

**Revised Draft Paper
(28 January 2002)**

Medium Term Expenditure Framework
(2002/3-2004/5)
Education Sector

**Submitted to
National Planning Commission**

**Ministry of Education and Sports
Keshar Mahal, Kathmandu
Nepal**

Executive Summary

The government is currently preparing its 10th Plan, covering the year 2002/3-2006/7 period. The Medium Term Expenditure Framework (MTEF) for the first three years of the 10th Plan period has been developed with the primary objective of improving the fiscal management. Education sector has been included in the MTEF exercise because it is one of the high priority programs critical to achieving the overall national development/poverty reduction goals. Education sector contributes to the reduction of poverty, increment of regional balance, generation of employment and acceleration of economic growth. Access and quality of education have been the major issues in education sector. The government has initiated number of measures to improve the access and quality of education and management efficiency of the sector. The 7th amendment of Education Act has clarified the concept of free education, introduced the teacher licensing system and addressed the issue of stakeholders' active involvement in education management.

MTEF exercise analyzed the development budget and expenditure. In 2001/02 altogether 24 activities were included in the MOES development budget excluding the Youth and Sports sub-sector. The MTEF exercise proposed to adjust School Physical Facilities Expansion Program, School Physical Facilities Improvement Program, and Public School Quality Improvement Program within the BPEP and proposed SEDP II activities. The BPEP is a multi-donor funded project with about 4% government contribution and this project being a first priority activity will be expanded during the MTEF period. The salary of resource persons being funded from government sources under Women's Education Project is transferred to BPEP as the resource person's role is critical to implement the BPEP program. Under the adjusted program, women education activities include salary of 2399 female teachers and scholarship to girls. These female teachers will be transferred to regular budget by the end of Tenth Plan. The NFE and literacy campaign programs have been merged under one NFE project as per PERC recommendation and budgets in this activity has been slightly reduced to concentrate the activity in the targeted area rather than spreading all over the country with limited achievement. The Primary Teacher Education Project will also be launched in the first year of MTEF to support the government implement the teacher training and teacher licensing. The Second SEDP is planned to be launched during the MTEF period and all the access and quality improvement activities in secondary education initiated by the MOES are consolidated and strengthened within this program. The budgetary allocation to higher education has been reduced in line with the policy of cost-recovery and cost sharing principles proposed by the 10th Plan.

The total development budget for the education sector during MTEF period is estimated to be Rs.15 billion. Additional Rs.16 billion will be required to achieve the 10th Plan target. The education sector budget including regular budget is estimated to be Rs. 56 billion for the MTEF period and Rs. 106 billion for the Tenth plan period. Additional projects to be implemented under optimistic budgetary framework include incentive program hard-core group, establishment of higher secondary schools in each electoral region including one vocational HSS in each district, and expansion of TEVT annex programs.

1. Background

Building on the recent Poverty Reduction Strategy Paper (PRSP), the government is currently preparing its 10th Plan, covering the year 2002/3-2006/7 period. The government is embarking on the preparation of Medium Term Expenditure Framework (MTEF) for the first three years of the 10th Plan period with the primary objectives of improving the fiscal management and operationalizing the 10th Plan by anchoring it to the resource availability while protecting its key objectives. Education sector has been included in the MTEF exercise because it is one of the high priority programs critical to achieving the overall national development/poverty reduction goals. The main objective is to adjust educator sector development program narrowing down the list of highest priority programs/activities, which need to be funded/protected, and identifying a list of lower priority activities.

1.1 Present status in the sector (in terms of its contribution to economic growth, income/employment, coverage /delivery of services etc.)

Public education in Nepal has crossed almost five decades. Several experiments have been done in education sector both internally and with external assistance. A huge investment is made on primary sub-sector since 1980. Dramatic improvements are seen in enrollments and access to education as compared to the status of 1951. The following table shows the present status of school enrollment in Nepal.

Year	SCHOOL			STUDENT					
	Primary	Lower Secondary	Secondary	Primary		Lower Secondary		Secondary	
				Total	Girls	Total	Girls	Total	Girls
1990	17842	3964	1953	2788644	1003810	344174	103282	364725	102006
2000	25927	7289	4350	3623150	1597570	957446	397503	372914	151444

Year	TEACHERS											
	Primary				Lower Secondary				Secondary			
	Total	Trained	Female	Female Trained	Total	Trained	Female	Female Trained	Total	Trained	Female	Female Trained
1999	71213	26775	9180	3329	12399	4297	1399	598	10421	4771	897	478
2000	97879	50697	24770	10154	25375	10268	3051	1137	19498	11012	1490	807

	GER, 1991			GER, 2000*		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
	Total	106	40	32	119.8	55.1
Girls	83	27	20	108.4	45.2	28.2

	NER, 1995			NER, 2000*		
	Primary	Lower Secondary	Secondary	Primary	Lower Secondary	Secondary
	Total	67.5	26.1	17.3	80.4	33.3
Girls	55.6	18.9	12	74.6	27.9	16.0

*- Preliminary

Source: MOES

Nepal is making additional efforts for providing access of primary education to all 6-10 years population. The education for all targets has been shifted from 2000 to 2015 with the recommendations of Dakar conference. Both GER and NER at secondary level indicate that the performance of the secondary education sub-sector is less than satisfactory. Access to higher secondary also has not been possible to all eligible children especially to disadvantaged population due to socio-economic barriers. Only 4% join higher education from the age group concerned. The proportion of poorest households in higher education is only 6% (WB, 2000). Because of the high unit cost, access to technical education is limited to a small number of students. The learning achievement of students is not found satisfactory at all levels. Quality of education has always remained an issue especially in the government-supported institutions. Low internal efficiency in almost all the sub-sectors of education is the evidence for all these. Low quality public education served mostly to poor household.

