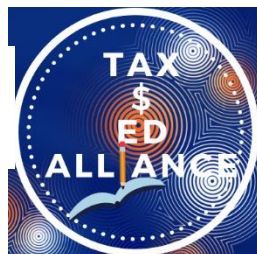


Tracking of Nepal Government's Pledge
For
**Global Partnership for
Education and Nepal's
Engagement**

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EDUCATIONOUTLOUD
advocacy & social accountability

GPE Transforming
Education



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Global Partnership for Education and Nepal's Engagement

1.0 Background

Nepal's access to the developed world began after the advent of the democracy in 1951. The diplomatic relations to the outer world expanded. As a result of such diplomatic relations, bilateral and multi-lateral agreements were carried out. In this way, Nepal entered as an aid recipient country since early 1950s. In its small form, aid to Nepal can be even before that period. But official records are available from the periods of 1950s.

How much aid received by the country from donor agencies over the years? Such aggregate figure would be very useful to assess the impact of aid to the development of Nepal. The relationship between development aid and country's development is a matter of concern not only for policy makers, but it could also be useful to all.

Since 1950s, Nepal has been receiving the support in education from different development partners. Such support includes grants, loan, TA and in-kinds support. In order to assess the actual aid which came to Nepal and its share to Education, in-depth analysis is required, which is beyond the scope of this study. Hence, aid to education sector of Nepal would be another relevant area of study for the scholars.

The Global Partnership for Education (GPE) is the World's largest multilateral organization dedicated funding support to ensuring education. The partnership comprises of developing country partners, donor country partners, multilateral organizations and civil society organizations.

Since its inception, the GPE has grown from partnering with 7 developing countries in 2002 to close to 70 countries in 2019. Additionally, the regions and countries that provide grants to GPE include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Republic of Korea, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, United States and European Union. (www.globalpartnership.org)

The GPE was originally known as the Education for All – Fast Track Initiative (EFA FTI), which was launched in 2002. The purpose of its launch was to accelerate progress towards the Millennium Development Goal of universal primary education by 2015. Nepal is aid recipient of GPE since 2009. This study only focuses on the support received by Nepal from GPE since its beginning.

1.1 Objectives

The overall objective of this study is to assess the support of Global Partnership for Education (GPE) in the priority sector of Nepal's School Education. In addition to the assessment of GPE support, this study also explores the status of the Nepal's debt in general as well as in education and explore the possible impact of loan used in Education in the long run.

1.2 Rationale

Currently, School Education Sector Plan (SESP) of five-year duration is being implemented and it has received funding support from GON and eight other development partners. This SESP is one of the tools to operationalize the Sustainable Development Goal4 in the context of Nepal, therefore it is taken as important vehicle of SDG accelerators. The SESP is not only a plan document, it is

equally considered as a framework of SDG operationalization, is also utilized by non- pooled development partners and non-governmental organizations.

Of eight pooled development partners, Global Partnership for Education is one funding agency in SESP which offers grants support to Nepal. The World Bank and Asian Development Bank as a multi-lateral agency have been providing loan to Nepal's Education, especially SESP. In such context, GPE is a grant agency that support Nepal's school education since 2009. Therefore, it would be useful to analyse the overall portfolio of GPE to Nepal's education. Such analysis would help to develop the overall understanding about GPE's engagement to Nepal's education.

In addition to the assessment of the [GPE](#) contribution, it is equally necessary to know the use of loan from multi-lateral agency and its effect on education sector and country. Therefore, the second part of this study focuses on the status of the loan and its effectiveness.

1.3 Methodology

The overall approach used in this study is review of the documents and their analysis with a view to extract the necessary information. The report format is developed based on the outline given in the Terms of Reference (TOR). Once the report outline is agreed upon then the necessary documents in relation to the study were collected or searched. After collecting the necessary data, facts and figures, these were compared, contrasted and further analysed.

This study mostly uses the descriptive methods to analyse the information, however it also took an advantage from trend analysis and interpretative approach to extract the meaning from the presented data. The data and figures are presented in the tables and charts for translating the meaning of these data into more meaningful manner.

