (SIPs), which mostly includes building new infrastructures and upgrading the existing ones.

Interviews with Headmasters and representatives of the SMCs pointed to a number of avenues that schools were looking at as potential new sources of funding in the future. Most of the schools were willing to explore if higher contributions could be generated from parents. Some schools were entertaining the idea of raising additional funds through institutional and individual donors in the community. Community Forest User Groups (CFUGs) have been large non-government partners for a number of schools and these schools were expecting continued support from the CFUGs in the days to come. At least two schools also mentioned reaching out to Diplomatic Missions (Embassies) to raise funds.

6 International Practices

A number of countries worldwide have practiced different models of basic education financing, which have successfully helped unleash the potential of providing quality education in these nations. This section examines financing and operation models of schools in four different countries – Sweden, Netherlands, Pakistan and Bangladesh – and attempts to draw attention towards some of their innovative approaches to ensuring quality of return on their investment on public education.

6.1 Sweden

Sweden can be regarded as one of the most prominent examples of school voucher systems operating in the world. In the 1990's Sweden experienced significant reforms in its education sector where the Swedish government introduced voucher system, decentralized education to municipal level and created a conducive environment for the entry of private for-profit schools (Sjunnesson, 2012).

As quoted by Jan Sjunnesson in his publication, "Policy Review: School Vouchers in Sweden":

> *"These changes significantly improved school choice for parents and children, and increased accountability of schools, principals, and teachers. In addition, some researchers hold that the institution of vouchers for schooling at the very least halted the falling performance of Swedish children on learning achievement tests."*

Features

School voucher system in Sweden is applicable to all institutions that provide primary and secondary level education, enabling citizens to choose among municipal and independent schools in the community or in other areas of the country for pursuing quality basic level education (Sjunnesson, 2012). All non-community schools, for profit schools, non-profit schools and schools opened by parents' association are eligible to apply for the program. The approval to these schools is however provided by Swedish National Agency for Education.

The independent schools can deviate from the national government mandated curriculum, giving them the freedom of selecting the best type of education for their students. The schools however have certain other regulations to follow – no school in Sweden is allowed to select students based on their abilities, ethnicity or socio-economic characteristics. It ensures equal opportunity to all the students, fostering inclusive basic level education. The schools however,

can select on the basis of three criteria if the school is oversubscribed;

a. Proximity to the school;
b. Waiting list (where each child's place in line is determined by the date of the parents' application);
c. Priority to children who have siblings already enrolled in the school.

Impacts

i. The number of students attending higher secondary school increased from 0.5 percent in 1992 to 25 percent in 2012 (Hinnerich and Vlachos, 2016).

ii. Before the reform less than 1 percent of students attended institutional schools. No significant impact was seen for a decade. However, the share of the total students enrolled in the independent schools started to rise and reached 11 percent by 2009 (Böhlmar and Lindahl, 2015).

iii. Out of the total students enrolled in higher secondary school, 85% of the students are enrolled in for-profit schools (Böhlmar and Lindahl, 2015).

iv. Increased competition created by the independent schools has pressured the municipal schools to perform better (Böhlmar and Lindahl, 2015).

6.2 The Netherlands

The Netherlands has been practicing universal school voucher system since 1917 A.D and is known to have a solid education system till date (McShane, 2015). As guaranteed by the Dutch Constitution in 1917 A.D. the governance of schools is grounded by the principle of "freedom of education" and thus, highly decentralized school system is exercised in the country (OECD, 2017). This policy in Netherlands has resulted in diversified school system with differences in teaching approaches, making it one of the highest-performing education systems worldwide.

Features

Education financing in the Netherlands is provided to both publicly-managed and privately-managed schools under either the voucher system or the non-voucher system. Majority of schools in Netherlands operate under non-voucher system where the institutional schools receive over 90% funding directly from government sources on per-child basis. Some schools who enroll students with less privileged economic backgrounds receive higher government funding (OECD, 2012). It follows a 'funds follow pupil' mechanism of funding;

however, the students and parents do not directly receive the education voucher. Some schools choose to practice their option of voluntarily foregoing public funding.

Any person in the Netherlands is allowed to set up a school provided the minimum requirements are met. These include conditions of minimum 260 students, licensed teachers, a school plan and targets that are approved by the government-appointed school inspector (Center on International Education Benchmarking). The independent schools are protected by constitutional right to freedom of organization and have a high degree of managerial autonomy. The institutional schools, not-for-profit schools and schools opened by groups of parents and teachers have a right to organize their own pedagogical approaches, and determine the educational, religious or ideological principles (OECD, 2017). However, local authorities have the power to control enrollment in a weighted approach to balance social diversity. The central government is responsible for providing national curriculum and regulating the teacher salary and work conditions under national collective agreements.

Parents have the right to decide between public or independent institutional schools. They can choose the type of education best suited to their child, especially since the costs are covered by the government budget and extra financial contribution from these parents are not required. However, the schools have a right to charge extra fee to the parents for extra-curricular activities.

Impacts

i. On the 2012 international PISA exam, the Netherlands ranked 4th in the world in math, 8th in science, and 10th in reading (McShane, 2015).

ii. Access to institutional schooling has helped Dutch students perform better academically and thus around 70% students attend privately-managed schools (McShane, 2015).

iii. The competition has fostered diverse types of schools with different teaching methods. Parents enjoy nation-wide system of free choice between these schools (OECD, 2017).