The share of government budget to education has remained around 13% excluding youth and sports activities. The share of GDP is only 2.7 percent, which is lower than India (3.9 percent) and higher than Pakistan (2.2 percent) and Bangladesh (2.3 percent). More than 80% of the education budgets go for salary purposes. Thus, there have been no opportunities for schools to upgrade the quality. In the past 10 years the major share of education budget has gone for primary education sub-sector (53 to 56 percent).

Education sector contributes to the reduction of poverty, increment of regional balance, generation of employment and acceleration of economic growth in the following manner.

- Reducing fertility and child mortality rates by providing access to basic education and literacy
- Producing highly qualified skill workers by increased access to secondary, higher secondary and higher education
- Providing skilled and educated labor force required to improve productivity through technical and vocational training
- Preparing labor force to get employment opportunities in skilled and semi-skilled jobs
- Increasing income of people as the rate of return of educated manpower is high
- Adopting modern techniques and facilities required to increase productivity and income

1.2 Key Issues and Challenges

Quality: Quality of education has been the major issue in recent years. Quality, however, costs much. Per unit cost required for minimum quality standard in primary education has been calculated as \$30 (High Level Task Force Report, 2001) and that of secondary level is \$73. The government spends about \$27 for primary and \$33 for secondary (MOES record, 2001). This shows that we have to be serious about allocating more money in education in the coming years. Unless 30% of the total budget of the educational institution is allocated for institutional quality (non-salary items), we cannot provide quality education at all. This would increase the size of educational budget.

Equity: Equity has become another issue. The better off join alternate private education for quality. The poor are left behind the less quality public schools. So quality increase in education in general and in school education in particular has been a must to assure equity in education. Nominal scholarships (\$3 per year) to the disadvantaged groups have not helped much to increase access of that particular group child to schools. Unless their indirect costs are met by scholarships, the existing scholarships can never meet the goal. The school feeding program, provision of cooking oil in some districts, scholarships for girl students and scholarships for the

disadvantaged boys and girls should be dealt in a package to function as an attractive incentive package for children. This is important because the group we are talking is the hard-core groups that do not appear in schools at the expense of their opportunity costs.

Policy: Prior to reallocating additional resources to education sector, attention need to be given on policy analysis, which should concentrate on broad issues like the proportions of students completing each level of education within various time periods (WB, 2000). This would provide a guideline to both the government and the donors for financial requirements.

Again, to meet the poverty alleviation goal of the government, attention need to be paid on providing child development schemes, free and compulsory primary education by creating an appropriate environment, vocational secondary education, technical higher secondary education and professional higher education in addition to the existing programs.

1.2 What has been done in the past few years in terms of policy reform and specific actions to improve sector performance?

1.2.1 Reforms made in the past 3 years:

Major reform in the education sector relates to the establishment of Department of Education in 1999. This provided a major shift in primary education from project to program approach, a major donor assisted program in this sub-sector. Also National Teacher Service Commission was established to streamline teacher management in school education level, which has now been revised by the 7th amendment of Education Act. Similarly NFE campaign was introduced to assist in eradicating the illiteracy from 20 districts.

1.2.2 Recent Reform Initiatives:

For future improvements in education in Nepal, the parliament recently passed a bill on the seventh amendment of Education Act, which is going to be implemented immediately after approval. The major reforms introduced in this Act are as follows:

- **Policy regarding free education:** The concept of free education is limited for the primary education sub-sector. The government has committed to provide primary education totally free including the textbooks. In the past, the schools were allowed to raise some money from the students even if it was considered free. Through the 7th amendment in Education Act, the government has shown its commitment of national liability in primary education.
- **Teacher licensing system:** Several comments have been raised about the qualification and training of schoolteachers. Considering the recommendations of the High Level Task Force, 2001, the government has intends to implement teachers' licensing policy. Every teacher whether on the job or new has to appear and get through licensing examination in order to be certified as bonafide teacher. Prior to appearing in the licensing examination training has been made mandatory. It is hoped that this system would raise the quality of education.
- **Cost sharing in secondary education:** The concept of free secondary education never came in practice because Education Regulations allowed to raise certain fee from the students despite announcement of free secondary education by almost all parties after the restoration of democracy. On the one side the schools were questioned why they raised fee and on the other side schools could not get achieve quality without money. The grant in aid provided by the government was almost spent on salaries. Considering this fact the 7th amendment introduced the cost-sharing principle in secondary education following the recommendation

of the High Level Task Force. This policy would ensure quality on the one hand and reduce government liability in future on the other hand.

- **Empowerment of school management committee:** Unless the local bodies are mobilized and they own the schools within their vicinity, we can not achieve the quality of education. The 7th amendment of the Education Act has clearly defined the composition and role of School Management Committee so as to empower it for regular monitoring of school activities. SMC will be responsible to prepare the School improvement plan (SIP).
- **Parental direct involvement in SMC through election:** The key stakeholders in education are parents. So they should be directly involved in day-to-day affairs of schools. Considering this fact the 7th amendment issued a policy of elected parents as chairperson and members of the SMC.
- **Discouraging teachers' involvement in direct politics:** To make education aloof from politics the government made a rule that the teachers can not involve themselves in direct politics. This ensures teachers presence in schools and the maintenance of teaching-learning environment.
- **Regulatory framework for private institutions:** There are about 8000 private schools in Nepal. In the absence of an umbrella policy, these schools have become more commercial than service nature. To bring all these schools in the mainstream of educational service providers, the government has brought a policy to include each private school under certain rules and regulation (i.e. the regulatory framework).
- **Establishment of Rural Education Fund from resources raised from private schools:** Private schools do have their social responsibility as well. Therefore the government has issued a policy of raising 1.5% of the total income of the private schools to create a fund, which can be used to raise the quality of rural public schools. This would, in fact, generate a substantial amount of money for quality improvement.
- **Provision of Village Education Committee for regular monitoring:** To mobilize local people in educational development, the government decided to form a Village Education Committee in each VDC, which regularly monitors the schools within the village, identifies the local resources and mobilizes them for the development of schools. It would also receive some funds from the government. VEC will be responsible to prepare the village education plan based on School Improvement plans prepared by schools.

