

**Study of  
EDUCATION SECTOR FINANCING IN  
NEPAL**

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\* Shailendra Sigdel has made a significant contribution in providing statistical data and in understanding the issues and perspectives.

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# Education Sector Financing in Nepal

## 1. Context

Education plays a critical role in achieving the overarching goal of poverty reduction through raising labor productivity and improving human development indicators. Over all these years, there is significant progress in improving access to educational facilities. However, serious lapses are observed in the quality of education, and with the emergence of active involvement of private sector in providing educational facilities, there is a gap which is ever growing in the quality between education provided by public and private educational institutions. It has a serious implication with unwarranted division in the social fabric. One of the reasons for such growing gap is identified in centralization of management of public schools.

Realization that educational services can be best managed by local communities and respective stakeholders rather than through central government machinery has led to the decision to transfer the school management of public primary schools to local communities. School Management Committees (SMCs) of these schools will then be provided with the block grant on a regular basis. The Committees will also be responsible for managing whole management of the schools including recruiting new teachers. The Immediate Action Plan has set the target of transferring 100 public primary schools to the communities. By January 2003, 64 schools from 13 districts have already been identified for such transfer. The Government will provide schools with lump sum grant to the schools and the mechanism is already in place. The experiences with the public primary schools will set a future course in gradually handing over of other public schools to local communities. Under Basic and Primary Education Program (BPEP II) HMG/N is providing block grant on the basis of correct age enrolment in that particular school.

The Education Act (seventh amendment) has paved the way for the transfer of public schools to the communities, and made the provision for school management committee with heavy representations from guardians. With a view to support the communities and the school management committees in better managing the schools, the scheme for School Improvement Plans is introduced. On the basis of the SIP, a school management committee gets support on the basis of enrolment.

The Local Self Governance Act (LSGA) envisages the periodic plans at the district level and they are to become mandatory to receive the grant from the central government. The Immediate Action Plan has indicated to base the level of such block grant on the poverty formulae. In line with the need for District Development Plan, districts are also required to develop District Education Plan (DEP). The School Improvement Plan and Village Education Plan (VEP) will guide for DEPs. School Improvement Plan (SIPs) at the school level is the starting point, and such SIPs are collected and discussed at the VDC level in Village Education Committee, VEPs should be prepared by VECs which basically deals with access where as SIPs deals with quality and retention. SIPs and VEPs are forwarded to VDCs where as DEP is forwarded to District Development Council through District Education Committee for their approval.

Thus, there are plans for public school development at two levels – school and VDC, and district, both providing a basis for funding from different sources.

At the moment, the country is ridden with disturbances and violence, resulting into economic downturn showing even negative growth rate – for the first time ever in the recent history. The downturn in the economy essentially means reduced resources going to be available for all the sectors including education. It will have serious implications with service delivery of public schools and their quality improvement measures. The country has pledged for achieving Millennium Development Goals and set the target of education for all. Accordingly, it has earmarked increasingly larger share of development resource to this sector. Towards achieving these goals, there is even greater need for community mobilization of resources, and also cogent support from donor agencies and countries as the growth of central level grant to the schools could be limited in view of current situation. So, there is a need for evaluating the recent trend in the level of resources that are going to be available.

In the context of possible limited government resources and new initiatives for community management of the schools, and their involvement in the resource generation, this study intends to

- i. Provide an overview of secondary education financing in the context of national budget and policy planning framework,
- ii. Establish current funding levels and modalities for secondary education, and describe flow of funds from central level to school level.
- iii. Explain the funding levels and modalities in the context of recent initiatives of SIPs and DEPs and discuss the roles of SMCs, VDCs, DEOs, and DDCs.
- iv. Identify the issues with regards to modalities, flow of funds, levels of funding in secondary education financing in the context of recent initiatives of SIPs and DEPs, and decentralized financing of education.
- v. Make recommendations to address the issues and inconsistencies, if any.

## 2. Education Financing in Nepal

Education has increasingly been getting larger share in total government expenditure. The Compact 20/20\* has been a guiding force behind this trend. The share of education sector in total budget has gone from about 10% in the early nineties to 14% in 1996/97 which again slid down to 13% in later years. Now the Tenth Plan is increasing the share of education sector to about 15%. In a decade thus, there is a five-fold increase in the government expenditure on education sector as such – from Rs.2.08 billion in 1990/91 to Rs.10.17 billion in 1999/2000. In 2001/02, Rs.14.07 billion is earmarked for education sector. It has gone up to Rs.14.40 billion in 2002/03.

