

## CHAPTER IX: FINANCIAL ANALYSIS\*

### 1. INTRODUCTION

The SLC examination is a crucial event for students in the series of tests and examinations they undergo in their educational career. Parents make investments in education of their children right from the primary level with the ultimate objective of seeing their children pass the examination in high division. The Government has the responsibility of conducting the examination in a smooth and fair manner and awarding certificates to successful students. This responsibility is vested in the OCE.

At present, the cost of education borne by the parents, the expenses of OCE, and the Government's investment in secondary education are increasing rapidly. Most parents are seen willing to spare no efforts in providing quality education to their children. The expenses of OCE are increasing because of the increasing number of SLC candidates. Also, the Government expenditures on secondary education are increasing in an effort to provide better facilities in school for the delivery of quality education.

This chapter attempts to throw light on the public expenditure levels on school education in general, and on secondary education in particular. Apart from the Government, parents and local communities also contribute substantially to the education of their children. Parents enable educational institutions (Schools) to function by provision of financial resources in the form of fees and charges. Schools themselves also generate funds other than earnings from fees and charges on the students. External funding is also made available for improvement of (Secondary) education system in general. The volume of resources available to the schools for conducting teaching has an important impact on quality of instruction provided to students.

For details on the objectives and methodology, please refer to the report 'Financial Analysis of SLC Examination System'

### 2. ANALYSIS OF GOVERNMENT FINANCING OF SECONDARY EDUCATION

#### 2.1 Education Sector Budget

The Education Sector Budgets for 2060/61 and 2061/62 are presented here with specific reference to Secondary Education and OCE. The HMG budget for fiscal year 2061/62 (2004/05) has allocated Rs. 18,059 millions for the Education Sector out of the total budget of Rs. 111,690 million. Thus the Education Sector has received 16.1% of the total national budget. The share of education sector in the national budget was 14.1% in 2001/02, and 15% in 2003/04. Allocations on various educational sub-sectors and programs for the years 2060/61 and 2061/62 are presented in Tables 1 and 2. Charts 1 and 2 show the distribution of sub-sectoral allocation of Budget 2061/62.

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\* This chapter is based on the report 'Financial Analysis of SLC Examination System' prepared by Mr. Tirtha Bahadur Manandhar for the SLC Study team.

**Table 1. Education Sector Budget 2060/61 and 2061/62**

| Category                           | 2060/61               |       | 2061/62               |       |
|------------------------------------|-----------------------|-------|-----------------------|-------|
|                                    | Amount in million Rs. | %     | Amount in million Rs. | %     |
| 1 Educational Administration       | 821.8                 | 5.3   | 1,080.7               | 6.0   |
| 2 Early Childhood Development      | -                     | -     | 15.0                  | 0.1   |
| 3 Primary Education                | 8,971.9               | 57.5  | 9,903.0               | 54.8  |
| 4 Secondary Education              | 3,103.2               | 19.8  | 4,145.9               | 23.0  |
| 5 Higher Secondary Education       | 50.1                  | 0.3   | 102.0                 | 0.6   |
| 6 Higher Education                 | 1,528.4               | 9.8   | 1,690.9               | 9.4   |
| 7 Non-Formal Education             | 239.6                 | 1.6   | 124.8                 | 0.7   |
| 8 Teacher Training                 | 289.6                 | 1.8   | 402.2                 | 2.2   |
| 9 Curriculum Development           | 15.9                  | 0.1   | 16.7                  | 0.1   |
| 10 OCE                             | 85.6                  | 0.5   | 99.99                 | 0.5   |
| 11 Special Education               | 32.0                  | 0.2   | 32.0                  | 0.2   |
| 12 Technical Ed. and Voc. Training | 230.7                 | 1.5   | 208.9                 | 1.1   |
| 13 Scholarships                    | 103.1                 | 0.7   | 90.0                  | 0.5   |
| 14 Game, Sports, Youth             | 129.1                 | 0.8   | 136.0                 | 0.7   |
| 15 Libraries                       | 11.4                  | 0.1   | 10.9                  | 0.1   |
| Total (Education Sector)           | 15,613.4              | 100.0 | 18,059.0              | 100.0 |

Source: Ministry of Finance: RED Books for 2060/61 and 2061/62

Allocations for Primary and Secondary and OCE, and Higher Education in the budgets of the two years are as follows.

**Table 2. Sub-sectoral Allocations to Primary, Secondary Education and Higher Education**

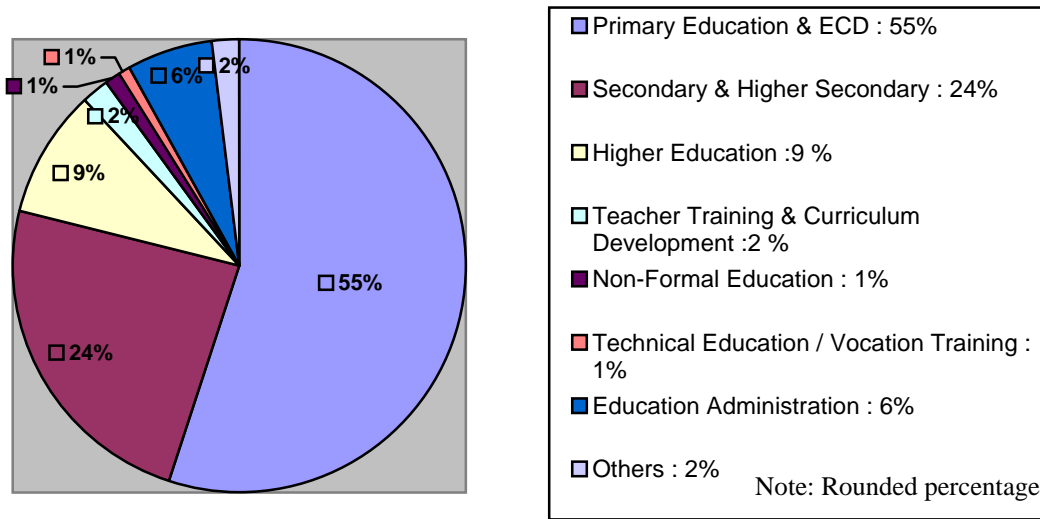
| Sub sectors         | Budget 2060/61        |      | Budget 2061/62        |      |
|---------------------|-----------------------|------|-----------------------|------|
|                     | Amount in million Rs. | %    | Amount in million Rs. | %    |
| Primary Education   | 8,971.9               | 57.5 | 9,903                 | 54.8 |
| Secondary Education | 3,103.2               | 19.8 | 4,146                 | 23.0 |
| OCE                 | 85.6                  | 0.5  | 99.9                  | 0.5  |
| Higher Education    | 1,528.4               | 9.8  | 1,690.9               | 9.4  |

Primary Education is obviously the major component of Education Sector Budget, which accounts for over 50% of the annual Education Sector Budget. The amount and proportion of allocation for secondary education in 2061/62 Budget is higher than that in the 2060/61 Budget. This increase is attributed mainly due to expenditure allocation for the SESP program. The allocation for Secondary Education (excepting OCE) is Rs. 4,146 million in 2061/62 Budget. About 70% of this