1.2.3 Process of policy reform for future:

Besides these the government has initiated other development approaches to education. It has recently submitted two Bills in the parliament related with Deemed University (for balanced growth and development of Higher Education) and National Education Committee (a forum to discuss, review and recommend educational policy matters to the government).

2. What needs to be done (through MTEF) to focus sector priorities and programs to get better results:

The following actions need to be taken to focus the sector priorities to get better results:

- MOES needs to focus on quality enrichment at all levels. For this salary and non-salary proportion in the budget should be managed. Quality teacher training, revision in the curricula and evaluation system need to be strengthened.
- In order to meet the EFA 2015, MOES should focus on the hard-core group to bring them to the mainstreaming of primary education.
- To raise the literacy of females attention needs to be paid to provide incentives to motivate females in the literacy programs.
- Downward extension of pre-primary class has been essential to meet requirements of pre-primary education of one year as the Education Act (7th amendment) envisages.
- Child development centers need to be established for their cognitive, physical and emotional development.
- To provide access to the children completing primary cycle, access to secondary education need to be increased.
- To meet the low-level technical manpower requirement of the country, vocational education program needs to be expanded in secondary schools based on piloting.
- To meet the medium level technical manpower requirement of the country, focus on *vocational-subject-focus* higher secondary education needs to be expanded.
- To meet the high level technical manpower of the country technical/professional education need to be prioritized in higher education.
- To enrich the quality of school education, access to teacher training needs to be provided to all working teachers in order to license them within the coming five years.
- Curricula and textbooks of different levels need to be reformed to adjust them with the demand of time.
- To attract parents and students in public education system, English curriculum and textbooks need to be developed for grades 1,2 and 3.
- To reduce dropouts and to increase internal efficiency of primary education Continuous Assessment System needs to be expanded to all primary schools.
- To meet the international standard quality of education, Information Technology needs to be introduced from the school level.

3. Education sector strategy

3.1 Education sector objectives and goals

The major objectives and goals of the education sector are given below:

- To use education as an active medium for the development of human resources, alleviation of poverty and development of social and economic aspects of the country.
- To produce citizens that are responsible, committed, loyal and sensitive towards nationality, democracy, human right and social accountability.
- To raise the quality of life of people specially the females through functional literacy.
- To make children prepare for primary education by developing their cognitive, physical and emotional aspects.
- To universalize quality primary education.
- To develop and expand quality secondary education as per the development need of the country.
- To produce medium level manpower and to make students prepare for higher education through the development and expansion of quality higher secondary education.
- To supply basic and medium level skilled technical manpower needed for the country.
- To produce skilled manpower (through quality higher education) that are capable to assist in the development of national economy and to compete in international market.

3.2 Key reforms proposed to be undertaken:

The reforms in education sector to be carried out during the MTEF period are as follows:

- Monitoring of all the programs to assure quality at all levels.
- Decentralizing School education system to VDC/VEC.
- Parent dominated SMC with full responsibility and accountability
- Teacher recruitment and management by the SMCs
- Teacher licensing system establishment through Teacher Service Commission
- Formation of Parent Teacher Associations in schools.
- Development of a regulatory framework to manage private sectors
- Strengthening instructional supervision system through cluster mobilization
- Training of untrained working teachers at all levels
- Development of student support reference materials at school levels
- Managing higher education through comprehensive higher education act deemed university concept
- Strengthening TEVT sector to expand relevant vocational education programs in secondary schools

3.3 Relation to the main elements of the Poverty reduction strategy outlined in the PRSP and 10th plan

3.3.1 Poverty reduction strategy:

Proper education policy is an important instrument in bringing about greater equity. The recent policy of education through the 7th amendment in Education Act has moved toward this direction. The Tenth Plan emphasizes on technical/ vocational/ professional education both at the school level and in higher education. This will, in fact, help develop human resource, which is the key for creating employment opportunities. Developing vocational curriculum for secondary level, expanding vocational annex programs in existing schools, establishing 75 vocational oriented higher secondary schools (one in each district) and emphasizing technical/ professional education in the higher education sub-sector are the major commitments of the MOES in this regard.

Again the universalization of free primary education prepares people for better living and earning in the future. MOES has committed for the improvement in efficiency of education system, increased access to primary and secondary education, expansion of literacy program and extension of the opportunities for technical and vocational education as mentioned above in the sub-sector goals for the Tenth Plan.

The MOES has also committed for increasing the investment efficiency by reducing the dropouts and repetition rates increasing promotion rates through a mechanism of Continuous Assessment System (CAS) including the scholarship program for the disadvantaged.

Specifically the following objectives and strategies as mentioned in the PRSP has been focused in order to relate education with poverty reduction.