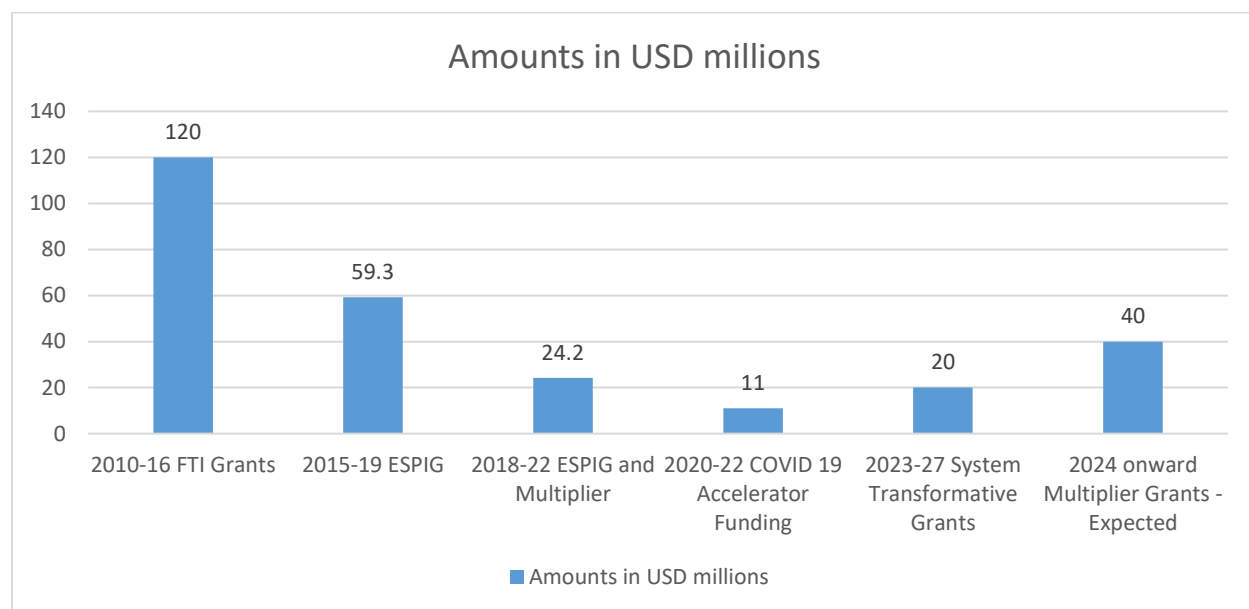
1.4 Limitations

This study includes the secondary document analyses to extract the required information in order to satisfy the requirements of TOR. It utilizes the secondary data only which are extracted from Government publications, web sites and GPE web sites. Because of time and scope of the study, primary data were not used in this study

2.0 Nepal's engagement in GPE

This section deals with the overall support from GPE to Nepal. As mentioned previously, Nepal has been a member of the GPE since 2009. Altogether GPE has already allocated **US\$ 234.5 million** through program grants to support the implementation of Nepal's education sector plans given below in Chart one (in box one as well). This is only allocation from GPE. From expenditure ends, all the allocated amounts may not be incurred as expenditure because such grants were/are tied up with certain results and these can only be drawn once agreed results are achieved.

Chart 1: GPE Grants to Nepal in terms of Packages.



(Source: <https://www.globalpartnership.org>, and MOEST's internal records)

Under the Finance 2025 round of funding, a System Transformation Grant (STG) of US\$ 20 million has already been agreed to support Nepal's School Education Sector Plan. Another US\$ 40 million is also provisioned to Nepal under the GPE's Multiplier funding mechanism.

- **US\$ 120 million** (2010-2016; FTI Grant)
- **US\$ 59.3 million** (2015-2019; ESPIG)
- **US\$ 24.2 million** (2018-2022; ESPIG and Multiplier)
- **US\$ 11 million** (2020-2022; COVID-19 Accelerated Funding)
- **US\$ 20 million** (2023-27; System Transformation Grant)
- **US\$ 40 million** (Expression of Interest to be submitted)

Box 1. GPE Grants to Nepal

To determine the priorities for utilization of these funds, Nepal's GPE Strategic Partnership Agreement (GPE-SPA) was developed, approved by the Government of Nepal, endorsed by the Local Education Group (LEG) of stakeholders and approved by the GPE.

In 2017 Nepal became the alternate member of the GPE board of Directors, representing the Asia-Pacific constituency of Development Country Partners (DCPs). Additionally, Nepal was a member of the

Grant Performance Committee and the Strategy and Impact Committee. In 2020, Nepal took the position of Member of the GPE Board of Directors, representing the same constituency.

Having leveraged the Multiplier mechanism to secure commitment for additional financing for the school sector, Nepal is to submit the Expression of Interest (EoI) for the Multiplier funds. UNICEF, as the current development partner focal point and GPE country coordinating agency has been compiling the EoI and a draft will be shared with the LEG shortly.

3.0 School Education Support Program and Development Aid

The Nepal School Sector is supported by a Sector Wide Approach (SWAp), which is led by the government and includes non-state actors such as UN organizations, development banks, partner countries and foreign missions, INGOs, NGOs, Civil Society Organizations (CSOs), academics and professional organizations. The overall objectives of SESP are narrated under the following broader scopes (MOEST SESP, 2022-23 to 2031/32).

- To ensure equitable access to and participation of all children, especially those who are socially and economically disadvantaged, children from marginalized groups and children with disabilities.
- To enhance the quality and relevance of overall school education, ensuring minimum learning achievement for each child.
- To make all citizens literate with basic functional skills and expand opportunities for continuing education and lifelong learning.
- To ensure effectiveness of education service delivery by promoting good governance across the system, strengthening intergovernmental coordination and collaboration, and developing institutional capacities of all institutions and individuals involved in the delivery of school education.

As per the MOEST SESP (2022/23 to 2031/32), within the SWAp, some Development Partners are Joint Financing Partners¹ (JFPs) of the Government's medium term school sector plans and costed programs². The JFPs are financing the SESP through a result-based and/or program-based modality. The Joint Financing Arrangement sets forth the mutually agreed principles for the JFPs' support to the SESP and serves as a coordinating framework for consultations with the GON, for joint reviews of performance, for common procedures on reporting and audits.

As stated earlier, the GPE is one of the JFPs with a contribution of US\$ 234.5 million in support to develop and implement education sector plans in Nepal since 2009.

1 The current (SESP) JFPs are: the Asian Development Bank, The European Union, The Global Partnership for Education, Finland, Norway, the United States Agency for International Development (USAID) and The World Bank

2 The current plan is the School Education Sector Plan (SESP 2022-2031). Previous plans include (in reverse chronological order) School Sector Development Plan (SSDP 2016-2022), School Sector Reform Plan (2011-2016) and the Education for All Plan.