6.3 Bangladesh

“Bangladesh: Female Secondary School Assistance Program (FSSAP)”, which increased the enrollment of female students by more than double in rural areas of Bangladesh in the first phase and focused on improving the quality of education in its second phase, has proved to be one of the most successful instances of school voucher systems in the developing world (World Bank, 2008). This program was initiated in 1993 AD in 118 districts of Bangladesh with

an aim to increase female enrollment in secondary level and female pass rate in the Secondary School Certificate (SSC) examination. These 118 districts were known to have problems of poor economic development, low female literacy and low female attendance level.

Features

Bangladesh: FSSAP, was a program initiated for girl students from grade 6 to 9 of age 11 to 15 years. It primarily focused on providing funds for tuitions and monthly stipends to these students, which covered all direct costs of schooling girls at secondary level (World Bank, 1996). The direct payment of tuition fees to the schools was provided on the basis of enrollment in the school. The stipend which ranged from USD 12 for grade 6 to USD 36 for grade 10, was deposited directly into the students' account (Liang, 1996). A bank passbook was allotted to each female student that received a stipend; the transaction and withdrawal of cash from the bank could be performed independently.

The World Bank in collaboration with the government also organized various information campaigns to raise public awareness on female education, highlighting the social and financial benefits. The project has also taken steps to improve school infrastructure, recruit teachers, and enable girls who leave school to undergo vocational training. The community's participation in the project was supported by membership in parent-teacher associations, which met regularly to discuss project-related issues (World Bank, 1996).

The stipend disbursements to individual female students depended on the following terms of agreement with the parents:

i. Attend school for at least 75 percent of the school year.
ii. Obtain at least an average grade of 45 percent in final examinations.
iii. Remain unmarried through completion of SSC.

This model also focused on components for improving access to quality education through support for teacher training and capacity-building programs, school improvements and incentives, support and incentives for student services, computerization of accounting and greater community participation in the school quality problems. (World Bank, 1996)

Impacts

i. The female enrollment in these districts rose from 442,000 in 1994 to over a million by 2001 (World Bank, 2008). According to project completion reports, the proportion of female enrollment has increased significantly in the secondary level, which has reduced gender-specific discrepancy. In some areas, girls' enrollment has outnumbered boys' enrollment in secondary school (Mahmud, 2003).
ii. Previously, female children in Bangladesh were engaged in works likes performing household chores. Due to this initiation, the female

children started attending schools (Malik, 2013).

iii. In 2002 the repetition rate in classes 6 to 9 was less than 4 percent for all pupils and less than 3 percent for girls. Girls were also found to have surpassed the goal of lowering the repetition-rate to less than 5 percent (Mahmud, 2003).

iv. Of the total pupils enrolled at upper secondary school, 85% of pupils were found to be enrolled in independent schools (Böhlmar and Lindahl, 2015).

The trends of improvement in female enrollment and decline in repetition rates suggests that the programme has been successfully able to mitigate the direct financial costs of sending girls to school for the parents.

6.4 Pakistan

In 1991, Punjab Education Foundation (PEF) was created in the province of Punjab in Pakistan. It was then restructured under the Punjab Education Foundation Act with the new objective of providing education to the poor through Public Private Partnership (PPP) model (PEF, 2015). With this objective, the Punjab Education Foundation initiated programs that involved both public and private sector in providing education to the poor children. Education Voucher Scheme (EVS) is one of such programs which began in September 2006 in Lahore as a pilot project. This program, of late, has been expanded to 34 out of 36 districts in Punjab (Naeem, 2012)

Features of Education Voucher Scheme (EVS)

EVS targets children of 5-16 years who are out of schools, orphans, drop-outs, engaged in income generating activities and from less affluent families. A voucher amount of PKR 550-1,100 is provided on the basis of the level of education and the difference in the voucher amount and the fee charged has to be paid by the parents (Shah and Shah, 2017). Schools have to meet certain criteria to be enrolled in this program. Any for-profit and not-for-profit organization with a minimum of 3 years of experience are eligible. However, a Quality Assurance Test is conducted bi-annually by an independent third party in which 50 percent of the enrolled students are required to score more than 40 percent in the test. If partner schools fail in two consecutive tests, the contract with the schools are terminated (PEF, 2015).

Impact of EVS

i. The EVS schools have not seen any dropouts, whereas in conventional community schools, 40 percent of the students drop-out by the time they reach grade 4 (Malik, 2013).

ii. The EVS program has mostly been beneficial to the poor families

such as families of physical laborers (Naeem, 2012). It has helped reduce child labour in these families as the children, especially the females have shifted from household chores to attending schools (Malik, 2013).

iii. The students in the EVS program and other similar programs supported by PEF performed significantly better in standardized achievement tests than the students in the community schools (Das, Pandey and Zajonc, 2013).

iv. Because of the significant positive impact of the program, the program has been expanded from 8 schools to 576 schools and the number of vouchers have increased to 140,000 in six years (Naeem, 2012). The program began its 15th phase in 2016 and aims to reach an additional 125,000 children through the 470 schools that have recently enrolled in the program (Shah & Shah, 2017 as in Daily Frontier Star, 2015).

7 Discussions

From the analyses made in the preceding chapters, it can be inferred that the allocation of government spending on public education which has been rising over the years has not been able to produce desirable results. Researcher have also identified some other crucial problems associated with public education and community schools from the survey and engagements with key stakeholders.

7.1 Problems faced by Community schools

7.1.1. Language of education

The most prominent issue associated with community schooling identified by the parents in the FGDs is the quality of education. The parents were not happy about the quality of teachers. They were mainly concerned about the language in which education is imparted. The principal language of instruction in community schools of Nepal is Nepali. Parents, on the other hand, prefer English language over Nepali as they believe that knowledge of English language makes their children more competitive in the market.