Educational Objectives and Strategies

Objectives	Strategies	Activities	Outcomes
Increase access of primary and pre primary education	<ul style="list-style-type: none"> • Improve access to schools • Devise special programs for socially and economically disadvantaged communities • Improve physical facilities of schools • Remove social, economic and geographic barriers. • Establish child development centers with active local participation • Educate parents • Equip child development centers with training materials 	<ul style="list-style-type: none"> • Provide scholarship and incentive programs to targeted population • Revise and implement inclusive education programs for special needs children • Improve the distribution mechanism of free textbooks for primary school students • Run child development centers by local bodies with a matching fund from the government • Prioritize women and targeted groups to fill the vacant teaching posts • Develop and implement school physical facilities improvement programs • Conduct parental awareness training programs through CBOs, NGOs. 	<ul style="list-style-type: none"> • Improvements towards Universalization of Primary education
Improve quality of primary education	<ul style="list-style-type: none"> • Train the teachers and management staff • License the teachers • Review the curriculum, textbooks, and other materials • Extend Continuous Assessment System to more schools • Strengthen school supervision system • Strengthen school management and financing mechanism • Improve management system by empowering SMCs 	<ul style="list-style-type: none"> • Implement mandatory training requirement for teachers as a prerequisite for teaching license • Implement pre-service teacher training programs • Revise curriculum and textbooks to provide life related skills • Use Resource schools as main supervision unit of the satellite schools • Implement CAS extending to grade 5 • Develop quality indicators and monitor schools based on the criteria • Decentralize necessary powers to the SMCs for smooth functioning of schools 	<ul style="list-style-type: none"> • Increased internal and external efficiency of primary education
Increase adult literacy rate	<ul style="list-style-type: none"> • Expand adult literacy programs focusing more on females • Integrate literacy with post-literacy and 	<ul style="list-style-type: none"> • Develop and implement community based literacy programs with trained facilitators • Devise and implement programs to increase literacy rate 	<ul style="list-style-type: none"> • Increased adult literacy rates • Improved transition from non-formal to

Objectives	Strategies	Activities	Outcomes
	<ul style="list-style-type: none"> continuing education programs Expand out of school alternative schooling programs Mobilize NGOs, CBOs in literacy activities 	<ul style="list-style-type: none"> Revise NFE curricula to associate literacy with post literacy and continuing education Study the existing alternative schooling programs and improve them. Train facilitators Establish Community Learning Centers to promote continuing education activities. 	<ul style="list-style-type: none"> formal education stream Improved quality of life
Ensure access and improve quality of lower secondary, secondary and higher secondary education	<ul style="list-style-type: none"> Improve access to schools Train and license teachers Improve quality of teaching practices Phase out of proficiency certificate level from TU to school education system. Review curriculum, textbooks and other materials Strengthen school supervision system Strengthen school management and financing mechanism Improve student evaluation system Introduce vocational subjects Improve management system by empowering SMCs 	<ul style="list-style-type: none"> Implement school mapping system to establish new schools Introduce cost-sharing in lower secondary, secondary and higher secondary education Provide scholarship and incentive programs to targeted population Study and design programs to introduce distance mode in secondary and higher secondary education Implement mandatory training requirement for teachers as a prerequisite for teaching license Implement pre-service teacher training programs Revise curriculum and textbooks to provide life related skills Develop quality indicators and monitor schools based on the criteria Design vocational subjects curriculum useful for the country and implement them through secondary and higher secondary education Decentralize necessary powers to the SMCs for smooth functioning of schools Utilize SMCs for regular monitoring of schools and empower head teachers as immediate supervisor of teachers 	<ul style="list-style-type: none"> Increased internal and external efficiency of lower secondary, secondary and higher secondary education
Promote technical and vocational skill for mid-level manpower and for self employment	<ul style="list-style-type: none"> Expand for vocational and technical education program Establish polytechnic schools Co-ordinate the activities of DOE, HSEB, CTEVT regarding vocational and technical education 	<ul style="list-style-type: none"> Pilot the annex programs and include life skills activities in school curriculum Design and implement one polytechnic school in each development region Design TEVT policies to integrate vocational and technical education activities of DOE, NFEC, HSEB and CTEVT 	<ul style="list-style-type: none"> Increased semi-skilled and skilled manpower

3.3.2. Strategies of Education in the Tenth Plan

- Provide access of education at all levels regardless of gender, disadvantaged, social/economic conditions, race and places
- Implement gender auditing in the overall education system of the country
- Use education as an active medium of poverty alleviation by emphasizing science and technology education and improving curriculum development and examination processes with a view to promote education for development