The total budget required for the implementation of the SESP are calculated on the national envelop and amounts of budget to education from national account. Because of accepting and acknowledging the SESP as a tool to operationalize the SDG4, this SESP also receives budget from provincial and local governments and non-state actors. The amount of budget allocated to SESP from provincial and local governments and non-state actors are yet to be counted in the national budget. But it can be said that the program has been receiving funds from these agencies and actors together with the parents. The table below provides the overall budget scenario in education sector, foreign support and internal borrowing as well. This provides the budget availability in SESP from national account system.

Table 1: Expected growth of GDP, national budget and its share to education budget by sources (Budget Allocation, In NRS Thousand).

FY	2015	2016	2017	2018	2019	2020	2021	2022	2023
	2072/73	2073/74	2074/75	2075/76	2076/77	2077/78	2078/79	2079/80	2080/81
GDP (@ Current Price)	2608180000	3077140000	3455949000	3858930000	3888704000	4352550000	4933697000	5381335000	5618137400
Total National Budget	819,468,884	1,144,341,516	1,278,994,855	1,315,161,700	1,532,967,100	1,474,645,400	1,647,576,700	1,793,837,300	1,751,312,100
Education Budget	98,642,826	116,360,649	126,748,390	134,508,700	163,755,900	171,712,200	180,041,100	196,393,100	197,295,500
GON	83,455,519	106,025,347	112,247,870	121,107,340	146,295,900	147,202,200	161,263,500	168,823,100	175,847,900
Foreign Aid	15,187,307	10,335,302	14,500,520	13,401,360	17,460,000	24,510,000	18,777,600	27,570,000	21,447,600
Loan	1,902,800	4,758,932	8,700,312	7,722,000	10,851,752	15,511,279	11,317,900	18,450,000	13,416,500
Grant	13,284,507	5,576,370	5,800,208	5,679,360	6,608,248	8,998,721	7,459,700	9,120,000	8,031,100
% of education budget in GDP	3.78	3.78	3.67	3.49	4.21	3.95	3.65	3.65	3.51
% of education budget in total budget	12.04	10.17	9.91	10.23	10.68	11.64	10.93	10.95	11.27
% of foreign aid in education budget	15.40	8.88	11.44	9.96	10.66	14.27	10.43	14.04	10.87
% of loan in education budget	1.93	4.09	6.86	5.74	6.63	9.03	6.29	9.39	6.80
% of grants in foreign aid	87.47	53.95	40.00	42.38	37.85	36.71	39.73	33.08	37.45

% of loan in foreign aid	12.53	46.05	60.00	57.62	62.15	63.29	60.27	66.92	62.55
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Source: Red Books 2015/16 to 2022/23 and MOEST AWPB 2015/16 to 2022/23)

The table above provides GDP, GDP growth rates, education budget with different sources over the past years. These figures only represent the allocation. In past nine years, the share of education budget did not cross 12.5% but the government's commitment is about 20% of national budget. Similarly, the foreign aid to education fluctuated from 10 to 15 percent of the total education budget. The grants amounts over the past nine years decreased whereas loan amount has sharply increased.

3.1 School Education Support Program and GPE

In 2020, GPE launched a new funding strategy known as Finance 2025, and Nepal was selected as one of the pilot countries. A key aspect of Nepal's Finance 2025 country level process was the formulation of a Compact, which is a government led analysis and set of policy priorities for the focus of GPE funds, that is agreed and endorsed with the DCP's LEG. In Nepal, this document became known as the GPE Strategic Partnership Agreement (GPE-SPA). The GPE-SPA was developed in collaboration with the Government's development partners in the SWAp and was approved by Government before being endorsed by Nepal's LEG. Its development was highly informed by the 2021 Education Sector Analysis (ESA) and was developed in a simultaneous process (and in full alignment³) with the SESP. As such, both the GPE-SPA and SESP are formulated to implement the priorities of the Government's national policy documents and legislative framework including the Constitution, 15th Periodic Plan and the Free and Compulsory Education Act.

3.1.1 SPA Objectives

As per the MOEST Strategic Partnership Agreement (SPA) submitted to GPE, the overall objectives while developing the GPE-SPA were to identify key bottlenecks and challenges in the education sector, and to develop consensus among development partners on priority areas which can lead to transformative change (see below). Following the endorsement of the GPE-SPA and the approval by the GPE Board of Directors, Nepal became eligible to apply for two funds to support the SESP- the System Transformation Grant (STG – US\$20 million) and the Multiplier Grant⁴ (US\$40 million); and one grant to support technical development and system strengthening- the System Capacity Grant (SCG - US\$ 3.4 million). The execution of these grants need to be in alignment with addressing the issues and priorities identified in the SPA. Although the SPA defines the priorities for GPE funds, it is also envisaged that the SPA will convene resources and effort on the prioritised areas from Government and other development partners.

3.1.2 SPA Priorities

Extensive dialogue and consultation among Government and other stakeholders identified three thematic areas that were considered opportunities for transformative change: 1. Quality teaching, 2. Early childhood education, and 3, inclusion and equity. A brief summary of the rationale for each of these areas is given below, and Table 1 shows the GPE-SPA outcomes and transformations as taken from the Theory of Change.

1. **Quality Teaching:** Teacher salaries make up 75% of school education expenditure. However, insufficient capacity to develop teacher's competencies, since the transition to federalism,

3 Annex 1 is a diagrammatic representation of the SPA Theory of Change. This demonstrates how the activities, outcomes and transformations of the SPA feed into the SESP objectives, vision and mission.