Many community schools lack teachers who are well versed in English. As mentioned in the 'Sources of Financing' section above, in order to tackle this problem, parents and School Management Committees have reached a consensus to hire teachers through private sources. However, the government does not provide funds to cover the cost of privately managed teachers and hence, the schools face the problem of deficits. One possible way to deal with the problem as identified by SMCs is to charge a minimal fee to the parents. But, the rule number 146 (2) of the Education Rules, 2002 bars the community schools from collecting any fees from the students of primary and lower secondary level. Nonetheless, the clause 13(A) of the Education Act, 2002 permits the school to include amount received as donations and gifts in the School Fund. Thus, the parents have agreed to voluntarily donate a certain amount of money to pay for the privately-hired English medium teachers at lower grades. Many community schools have been found to have started English-medium classes at ECD levels, some even up to second or third grade. Schools hope to phase in these English-medium classes and ensure that within the next five to eight years, all grades are covered by this practice.

7.1.2 Demand and supply mismatch of commissioned teachers

In addition to this, a common issue found across most of the respondent community schools is that there is a mismatch between their demand and supply of commissioned teachers, esp. when schools upgrade. Many schools that had

upgraded from primary (up to grade V) to lower secondary (up to grade VIII) in order to cater to the demand for higher education were facing a problem of insufficient commissioned teachers from the government. As a result, schools were hiring teachers on their own on contractual basis. This put community schools in a precarious position. If the government was not providing the teachers by itself, then it would also not allocate additional budget for community schools to pay the teachers they had hired on their own. Thus, the schools were raising money from parents in the form of voluntary contribution to pay for those contracted teachers.

During times of upgradation, schools seek permission from the DEO to run higher classes in their schools. It is implied in the process of seeking permission that schools acknowledge that the DEO might not be in the position to commission teachers to these schools right away, and thus, that schools would manage the teachers by themselves in the short run. Schools expect that in the medium term, the DEO would assign teachers to their schools. However, due to lack of sufficient number of teachers, DEO cannot help them.

Some schools interpret this scenario as DEO's failure to support community schools. DEO's story, however, is different. Interview with the District Education Office of Jhapa revealed the source of the conundrum. The source lies in the difference between the act of giving permission and the act of expressing concurrence. During times of upgradation, schools seek permission from the DEO to run higher classes in their schools. It is implied in the process of seeking permission that schools acknowledge that the DEO might not be in the position to commission teachers to these schools right away, and thus, that schools would manage the teachers by themselves in the short run. Schools expect that in the medium term, the DEO would assign teachers to their schools. However, due to lack of sufficient number of teachers, DEO cannot help them. The District Education Officer expressed that it would have been a different story altogether had it been a case of the DEO concurring with the schools' requests for upgradations. In that case, the DEO would take upon itself the task of assigning teachers to these schools. However, it is important to note that given the lack of teachers to commission, getting concurrence to operate higher grade levels would have been extremely unlikely. Therefore, the District Education Officer maintained that it was in part a burden for community schools to bear for themselves since they promised to take care of the issue of lack of teachers while seeking permission itself.

7.1.3 Mismatch of long term interest between teachers and school

Furthermore, the issue of privately managing teachers raises a commitment problem. As these teachers are not hired on a permanent basis, they are always on a lookout for more stable and higher income yielding jobs. Naturally then, there are chances that they may leave once they find better opportunities. Many schools had experienced such difficult circumstances when these teachers quit in the middle of the academic sessions. This not only puts additional burden on the schools and SMCs as they will have to fill the vacant position, but also adversely affects the education of the students.

7.1.4 Seeking refuge on a downgrade

Some schools that upgraded from the primary to lower secondary level or from lower secondary to secondary level expecting that the government would allocate teachers for the upgraded levels once they start operation were faced with a very uncompromising situation. If the government did not commission new teachers to these schools for long, the schools would have to continue to privately fund additional teachers through donations and other sources mentioned above. Some schools that were struggling at this were repenting their decision to upgrade. One of the surveyed schools 'Sharda Adharbhut Vidhyala' upgraded to secondary level, however as they were not able to secure funds to pay the privately-managed teachers in the secondary level, they had to downgrade their operation to lower secondary level. An implication that policy makers can draw from this case is that school upgradation in an ad-hoc basis is detrimental to children's access to quality education.

7.2 Centralized financing of education and its implications

One of the problems faced by community schools is that they do not have autonomy with regards to the utilization of funds. The funds provided by the government have to be spent under the headings as allocated by the government. In many cases, this could lead to misallocation of scarce resources.

As evidenced by the case story of Saraswoti Secondary School (Saraswoti Madhyamik Vidhyalaya), giving schools more autonomy with their usage of funds would mean that they would spend it as per the need of the school and the

Saraswoti Secondary School (Saraswoti Madhyamik Vidhyalaya) of Jaamubari, Jhapa tried an initiative at their own risk. From interview with Headmaster of the school and from meeting with SMC representatives of the school, researchers found that children from poor families who were not qualified for government scholarship had no way to pay for educational materials, uniforms and stationeries whereas a number of dalit, marginalized, and female students were entitled to cash scholarships. Engagements

students, as against the directions of the government. This could in turn ensure efficient utilization of funds.