- Implement mandatory teacher training and teacher licensing system at all levels of education so as to raise the quality of education
- Develop effective affiliation system by maintaining regulatory framework in order to raise healthy competition among private agencies
- Prepare and implement human resource development plan by enriching internal and external efficiencies at all levels of educational management and by analyzing the capacity of educational institutions
- Review student teacher ratio at all levels of education as a means to quality improvement
- Develop effective examination and monitoring system on the basis of objective indicators (norms) by defining *quality education* at all levels
- Implement District Education Plan for decentralizing education by clarifying the roles of local agencies
- Expand School Improvement Plan on the basis of experimentation
- Prepare and implement manpower development program at all levels
- Improve monitoring and evaluation system
- Make educational supervision and inspection system concentrating on Resource Center and Resource School based supervision
- Use all modes including distance education to provide all kinds of academic training
- Reduce government share of budget as the level of education increases by maintaining cost sharing approach from secondary level
- Implement strategies to promote transparent budgeting activities
- Expand educational programs at all levels for children with special needs
- Establish child development centers with the local peoples' participation by raising parental awareness and encourage community schools to start one year pre-primary education
- Increase literacy percentage by encouraging targeted groups specially females and conduct literacy, post-literacy and continuing education with the assistance of GOs, NGOs and private institutions
- Assist in expanding time-relevant education by introducing functional literacy at all levels
- Seek possibilities to establish infrastructures for grades 1-8 primary and grades 9-12 secondary education
- Create appropriate environment to make free and compulsory primary education based on the long term goal of education for all
- Expand and develop physical facilities of educational institutions by focusing local participation in such activities on the basis of international norms and standards
- Coordinate school mapping program in strengthening Education Management Information System
- Empower SMC/Municipality/VEC by providing educational management training
- Hand over currently running government aided schools to community and monitor them under a regulatory framework
- Transform currently running private schools as institutional schools and monitor them under a regulatory framework
- Make legal provision to empower head-teachers for educational leadership and provide management training to them
- Introduce block grant policy to fund schools gradually replacing the existing teacher quota system
- Integrate Proficiency Certificate level of the University and +2 by implementing the same curriculum and examination process to facilitate phasing-in and phasing-out

- Develop library policy to develop libraries in various parts of the country with a mission to raise quality and equitable access of education
- Provide access of higher education to all potentials and develop higher education to promote knowledge based society and to produce technical manpower

3.4 Key outputs, outcomes and service:

The major output and outcomes of the education sector will be as follows:

3.4.1. Outputs in MTEF Period

S.	Indicators	Base Year	MTEF Period			Last 2 Year of 10th plan Period	
		2000	2002/3	2003/4	2004/5	2005/6	2006/7
1.	Primary Education						
	NER	80	82	84	86	88	90
	GER	120	119	118	116	114	112
	Girls %	44	45	46	47	48	49
	Female Teachers%	25	26	27	29	30	31
2.	Child Development/Pre-primary Education						
	Number of Students (million)	0.26	0.36	0.42	0.5	0.59	07
	GER	13	18	20	24	28	32
	Additional Centers for Child Development	NA	3965	2139	2520	2970	3499
3.	Literacy						
	6 Years +	58%	63%	66%	69%	72%	75%
	15 Years +	51%	56%	58%	61%	64%	67%
	Literacy Gender Parity Index	NA	0.62	0.65	0.70	0.75	0.8
4.	Lower Secondary Education						
	GER	55	57	59	61	63	65
	Girls %	42	46	47	48	49	50
	Female Teachers%	12	13	14	15	16	17
5.	Secondary Education						
	GER	35	40	43	47	51	55
	Girls %	41	45	46	47	48	49
	Female Teachers%	8	8.6	8.8	9	9.5	10
	Vocational Stream Schools	NA	On Demand	On Demand	On Demand	On Demand	On Demand
6.	Higher Secondary Education						
	GER	17	20	22	24	27	30
	Girls %	NA	33	35	37	38	40
	Government Assisted Schools	-	41	41	41	41	41
7.	Technical and Vocational Education						
	Regular Training	NA	1220	1336	1443		
	Short-term Training	NA	4045	4450	4625		
	Annex Program (Additional)	15			15		
	Skill Certification	NA	800	800	800		
8.	Higher Education						
	GER	4	5	5.25	5.5	5.7	6
	Students in Technical/Professional Education		15%	17.5%	20%	21%	22%

3.4.2. Outcomes

- Improved quality of life
- Improved learning achievement of students

- Increased completion rate through the respective cycles
- Increased participation of girls, children from disadvantaged groups and children with special needs
- Improved adult literacy rates
- Increased educated manpower for economic development
- Improved classroom teaching practices
- Improved assessment and learning
- Improved accountability of institutional heads and teachers to the community and government
- Increased access for and demand from girls, disadvantaged children and children with special needs to participate in education
- Improved physical learning environment of education institutions
- Increased internal and external efficiency of available resources and mobilization of additional resources

3.5 How are these to be achieved?

To achieve the activities mentioned in the MTEF period, the following agencies will work as indicated:

Central Level

- MOES, DOE: Frame policies, implement, monitor, and develop support-systems
- NCED, DEC, OCE, NFEC, SEDEC: Work as technical arm of DOE
- CTEVT, HSEB: Provide services to the country by working as technical arm of DOE
- NEC/Other Ministries: Review educational policies, reduce duplications, design educational innovation programs and advise MOES for the development of demand-based education system in the country

Regional Level

- REDs: Support the DOE by developing mechanisms to coordinate all education programs within the region including the HSE and TEVT activities, conduct all SLC exams related activities within the region, provide backstopping technical support to district education offices.
- NGOs: Provide technical support to educational institutions in conducting non-formal and TEVT programs
- INGOs: Facilitate demand-based educational programs in various parts of the country

District Level

- DEOs: Manage district level education including HSE and TEVT activities, Design and implement district level student assessment system, inspect and supervise schools, provide backstopping support to schools
- NGOs: Assist in education improvement activities
- INGOs: Provide technical assistance to district level education development
- Volunteer groups: Involve in literacy, youth mobilization and sports activities
- Private Sector: Work as a complement to regular government activities
- DDC/DEC: Plan, set priorities, coordinate, monitor and evaluate all educational activities within the district

School Level

- Schools: Maintain academic calendar and academic disciplines
- SMCs: Mobilize local resources for school improvement, recruit teachers, monitor them and provide feedback
- Local Communities: Assist in educational development activities of schools
- NGOs: Help schools and its stakeholders to share ideas, conduct awareness activities, assist in literacy campaign
- Private Sector: Work as an arm to government effort for educational development
- VDC/VEC: Coordinate all educational activities within the village, monitor and provide feedback

4. Key programs and activities:

4.1 Priority of programs

Based on the national need, MOES has prioritized its activities for the next three years as follows. These programs are existing programs and they need to be continued like this.