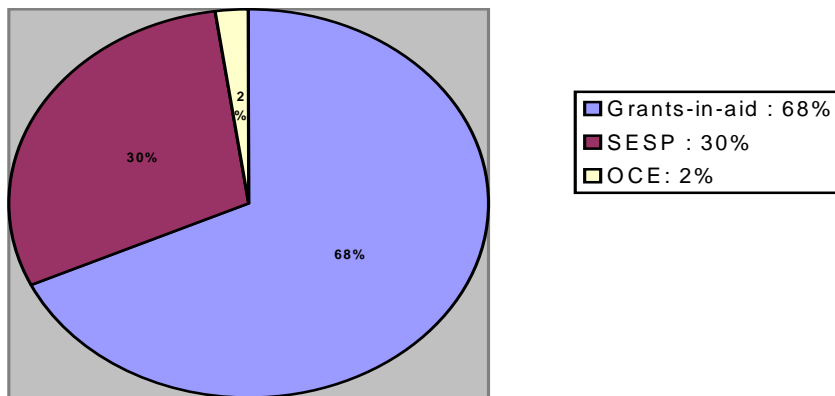
amount constitutes of grants-in-aid to public schools. Most of this money is meant to meet the salary of teachers and other staff members with very little left for expenditure on inputs related to quality enhancement (Chart 2). The proportion of secondary education budget for grants-in-aid was 97.4% in 2059/60, and 94.7% in 2060/61. Grants in aid are used mainly for paying teachers' salary.

The allocation for OCE in the budget of both years is quite small (0.5% of the Education Sector Budget). Governmental allocation is less (in amount) even than the fees collected from SLC candidates in any one year as will be explained later. The allocation for OCE in the Budget for 2061/62 is about Rs.100 million (Table 1).

**Figure 1. Distribution of Sub-Sectoral Allocations of the Education Budget, 2061/62**



**Figure 2. Distribution of Secondary Education Budget, 2061/62**



## 2.2 Secondary Education Budget

The categories of expenditure included in secondary education expenditure in the budget documents are Grant-in-aid to the lower secondary and secondary schools, expenditure on program of the SESP, expenditure for OCE, expenditure for SEDEC including SEDUs, and grants to Budhanilkantha school. There are other categories of Government expenditures related to secondary education. These are scholarships for secondary level girl students, pensions to retired secondary school teachers of public schools, training programs for secondary school teachers, and subsidies on prescribed text books. These are not included in allocation for secondary education subsection as presented here. The budget allocations for the Education Sector and Secondary Education Sub-Sector in recent years are shown in Table 3 below:

**Table 3. Budget Allocation on Secondary Education Fiscal Years 2056/57 – 2061/62**

| Year    | Education Sector | Rs. in Millions                |   |
|---------|------------------|--------------------------------|---|
|         |                  | Secondary Education Sub-Sector | % of Allocation for Secondary Education |
| 2056/57 | 8,704            | 2,009                          | 23.1                                    |
| 2057/58 | 11,749           | 2,334                          | 19.8                                    |
| 2058/59 | 14,072           | 2,971                          | 21.1                                    |
| 2059/60 | 14,402           | 3,017                          | 20.9                                    |
| 2060/61 | 15,613           | 3,103                          | 19.9                                    |
| 2061/62 | 18,059           | 4,146                          | 23.0                                    |

Source: 1. MoES, Education in Nepal 2003

2. MoF, RED Books, 2060/61 and 2061/62

Note: Actual education expenditures slightly vary from above budgetary allocation

The absolute amount of budget allocation for education has nearly doubled over the period 2056/57 to 2061/62. The allocation on the secondary education sub-sector has also doubled over the same period. Current budget (2061/62) has allocated Rs. 18,059 million for the Education Sector. The secondary Education Sub-Sector has got an allocation of Rs. 4,146 million. The launching of the Secondary Education Support Program (SESP) has contributed to raising the proportional allocation to the sub-sector. About 30% of the budgetary allocation on secondary

education in 2061/62 is accounted for by SESP. Presently, the proportion of the Education Budget for Secondary Education Sub-Sector is 23%. If we add allocation for OCE, the proportion comes to 23.5%.

The allocation for Secondary Education Development Center (SEDEC) was shown under the Secondary Education Sub-Sector under budget heads of 2060/61. In the budget of 2061/62, there is no specific allocation for SEDEC. It is understood that the allocation for NCED has incorporated the finances for SEDEC, as well as the SEDUs (under SEDEC).

## 2.3 Policy on Financing of Secondary Education and Current Policy

### a. Policy on Financing of Secondary Education

The Government policy on financing of secondary education until the early 1990s was based on the system envisaged in the National Education System Plan, 1971 which provided for sharing of salary expenditure of the teachers between the Government and the schools. The Government met 75% of the salaries of teachers in lower secondary schools, and 50% of the salaries of teachers in secondary schools (for approved teacher posts). In the early 1990s, the Government introduced the policy of free secondary education prevailed throughout the nineties.

The Report of the National Education Commission, 1992 recommended that secondary schools should be allowed to levy charges other than tuition fees, as they have to meet expenses of improving physical facilities and procurement of educational materials (for quality enhancement).

The policy of free secondary education restricted public schools from charging tuition fees. It made it obligatory on the Government to meet 100% of the salary expenses of teachers. Public schools faced serious resource shortages, especially for making improvements in the teaching / learning situation. At the same time, the financial burden on Government went up significantly.

Several studies were conducted in the late 1990s' to seek ways of improving the financial situation of schools. The cost sharing principle was suggested by these studies. One of them was done by METCON for SEDP. The study –Cost Sharing Option for Quality Secondary Education, 1999– suggested various modalities (like allowing schools to collect a stipulated

amount from student per annum; making schools responsible for providing salary for additional teachers, providing matching grants based on local contributions, providing additional grants for quality related expenses).

In 2058, the Government made a major change in the Education Act, 2028 allowing public schools to collect fees at Grades 9 to 10 from the students. The Education Regulations, 2059 permitted public schools to charge the following types of fees with the approval of the Ministry of Education (at rates to be determined by School Management Committee).

#### Type of Fees

- Tuition Fee (Monthly)
- Admission Fee
- Examination Fee
- Computer Instruction Fee
- Library Fee
- Laboratory Fee
- Poor Students Support Fee
- Transport Fee
- Repair/Maintenance Fee
- Educational Excursion Fee
- Sports fee
- Transportation fee
- Lodging/food fee

The system of submitting proposals relating to fee rates by public schools to the Ministry for approval on rates of school fees seems to be highly centralized. The school management committees have been given powers to set fee rates within the rates approved by the Ministry of Education.