4 The Multiplier Grant is a co-finance mechanism where GPE 'unlock' US\$1 of the US\$40 million allocation for every US\$3 of additional financing from development partners, or for additional US\$1 from foundations.

means that the effectiveness and productivity of teachers is not significantly increasing. Effective and well orientated teachers, supported with an adequate enabling environment, can be transformative for children’s education by interpreting and implementing the curriculum and associated resources that have already been developed. Therefore, improvement of teaching was determined to have significant transformative potential on education and maximize the effectiveness of education financing.

2. **Quality ECE:** In comparison to similar countries, early childhood education (ECE) is popular in Nepal with 67% of children attending (NER). These children have 16-20% better grade 1 enrolment rates, score 9% better on assessments and have higher cognitive and social skills than their peers. However, nearly half of ECE is privately funded, which indicates that ECE provision is not equitable and is likely to be less inaccessible to poorer households and those of marginalised backgrounds. Considering the potential to increase net enrolment by 33%, and the considerable benefits of ECE on children’s learning (including increased promotion, thereby minimising repetition and increasing efficiency), ECE shows significant transformative potential. Improvement will also maximise the effectiveness of other initiatives, such as the integrated early grade curriculum.
3. **Gender Equity (inclusion and equity) -** Nepal has made significant efforts on gender responsive budgeting. Girls have long since received education scholarships, and the Nepal equity index is considered a regional model of equity-based financing. Given this, the GPE-SPA takes a nuanced and intersectional approach to gender equity, acknowledging that recent societal gains by women and girls are often inaccessible to those who face other barriers to social inclusion⁵. The GPE-SPA approach aims to make equity a central aspect of education planning at local and school levels through system-level improvements (such as data accessibility and use, stakeholder consultation and equitable allocation of resources). In addition, existing initiatives, such as the Girls and Inclusive Education Network, will be strengthened to provide focal persons in schools and local levels to lead on implementation of policies.

Table: 5 - SPA Outcomes and Transformations

SN	Priority Area	Outcome	Transformation
1	Quality Teaching	School education must comply with minimum standards to provide an enabling learning environment, in particular access to adequate numbers of trained, competent and motivated teachers.	Improved system capacity to deploy and support in-service teachers to ensure foundational skills in early grades, and proficiency in key subjects beyond that, to enable learners to progress through basic education.

⁵ For example, women and girls with disabilities, living in remote regions, belonging to a marginalised ethnic group or who come from a poor household.

2	Quality Early Childhood Education, and	Children should enter school education with readiness and foundational development, based on which these learning outcomes can be established	ECED centres staffed by trained teachers delivering effective foundational skills training to ensure school readiness among learners entering at grade 1.
3	Gender Equity (inclusion and equity)	Local government and school education plans should be developed based on analysis of data to include need-based and targeted strategies and interventions to address drivers of disparities, with resources made available to finance additional needs.	Schools are gender responsive and safe learning environments with teachers who are trained and mentored to be gender sensitive and socially inclusive to ensure learners who are traditionally excluded, and/or vulnerable, remain in school.

Source: MOEST SPA submitted to GPE

Although the SPA contains these three distinct priorities, they are linked and mutually dependent. Improved education relies on strong foundational learning. This requires well trained and well supported teachers working with all children from an early age. In turn, this requires needs-based allocation of resources that is supported by strong monitoring and responsive planning. As such, the GPE-SPA priority areas and activities are conceived to be a synergistic approach.

3.1.3 Implementation

The STG and Multiplier (when accessed) will be pooled funding support to the SESP. This is achieved through a results-based financing modality and is connected to disbursement linked indicators (DLIs). There are currently two DLI areas linked to GPE funds: one linked to enabling conditions in early childhood education centres, and another linked to the implementation of teacher mentoring by local levels. DLIs supported by other JFPs include the embedding and utilisation of the equity index to further target resources where they are most needed. Access of Multiplier funds will increase the volume and breadth of support.

The SCG will be programmed as technical support and supplemented with funding from other development partners⁶ for system strengthening, with particular focus to improve equitable planning, monitoring and implementation, (especially at the local level) and the enhancement of education training centres for improved teacher training.

4.0 Donor portfolio in an overall manner

All Official Development Assistance details on Nepal can be accessed in the interactive chart on the OECD website. The summary is presented below. Of the US\$ 1.5 billion in 2021, US\$ 1 billion was loans (64%). 18% of all ODA is for education.

Table: 6 - ODA support to Nepal (Receipts for Nepal)