Sub-sector allocation in the education sector in the 10th plan (Regular and Development) %

Name of the priority activity	Proposed share of budget
1. Basic and Primary education including teacher training, teacher licensing and production of grades 1-3 English textbooks	53
2. Child development including pre-primary education	5
3. NFE (Literacy 15+ years of age)	2
4. Secondary education including teacher training and licensing	21
5. Technical and vocational education	2
6. Higher secondary education (11-12)	2
7. Higher education	15
Total	100

Budget Allocation by development in 2001/02 (Rs. In Crore)

Program	HMG	Grant	Loan	Total
1 BPEP	6.3	93.6	27.8	127.7
2 Physical Facilities Expansion	1.8	46.3		48.1
3 SEDP-II		5.7		5.7
4 HSEB	3.6			3.6
5 CTEVT	17	2.2		19.2
6 Tribhuvan University	11.9	8.0	8.7	28.6
7 Mahendra Sanskrit University	1.2			1.2
8 Agriculture University	0.03			0.03
9 Purbanchal University	1.3			1.3
10 Pokhara University	1.2			1.2
11 Open University	0.6			0.6
12 Non Formal Education	7.0	0.25		7.3

13 Literacy campaign	6.1			6.1
14 Free textbook	9.0	10.0		19.0
15 Food program	4.5	43.0		47.5
16 Pop education		0.6		0.6
17 Budhanilkantha school	0.1			0.1
18 Public school quality improvement	2.1			2.1
19 Primary scholarship	2.7			2.7
20 Women education*	23.4			23.4
21 Martyrs' children scholarship	0.1			0.1
22 Dalit Scholarship	2.9			2.9
23 School physical facilities	1.1			1.1
Total	104.0	209.8	36.5	350.3

*Salary of 408 Resource Persons and 2399 female teachers

4.3 How have they been actually performed so far?

Although attempts were made to perform the targets we still have to serve about 20% of the hard-core group to primary schools. Similarly the GER of the lower secondary and secondary education has not been satisfactorily performed. The GER of higher secondary and higher education are also very low and needs strengthening. Besides regular training activities, TEVT has been introduced as annex programs in selected secondary schools to produce low-level manpower. Child development program has not been strengthened to cover all the 3-5 year children of the country. However attempts have been started.

5. Basis for prioritization of programs and projects

Priorities within the education sector are set so as to meet the educational requirements of the country and to assist in the poverty alleviation. Poverty alleviation is closely related with the primary education, thus it has been the highest priority of the MOES. Similarly the state responsibility of literacy and child development are also accorded high priority. Again, other sub-sectors of education are also equally important to produce educated citizens. Thus, all the seven sub-sectors are considered under the priority list of the MOES.

In a country like Nepal 100% NER in primary schools is a must in order to assist in the government's plan of poverty alleviation since primary education is positively associated with this. Thus basic and primary education has been given the first priority. Again adult literacy plays an important role while identifying with the national development. We have about 50% illiterates in this regard. Thus priority has been given to this. Child development has become another issue. The 7th amendment of Education Act has also emphasized on this including the pre-primary education. Developing child's physical, cognitive and emotional aspects are equally important in order to make them ready for further development whether educational or social. School education is the basis of developing knowledge and skills required for future career development, thus secondary education also comes under priority. The country needs medium level skilled manpower for the development of the country. Again the unemployment problem can be reduced if people are skilled. So, technical and vocational education from the school level has become important. Higher education should also open its access to the potential ones, which will be needed, for producing high-level manpower for the country.

Priority of Programs in 2001/02 (Rs. in Crore)

Priority	List of programs	Budget
Priority 1	BPEP, Physical Facility, NFE, Literacy Campaign, Free textbook, food program, Primary scholarship, Women's scholarship, Dalit Scholarship, Teacher Education	284.8
Priority 2	SEDP, CTEVT, Population education, Public school improvement, school physical facilities	32.4
Priority 3	Tribhuvan, Mahendra Sanskrit, Agriculture, Purbanchal, Pokhara University	33.0
Total		350.3

6. Estimate of the annual cost of carrying out above program/activities by objectives and outputs

Fiscal year 2002/03 is the first year of the MTEF. The table below shows the development budget by programs for the first year by source of financing.

Budget allocation by development programs in 2002/03 (Rs. In Crore)

Program	HMG	Grant	Loan	Total
1. BPEP	8.6	149.5	47.0	205.1
2. Teacher Education Project	1.4		15.0	16.4
3. SEDP-II	2.1	5.7	10.0	17.8
4. Budhanila Kantha School	0.05			0.05
5. HSEB	1.5			1.5
6. CTEVT	10.0	0.24		10.2
7. Tribuvan University	7.0			7.0
8. Mahendra Sanskrit University	1.0			1.0
9. Agriculture University	0.03			0.03
10. Purbanchal University	1.0			1.0
11. Pokhara University	1.0			1.0
12. Open University	0.1			0.1
13. NFE and literacy campaign	8.0	0.25		8.25
14. Free textbook	10.0	11.0		21.0
15. School Food program	4.5	47.75		52.2
16. Population Education		0.58		0.58
17. Scholarship programs	5.73			5.73
18. Women education*	17.9			17.9
Total	80.0	215.0	72.0	367.0

*Salary of 2399 female teachers and scholarship. Salary of Resource Persons not included.