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\* Initiative of pledging 20% of national budgets and ODA to basic social programs which was later endorsed by the UN World Summit for Social Development held in Copenhagen in 1995

**Table 1: Government Expenditure\* and Share of Foreign Assistance**

(Rs.in Million)

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
1. Total Education Exp.	2082.3	2867.8	4150.2	4564.0	5065.7	6150.2	7203.2	7803.9	7681.5	9328.5
1.1 Foreign Assistance	122.2	205.1	712.3	617.1	1318.8	1317.6	1785.7	1400.6	941.5	1960.1
a. Grant	30.8	58.2	573.0	165.0	452.0	464.6	851.8	477.0	405.7	1250.3
b. Loan	91.4	146.9	139.3	452.1	866.8	853.0	933.9	923.6	535.8	709.8
1.2 Domestic Resource	1960.1	2662.7	3437.9	3946.9	3746.9	4832.6	5417.5	6403.3	6740.0	7368.4
2. % of Foreign Assistance										
In Govt. Expenditure	24.9	26.6	28.3	35.9	25.4	29.7	28.3	29.5	25.8	26.4
In Education Expenditure	5.9	7.2	17.2	13.5	26.0	21.4	24.8	17.9	12.3	21.0
3. % of Grant in Foreign Aid										
In All Sectors	27.2	19.6	35.4	20.7	35.0	33.8	39.8	32.8	26.8	31.8
In Education	25.2	28.4	80.4	26.7	34.3	35.3	47.7	34.1	43.1	63.8

\*Inclusive of both regular and development expenditure

The Tenth Plan is being prepared in a difficult period. The insurgencies and political instability, and the economic downturn have made it difficult to predict future development scenario. The Tenth Plan has accordingly laid out two growth scenario – one with 6.2% economic growth if the normalcy returns quickly and growth takes a normal path, and the other one with 4.3% of economic growth if the current situation persists for most of the Tenth Plan period.

In the first scenario of 6.2% growth, an estimated expenditure of Rs.505 billion is visualized for five years' period of which Rs.234 billion will be on development expenses. In this scenario, education sector is expected to get Rs.72.6 billion of which Rs.51.5 will be for regular and Rs. 21.1 for development expenses. These preliminary estimates are made on the basis of 19% of total regular expenditure going to education while in case of total development expenditure, 9% will go to this sector. The Medium Term Expenditure Framework worked out its budgetary allocation with these shares to education sector.

**Table 2: Estimated Expenditure Level for Two Growth Scenario of the Tenth Plan**

(In Rs. Billion)

	Scenario 1 – 6.2% growth	Scenario 2 – 4.3% growth
Total Expenditure	505.20	476.48
Regular	271.17	271.17
Development	234.02	205.31
On Education Sector	72.58	70.00
Regular	51.52	51.52
Development	21.06	18.48

Source: Tenth Plan, NPC and Medium Term Expenditure Framework, 2003.

In the second scenario of 4.3% growth rate, education sector is allotted Rs.70 billion of which Rs.18.5 billion on development expenditure. The regular expenditure level has remained the same for both the scenario.

The Tenth Plan is prepared as the Poverty Reduction Strategy Paper of the country. In order to maintain a strong linkage with the budgetary process, a Medium

Term Expenditure Framework is also prepared. It gives a budgetary frame for three years. The total estimated expenditure for education for three years' period is worked out at Rs.45.25 billion. Of this, Rs.34.17 billion will be on regular item heads and Rs.11.08 billion on development expenses.

**Table 3: Estimated Expenditure\* as per Medium Term Expenditure Framework and the Share of Education Sector (Rs. in Billion)**

	2002/03	2003/04	2004/05	Total
Regular Expenditure on Education	11.05	11.39	11.73	34.17
Development Expenditure on Education	3.35	3.68	4.05	11.08
Total for Education Sector	14.40	15.07	15.78	45.25
Total Regular Budget	57.44	59.14	60.92	177.50
Total Development Budget	38.68	44.51	52.41	135.60
TOTAL	96.12	103.66	113.33	313.11

Source: Medium Term Expenditure Framework - 2003. \*For Scenario 1 of Tenth Plan.