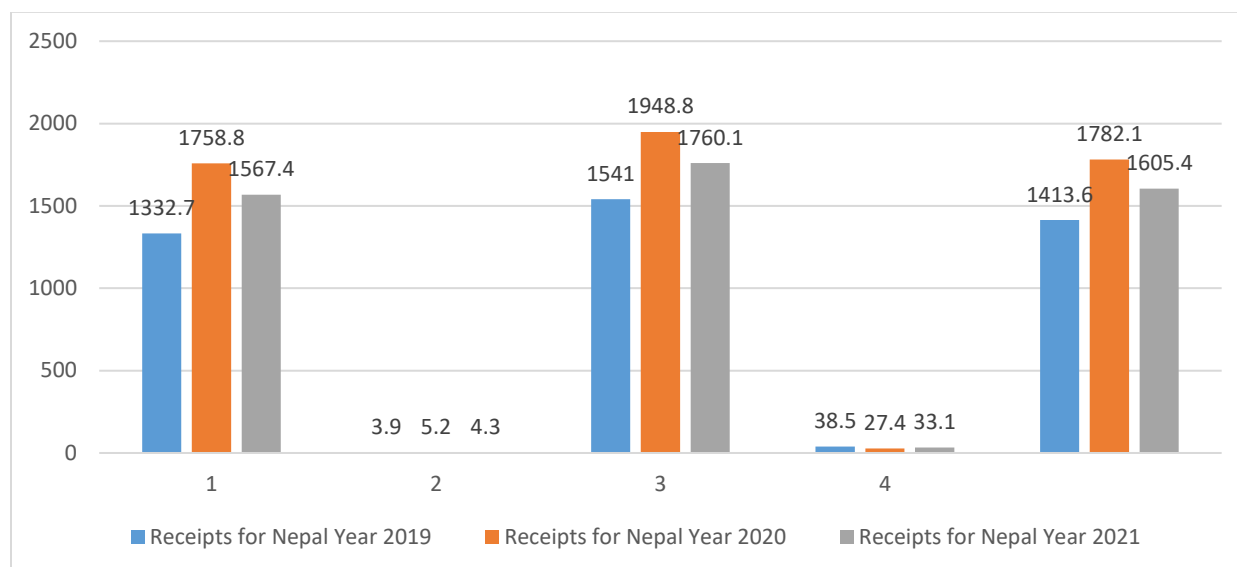
S.N.	Particular	Year
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⁶ Currently the European Union, Finland and UNICEF

		2019	2020	2021
1	Net ODA (USD million)	1332.7	1758.8	1567.4
2	Net ODA/GNI (1%)	3.9	5.2	4.3
3	Gross ODA 9 USD million)	1541	1948.8	1760.1
4	Bilateral Share (Gross ODA) %	38.5	27.4	33.1
	Total Receipt (USD million)	1413.6	1782.1	1605.4

The Chart below includes the same figures in the bar graph.

Chart: 2 - ODA support to Nepal (Receipts for Nepal)



The table and Chart (Table 6 and Chart 2) above shows that total amount provided by OCED from 2019 to 2021. In 2019, it was 1413.6 million USD whereas it reached to 1782.1 million USD in 2020 and again decreased to 1605.4 million USD in 2021. The figures are fluctuating, difficult to predict.

4.1 Donor portfolio in Education

This section includes support to Education from different donor agencies and nature of their support –loan, grants and TA in amount. The distribution of ODA across sectors has changed significantly in the past years. In FY 2018/19, the education sector received the largest volume of support, reaching US\$ 242.4 million, while this figure was 133.3 million USD in the following year. In the COVID-19 context, the health sector received the highest allocation of ODA in FY 2019/20, reaching 318.4 million USD or 15.9% of all ODA.

Table: 7 - Debt Obligations Related to Education Sector

Total Disbursements (USD)			
2011/12	2012/13	2013/14	2014/15
229,049,894	140,721,598	175,053,028	113,684,124

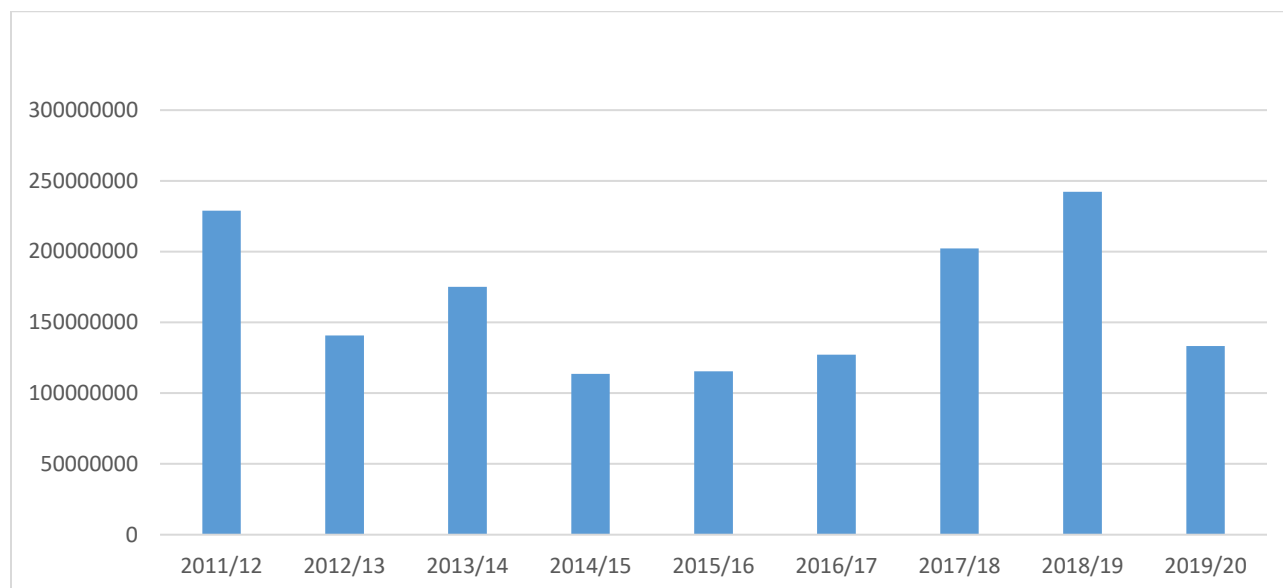
Total Disbursements (USD)				
2015/16	2016/17	2017/18	2018/19	2019/20

115,552,236	127,237,083	202,167,436	242,386,029	133284078
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Source:

The table above provides information on

Chart: 3 - Debt Obligations Related to Education Sector



Source:

The chart (Chart 3) above provides information on debt obligation related to education sector which is also fluctuating. It was lowest in 2014/15 and the highest in 2018/19. It shows that there is difficulty in predicting the debt status in education.