#### **b. Current Policy**

The present policy is based on the following premises:

- Permitting public schools to charge fees as provided in the Education Regulations
- Adopting cost-sharing and cost recovery strategies in secondary education
- Promoting the concept of “community schools” owned and managed by communities
- Promoting the practice of developing school improvement plans (for implementing which the Government will provide financial assistance based on cost sharing)
- Continuing to provide salary support for schools which still run as Government aided schools
- Providing scholarships for girls, and children of marginalized and poor groups.

### **2.4 Rates of Fees in Private Schools**

Public schools have been permitted to charge tuition fees and other fees as decided by the respective school management committees and in consultation with the concerned DEO

Offices. They are expected to charge fees within the reach of the common people of the country.

As regards the private schools (intuition schools), the Report on Fees and Scholarships in the Institutional Schools (in Nepali), prepared by the working team of the DOE in 2061, has

**Table 4. Recommended Rates of Fees in Institutional (Private) Schools (Tuition Fees)**

| Level           | in Rs.      |   |  |
|-----------------|-------------|---|--|
|                 | Rural Areas | Urban Areas & Headquarters of Districts | Metropolitan Areas, Sub-Municipalities and Dense Areas |
| Primary         | 300         | 450                                     | 500  |
| Lower Secondary | 400         | 550                                     | 600  |
| Secondary       | 500         | 650                                     | 700  |

Source: DOE, Report on Fees and Scholarships in Institutional schools, 2061 (in Nepali), page 45 .

recommended the following maximum tuition fee rates chargeable by the private schools (Table 4).

Private schools can charge various other fees (computer instruction, examination, special training, lodging, boarding, etc.) with approval of District Institutional Schools Fee Management and Monitoring Committee.

The fees recommended in the above-mentioned report are much lower than what the private schools have been charging now. Application of these fees would reduce the cost burden on families with children studying in private schools. The concerned schools are obliged to follow the recommended fee schedule since their representatives have been a party to the agreed fee norms and rates. This will provide relief to the parents who send their children to private schools in so far as tuition fees are concerned. Yet these schools have a leeway to impose several other fees, which are to be monitored by the District Institutional Schools Fee Management and Monitoring Committee as stated above.

## 2.5 External Assistance for Secondary Education and SESP Components

### a. External Assistance for Secondary Education

The METCON study: Final Report on Secondary Education Development Project Evaluation (November 2000) shows that a sum of Rs. 523.3 million was spent during 2049/50 -2056/57 (1992/93 - 1999/00) under the Secondary Education Development Project. Of this amount, 76% was financed by Asian Development Bank Loan and the rest (24%) by the Government (mainly for salary and allowance of project staff) (Tables 4.2.2 and 4.4 of the Report).

Also during the period 1994-2000, DFID of UK provided assistance for undertaking various Technical Assistance (TA) activities related to secondary education. DFID provided 3.8 million Sterling Pounds for TA activities. (METCON: SEDP Evaluation November 2000).

One organization (out of several) receiving assistance from SEDP was the Office of Controller of Examination. OCE received assistance valued at Rs. 30.38 million for various activities (constructions, furniture, vehicle, examination reforms, and career development) over the project period (METCON: SEDP Evaluation, November 2000, Table 4.3.1).

The latest program of external assistance for secondary education is the Secondary Education Support Program (2003-2007). A total amount of \$74.83 million has been proposed to be spent under SESP. Of the total amount, 40% be grants from DANIDA, 40% loan from ADB, and 20% will be met by Government.

## 2.6 Cost implications of Secondary Education Support Program (SESP): 2003-2007

SESP, implemented from 2003, is expected to impact on the costs of education to the Government, the parents, and schools extensively. SESP has four components of Programs: (i) Learning Environment; (ii) Curriculum and Assessment; (iii) Teacher Education; (iv) Institutional Management and Capacity Building.

The impact of SESP on Government finances, costs to parents, and costs to schools is expected to be as follows:

**Government:** As mentioned earlier, 20% of SESP financing will be borne by the Government. This amounts to \$ 14.96 millions over the 2003-2007 period.

The SESP aims at providing an expanded program of scholarships for girls, students from disadvantaged groups, minorities, and students with special learning needs (studying at secondary level). It is understood that such scholarship provision will have to be continued after the SESP period.

The SESP aims at establishing 2000 Resource Centers, exclusively catering to secondary schools. Resource Centre mechanism for secondary education improvement is a new concept. Government obligations in this context will include construction of Resource Center physical facilities, appointment of resource persons, and support for operations. SESP also aims at establishing 15 new Secondary Education Development Units (SEDUs). The recurring costs of operating them will have to be borne by the Government after the SESP period. Female teacher hostels will be constructed in 10 PID districts, and 10 feeder hostels will be converted into female teacher hostels.

**Parents:** SESP has several Programs related to enhancement of equity and access. It will provide scholarships (to be used for dress, books, and fee payment) for students from disadvantaged groups. The total number of such scholarships is 5,000 for 10 Program Intensive Districts (PID) and 31,100 for rest of the districts (during the SESP period). Obviously, the parents of children receiving these scholarships would have their schooling cost burdens reduced considerably (with respect to fee payment, books, and dress).

Further, parents as well as students would be benefited immensely by several of the SESP with potentials for impacting on the quality of teaching such as: rehabilitation of physical facilities of specific schools, curriculum improvement, establishment of Resource Centers, teacher training, improvement of school management, and operation of an effective school inspection system.

**Schools:** SESP expects schools to prepare their own respective school improvement plans (SIPs), starting the schools in the PID districts. Schools are expected to improve their management system benefit from the Resource Centre System and training programs. The thrust of SESP policy is on promoting community management of public schools. A change in proportionate allocation of school budget on salary, and non-salary components is expected to occur. The inspection system is expected to bring about improvement in the teaching standards of schools.

**Examination:** With regard to examination system, SESP aims at:

- Improving Grade 8 Examination, making management of this examination the responsibility of REDs

- Providing training / orientation to paper setters, markers, and quality supervisors
- Building and maintaining a secure printing facility for printing of SLC Examination papers
- Consolidating and extending efforts of OCE in improving the SLC Examination.

SESP Programs are intended to help increase access of children of disadvantaged groups and people in disadvantaged areas to secondary education (mainly by reducing costs for parents). Various quality enhancement measures like building resource centers will be taken up. This will have a long-term cost implication for Government. Schools are expected to improve their management and budgeting practices. Allocations on quality enhancement are expected to be made at the school level.

## 2.7 Unit Cost Analysis: Government Costs in Public and Community Schools

Unit cost analysis tries to measure the annual financial inputs into each sub-sector of education. The analysis presents annual costs per student at a particular level of education. The method used is to work out average public expenditure per student (at a particular level). For this purpose, we need the enrolment data (public schools) and annual allocation of budgetary resources.