### 3. Sources of Education Financing

Over the years, there is a visible shift in the financing pattern in the education sector. The share of external financing has gradually gone up – from about 6% in early nineties to 27% at the end of the nineties. Looking at the composition of foreign assistance also, there is a distinct trend of increasing share of grant assistance, which has reached to 56% in 1999/2000.

So far as secondary education is concerned, more than 90% of government expenses are borne by its own internal resources only. However, in view of high growth rate of enrollment of 8% at the secondary level, and also due to the need for higher investment level for improving quality of education, there is a need for increasing the government expenditure on secondary education. This also calls for greater involvement of donor communities at the secondary level.

### 4. Secondary Education Financing in Nepal

The budgetary allocation for education has increased almost by 7 times in a decade's time – from Rs.2079 million in 1990/91 to Rs.14073 million in 2001/02. The share of secondary education has shown consistent increase over all these years – from 14% in 1990/91 to almost 25% in 2001/02. The share of primary level has also marginally increased. It shows the importance of secondary education due to its gradual expansion as a result of improvement in the access and growing pressure from the primary level pass-outs. Despite the emergence of private sector as a major service provider in the education sector, this pressure is likely to continue for some time due to increasing primary level pass-outs and enrollment rate – that is to say fewer drop outs.

**Table 4: Total Budgetary Allocation for Education by Sub -sectors** (in Rs. Million)

<b>Current Prices</b>	<b>1990/91</b>	<b>1991/92</b>	<b>1992/93</b>	<b>1993/94</b>	<b>1994/95</b>	<b>1995/96</b>	<b>1996/97</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/00</b>	<b>2000/01</b>	<b>2001/02</b>
Education Budget	2078.7	3205.5	4427.8	4671.5	5684.3	6013.1	7178.0	7778.7	8261.1	10176.1	11749.6	14072.8
Primary	1003.0	1592.6	1971.0	2349.0	2789.3	3294.5	3720.1	4167.7	4076.8	5265.7	6199.0	7265.4
Secondary	293.3	424.6	627.4	726.0	889.6	1091.4	1420.9	1705.7	1960.0	2101.8	2280.3	3484.8
TEVT	33.9	54.0	156.5	239.7	252.9	251.9	246.7	132.3	107.8	106.1	118.8	193.2
Higher	485.3	902.2	1245.1	968.7	1235.1	1042.5	1283.9	1353.5	1508.9	1915.4	1828.7	1680.4
Non-formal	8.3	19.7	30.3	34.6	52.9	63.9	82.0	116.1	121.9	130.0	145.0	137.6
<b>in percent</b>												
Education Budget	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary	48.3	49.7	44.5	50.3	49.1	54.8	51.8	53.6	49.3	51.7	52.8	51.6
Secondary	14.1	13.2	14.2	15.5	15.7	18.2	19.8	21.9	23.7	20.7	19.4	24.8
TEVT	1.6	1.7	3.5	5.1	4.4	4.2	3.4	1.7	1.3	1.0	1.0	1.4
Higher	23.3	28.1	28.1	20.7	21.7	17.3	17.9	17.4	18.3	18.8	15.6	11.9
Non-formal	0.4	0.6	0.7	0.7	0.9	1.1	1.1	1.5	1.5	1.3	1.2	1.0

Source: Redbook, Various annual issues, Ministry of Finance TEVT – Technical Education and Vocational Training

The resource allocation by MTEF shows that about 27% of total regular expenditure on education sector will be for secondary education, and in case of development expenditure, such proportion will be about 6%. Thus of the total budget on the education sector, about 22% is allotted for secondary education. It comes to little more than Rs.3 billion for a year for secondary education.

**Table 5: Estimated Expenditure\* as per Medium Term Expenditure Framework and the Share of Secondary Education** (Rs. in Billion)

	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>Total</b>
Regular Total on Education	11.05	11.39	11.73	34.17
On secondary	2.96	3.05	3.14	9.15
On secondary in %	26.80	26.80	26.80	26.80
Development Total on Education	3.35	3.68	4.05	11.08
On secondary	0.20	0.22	0.23	0.65
On secondary in %	6.00	5.90	5.80	5.90
Total on Education (Regular and Development)	14.40	15.07	15.78	45.25
Total on Secondary	3.16	3.27	3.38	9.81
On secondary in %	21.90	21.70	21.40	21.70

Source: Preliminary draft of MTEF for discussion and consultation. \* For Scenario 1 of Tenth Plan.