MTEF exercise analyzed the budget and expenditure in development programs. In 2001/02 altogether 24 programs were included in the MOES development budget excluding the Youth and Sports sub-sector. The MTEF exercise proposed to adjust School Physical Facilities Expansion Program, School Physical Facilities Improvement Program, and Public School

Quality Improvement Program. These programs are addressed by BPEP and SEDP activities. The BPEP is a multi-donor funded program with about 4% government contribution and this program being a first priority activity will be expanded during the MTEF period. It is assumed that BPEP III will be initiated after the completion of BPEP II. The salary of resource persons being funded from government sources under Women's Education Program is transferred to BPEP as the resource person's role is critical to implement the BPEP program. Other women education activities such as salary of 2399 female teachers and scholarship to girls will be continued. The NFE and literacy campaign programs have been merged under the NFE program and budgets in this activity has been slightly reduced to concentrate the activity in the targeted area rather than spreading all over the country with limited achievement. The Primary Teacher Education Project will also be launched in the first year of MTEF and to support the government implements the teacher training and teacher licensing. The Second SEDP is planned to be launched in the first year of the MTEF and all the access and quality improvement activities initiated by the MOES are consolidated and strengthened within these programs. The budgetary allocation to tertiary education has been reduced in line with the policy of cost-recovery and cost sharing principles proposed by the 10th Plan. The reduction in higher education development budget is due to completion of higher education project supported by IDA.

Priority of Programs in 2002/03 (Rs. in Crore)

Priority	Fiscal Year 2001/2	2002/3	Change	Percent
Priority 1	284.8	326.6	+41.8	+14.7
Priority 2	32.4	30.2	-2.2	-6.9
Priority 3	33.0	10.1	-22.9	-69.0
Total	350.3	367.0	+16.7	+5.0

Source- Annex 1

The budget for first priority programs is estimated to be increased by 14.7 percent in 2002/3 and the budget for third priority will decline by 69 percent.

The development budget estimated for the MTEF and 10th Plan period to achieve the outputs targeted for the 10th plan is given in table below

Summary of Development Budget (Rs. in Crore)

Source	2001/2	2002/3	2003/4	2004/5	MTEF	Last 2yrs	10 th plan
HMG	104.05	80.0	97.36	112.22	289.57	278.40	567.97
Grant	209.75	215.0	303.66	361.41	880.06	952.89	1832.95
Loan	36.52	72.0	123.53	140.63	336.16	344.55	680.71
Total	350.32	367.0	524.54	614.25	1505.79	1575.84	3081.63

The total development budget for the education sector during MTEF period is estimated to be Rs. 15 billion. Additional Rs. 16 billion will be required to achieve the 10th Plan target (See detail in annex 2). Additional programs to be implemented under optimistic budgetary framework include implementation of incentive program for the hardcore group, establishment of higher secondary schools in each electoral regions including one vocational HSS in each district. Again expanding TEVT annex programs to other secondary schools has also been included in additional programs, which will be implemented only if additional resources are available.

Summary of education budget including regular and development programs is given below.

Summary of Total Education Budget in Crore Rupees

Type	2001/2	2002/3	2003/4	2004/5	MTEF	Last 2yrs	10 th plan
Development	350.32	367.0	524.54	614.25	1505.79	1575.84	3081.63
Regular	1045.06	1149.57	1264.52	1390.97	1530.07	3213.15	7018.21
Teacher Salary Deficit	100	100	100	100	300	200	500
Total	1495.4	1616.6	1889.1	2105.2	5610.8	4989.0	10599.8

Total education sector budget covering both regular and development programs is estimated to be Rs. 56.1 billion during MTEF and Rs. 106 billion during Tenth plan period.

7. Arrangements for effective implementation, monitoring and ensuring accountability

Based on the PERC recommendations the MOES has committed to perform the following activities in order to make education more cost effective and more rate of return. See the following table that explains what the PERC has suggested, what is the present status and what the MOES commits to do.

SN	Issue	Status	Strategy to be adopted
1.	Provide block grant to DDC to run primary and lower secondary schools (PERC No 17)	Education Act 7 th amendment intends to empower the community and some budget will go to VEC and DEC	Empower the local bodies and slowly move towards decentralization
2.	Provide block grants to DDC to run secondary and higher secondary schools (PERC No 18)	Education Act 7 th amendment intends to empower the community and some budget will go to VEC and DEC	Empower the local bodies and slowly move towards decentralization
3.	Make necessary arrangements to appoint only certified teachers from National Teacher Service Commission (PERC No 18A)	Education Act 7 th amendment makes teacher licensing mandatory for entry requirement	<ul style="list-style-type: none"> Implement massive teacher training activities as a crash program at all levels by mobilizing GOs, NGOs, and private institutions through the use of distance and face-to-face modes. Divert the recurrent training expenses for this purpose for a short term
4.	Reduce external loan for social sector priority programs (PERC No 24)	World Bank and ADB loans are being utilized in priority sectors	Become selective within the priority programs while using loans
5.	Do not use external loan for project preparation exercises (PERC No 26)	Loans are still used in PPTA activities	<ul style="list-style-type: none"> The policy of using national consultants will be adopted Loan will not be used for PPTA
6.	If loans are necessary they should be used only in those items that require foreign currency (PERC No 28)	Loans are also used to meet local currency requirements	Become selective within the priority programs while using loans
7.	Submit the sectoral program	Stared in primary sub-sector and	Program approach initiated in