Table 5 presents the unit costs of students in public and community schools in recent years:

**Table 5. Unit Costs (Public School/Community School Students)**

| Year    | Total Enrolment Grade 6-10 | Students in Public/Community Schools (Grade6-10) | HMG Budget Allocation on Secondary Education | Unit Costs in Rs. (per student in Public/Community Schools) |
|---------|----------------------------|--|--|---|
|         | (in '000)                  | (in '000)  | (in Rs. '000)                                |   |
| 2057/58 | 1,330                      | 1,192  | 2,334,075                                    | 1,958   |
| 2058/59 | 1,507                      | 1,347  | 2,971,033                                    | 2,206   |
| 2059/60 | 1,617                      | 1,397  | 3,017,096                                    | 2,160   |
| 2060/61 | 1,721                      | 1,482  | 3,103,200                                    | 2,094   |

Source: Enrolment Data : DOE, School Level Education Statistics Reports, 2000, 2001,2002, and 2003  
Budget Data : MOES, Education in Nepal, 2003, and MOF , RED Book , 2060/61

Table 5 shows that the unit costs (of Government resources) on secondary education students (public and community schools) was Rs. 1958 in 2057/58, Rs. 2206 in 2058/59, Rs. 2160 in 2059/60, and Rs. 2094 in 2060/61. The fluctuations in unit cost are due to smaller changes in budgetary allocation relative to change (increase) in student enrolment.

It is understood that the expenditure covers all types of Government expenditures such as salary of teachers, and non-teaching staff members, operational expenses for schools, curriculum and textbook development, assistance for buildings/maintenance, teacher training (secondary level teachers), etc. However, bulk of the costs is tied to teachers' salary and benefits.

### 3. CONTRIBUTION OF PARENTS AND GOVERNMENT IN THE SECONDARY EDUCATION

#### 3.1 Contribution from HMG, Parents, and the country

A World Bank sponsored study “Nepal: Critical Issues in Secondary Education and Options for Reforms (1994)” presented data and information on the relative contributions of the Government, parents, and local community in the financing of secondary education at the national level. The study showed that in 1990-91, the Government’s share (including external aid) was 26% and parents’ share 5% in the total national expenditure on secondary education. According to the study, parents/households contributed immensely to financing secondary education (in the form of tuition fees, examination fees, stationery, textbooks, and educational materials). The study estimated the total school fee (annual) to be Rs. 880 per student in private non-boarding schools and Rs. 45,202 per student in private boarding schools in 1992. The expenses involved in sending a child to a private secondary school was over 5 times that involved in sending a child to a public secondary school.

#### 3.2 Level of household expenditure per student

**Table 6. Average Item-wise Household Expenses per Student for Private and Public School**

| Items                      | ( in Rs.)     |                |
|----------------------------|---------------|----------------|
|                            | Public School | Private school |
| Registration and Admission | 236           | 959            |
| Re-Registration            | 156           | 500            |
| Tuition                    | 366           | 1,285          |
| Uniforms/Dress             | 54            | 1,175          |
| Text/Reference Books       | -             | 800            |
| Study Materials            | 69            | 146            |
| Transport                  | 20            | 701            |
| Charges for Food           | 57            | 927            |
| Laboratory                 | 42            | 273            |
| Library                    | 33            | 141            |
| Sports                     | 46            | 122            |
| Excursion/Study tour       | 510           | 250            |
| For Practical Subject      | 69            | -              |
| Computer                   | 67            | 850            |
| Coaching/Additional Class  | 42            | -              |
| Building Development fund  | 154           | 270            |
| Rehabilitation/Maintenance | 114           | 118            |
| Health Check-up            | 27            | 58             |
| Examination                | 98            | 192            |
| Administrative Support     | 93            | -              |
| Teachers’ Salary Support   | -             | -              |
| Student Welfare Fund       | 14            | 20             |
| Exhibition/Meals           | 30            | -              |
| Others                     | 110           | 190            |
| <b>TOTAL</b>               | <b>2,407</b>  | <b>8,977</b>   |

\* Average for all the grades (Primary, Lower Sec., and Sec.)

Source: Field Survey (1998), METCON, Cost Sharing option for Quality Secondary Education in Nepal (1990)

The METCON study mentioned above showed that a household spent on average Rs. 2,407 per year for a student in public school but about Rs. 9,000 per year in a private school. The household expenditure in private school was 3.7 times higher than in public school. (Table 6)

Note: The Table 6 shows that Registration / Re-registration and Tuition fees accounted for 31.4% of the household expenditure in a public school. The household spends much higher amount (per student) for registration/admission, tuition fees, school dress, computer instruction etc. in a private school compared to that in a public school.

The study on Nepal; Cost Sharing Research in Education, done by Kathmandu Education Foundation (KEF, December 2000) tried to present a broad measurement of households' willingness and ability to pay for educational services and of the relationship between willingness and ability to pay for private costs of schooling and household income,

expenditure priorities, physical access to school, and community attitude. The study found that there was a high level of parental interest in education and a strong concern for quality education.

The study (based on sample survey of 180 households in 4 districts - Rasuwa, Achham, Kailali, and Kapilbastu) found that a household spent about 8% of its total expenditure on education (Public Schooling). On average, a household spends Rs. 704 for a child attending primary schools in a year and Rs. 2,141 for a child attending secondary school in a year. The major items of educational expenditure by households are educational materials (textbooks, exercise books, papers, pencils) and supporting materials (school dress, school bags, shoes, and tiffin money). The proportion of expenditure was as follows: payments to school 17.1%; educational materials 41.5%; other support costs; 39.7%, and private tuition: 1.6% (Table 22 of the Report).

The study presents expenditure levels by various income levels are as follows:

**Table 7. Household Expenditure for Student (Secondary Level)**

| Type of Household             | Per Boy | Per Girl |
|-------------------------------|---------|----------|
| a. All Households             | 2,019   | 2,185    |
| b. Poorest Households         | 1,811   | 1,802    |
| c. Slightly Better Households | 2,624   | 2,824    |

Source: KEF, Nepal: Cost Sharing Research in Education, 2000  
Note: The above data are for three districts Achham, Kailali and Kapilbastu.

The data provided by the Study indicate increased expenditure (per student) coinciding with better economic status of the family.

At this point, a comparison of estimates of household expenditure on schooling made by the METCON Study and KEF Study seems appropriate. The

METCON Study shows fees and other charges paid to the school to be much higher than that reported in KEF study. On the other hand, the KEF study reports a high level of expenses on “Education Materials” and “Support Costs”.

The KEF study states that the poor households have to make different kinds of sacrifices for meeting the educational expenditures; for example, taking excessive work load, disposing assets (livestock, land, ornaments); cutting down on essential expenditures and borrowing. It shows that a large number of poor children in Nepal are denied schooling and that many children can not pay admission fees or spends on books, stationary and school dress.

The KEF study further shows that many poor children cannot go to school because they are needed for engaging in gainful work to ensure family livelihood. In poor households, the economic value of child labor is high. In the case of destitute families, child labor is often the major means of survival, according to the study.

The KEF study, which makes a comparison of Government expenditure per student at the secondary level and household expenditure per student, finds that the average household expenditure for all households (in the sample) exceeds the Government per student expenditure.