Available data does not permit to allocate the estimated budget by their sources of finance. Some rough estimate suggests that more than 90% of the budget from the government source, and rest from the foreign assistance meet secondary education. In some years, contribution of foreign assistance in secondary education is quite negligible. In the 1990s, there was a project Secondary Education Development Project funded by DFID/UK and Asian Development Bank. From next July, the HMG/N is planning to launch Secondary Education Development Program (SESP) with loan

assistance from Asian Development Bank and grant from DANIDA. Total cost of the project is US\$75 Million. It will increase the share of secondary education in the budget allocation.

Though it is difficult to establish the 'right' per unit cost of secondary student, METCON (1999) shows an average expense per student of Rs. 3500 for best performing schools of the sampled schools in School Leaving Examination for the year 1996/97. Considering inflation, this amount can well be assumed over Rs. 4000 now. For a million students at the secondary level, Rs.4 billion is required as per this approximate cost. For reasons of infrastructure development and further investment for improving quality of education, this level of expenses is likely to grow by more than the growth rate of enrollment, which stands at 8% at present. Hence, a growth rate of anywhere between 10 to 15% is called for in budgetary allocation at the secondary education level. So, the proposed annual budgetary allocation will never be able to meet the demand for resources for secondary education with an enrollment of over one million students. Keeping the current difficult situation in mind, further resource allocation for education and particularly for secondary education could be a difficult proposition. Hence, despite the 'moral' obligation for the state to provide free school level education, resource situation may not permit this particularly in view of the fact that almost 40% of the development budget is now allotted for social sector in the Tenth Plan. There will be even limited possibility of change in budgetary allocation at the regular side because item heads under this represent running expenses for all the sectors.

It is worth noting that despite the government's earlier commitment for free secondary education and limited provision for the schools to raise the revenues from parents schools are found to have generated significant amount from the parents even in the schools in remote areas (METCON, 1999).

**Table 6: Per School Recurrent Income (Annual Average of 1995/96 and 1996/97)**

	Total Recurrent Income (Rs. in ,000)	Percentage Shares of Different Sources			Total Capital Income (Rs. in ,000)
		Govt.	Parents	Others	
Rural areas	1158	67.6	19.2	13.1	88
Urban areas	2282	42.4	30.3	27.3	49
Remote areas	820	72.4	14.7	12.9	81
National Average	1416	55.3	24.2	20.6	73

Source: METCON (1999), Cost Sharing Option for Quality Secondary Education in Nepal.

A school with secondary classes is found to receive on an average Rs. 1.41 million per year of which 55% is from government in the form of grant, 24% from parents in the form of various charges like examination fees etc., and about 21% from others including rents. Even in the remote areas, parents' contribution stands at 15%. The contribution of local government units such as Village Development Committees and District Development Committees is very much limited and usually takes the form of capital contribution providing lump sum grant for capital expenses. Considering limited resource generation capacity of these local government units, their contribution cannot be expected to increase considerably. In this context, only other stakeholders who can contribute more are parents only. In this context, it is worth noting that households, which send their children to both private and public government schools spend

significantly higher amount on private schools. A study has shown that such household spends on an average Rs. 2407 for a student in a public government school while the same household spends as much as Rs. 9000 for a student in a private school (METCON 1999: 58). It reflects the willingness of the parents to pay more if quality education is assured.

## 5. Funding Modalities

Education has remained virtually under the domain of the government. Private sector emerged as one strong potential stakeholder particularly after the country opted for liberal economic policy opening all social and economic sectors to them. However, community managed schools are yet to come forward even if the legal provisions have been adjusted to facilitate this process. In view of different institutional capability of local government agencies, different types of schools in terms of their management style are bound to emerge. Moreover, not all communities and local government agencies will show the same degree of willingness and ability to take back the schools which have already been run under the control of the central government. So, the funding modalities for these different types of schools need to be different if both equity and efficiency aspects are to be addressed. Three broad categories of schools can be identified, which are as follows:

- A. Total Government Funding and Management
- B. Government Funding and management by School Management Committees and Supervision by Local Government Agencies, and quality support and monitoring by District Education Office, and
- C. Government Funding and management by School Management Committees, support from Local Government Agencies, and quality support and monitoring by District Education Office.