Furthermore, observing the schools with the highest and the lowest number of students vis-à-vis the budget allocated to surveyed schools revealed that the budget has been allocated rather disproportionately. 'Panchamani Adharbhut Vidhyalaya,' for example, with 201 students (which is the lowest among the surveyed schools) got NRs.33,52,639 for the year 2015/16 from the central government, i.e. NRs. 16,679.8 per student. On the other hand, 'Adarsha Madhyamik Vidhyalaya' with 1,350 students (which is the highest number of students in the surveyed schools) received a budget of NRs.1,26,91,679.76 in 2015/16, i.e. NRs.9,401.24 per student. This also shows that government's financing mechanism does not treat all students in community schools equally.

Engagements with the SMC and headmasters also revealed that some of these children's parents were using the scholarship to pay for household expenses, and in some cases, even squandering it in alcohol. Male students from Brahmin and Chettri families were the only ones that were not qualified for the scholarships despite being poor. Hence, the school mobilized the scholarship money to accommodate those boys as well. They even introduced school uniforms by mobilizing the same fund. The school had been successfully running this initiative for six years when a local newspaper covered their well-intentioned initiative. However, after the DoE learnt about it, they forced the school to distribute the scholarship funds in cash as allocated by the government. Thence, the school was forced to discontinue their successful initiative.

7.3 Quality of education and preference of parents

It is generally believed that private education is very expensive for everyone to afford, and hence should be substituted by cheaper public education. Sole consideration of general cost of educating a child in community and institutional schools also supports this popular concept. However, as has already been established in this paper, delving into retention and outcome-based costs shows that cost per child in both public and institutional schools come at par with each other. Public education, therefore, is not as cheap as it is generally perceived by the people.

In addition to this, a research titled 'Report on National Assessment of Student Achievement (NASA) 2013' published by MoE (2015) has stated that, under the category of low performing students in the subjects Mathematics and Science, there is higher concentration of students from community schools. This fact corroborates the finding of this study that the quality of education measured in terms of quantitative result is better in institutional schools.

From the stakeholder engagements during the study, researchers also found that most parents believed institutional schools to be better educators than community schools. Headmasters of community schools also asserted that many parents have shifted their children from community schools to institutional schools after the increment in their level of income which has led to decline in enrollment of students in the community schools.

7.4 Tying schools' and parents' interests together for better education

The fact that the Constitution establishes free basic education as a fundamental right, and that government allocates a massive budget for public education makes many parents believe that it is the sole responsibility of the government to finance their children's education and handle matters relating thereof. A number of schools also reported that parents skip SMC meetings despite invitations to attend the meeting thinking that it is the responsibility of the government to take care of their children's education. In a lot of cases, this creates a disconnect between schools, parents and their children's education.

However, in some other schools, there were examples of parents and teachers working together as well. Some of the surveyed community schools had been successful in involving parents directly in their children's education by way of involving them in financing of children's education. One case in point is evening coaching classes that a number of surveyed community schools ran around examinations. Since these classes were not part of the day school, parents were required to pay an additional sum on a monthly basis if they wanted their children to be enrolled in the coaching. In these schools, as the parents were directly contributing for their children's education, they were more concerned about the performances of their children. Moreover, they held schools accountable and answerable when they had to pay from their pockets, which in turn put pressure on the school and teachers to improve the quality of education. This particular example hints that if we are to improve the performance of the community schools, we need to involve parents directly in financing of their children's education.

There are a number of examples of successfully-run models for involving parents directly in financing of their children's education across the globe as evidenced by the case studies of Sweden, the Netherlands and Pakistan presented in the preceding sections. These cases point to the fact that involvement of parents in their children's education is of utmost importance. The involvement of the parents creates direct link between schools, parents themselves and their children's education. As parents become more concerned about their children's education, they constantly pressure the schools to perform better as they seek value for their money. And there are ample examples across the world in this issue for Nepal to learn from.