### 3.3 Estimate of costs to parents

The study ‘Financial Study of the SLC Examination System’ collected data on school fees from a number of public and private schools in the country. The details of the fees charged by different schools are given in Annex 5 and 6 of this Chapter. Summary data are presented in Annex 1A, 1B and 2A, 2B. Household expenditures on schooling in public and private schools are analyzed here.

### 3.4 Public Schools

Lower Secondary Level: At this level, the average annual household expenditure on the school fees per student is seen to be Rs. 839. Tuition fees account for a major portion of this expenditure. Three schools in the sample do not charge tuition fees. The average annual amount on account of tuition fees is Rs. 381. Only two of the ten schools (in the sample) charged "other fees".

Secondary Level: At this level, the average annual household expenditure on school fees is found to be Rs. 1061. Tuition fees constitute major portion of the expenditure by households. The average annual amount charged is Rs. 503. Only two schools charged "other fees"(see Annex 1A and 1B of this Chapter).

### 3.5 Private Schools (Institutional Schools)

Lower Secondary Level: At this level, the average annual household expenditure per student on school fees is seen to be Rs. 9,378 (average of six schools). Tuition fees account for a major portion of household expenditure; the average amount (for tuition fees) for six schools is Rs. 6436. Expenditure on account of "Other fees" also features prominently, unlike in the case of the public schools.

Secondary Level: At this level, the average annual household expenditure per student on school fees is seen to be Rs. 11,326 (for the six schools). Tuition fees account for a major portion of this expenditure. The average tuition fee (for six schools) is seen to be Rs. 7,742. "Other fees" account for a sizeable proportion of household expenditure as well (see Annex 2A and 2B).

**Table 8. Comparison of Household Expenditure in Public and Private Schools  
Average Total Household Expenditure on School Fees per Year per Student**

| Level                        | (in Rs.)                        |                                  |
|------------------------------|---------------------------------|----------------------------------|
|                              | Public Schools<br>(Ten Schools) | Private Schools<br>(Six Schools) |
| Lower Secondary (Grades 6-8) | 839                             | 9,378                            |
| Secondary (Grades 9-10)      | 1,061                           | 11,326                           |

Source: Fee data collected for the study.

The data show that annual household expenditure per student is eleven times higher in the Private Schools compared to that in the Public Schools, at both lower secondary and secondary levels. The richer people are spending large amounts of money for education of their children in the expectation of a better quality education. The private schools have much a larger volume of financial resources (collected in fees) to fund the school operations.

### 3.6 Other Direct Educational Expenditures than fees

#### a. Cost of Textbooks (Secondary Level)

Textbooks: It is known that Private Schools use several textbooks and supplementary reading materials besides the Government prescribed textbooks. The Public Schools use mainly the Government textbooks. Expenditure on Government textbooks only is noted here.

The total cost of prescribed textbooks (JEMC Publications) on six compulsory subjects (Nepali, Social Studies, English, Mathematics, Health, Population and Environment, and Science) for the 9<sup>th</sup> Grade is Rs. 341, and for the 10<sup>th</sup>, Rs. 270.40. The costs of optional subject books vary from

Rs. 25 to Rs. 60. English Cassettes (for 9<sup>th</sup> and 10<sup>th</sup> Grades separately) cost Rs. 45. In general, a student would spend about Rs. 400 to Rs. 500 on textbooks prescribed at Grades 9 and 10.

#### **b. Cost of Writing Materials and other items of schooling**

Information on expenditure on exercise books, pens, pencils, and other education materials is not available. However, it is understood that parents bear quite a large amount of expenditure for such materials.

The study Nepal: Cost Sharing Research in Education (KEF, 2000), has estimated household expenditure on a child attending secondary education to be between Rs. 2,019 to Rs. 2,185 per year.

The study has further estimated that about 17% of the household education costs consist of payment to schools (in the form of fees). According to the study, spending on "Educational Materials" (textbooks, exercise books, papers, pens/pencils) accounts for about 41% of the expenditure/costs; and about 40% of expenditure is accounted for by 'Other Supporting Costs' (school dress, school bag, foot wear, and tiffin money). Private tuition accounts for about 2% of the expenditure. The findings of the study indicate that there are significant costs involved in the provision of 'Educational Materials' and 'Other Supporting Items'. The KEF Study indicates also that school dress, and other school materials could be quite expensive items for the parents.

#### **c. Cost of Appearing in SLC Examination**

Compared to the cost of attending the school for secondary education, the actual costs of appearing in the SLC examination are modest: Registration Fee of Rs. 100 at Grade 9, and Application Fee of Rs. 200 at Grade 10. For students who leave their homes to appear in the SLC examination in Centers situated in towns, there is additional cost of lodging and boarding for about two weeks, depending on the standard of accommodation and food chosen by the students.

The KEF study Nepal: Cost Sharing Research in Education (KEF, 2000) has estimated that the sample households (in the sample districts) spent 4.3% of the total household income on primary education, and further 2.8% on secondary education as stated earlier.

### **3.7 Present Government schemes to reduce the Cost to parents (Secondary Level Education)**

There are a number of scholarships for girl students studying at the secondary level. These are:

- Local School Girls Scholarship : This scholarship is awarded to about 150,000 girl students annually (at rate of Rs. 600, 1000, 800, 900, and 1000 per year for Grade 6,7,8,9,10 students respectively)
- Upgrading scholarships for girl students staying in the 18 Feeder Hostels: Girl students residing in hostels get free lodging as well as Rs. 1,800 to Rs. 1,050 per month as stipend. In all, 360 students benefit from this scheme. Some of these hostels are now being converted into lodging for the female teachers.
- Under BPEP II, the Government provided scholarship (of Rs. 1,200 per year) for selected girl students in 25 districts.

- Cash award (one time) of Rs 1,000 was given to ten girl students who topped Grade 5 examination in each of the 75 districts.
- The SESP document envisages providing scholarship to secondary students belonging to disadvantaged groups (3,000 scholarships in 10 Program Intensive districts, and 31,100 scholarships in 65 districts over the period 2003-2007). The scholarships are to be provided mainly in the form of support for dress, books, and school fees.
- The Government has a large scholarship program addressed to the Dalits (boys and girls). Part of the provision is used for secondary level students.

## 4. COST TO SCHOOLS

### 4.1 Per School Recurrent Expenditure

Schools play a crucial role in determining the examination success of students as well as their long-term life chances. Schools implement the curriculum prescribed for different levels of education and encourage them to study and prepare them for examination by regularly conducting internal assessments. Schools use material inputs and both capital and human resources for the delivery of their services to the students.

The Study on Cost Sharing Option for Quality Secondary Education in Nepal (METCON, 1999) collected data on the income and expenditure of 76 sample secondary schools (26 Rural, 25 Urban, 25 Remote Area schools) with about two-thirds of the enrolment in 8-10 Grades. The expenditure data presented in the report are used here to present an estimate of the "Costs to the schools", costs here interpreted as the expenditure made by the school for providing secondary education.