## Existing Modality

There are two parallel streams in making funds reach to the schools. One is authorization process for accessing to the resource and another real flow of resource. Upon the approval of annual budget by National Planning Commission and Ministry of Finance, Ministry of Finance will send authorization letter to Ministry of Education and Sports authorizing it to spend money as per annual programs. Such authorization will be passed on to various other institutions under the Ministry through its institutional ladder - in case of schools, through Department of Education and District Education Office.

The actual flow of fund is from the Office of the Comptroller of Finance at the Center to its district offices which in turn send the money to District Education Offices for onward transfer to the schools and Village Development Committee— regular expenditures like teachers' salary to schools and program support budget to Village Development Committee. VDCs then forward the fund to the respective schools (Annex I).

The existing modalities cover two aspects. First is the direct full funding mechanism with government control and management in which District Education Office is the prime responsible body. Under this mechanism, schools get their funds for teachers' salary and for meeting administrative costs on the recommendations of the District Education Officer. There are community-managed schools, which receive some

lumpsum grant from the government on a regular basis. Second, with the revisions in the legal provisions for supporting community managed schools, and encouraging government aided schools to be transformed into community schools, they are now supposed to get some block grants to meet the salary expenses as well as other administrative costs. Schools are also allowed to generate revenue from other sources primarily from parents and students. This approach is being followed on a pilot experiment in five districts. Even in these districts, only SIP based development programs funded by BPEP is transferred in the form of block grant – volume being determined by the number of enrolled children. Ministry of Local Development and Ministry of Education and Sports are working together in finalizing the exact procedure to match with the spirit of Local Self Governance Act. It means greater role for local government bodies, and fund flow through them.

At the secondary level, there are many mixed schools, which are treated as both government managed and community managed schools. There are many schools going for additional grades/levels at the community level adding them with the expectation to receive government support in future.

The Local Self Governance Act (LSGA) has mentioned that Pre Primary, Literacy and Non-formal education are to be the responsibility of Village Development Committees whereas it is not clear for the primary as well as secondary level. Primary schools are gradually to be handed over to the communities for their management. Fund will be transferred to SMCs. As primary schools usually fall within the VDC boundary, and as all VDCs have primary schools, fund transfer for schools through VDCs does not pose any problem. But, in case of secondary schools, it is not that clear for two reasons. One, not all the VDCs have secondary schools, and secondly and consequently one secondary schools might well cover more than one VDC. It creates problem in transferring the fund to the schools through local government agencies. In this situation, location of the schools need to be the basis for identifying the VDCs for transferring the fund, encourage the VDCs served by the schools to share the cost of secondary education.

In order to streamline central government assistance to the schools managed by communities, and to the schools to be gradually transferred to the communities, schools are required to prepare their School Improvement Plan (SIP) covering all the grades in the school so that such SIPs from all the schools could form an integrated Village Education Plan (VEPs) and District Education Plan (DEPs). VEPs are mainly to concentrate upon improving access to primary level education in the respective VDCs.

The Status Report of BPEP II (2002) shows that the significant amount was allocated to district and sub district level. In 1999 only 44% of total BPEP budget was allocated to the districts level where as in 2002/03 it is almost 87%. It demonstrates that the main focus of BPEP is at the district and sub district level.

Schools are required to audit their accounts. For this purpose, Regional Education Directorate makes a short list of private service providers in auditing. It invites applications from the auditors and prepares such a short list. That short list is provided to District Education Office for selecting auditors for auditing in the schools in the districts. District Education Committee decides upon remuneration for the auditors.

## Proposed Funding Modality

In proposing alternate funding modality, following facts need to be considered.