5.0 Debt Obligations of Nepal

The debt situation and its composition in Nepal is given in the table below. It includes the internal and external loan their share as compared with the GDP.

Table: 8 - Debt Situation of Nepal (In Crorer)

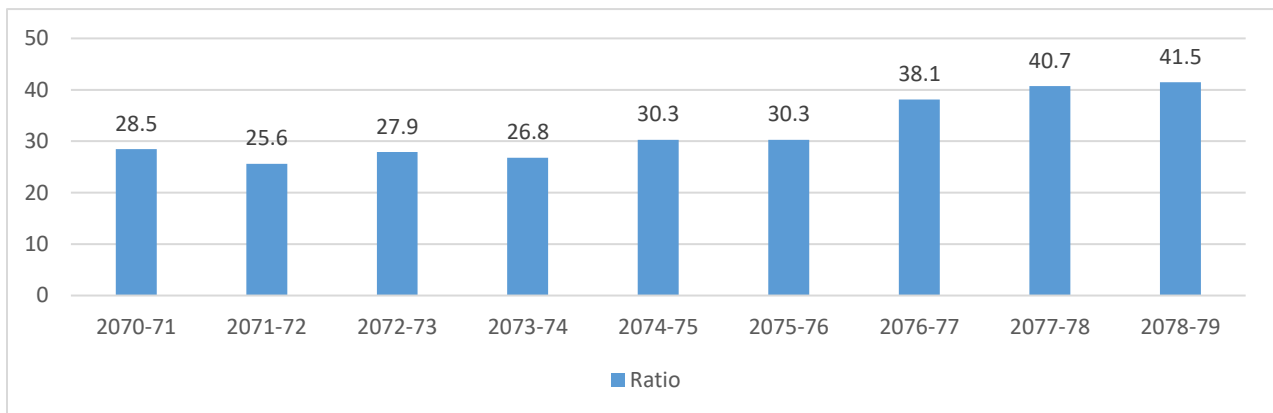
FY Nepali	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80
FY English	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Internal Loan	20668.86	20165.68	23902.89	28371.06	39116.16	45323.05	61373.54	80294.16	98744.93	11291.037
External Loan	34681.91	34326.18	38876.03	41397.88	52615.41	59492.62	81966.71	93469.52	102584.71	11117.025
Total Loan	55350.77	54491.86	62778.92	69768.94	91731.57	104815	143340.25	173763.68	201329.64	
Gross Domestic Product	1,94,162.40	2,12,464.98	2,24,869.10	2,59,923.40	3,03,103.40	3,46,431.90	3,76,704.30	4,26,632.00	4,85,162.00	5618.1374

Public Loan GDP Ratio (In Percentage)	28.51%	25.65%	27.92%	26.84%	30.26%	30.26%	38.05%	40.73%	41.50%	42.7
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(Source: Public Debt Management Office, 2079BS)

The table (Table 8) above gives the overall situation of debt of Nepal. It shows that the share of debt to GDP is continuously increasing over the years, reaching to 41.5%. The external loan is almost doubled in last nine years.

Chart: 4 - Debt to GDP Ratio

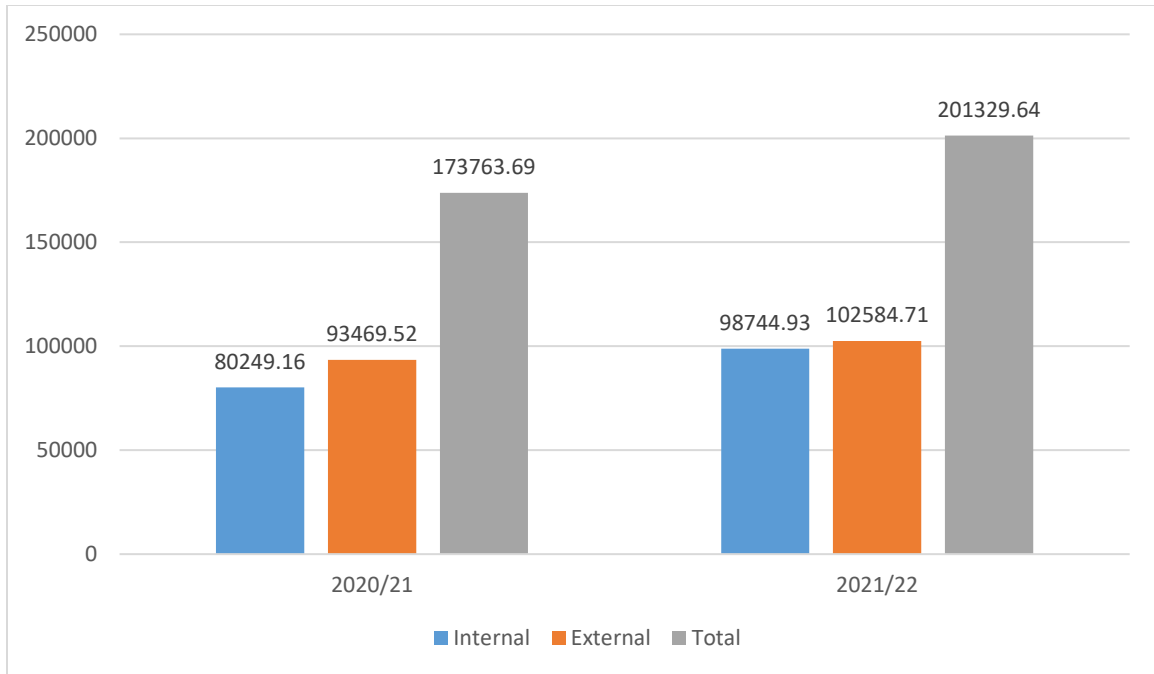


(Source: Public Debt Management Office, 2079BS)