The report shows that the average recurrent expenditure per school of the 76 sample schools (average of two years 1995/96 and 1996/97) was Rs. 1.23 million. They were large regional and sub-regional variations on the average recurrent expenditure. The average recurrent expenditure per school by Rural, Urban, and Remote locations were (Table 9):

|         |                 |
|---------|-----------------|
| Rural:  | Rs 1.06 million |
| Urban:  | Rs 1.9 million  |
| Remote: | Rs 0.73 million |

**Table 9. Recurrent Expenditure per School (1995/96 and 1996/97)**

|          | In Rs 1000s       |                    |                |                  |                    |                              |                | Total |
|----------|-------------------|--------------------|----------------|------------------|--------------------|------------------------------|----------------|-------|
|          | Salary from govt. | Salary from others | Provident Fund | Adminis- tration | Teaching Materials | Extra- Curricular Activities | Others Purpose |       |
| Rural    | 666               | 109                | 79             | 16               | 50                 | 9                            | 136            | 1,065 |
| Urban    | 826               | 403                | 114            | 34               | 91                 | 20                           | 418            | 1,906 |
| Remote   | 525               | 58                 | 57             | 13               | 31                 | 4                            | 50             | 738   |
| National | 672               | 190                | 83             | 21               | 57                 | 11                           | 201            | 1,236 |
| Average  |                   |                    |                |                  |                    |                              |                |       |
| %        | 54.4              | 15.4               | 6.7            | 1.7              | 4.6                | 0.9                          | 16.3           | 100.0 |

Source: Based on Table 3.12 of the Study on Cost Sharing Option for Quality Secondary Education in Nepal, METCON, 1999

The study also gives estimates of per student expenditure which are: Grades 1-10: Rs. 1,702 and Grades 6 to 10: Rs. 1,543.

This study observed that per student annual expenditure was Rs 3,096 for the “Best Schools”

**Table 10. Per Student Expenditure in 'Best and Worst' Schools**

| School Type       |                       |                     | (in Rs.) |
|-------------------|-----------------------|---------------------|----------|
|                   | Recurrent Expenditure | Capital Expenditure | Total    |
| Best Schools (7)  | 2,479                 | 617                 | 3,096    |
| Worst Schools (6) | 1,572                 | 195                 | 1,707    |

(SLC pass rate of 60% or above), and Rs 1,707 for the “Worst Schools” (SLC pass rate of 10% or less). School expenditure including capital expenditure per student in the schools is shown in the table below. Parents' share in the

expenditure per student was 26% for the "Best Schools" compared to 18% for the "Worst Schools". "Best Schools" depend less on Government for school expenditure than the worst ones (41.5% of expenditure for ones best schools compared to 78.1% for the worst ones).

## 4.2 SLC Examination related expenditure by schools

Schools devote considerable staff time and office resources for SLC examination-related works. The types of costs borne are:

- Processing of forms and papers relating to students appearing in send-up test and final SLC examination.
- Conducting preparatory classes for students (who need or seek additional help in studies).
- Costs involved in contacting the District Education Office, OCE, and other schools (for joint sent-up examination).
- Loss of teachers' teaching time while dealing with paper work and disturbance in teaching in schools (over the examination period) where SLC examinations are in operation and performing contacts relating to SLC examination.

Monetary estimates of the activities in the course of carrying out SLC examination work are not available.

## 5. OPPORTUNITY COSTS OF EDUCATION

It is generally observed that many of the poor families send their children to work to supplement household incomes. The motivation of parents in sending the children to work could be to diversify family income sources, or to meet the immediate expenditure needs of the family.

It is argued that if parents send their children to school instead of sending them to work, they incur income loss, described as opportunity costs of the children's schooling. For the poor income groups, such lost earnings could be of critical nature. The low participation of children from disadvantaged communities in education is attributed to this need of income (in cash or kind) from the engagement of children in work (in or outside homes), among other factors.

The Study Nepal: Cost Sharing Research in Education (KEF, 2000) emphasized the high opportunity costs of schooling as an important obstacle on the demand side (demand for education). The study notes that for poor families, opportunity costs are often as significant as

the direct costs (of schooling), since the children are used in household work or in family's income generation activities. At peak agriculture seasons, children are used as full time labor. High opportunity costs also lead many parents to withdraw children from schools. Schooling thus means, for poor families, an immediate loss of a helping hand or a source of income. At the same time, schooling also requires increasing expenditure to be met by the family.

There is an extensive involvement of children in work, mainly in household work, including farm-related works. The Census of 2001 shows the age-specific economic participation rate of 10-14 years population to be 28.8%. The census further shows the age-specific participation rate of 15-19 years population to be 48.9%.

There are various estimates of the opportunity costs of secondary schooling for a child. An estimate based on the data of Nepal Living Standards Survey, 1995/96, shows the opportunity cost of a 10-14 years child when attending secondary school to be Rs 44 per day. Some details of the estimate are given in Appendix 8A. Based on this estimate and, considering school opening days to be 220 days in a year and also applying the unemployment rate of 8% (of the labor force), the annual opportunities cost would amount to Rs. 8,906.

The issue of opportunity costs is particularly relevant with reference to secondary education. Changing of timing of schools and providing some financial support (scholarships) for the highly disadvantaged students have been suggested as measures to reduce opportunity costs. Doing well in education at the secondary level requires regular school attendance as well as regular home study. This will come in conflict with full time wage earning works. Some sacrifice (of earnings from child's labor) is therefore inevitable on the part of the parents. Highly motivated students can engage in full time school by doing some part-time work (where available).

The extensive use of child labor, especially in the rural areas, makes it necessary to devise schemes to reduce such costs for the parents. However, it is not financially feasible for the Government to compensate for all the opportunity costs. The Government can only provide incentive to encourage parents to send their children to schools. Already there are several schemes to provide scholarship for the secondary level students (mainly girls). Further, it is argued that opportunity costs would be substantially low because there is widespread unemployment and underemployment in the rural and urban areas of the country. Such situation would suggest lower levels of opportunity costs (of child's schooling) than reported in various studies.

## **6. GIST OF UNIT COST ESTIMATES AND THE COST OF EXAMINATION FAILURE**

### **6.1 Gist of Unit Cost Estimates**

A gist of unit cost estimates prepared by different studies as well as the present study (under the S.L.C study) is given in Annex 4 of this chapter IX. The main highlights are as follows.

- The unit cost of Government expenditure on public secondary schools was Rs. 2,160 in 2002, and 2,094 in 2003.
- The cost to parents (fees only) under the present study is Rs. 839 at the lower secondary level and Rs. 1,061 at secondary level (in public schools).