- i. there is a severe resource constraint on the part of the government, and hence it will not be able to bear the total cost of quality school education even if many might well argue that school education should be the responsibility of the government.
- ii. there is a growing interest on the part of the donors, and also the need for greater foreign assistance to support school education
- iii. decentralization process calls for greater devolvement in the management of schools and education planning to local communities and local government agencies.
- iv. there is a need for cost sharing from all the stakeholders as no one single stakeholder can and should bear the cost of school education. Major stakeholders are central government, local government agencies, and parents. The other partners are donors. Other partners could well be NGOs and private sector. There are instances of partnerships between private and public schools in ensuring quality education.
- v. the institutional strength of local government agencies is very much limited, and there is also a great variation in their institutional capability amongst DDCs and VDCs. All of them could not be given general umbrella treatment while giving authority to the local government units. If better organized units can be given authority immediately, others should get it gradually and in a phased manner with support for institutional capacity building. Such preparedness might even include the development and introduction of accounting and auditing system for the local government units, which is in the process by the Local Bodies Financial Commission.
- vi. the need of the poorer section of the people needs to be addressed even in the schools of better-off areas. So schools need to be classified not on the basis of geographical area but on the basis of their economic status and their preparedness for resource mobilization on their own.
- vii. schools need to be encouraged for their own resource mobilization and they are to be allowed to determine their fee structure including the provision for dual fee structure – one at the subsidized level and other at the higher level covering even full cost.

With these considerations, funding to the schools need to be done on the basis of their need and preparedness for resource mobilization on their own. In so doing, both equity and efficiency considerations will be addressed. Accordingly, three types of funding are proposed:

- I. Block Grant - to those schools which are not prepared at all for resource mobilization on their own, and such schools need to be supported for reasons of meeting the education need of the poorer regions and sections of the people. Such block grant will be a minimum required for running the schools. Existing support from the government to the schools in the form of salary support for certain minimum number of teachers and some lumpsum money for administrative purpose can be regarded as this minimum.
- II. Equalization Aid - to those schools, which show preparedness in mobilizing resources on their own and could not mobilize even minimum

resources at the block grant level. So the unmet gap will be provided as equalization aid, and in order to encourage the schools towards resource mobilization, some additional grant will have to be provided to the schools.

- III. Matching Fund - to those schools, which mobilize resources above the block grant level. Matching fund will provide them with opportunities for expending in the quality enhancement measures. Certain maximum limit needs to be fixed in order to keep the government obligation within certain limit.

Broadly speaking, the three types of schools as indicated earlier will be receiving the grants in following manner.

- A. Total Government Funding and Management - They represent the schools for which communities and local government agencies have not shown any interest to manage, and hence the government has to run them on its own.

In this type of schools, they will receive block grants as they used to receive right now, and they will be encouraged to go for different management style. Such schools will be expected to be very much limited in number and gradually phased out by transferring them to the communities and VDCs.

- B. Government Funding and management by School Management Committees and Supervision by Local Government Agencies – Some of the schools can well be run by the local government agencies by themselves through school management committees.

Certain local government agencies can be expected to run some of the schools by themselves with major grant contribution from the central government and some from their own budgetary allocation. This could be particularly true for municipalities and big towns. The schools are to run autonomously by respective school management committees.

- C. Government Funding and management by School Management Committees and support from Local Government Agencies, as per SIPs and DEPs.

These are community run public schools, which will receive central government grants through local government agencies. Sometimes they may well get some support from the local government agencies as well.

District Education Office will provide technical input to the local government agencies and schools in preparing their School Improvement Plan and District Education Plan and 'block grant' through VDC and DDC.