7.5 New developments for local government in Federal Nepal

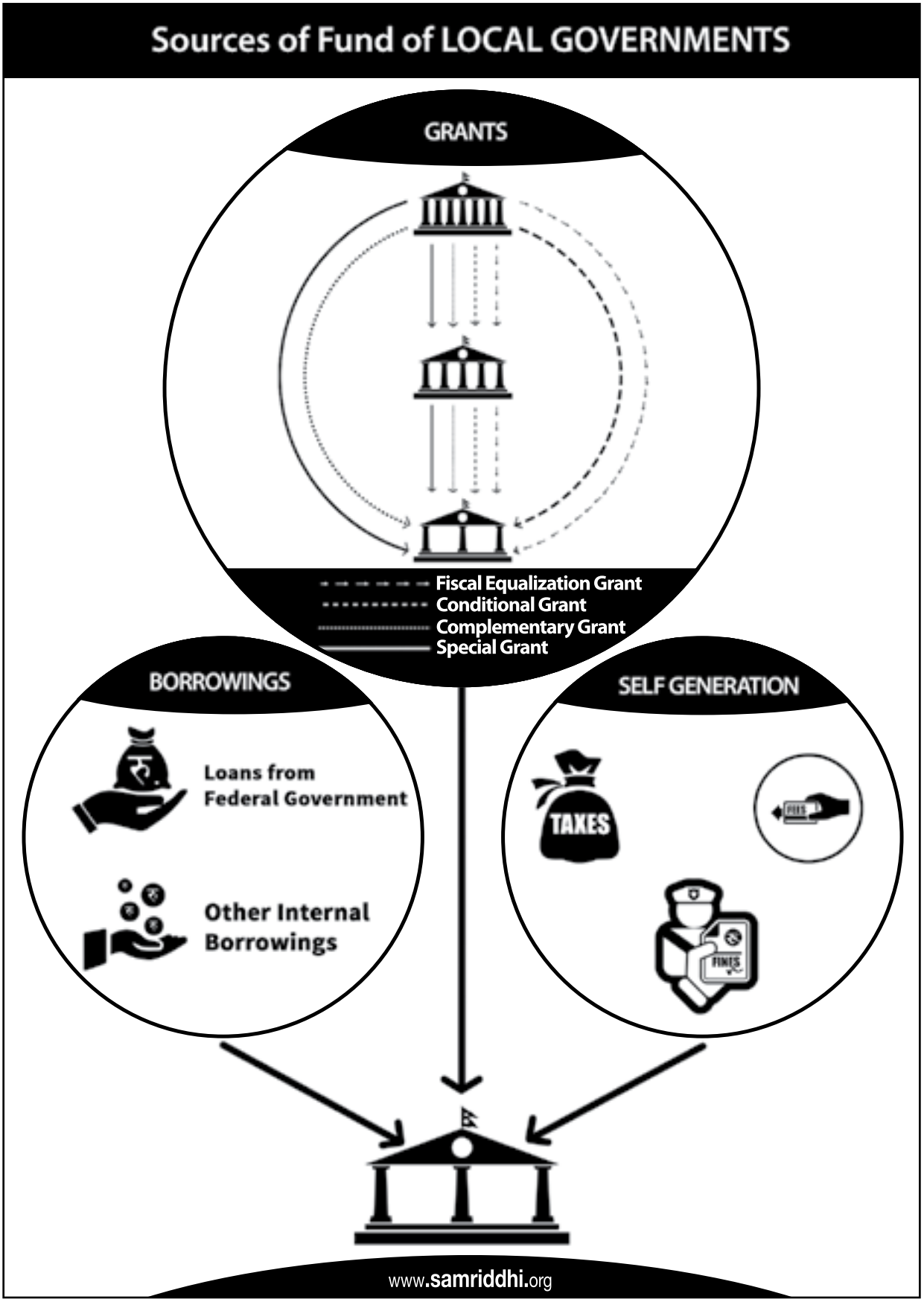
Under the new federal structure, the constitution of Nepal has listed basic education as a prerogative of the local government and hence local government will be in charge of handling matters related to education financing at the basic level. This provision in the constitution is favorable for better allocation of educational resources. Local governments are in a better position to gain knowledge about the need of the schools within its area. As they are closer to the schools, they are better acquainted with ground realities of the schools.

However, from discussions with both Ministry of Education and local governments, it has been found that there exists a degree of uncertainty over exact financing model for basic education in Nepal in the federal context. The size of basket of funds that will be made available to the local governments by central government and the expenditure need of local governments based on their plans and programs have not yet been worked out. Both central and local governments are still in the process of internalizing Nepal's move to federalism, which means that a lot of new policies, laws and guidelines have to be drafted and specific powers and roles have to be defined.

Having said that, we do know that Article 60[19] of the Constitution of Nepal grants Federal, State and Local governments the power to impose taxes on matters relating to their jurisdictions[20] and raise revenues from these internal sources. The same article also lays down the basis for the federal government to distribute grants to provincial and local governments as per their expenditure needs and capacity to generate revenues. Inter-Government Financial Management Act, 2017 furthers this provision and specifies four different categories of grants that provincial and local governments qualify for.

19 *Article 60 of Constitution of Nepal, 2015: Distribution of Sources of Revenue*

20 *In case of matters falling within the concurrent list of powers of different forms of governments, and those not included in any list, provisions regarding those shall be made by the Government of Nepal as per the Constitution.*


Sources of Fund of LOCAL GOVERNMENTS
GRANTS
Fiscal Equalization Grant
Conditional Grant
Complementary Grant
Special Grant
BORROWINGS
Loans from Federal Government
Other Internal Borrowings
SELF GENERATION
TAXES
FEES
FINES
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On the recommendation of Natural Resource and Fiscal Commission (NRFC), the federal government will distribute fiscal equalization grant on the basis of expenditure, need and revenue generation capacity of local, State and federal governments. The State government will further distribute fiscal equalization grant to the local governments on the basis of the same principle. Federal government, again following the criteria set by the NRFC, can distribute conditional grant to State and local governments to implement programs of either government. State government can further grant conditional loans to local governments on a similar basis. Likewise, there is a provision for the federal government to provide complementary grant to State or local governments to implement infrastructure development projects. Finally, there is a provision for federal government to provide special grant for provincial and local governments (and likewise for State government to provide special grant to local governments) to provide and develop, among many sectors, education.

As has been evidenced by discussions with newly-elected mayors of municipalities in Eastern Jhapa, municipalities have prioritized education as one of their major agendas, and they have also been exploring potential domestic sources to raise additional finances to fund their basic education. While these provisions lay down the guiding principles for intergovernmental transfer of financial resources, there could be greater implications of these fiscal transfers than what appear in the beginning.

For instance, inter-governmental transfers will factor both revenue capacities and expenditure needs of governments vis-a-vis their plans and programs. Now, if certain local governments put forward very ambitious plans and programs despite their low revenue generation capacities while nearby ones that have greater revenue capacities are moving ahead with moderate plans and programs, voters in this latter jurisdiction might feel that their taxes are funding other jurisdictions' development. This could lead to development of a voter sentiment of disconnect between their taxes and local development.

Another important aspect for Nepal to work out going forward with local control of basic education could be accounting for sudden transfers. If during the middle of an academic session, or any time after the start of an academic session, a substantial proportion of their students shift to schools in a neighboring municipality, then the latter municipality will suddenly be under-budgeted while the former will be over-budgeted. This could be one of the factors that the NRFC, federal, provincial and local governments have to consider while designing the model of financing basic education in the federal context.