The chart 4 above shows that debt to GDP ratio is continuously increasing over the years, reaching to 41.5%.

The composition of loan in terms of internal and external is also equally important.

Chart: 5 - The composition of external and internal loan (Figures in NRs 10 million)

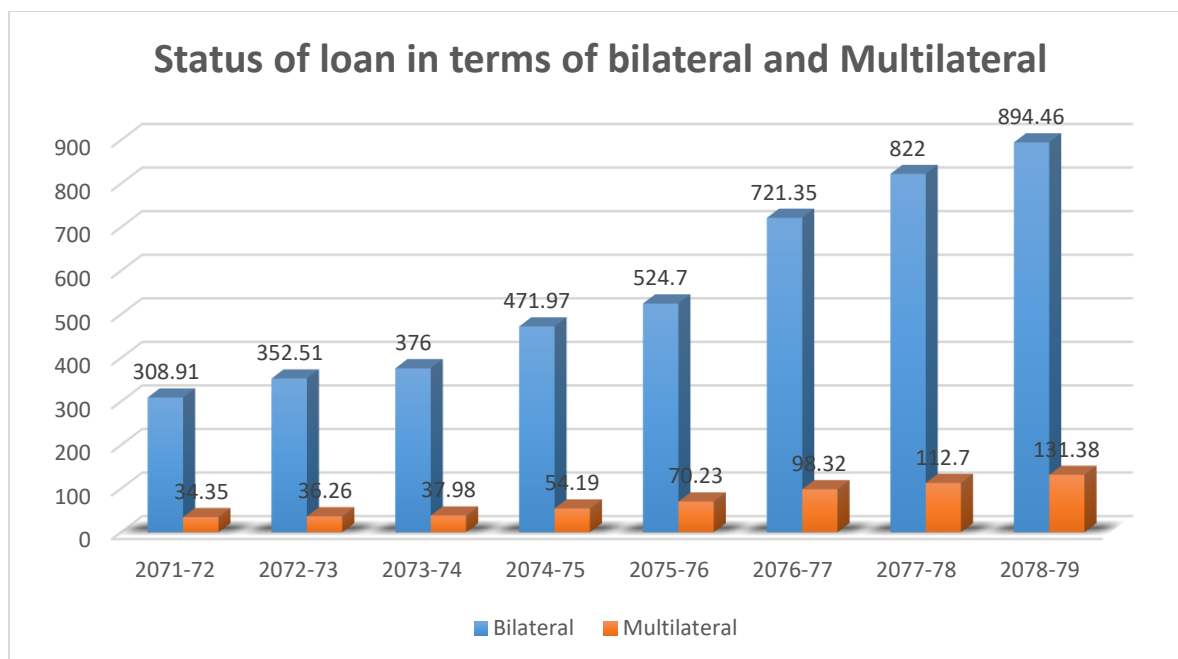


(Source: Public Debt Management Office, 2079BS)

The chart 5 above shows status of internal and external loan in last two years. It shows that both are increasing.

Nepal generally received loan from bilateral and multilateral agencies. The status of loan from these agencies are given below.

Chart: 6 - Status of loan in terms of bilateral and multilateral



(Source: Public Debt Management Office, 2079BS)

The status of the payment of debt by the government is given below.

Table: 9 - Statement of Payment principle (In Crore)

FY Nepali	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79
FY English	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Internal Loan	4743	5033.49	3856.14	3708.46	3431.31	3397.7	3690.11	4733.78
External Loan	1704.18	1779.51	2270.32	1858.92	2003.89	2356.04	2326.86	2941.58
Total Loan	6447.18	6813	6126.46	5567.38	5435.2	5753.74	6016.97	7675.36
Decrease/Increase %	53.95%	5.67%	-10.08%	-9.13%	-2.37%	5.86%	4.57%	27.56%

(Source: Public Debt Management Office, 2079BS)

The table above (Table 9) indicates the amounts paid to the donor agencies by the Nepal over the years.

For the school sector, current loans have a maturity period from 12 to 40 years and interest on foreign loans ranges from a minimum of 0.75 percent to a maximum of 3 percent. However, Nepal may not get concessional loans if it is upgraded from a least developed country.

6.0 Gaps in the investment in Education

In Nepal, the costs of education are not calculated. What amounts are required to education a child in a certain level of education is still unclear? Education is considered as a fundamental right where free and compulsory basic education, and free secondary education are provisioned in the constitution of Nepal. Even free higher education is also provisioned in the constitution for certain specified groups. But the costs required to ensure the constitutional provisions are yet to operationalize.