- When other costs besides school fees are considered, we have household expenditure per student. This is found to be about Rs. 2,000 (Rs. 2,019 for boys and Rs. 2,185 for girls) according to the KEF Study, for secondary level (public schooling).
- The household expenditure per student is found to be Rs. 2407 in public schools (having primary and secondary levels) in mid-1990 according to METCON study. About Rs. 1400 (58%) of this amount is paid to schools in the form of various fees (this is higher than that reported in KEF Study).
- Data collected for this study show that the total fees charged in private schools are eleven times higher than those in public Schools.
- The following generalizations are made based on the various estimates of per student expenditure (Public Schools):
- The total expenditure by a family is the sum of expenditure, textbook costs, plus several discretionary expenditures (educational materials pen, pencils, stationery, school dress, tiffin, bags, etc)
- Parents would bear the following costs (public schooling):
  - School fees, Cost per year per student (average): Rs. 1000-1400
  - Textbooks Cost per year (secondary level average): Rs. 400 - 500.
  - Other expenditures (discretionary) per student (average): Rs. 1000 and up
  - Examination Cost: Registration and Application costs: Rs. 300
  - Cost of staying away from homes for appearing in the examination: depending on standards of lodging and fooding.
- Theoretically, the total social cost of education (per student) will be the total of
  - Government cost per unit
  - Parental expenditure per student
  - School expenditure per student and
  - Opportunity costs.

Of these, we have information only on Government cost per unit and parental (household) expenditure (fees) only.

Similarly, at present, we have a very rough idea of the opportunity costs involved in a child's secondary education. As stated earlier, about 29 % of the 10-14 year children are found to be economically active (Census of 2061). Opportunity cost will be relevant for this group of population. In rural areas, children are found to be contributing to farming and related activities. However, there is widespread unemployment and underemployment in the rural areas. Thus, working out opportunity costs is difficult. Yet, it must be accepted that the survival needs of very poor families may require engagement of children in income earning works (in family settings or outside of home).

## 6.2 The Costs of Examination Failure

The number of students who fail in the SLC Examination every year is staggering. In the SLC examination of 2060, a total of 225,609 students (regular and exempted) sat in the examination out of whom 97,400 got through. Altogether 158,209 students (61.69 %) failed.

Those who have failed have been debarred from entering higher education and various types of training open to the SLC pass students. Further, they are regarded as not eligible to compete for various jobs requiring a minimum of SLC qualification. There are various social and psychological costs of the examination failures.

However, the SLC failed persons have not lost everything in life. The experience of having gone through secondary education has benefited them in the following ways:

- They have gained a higher level of literacy, awareness, and ability to communicate in writing and speech.
- They have been exposed to the knowledge of various important life skill areas.
- They are still allowed to enter various types of basic type training.

Yet, the monetary costs of failure in SLC examination are huge. Considering only the costs of the Government and households, we have the following set of costs (based on estimates of various studies). Please note that the figures are rounded.

|   |   |
|---|---|
| Government Expenditure (per unit costs) | Rs. 2,100 per year                                    |
| Household Expenditure (per unit costs)  | Rs. 2,000 per year                                    |
| School Expenditure per student          | Rs. 1,600 per year (55% covered by Government grants) |

(based on METCON and KEF Studies and present study)

The expenditure over a period of five years would be about Rs. 25,000 considering Government and household and school costs. These costs should be regarded as minimum. Parents also bear the cost of uniforms, educational materials, transport, tiffin, stationery and private tuition. For about 29% of the 10-14 year old children, there would be an opportunity cost of about Rs. 9,000 in a year.

More damaging than the monetary costs of failure are the psychological ones. The students who fail, take a long period of time to reconcile themselves to the idea that they have not been able to pass the examination (SLC) which their fellow students have done. They ultimately accept the reality and seek alternative ways of progressing in life.

## 6.3 Issues in Costs to the Parents

The total costs (annual) borne by the parents for their children's education in Public Secondary Schools are about Rs. 800 at Lower Secondary and about Rs. 1000 at Secondary Level, based on the sample used in the study. These fees are modest considering the market prices of several goods and services essential for living. Some Public Secondary Schools in Kathmandu do not charge tuition fees at all.

Despite the high fees charged in Private (institutional) Schools, most parents of all income levels in the urban areas are attracted towards the Private Schools because of the perceived better quality of education in these schools.

Public Schools, which are the main providers of schooling for the poor/disadvantaged groups and for rural population, have to improve their quality. Parents are motivated as much by quality as by the low costs of schooling.

## **7. OCE AS AN INDEPENDENT AND FINANCIALLY SELF SUFFICIENT ORGANIZATION**

### **7.1 Introduction**

An independent or autonomous organization means an organization that has the freedom to plan its own schedule for work and development and to take the steps necessary to realize its own freely decided aims and objectives. In the context of Nepal, an autonomous testing organization should have the power to develop and implement policies for improving school level examinations and assessment systems, as also to fulfill the basic responsibility of conducting S.L.C. examinations smoothly and fairly. Besides, an autonomous organization is expected to make the best use of resources provided by the Government (physical facilities, equipment, and personnel). Further, the organization is expected to be financially self-sufficient. This means that the organization would be able to have full access to the resources generated by the OCE (in the form of registration and application fees and other fees), and the organization would be allowed to explore other sources of income.

OCE is working under several constraints to fulfill its main responsibility of conducting the SLC Examination and publishing the results. For about six months in a year, the OCE staff are busy in SLC Examination work. During other months, too it has to perform a number of other works related to correcting names, distributing mark sheets, certificate verification, etc.

OCE has several accomplishments to its credit: managing the conducting of examinations for over 300,000 students, holding two examinations in a year, arranging for the marking of papers in a large number of centers, publishing results in a record time of 2 months, getting cooperation of REDs, DEO offices, central level organizations, and bringing publishing the SLC results. Further, it has been able to mobilize a large number of subject experts and teachers for question setting and marking functions.

Despite these achievements, it faces several problems related to management and finance. The computer facilities in the OCE and computer manpower are not adequate. The OCE is stated to be unable to distribute original certificates due to the lack of funds. The staff and available resources are not being efficiently utilized. The OCE is, moreover, occupied with a number of works related to past records, mark-sheets, and verification.

The need of an efficient organization to manage the SLC Examination and other related functions has been keenly felt. The rationale of developing OCE as an independent organization rests on the following premises:

- There will be greater efficiency in operation and staff work.

- The OCE will provide professional guidance to school level assessments for all levels of school education.
- SLC Examination will be conducted more efficiently. The quality of examinations will improve.
- The present financial shortage in undertaking research, training works, modernization of computer systems, and distribution of certificates will be resolved.
- The staff will have expertise in tests and measurements.
- More attention will be given to quality aspects in work operations.
- The assessment and evaluation-related work of the OCE will contribute to raising the quality of education in the schools.

## 7.2 Expected role of the independent OCE

- It will provide professional leadership in school level assessment and evaluation.
- It will continue fulfilling all works currently done by OCE (SLC Examination and other functions).
- It will follow the principles of decentralization scheme of the Government; and the functions of present OCE will be decentralized to REDs and DEOs in stages.
- The restructured OCE will make increased efforts to mobilize the cooperation of REDs, DEOs, and schools in effectively conducting SLC examinations. These institutions will need to be provided to adequate financial resources (from OCE's earnings from the examination fees).
- OCE will prepare and publish its annual work Program and budget.
- Research and training works will receive priority in OCE.
- A question bank will be set up and expanded.