One possible way to deal with these budget mismatch problems could be that local governments adopt education vouchers and fund students instead of funding schools. This will ensure that all children can access education. It still might not solve the problem of taxpayers of one jurisdiction bearing the

burden of funding services of other jurisdictions. This is where District Coordination Committees (DCCs) as envisioned by the Constitution as a district-level coordination body could come into play. Piloting these new initiatives in coordination with DCCs could reduce possibilities of conflicts as new financing models of basic education are tried in federal Nepal.

8 Implications of the Study

The study was conducted in the Eastern part of Jhapa district. In that sense, implications of the study cannot be generalized to the entire country. However, the implications do paint a picture of Nepal's reality.

8.1 Cost of public education could be reduced if improvements are made in outcomes.

Besides government, parents are one of the major sources of financing. As parents cannot be charged any fees in community schools up to basic level, they have been contributing certain sum of money regularly as voluntary contributions. Also, parents have been contributing their labour services for infrastructural development in the community schools, foregoing the opportunity costs of spending time on other income generating activities. Apart from this, community schools have been receiving donations from various individual and institutional donors, generating funds internally by leasing land and organizing various other income-generating programs. Yet, resources from these sources fall short for providing quality basic education.

On the surface, community schools appear to be cheaper than institutional schools. But, if we account for performance variables such as the enrollment, retention rate and pass rate, the story changes entirely. If we calculate cost per child considering only the students who are retained till the end of the academic year, the cost rises significantly. Furthermore, if we calculate the cost per child considering only the students who graduate, it further rises and comes at par with that of institutional schools.

We could thus say that if community schools do not make improvements in their performance indicators, the cost of public education will rise further and be costlier than institutional schooling. It is high time that we make reforms in public education system in order to improve the outcomes in community schools. Improvement in the outcome is not only an extremely important goal to advance public education but also a means to reduce the cost of education. Pouring more money into public education without proper reform is a huge waste of scarce financial resources.

Nepal could learn from the reform practices which have been tried by other countries as discussed in this paper. These countries have tried reform measures like 'Education Vouchers' and 'Direct Cash Transfers' which have helped them improve their educational outcomes significantly. Nepal might have to make necessary modifications in these approaches to suit local needs.

8.2 Allocative Efficiency in public education could be enhanced through local autonomy

Central government has always been responsible for handling all matters related to education in Nepal such as enactment of education laws, recruitment of teachers, financing education, etc. Even in the current scenario, where the federal system of governance has not been fully implemented, education system, especially the financing of public education is controlled by the center. Budget allocation under various headings is determined by DoE on DEO's reference. The budget then gets channeled to the DEO which is responsible for distribution of funds to schools in the district (Program Implementation Manual, 2016/17).

This type of center-led budget allocation can result in misallocation of resources as evidenced by the cases of 'Saraswati Madhyamik Vidhyalaya', 'Panchamani Adhadbhut Vidhyalaya' and 'Adarsha Madhyamik Vidhyalaya.'. The center, being far away from the schools cannot gain all information regarding the immediate and most urgent needs of the schools. Hence, the areas where resources are most urgently required might face deficit problems while other areas get excess funding. The misallocation of resources by the federal body is manifested in the form of low performances of community schools.

One potential way to enhance the allocative efficiency could be to give autonomy to the local government to allocating funds to schools within its area. Local governments are closest to the schools. They have an advantage in terms of obtaining information about the needs of schools. Local governments are also more aware about the ground realities, including the status of schools and students. Hence, if budget allocation is carried out by the local government, the chances are that resources would be allocated more efficiently.

8.3 Parents should be involved in financing of their children's education if we are to enhance quality of education

When parents have to pay for their children's education, they expect value for money in return. It has been found that parents are not as concerned about the quality of education and/or their children's performance at school as they are in the case of paid coaching sessions. Discussions with teachers who have been part of these coaching sessions prior to exams have revealed that parents perceive regular classes as a free commodity that government and other members of the community pay for. This, merged with the busy schedules of parents themselves means that parents have no time to follow up with the schools about their children's education. However, when they are paying for these coaching sessions, they make time for regular follow up. This behavior of parents hints that if we want to enhance the quality of our community education, then we need to create spaces for parents to be directly attached

with the financing of their children's education. While it does not lay grounds for questioning public spending in education per se, it does raise a flag and hint that if parents perceive education as a free commodity, it does not yield desired results.

8.4 Opportune moment for public education to make a big departure is here

Discussions made in this paper regarding existing financing model of public education, size of public investment on education, and quality of output of public investment on education point to the fact that there is an urgent need to introduce a structural reform in the sector. Education is one of the biggest areas of government investment. In that sense, it runs heavily on taxpayers' money. It therefore becomes imperative to ensure that allocation of resources is optimal to the extent possible; their use - efficient, and quality of outcome - high.

The changed governance structure of the country offers a new opportunity for the local government to step in, and introduce that structural reform in public education to make a big departure towards enhanced public education. The fact that they are closest to the ground means that they are the ones who can best ensure efficient allocation and use of resources. The Constitution of Nepal, 2015 also confers the power of regulating basic education upon local governments. Therefore, local governments have the legal mandate necessary to make the big reforms.

Evidences from countries discussed in the paper show that vouchers can be an alternative to enhancing the quality of investment in public education. Lessons from parental behaviors under different circumstances (as funders of education versus as recipients of a free commodity) also point to the fact that parents can play a big role in holding community schools accountable, thereby aligning parents', governments' and taxpayers' interests.