The three major sources of funding are available in Nepal's education. These are households, government and other than these two sources. Despite one of the signatories of the international commitment of spending 20% of national budget and four to six percent of the country's GDP, Government of Nepal has been allocating about 10 to 12% of its national budget to education. This share is almost half of the international commitment. The concerns of equity in allocation to address the need of diverse groups and efficiency in resource utilization are other major aspect of education financing. In order to confirm these aspects, studies are required which is being lacking over the years.

Government funding to education consists of revenue sources, grants and loan from bi/multi-lateral agency.

Household contribution to education is another major source of funding to education. Households have been paying to school in two forms. The first they are sending their children to private schools and in return of educating their children, private schools are charging fees and other supports. Most of the households are sending their children to "free claimed schools" but schools are charging money from these households, not in the name of "fees" but in the form of "donation or support". In addition to these payment by the households to the schools, there is also indirect costs of education which often put burden to parents of low-income family.

The third source to education is from non-state actors ranging from individual to organized entity, such as business companies, non-governmental organizations and some religious organizations. The support from these sources may vary from place to place and even it may not be continued. Such support is useful but it is difficult to predict such support in the long run, one time may be support for the development of infrastructure and ICT materials.

The inadequate funding to education, at present, is a major risk factor for the development of quality education and fulfilling the goals of the SDGs within the given time period of 2030. The other two concerns of equitable distribution of available fund and utilization of funds effectively and efficiently need to consider seriously.

7.0 Conclusion

Since the SESP is funded in a pooled modality, in a technical sense, the concessional loans are utilised on all aspects of education, and so the answer is no. However, the budget could be viewed in another way. If there were no loan contributions, the Government would still have obligatory expenditures, such as teacher salary or textbooks, that will always be paid. In this sense, the loans could be seen as a supplement that enables activities and initiatives that improve the efficiency and effectiveness of the Government's resources. For example, if loans fund teacher professional development, then the money spent on teacher salaries becomes more effective, and therefore can be considered an investment.

Furthermore, it could be argued that it is economic good sense to take advantage of favourable loan agreements pre-graduation to undertake long-lasting investments, as these could become unavailable once Nepal is a middle-income country.

That said, a complicating factor is that development banks are increasingly blending their loans with small amounts of grant money that becomes available through platforms like the GPE (which is something GPE should be conscious of). Furthermore, the GPE Multiplier mechanism may encourage countries to take larger loans, and if these loans cannot be utilised for long term investments, they may instead fund recurrent obligatory payments such as teacher salaries.

GPE is evolving, and it is welcomed that GPE is working closely with Nepal in a number of pilots and studies to help inform further GPE and DCP engagement. We believe this is key to help GPE to continue its modernisation in a way that it does not lose its core purpose or deviate from its business and self-governance model.

It would be great to propose a working group among DCPs to look at how the DCPs can have an equal voice alongside donor partner countries as we move forward.

8.0 Recommendations

- Loan money should not be used for the day to day running of Government services, as this may become unsustainable. This is why the Ministry of Finance's International Development Cooperation Policy stipulates that concessional loans should be utilised in sectors that contribute to high economic growth and emphasise infrastructure projects.
- The majority of government expenditure is the day-to-day management of schools, such as teachers' salaries, textbook provision and providing midday meals. Utilising loan money for these expenditures alone will not improve the effectiveness or efficiency of the system, and therefore there is not a clear strategy by which the resources would lead to increased economic growth. Therefore, these expenditures should be the utilisation of the Government's own revenues and grant assistance.
- There is an urgent need to increase the budget to education. As per the commitment made by the government international forum, the education budget should be at least 20 percent of public national budget. The available education budget should be used from the perspectives of investment which maximizes the benefits of the expenditures in the long run.
- Innovative financing models should be implemented and Investment patterns should also be increased.
- There is a need to re-engineering the existing education budget, school education budget and current and capital budget with a view to give more focus on quality of education. In order to mitigate the existing gaps, there is a need to explore the alternative sources of financing together with the partnership with the private sectors as well. All schools should have at least minimum enabling conditions for ensuring the equitable access to quality education.
- Investment in Education by introducing progressive taxation, controlling corruption leakages, increase investment rather than consumption by taxing highly-valued good, increasing the scope of revenues and rather than increasing the tax rates, including non-taxes as well and introducing taxes in all income generation areas and sectors.

In addition, while it is recognised that education is an enabling factor for economic growth, this is not the only benefit. Education is a fundamental human right, and is a requirement for people to access other rights. Through quality schooling, children learn how to be a good citizen, how to live successful and fulfilling lives with positive social relationships and how to exercise their moral judgement in their actions and those of others. As such, it is an obligation of any nation and the global community to educate their children, and this should be done by inflating the tax burden of those children once they do enter the labour market.

Therefore, it is a reasonable argument that education is not a suitable sector for loan money. However, there are circumstances where loans may meet the criteria – i.e., they improve effectiveness and efficiency of education, they are not utilised for the day to day management of schools, and there is a clear economic argument where the loan is shown to lead to economic growth. For example, loans could be justified to support sub sectors that directly relate to increased GDP in the short to medium term and generate income, such as job training, technical and pre-vocational education, etc. There should be a clear boundary set in terms of eligible activities (for example, not every TEVT project is needed, appropriate or has led to increased income in the country).

Due to careful fiscal management and Nepal's status as a least developed country, debt burden has not been a major issue. However, with the country's ambition to graduate, a clear vision needs to be in place as Nepal will start encountering more and more unfavourable loan conditions and must avoid the difficulties recently faced by highly indebted countries, such as Sri Lanka.

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