## 7.3 Model of independent OCE

There are three organizations that can be considered as references: Nepal Administrative Staff College (NASC), Higher Secondary Education Board (HSEB), and Council for Technical Education and Vocational Training (CTEVT). NASC was established under the NASC Act, 1982; HSEB was established under the HSEB Act, 1989, and CTEVT was established under the CTEVT Act, 1988.

The main features of these organizations are:

- They have an autonomous status. They can develop and implement their own policies keeping in view the national development priorities.
- They receive annual grants from the Government, not tied to staff salaries and allowances.
- They have their own staff and personnel regulations.

- They generate incomes (mainly from fees). NASC earns also by doing consultancy works.
- NASC works under the policy guidance of a Governing Board (headed by Minister, Ministry of General Administration). There is also an Executive Committee. HSEB functions under the policy guidance of HSE Board (headed by Minister, MOES). CTEVT Council (headed by Minister, MOES) provides policy guidance to CTEVT.

## 7.4 Financial Implication of an independent OCE

**Government Funding:** It can expect to have only a small annual grant from Government. It will have to meet all salary expenses and expenditures related to conducting SLC examination from its own resources.

**Finance Statement:** IT will be required to prepare and make public its income (by sources) and expenditure (by categories) for each fiscal year.

**Annual Plan and Budget:** It will have to prepare its annual plan and budget, giving details of operations to be conducted (including SLC Examination), and budget estimates (sources of income and categories of expenditure).

**Fee Collection:** It will introduce a new financial management system to ensure that all the fees (related to SLC Examination) collected in the schools and DEO/RED offices are duly deposited in its account, properly maintained, and audited annually.

**Resource Generation:** It will review its sources of income, change fee rates as appropriate, introduce charges on services provided, and extend the various types of services (related to assessment) to the educational institutions.

**Fiscal Decentralization:** It will discuss with the Department of Education, Regional Education Directorates, District Education Offices, and other related institutions (schools) regarding the level of funding support needed by RED, DEO, and schools for performing works related to SLC examination.

Further, based on the amount and nature of work burden on REDs' and DEO resulting from decentralization of SLC-related tasks, OCE will provide materials and equipment support to REDs and DEOs.

## 7.5 Financial Implications for the Government

The Government will hand over the premises of the present OCE and all the equipment and materials to the restructured OCE. The physical facilities and equipments will be valued in monetary terms before the handover. The upkeep and maintenance of the facilities and equipment will be the responsibility of the new management.

The Government will provide a small annual grant to the OCE, particularly for improvements in examination system. No salary-related grants will be made.

The Government will enforce the requirement of annual auditing of the OCE finances through a registered firm/ Auditor General Office.

## 7.6 Risks

It is likely that the OCE, once it becomes autonomous, will be inclined to raise its fees (registration, application for examination), and also to introduce other charges **fritz** services. A regulatory mechanism to keep the fees within reasonable limits will be necessary.

Further, extensive preparatory work (detailed feasibility study, discussion on proposal of change, change process, linking with decentralization process, and financial management) has to be done before the actual change over.

## 7.7 Financial Feasibility of independent OCE

### Present income and expenditure

At present, OCE is earning more than its expenditure in a year. In 2060/61, its income was estimated to be Rs. 115.8 million compared to its estimated expenditure of Rs. 91.9 million, indicating a surplus of income over expenditure. The 'surpluses' are accumulated in the total revenue of the Government (for present status of income and expenditure of OCE, see Annex 3).

### Additional work

An independent OCE is expected to do the following works besides accomplishing the conducting of annual SLC examinations.

- Distribution of original certificates
- Setting up of a question bank
- Research works
- Training for central, regional, and district-level personnel
- Maintenance of OCE physical facilities
- Upgrading of the computer equipment and facilities.

OCE will have to meet increased expenditure on account of the following as well:

- Higher rates of remuneration for the examiners
- A higher level of funding for the REDs, DEOs, and examination centers
- A higher level of expenditures to cope with increased number of students taking the SLC examination (average increase of 11% per year in the number of candidates in 2057 and 2060 B.S.).

### Expenditure Needs

Considering the above prospective increases in expenditures, it seems plausible to project 25% increase in OCE expenditure for 2062/63 over the level of 2061/62. This increase is consistent with the increase in budgetary allocation for OCE – 35% increase in 2060/61 and 16% in 2061/62 (an average of 20% for the years).

## Resource Generation

As stated in the section on OCE finances, two kinds of fees – the registration fee, and application fee-account for over 95% of the OCE income. A 25% increase in the rates of these fees will bring in nearly the same extent of increase in OCE income.

## Potential Sources of Income

### 1. Major sources

- a. Board Affiliation Fee
- b. All the secondary schools (public and private) have to seek official affiliation with the independent board (restructured OCE). An affiliation fee has to be paid to be board.
- c. Registration Fee
- d. Students will pay for registration at Grade 9. A fee, to be decided by the Board, has to be paid by each student to appear in the SLC examination to be held by the Board.
- e. Application Fee
- f. Students will pay on application at Grade 10. The rate of the fee will be determined by the Board.
- g. Re-Totaling Fee
- h. Re-Totaling fees will be determined by the Board.

### 2. Other Sources

- a. Sale of question papers of the past year in a book form, and also development (and sale) of model questions sets.
- b. Sale of edited answer papers (anonymous).
- c. Charges on services like verification of SLC certificates, provision of mark-sheets (of the past years), changes in age, names, etc.
- d. Printing press earnings after a printing press is installed in the OCE.
- e. Rental income from the provision of OCE space and facilities for seminars and meetings after improvement of the existing OCE physical facilities.
- f. Charges on training organized by OCE on the request of an educational institution on "Tests and Measurement".
- g. Income from publication: marking schemes, Annual SLC Results document, analytical reports on SLC results, rules for conducting the SLC Examination .
- h. Income from consulting services on tests and measurement.
- i. Earnings from the investment of surplus incomes in banks.

A number of income sources mentioned above such as training activities, consulting activities, and publication of analytical reports are dependent on the major upgrading of professional capabilities of the staff of OCE and hiring of expert services from outside. Similarly, earnings from printing can be realized after a security press is installed in OCE and printing works are efficiently managed.

The restructured OCE (Board) will depend on the major sources mentioned above for a major proportion of its income as at present. A small percentage increase in registration and application fees has the potential of generating a large volume of income resources.

## **7.8 Conclusion**

An independent OCE (Board) is financially feasible. The financial autonomy given to the OCE will enable it to revise its fees and to explore new sources of earnings. Besides, the OCE is expected to be more cost conscious, since it will have to meet all its expenditure (staff salaries, payment for services of experts, examiners, examination center operation expenses, payment to DEOs and REDs), as well as expenses for improving the physical facilities in OCE from its own income.