Having said that, the path ahead for local governments, should they opt to introduce the reform is challenging to say the least. First and foremost, there is no clear legal framework yet regarding how the local governments can actually go about exercising their powers related to education (and much else). Therefore, other state institutions related to the education sector are also unclear on where and how they fit into the new picture and what role they play as facilitators for local governments. No government body yet knows the size of resources that will be at the local governments' disposal to implement their plans and programs.

Even when these legal frames come into place, there could be natural resistance from many other stakeholders, primarily schools and teachers to-

wards reform ideas if they challenge the interests of these groups. Therefore, one of the major undertakings for local governments will be to figure out ways to align the best interests of parents, governments and taxpayers to those of community schools and community school teachers. Further studies to find answers to these pressing questions is therefore another urgent need for local governments.

9 Conclusion

Even though public basic education is said to be free, a significant amount of resource has to be managed by schools from various other sources besides the government. One of these various other sources are the parents themselves. Moreover, in the current method of financing public education, government has not been able to meet desirable outcomes. Factors such as high dropout ratio and repetition rate, and low pass rate and retention rate have contributed greatly to rising cost of public education in Nepal.

In poor countries where governments face a major budgetary constraint, such wastage of resources comes with a huge cost as these resources could be used for enhancement of other sectors, such as health, infrastructure, electricity, or industry, to name a few. It is therefore important for a poor country like Nepal, which spends a huge portion of the total government budget in education, to ensure optimum utilization of educational expenditure.

Findings of this study shows that conventional method of financing education has failed in Nepal. Therefore, it is time Nepal looks for alternative methods for financing education which could bring about better educational outcomes and ensure better utilization of educational spending.

The federal structure of the government now provides avenues for the local government to try and test new methods through which education can be financed. These local governments could step in and introduce the structural reform in public education.

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Annexes

Annex I: List of Schools Surveyed and People Met

S.N	Name of School	Locality	Municipality	People Met	Activities
1	Sagarmatha Ma V	Prithvinagar	Bhadrapur	Headmaster and SMC Chairman	Survey and Interview
2	Saraswati Ma V	Amar Basti	Bhadrapur	Headmaster, SMC Chairman and Students	Survey, Interview and FGD
3	Emerald Academy	Sagarmatha Chowk	Bhadrapur	Headmaster and SMC Chairman	Survey and Interview
4	Bhadrapur Uchha Ma V	Naya Bazaar	Bhadrapur	Headmaster and SMC Chairman	Survey and Interview
5	Bal Bhadra Janata Uchha Ma V	Mangali Bazaar	Mechinagar	Headmaster and SMC Chairman	Survey and Interview
6	Unique English Boarding School	Dhaijan	Mechinagar	Headmaster and SMC Chairman	Survey and Interview
7	Mechi Ni Ma V	Nakkal Banda	Mechinagar	Headmaster and SMC Chairman	Survey and Interview
8	Adarsha Uchha Ma V	Aayabari	Mechinagar	Headmaster, SMC Chairman and Parents	Survey, Interview and FGD
9	Saraswati Ma V	Butta Bari	Birtamode	Headmaster and SMC Chairman	Survey and Interview
10	Anarmani Liberty School	Mukti Chowk	Birtamode	Headmaster and SMC Chairman	Survey and Interview
11	Mohan Maya Ma V	Charpaney	Birtamode	Headmaster and SMC Chairman	Survey and Interview
12	Mahendra Jyoti Uchcha Ma V	Sainik Bazaar	Birtamode	Headmaster and SMC Chairman	Survey and Interview
13	Jana Bikash Ni Ma V	Chakchaki	Baradarshi	Headmaster and SMC Chairman	Survey and Interview
14	Panchamani Ni Ma V	Dangibari	Baradarshi	Headmaster and SMC Chairman	Survey and Interview
15	Kanchan Samuhik Ebs	Dangibari	Baradarshi	Headmaster and SMC Chairman	Survey and Interview
16	Bhagawati Ni Ma V	Rajgadh	Baradarshi	Headmaster, SMC Chairman and Parents	Survey, Interview and FGD
17	Haldibari Uchha Ma V	Bhajanbari	Haldibari	Headmaster, SMC Chairman and Students	Survey, Interview and FGD

18	Saraswati Ni. Ma. V	Parakhopi	Haldibari	Headmaster and SMC Chairman	Survey and Interview
19	Saraswoti Ma V	Kuchhitole	Haldibari	Headmaster and SMC Chairman	Survey and Interview
20	Baljyoti Academy	Kachhitole	Haldibari	Headmaster and SMC Chairman	Survey and Interview
21	Pathariya Uchha Ma V	Mayurmari	Kechana Kawal	Headmaster and SMC Chairman	Survey and Interview
22	Swarnim Sikshya Sadan Ebs	Kechana	Kechana Kawal	Headmaster and SMC Chairman	Survey and Interview
23	Laxmi Uchha Ma V	Baniyani Bazaar	Kechana Kawal	Headmaster and SMC Chairman	Survey and Interview
24	Janaki Ma V	Balubari	Kechana Kawal	Headmaster and SMC Chairman	Survey and Interview
25	Nawa Durga Ni Ma V	Ratekhal	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
26	Arjundhara Sanskrit Adarsha Ma V	Arjundhara Chowk	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
27	Ni Ma V Kanchanbari	Kanchanbari	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
28	SURYA JYOTI ENG. B. SCHOOL	Ratekhal	Arjundhara	Headmaster, SMC Chairman, Parents and Students	Survey, Interview and FGD
29	Laxmi Ma V	Laxmipur	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
30	Maharanigang Ma V	Salbari	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
31	Himali Education Foundation	Laxmipur	Arjundhara	Headmaster and SMC Chairman	Survey and Interview
32	Singha Devi Ni Ma V	Tekra	Kankai	Headmaster and SMC Chairman	Survey and Interview
33	Janaki Ni Ma V	Sukedangi	Kankai	Headmaster and SMC Chairman	Survey and Interview
34	Saraswati Ma V	Jamun Bari	Kankai	Headmaster and SMC Chairman	Survey and Interview
35	Kankai Uchha Ma V	Surunga	Kankai	Headmaster and SMC Chairman	Survey and Interview
36	Bhagawati Ni Ma V	Chapramari	Kankai	Headmaster and SMC Chairman	Survey and Interview
37	Champa Flower Ebs	Surunga	Kankai	Headmaster and SMC Chairman	Survey and Interview
38	Paragan Academy	Surunga	Kankai	Headmaster and SMC Chairman	Survey and Interview