SN	Issue	Status	Strategy to be adopted
	framework every year before the formulation of budget (PERC No 49)		primary sub-sector should be extended to other sub-sectors as well
8.	Review staffing and student teacher ratio in technical and vocational education to reduce per unit cost (PERC No 67)	Ratio has not been fixed for these sub-sectors	Review the existing status and fix ratio in all sub-sectors and programs
9.	Develop effective mechanism for free textbook distribution	Textbook distribution system has not been effective	Norms will be established at the center and printing and distribution of free textbook should be conducted at regional basis
10.	Revise fee structure of Tribhuvan University for cost sharing purpose (PERC No 69)	Cost recovery principles have not been in practice	<ul style="list-style-type: none"> Fix staff teacher and teacher student ratio by program and level Fix cost recovery ratio by program and level Introduce formula funding by UGC
11.	Integrate non-formal education and national literacy campaign program (PERC No 71)	Same activities are replicated under different programs	Implement NFE programs through NGO and local bodies (VDC, DDC) under partnership arrangements only in targeted areas
12.	Think of social justice while funding higher education (PERC No 72)	State fund is being used	UGC should follow objective criteria for funding
13.	Reduce per unit cost in higher education (PERC No 73)	Different unit cost by programs and no money for quality items	Fix unit cost by level and programs with adequate fund for quality
14.	Eliminate Education Administration Division and Youth and Sports Division from the MOE structure, abolish RED if SLC is not regionally decentralized and revise the staffing of DE Offices (PERC No 108)	Education Administration Divisions has been assigned enough responsibilities. RED is being given some of the roles of SLC exam and monitoring of District Education Office.	<ul style="list-style-type: none"> Abolish the Youth and Sports division from MOES and add one unit under MOES. Use RED for technical backstopping to districts and management of regional examinations

8. Implications for donor assistance

- Priority of grants in educational programs
- Reducing loans in school education sub-sectors
- Reducing heavy foreign consultancies and promoting local consultancies

8.1 How has the prioritization affect the activities of donors?

The new activities within the priority sectors may not meet with the regular budget of the government so it will affect donors. For example: training of all teachers, licensing them, establishing child development centers, extending annex programs and extending CAS to grade 5 etc.

8.2 What actions are needed to be modified?

Processes of basket funding policy needs to be strengthened by adopting basket modality of BPEP II. The BPEP MTR is planned to be completed by March 2002. The teacher education

project has already been signed and SEDP-2 is under preparation. All these projects have to be reviewed and designed to address the issues and concerns raised in this document.

8.3 How will donors need to support the MTEF prioritization?

Donors need to support school education as their priority. These supports should focus more on enriching quality. Literacy, basic education and education for the disadvantaged/or targeted groups can be high priority for donor funding.

8.4 What are the critical areas where donor support is needed?

Donor support is basically needed for teacher training, curricular reforms, development of student and teacher support materials, infrastructure building and capacity development in order to bring quality improvement in education.

9. List of additional programs and projects with objectives, outputs and cost to be implemented

The MOES is not in a position to reduce or drop any programs that are running currently. All the programs need to be continued and further strengthened to provide access of education, to enrich educational quality and to improve the management system. Additional money is required to start the following priority programs under MTEF (Matrix is given below).

Additional Program/Projects

Programs/Projects by priority	Objectives	Outputs	Unit cost	In Rupees
				Total cost
1. Incentive program to the hard core group	To encourage participation of disadvantaged groups including Dalit, kamaiya, landless families, and poor families	-300,000 primary children annually -50,000 secondary children	Rs 3000 per year For primary Rs 5000 per year for secondary	Rs 900 million for primary Rs 250 million for secondary
2. Establishment of Higher Secondary Schools in each electorate region	- To increase the access of higher secondary education	- 123 higher secondary schools will be established. - 12,300 students will get higher secondary education with affordable fees.	Rs. 7,000 per student	86 million
3. Establishment of Vocational and Technical stream in higher secondary school	- To produce the middle level manpower	- 45 schools will be established. - 2250 students will be benefited.	Rs. 15,000 per student	34 million
4. Annex program	- To increase access of technical and vocational education	- Annex program will be conducted in 114 secondary schools. - 5700 students will be benefited.	Rs. 15,000 per student	86 million

The programs mentioned above are included in the 10th Plan however they are listed as additional projects because of the budgetary constraints provided in the education sub-sector ceiling for the MTEF period. Moreover these programs are essential to meet the national education goal of the country.

10. Key Recommendations

The key recommendations are outlined as

1. Reduce the number of programs in regular and development budget by merging programs of similar nature (e.g.; national scholarship and incentive program: 10% at all levels should get scholarships: NFE programs, special education programs, secondary education program).
2. Revisit program activities in the BPEP programs so as to include new areas for funding purpose.
3. Develop fiscal framework with following principles: 80% budget to district, 30% budget for non-salary component, overhead cost can not exceed 10% at the central level, 15% at district level and 50% of the program cost should go to VDC, DDC, municipality for earmarked activities (ECD, non-formal etc.)
4. Assign the following roles to RED :
 - Master trainers to train district trainers
 - District educational planning appraisal
 - Monitoring and follow-up
 - Management of SLC and HSE examination
 - Monitoring of CTEVT and HSEB activities
5. Establish schools and institutions based on school mapping and GIS information
 - Use political units for planning, e.g. 205 higher secondary (within the 10th Plan) period schools for each electorate including 75 vocational HSS one for each DDC.
 - Centralize decision to establish institutions and create additional posts in existing institutions (e.g. HSEB, CTEVT, TU, other Universities, JEMC)
6. Include recurrent type activities in regular budget (CTEVT etc.)