## Comparison between Existing and Proposed Modalities

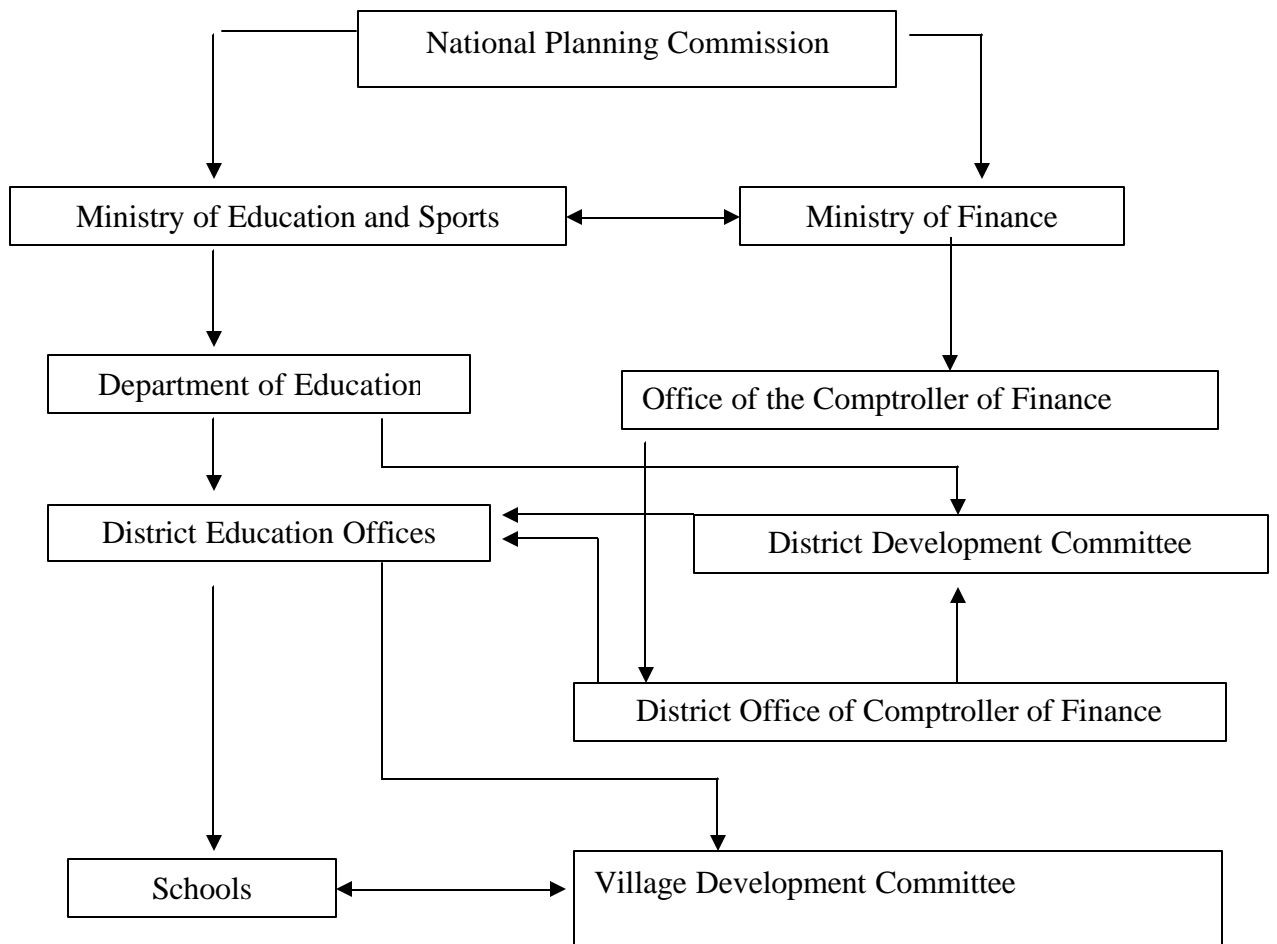
The major difference between existing and proposed modalities is the treatment of the schools. In the existing system, all schools are treated equally, and flat grants are made available to them, though in some cases number of students is taken as the basis. It does not discriminate schools on the basis of their needs and their capability to mobilize resources from other sources particularly from parents and students by providing quality education. The existing system does not encourage any such mobilization as the school management has limited autonomy in spending decisions including the remuneration level of the teachers.

The proposed modality attempts to classify the schools on the basis of their needs and capability to mobilize and spend resources for quality improvement. With three different modalities to support to the schools, they are encouraged to graduate from one status to other on the basis of their strength in resource mobilization from parents and students.

Parents and students are taken as the main stakeholders for sharing the cost of education primarily because of weak institutional strength of local government units. As the institutional strength of these local bodies improve, their share is likely to increase, and it will take some time. Various programs are under way to strengthen these local bodies for improving their administrative, accounting and auditing procedures, their resource mobilization capacity, and of course building up their human resources including the formation of local service commission. The involvement of these bodies in the management of schools by arranging fund flow through these bodies will gradually prepare them for taking up such larger responsibility in days to come.

**Annex I**

**FLOW OF RESOURCES TOP TO BOTTOM**



Annex II

A Framework for School Improvement Plan/Village Education Plan