Annex II: Questionnaire

General information about the school

1. Position of the respondent:…….....

2. Academic qualification of the respondent: ……..

3. Name of the school: ……

4. Address: District……...… Mun/VDC……..……. Ward……

5. Date of establishment: …….....

6. School category:
   - Basic School Grades:……..to .....
   - Secondary School Grades:……..to ….....

7. Current number of teachers: .....

Grades	Total no. of teachers	Government Commissioned (not required for private schools)	Privately commissioned
Primary			
Lower Secondary			
Secondary			

8. Total number of current students: ……

9. Student data:
   a. New enrolment:

Academic Year	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2066								
2067								
2068								
2069								
2070								
2071								
2072								
2073								

b. Promoted from last year:

Academic Year	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2066								
2067								
2068								
2069								
2070								
2071								
2072								
2073								

c. Repeaters from last year (for failing final exam):

Academic Year	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2066								
2067								
2068								
2069								
2070								
2071								
2072								
2073								

d. Number of students during final exam:

Academic Year	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
2066								
2067								
2068								
2069								
2070								
2071								
2072								
2073								

10. Major ethnicities of current students (and contribution) (estimated)

- o Brahmin/Chhetri ……..%
- o Magars ……..%
- o Tharus ……..%
- o Newars ……..%
- o Muslims ……..%
- o Madhesis ……..%
- o Other Janjatis ……..%
- o Others ……..%

11. How far away do students come from (in terms of walking distance)

< 30 minutes 30 mins - 60 mins 60 mins – 90 mins > 90 mins

12. How do most of the students commute?

Walk Bicycle School Bus Public vehicle

13. Does the school receive financial support from the government?

Yes No

14. Funding sources of the school (in amount)

Funding Sources (in amount)							
Academic year	Government (not needed for private schools)	Non-government					
	MoE/DoE	DDC/VDC	Community	NGO/ INGOs	Individual Donors	Student' fees	Others
2069							
2070							
2071							
2072							
2073							

15. Is the government provided fund sufficient to sustain the annual expenditure of the school?

Yes No

16. If no, how much do you think needs to be added? (Not needed for private schools)

…….

17. How much financial support did the school receive from all government institutions combined in the last academic is coyear? (Not needed for private schools)

…….....…….

18. What percentage of the school expenditure is comfortably covered by the government budget? (Not needed for private schools)

< 50% 50%-60% 60%-70% 70%-80% 80%-90% >90%

19. Does the school receive in-kind support from the government?

Yes No

20. If yes, could you please elaborate what kind of support and for what purpose? (Not needed for private schools)

……
……
……
……
……
……

21. Major Expenditures of the school

Academic year	2069	2070	2071	2072	2073
Teacher Salaries					
Contract Teacher Salaries					
New infrastrucrure development					
Maintenance of Existing Infrastructure					
Non-teaching staff salaries					
Administrative cost					
Scholarshipcompensation					
Books and Stationeries					
Mid-day lunch					
Others					

22. Does the school collect fees from the students?

Yes No

23. If yes, under what headings?

- o Tuition fees
- o Books and stationeries
- o Uniform
- o ECA (within school premises)
- o ECA (outside school premises)
- o Transportation
- o Tiffin
- o Coaching
- o Others

24. Fee structure of the school

	Grades	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8
Monthly Fee	Tuition								
	Transportation								
	Tiffin								
	Computer								
	Others								
Annual Fee	Admission								
	ECA								
	Stationery								
	Laboratory								
	Uniform								
	Library								
	Others								
Examination Fee									

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Samriddhi Foundation is an independent policy institute based in Kathmandu that focuses on economic policy reform. Established in 2007, Samriddhi aims at facilitating a discourse on pragmatic market based solutions for a free and prosperous Nepal.

Known for bringing together entrepreneurs, politicians, business leaders, bureaucrats, experts, journalists and other groups and individuals to make an impact on the policy discourse of Nepal, Samriddhi works with a three-tier approach - Research and Publication, Educational and Training, Advocacy and Public Outreach. Some of its highly successful efforts include the annual economic policy reform initiative named "Nepal Economic Growth Agenda (NEGA)", a sharing platform for entrepreneurs named "Last Thursdays with an entrepreneur" and a regular discussion forum on contemporary political economic agendas named "Econ-ity". Samriddhi also hosts the secretariat of 'Campaign for a Livable Nepal', popularly known as Gari Khana Deu campaign.

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The organization is also committed towards developing a resource center on political economic issues 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.

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