

**Education for All 2004-09  
Formative Research Project**

**Study Report 28**

**Exploring the Possibility of Expanding  
Per-child Funding (PCF) Mechanism**



Tribhuvan University  
Research Centre for Educational  
Innovation and Development (CERID)  
Balkhu, Kathmandu, Nepal  
2008



# **Exploring the Possibility of Expanding Per-child Funding Mechanism**



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**Research Centre for Educational Innovation and Development (CERID)**

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2008

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## **Abbreviations**

CERID	: Centre for Educational Research, Innovation and Development
DEO	: District Education Office (Officer)
DOE	: Department Of Education
DTCO	: District Treasury Controller Office
EFA	: Education for All
FCGO	: Finance Comptroller General Office
HT	: Head Teacher
LEA	: Local Education Authority
P: T Ratio	: Pupil Teacher Ratio
PCF	: Per Capita Funding
PTA	: Parent Teacher Association
RCDP	: Rural Community Development Project
SGOG	: School Grants Operation Guidelines
SIP	: School Improvement Plan
SMC	: School Management Committee
TRSE	: Technical Review of School Education
UCP Schools	: Unaided Community Primary Schools

## Executive Summary

### Research Questions

The study has been conducted to address the four research questions:

- a. What is the provision of per capita funding (PCF)?
- b. How is the PCF mechanism functioning?
- c. What are the strengths and weaknesses of the mechanism?
- d. What are the strategies for expansion of the mechanism?

The study used the following methods: Study of documents, Interviews with officials; and Field Survey in two districts: Lalitpur and Chitwan.

### Objectives of Per Capita Funding

The Department of Education (DOE) introduced the per capita funding mechanism in the year 2007/08, with the aim of providing additional funds to the 'Unaided Primary Schools' and the community managed primary schools. These schools are expected to use the funds for appointing teachers (on their own) in the schools to cope with the growth in enrolments. The PCF mechanism is expected to meet the 'teacher needs' of the 'unserved students' (number of students in excess of the Pupil:Teacher Ratio Norms). The aim is to relieve the teacher shortage situation and to improve quality of education.

### Implementation Activities

Various activities have been initiated by the DOE for implementing the mechanism. The principal activities are: (a) analyzing and verifying the school data (of each unaided and community managed school), (b) development of the PCF implementation Guidelines Document, (c) Official Communication to District Education Offices (DEOs) authorizing the Offices to disburse the specified grants amount to the selected schools, (d) Disbursement of grants to schools.

### Findings

Field surveys in the two districts have shown that as yet the schools of both districts have not received the Guidelines Document, and the grants approved by the DEO office have been distributed in only one district. There have been some delays in disbursement of grants to the schools due to inconsistency of enrolment/examination appeared students data used by the DOE, and the data recorded in the schools. Further, the Unaided schools in Lalitpur district identified for receiving the PCF grants have not decided to have 'management transfer' (to the community). This 'Management transfer' has been made a condition for receiving the grants. In Chitwan district, the schools have agreed to have the management transfer. In this district grants were disbursed in the fourth week of Jestha 2065. In Lalitpur district, the disbursements were stalled (as of Ashadh 2065).

The PCF scheme has, in general been welcomed by the School head teachers, teachers, and related School Management Committee members. The Head Teachers and the SMC chairmen of the selected schools expressed doubts about the usefulness of the PCF scheme in resolving teacher shortage issues. They stressed that teachers appointed under PCF scheme would be working under uncertain conditions, as the

PCF grants could fluctuate with changes in school enrolment/appeared students numbers. Further, the teachers want the Rahat Teacher Salary grants to be continued as at present and not replaced by the PCF grant system. The teachers feel that the Rahat Salary Grants (Rahat Quota) gives them a greater sense of service security. Further, it is felt by the schools that the PCF grants amounts would be much less than the total Rahat Salary grants. The replacement of Rahat grants by PCF grants is a long-term issue that requires much analysis and discussions with the stakeholders.

### **Recommendations**

Presently, there are some actions that need to be taken as early as possible. These are (a) prompt disbursement of the grants to the schools, (b) the use of the grants by schools for the intended purposes. One issue is that the PCF grants received by the most schools are insufficient for appointing a full-time teacher. The schools need directives from DOE/DEO in use of the money under such conditions.

Decision on the extension of the PCF system to the Aided Schools and to upper levels of school education (Lower Secondary and Secondary) has to be taken after an assessment of the working of the PCF system for a full year. In general, Aided Primary Schools which have high Pupil:Teacher Ratios and Unaided Lower Secondary Schools which are presently crowded (have high pupil teacher ratios) can be considered for the extension of the PCF mechanism.

Some suggested measures are as follows: (a) Wider dissemination of the Guidelines Document, (b) Resolution of the issue of data inconsistency, (c) Advocacy of Management transfer, (d) Provision of directives in use of the PCF grant money, (e) Reconsideration of P:T Ratio Norms used by the DOE. (in view of unrealistic nature of presently used P:T Ratio norms), (f) Decentralization of school selection work and determination of grants to District Education Offices (DEO), (g) Improvement of capacity of the DEO offices and schools, particularly in the areas of data management and management of accounts and finances (g) Extension of PCF scheme to the Aided schools with high P.T Ratio to facilitate teacher provision.



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## CHAPTER I

### **Per Capita Funding: Background, Introduction to PCF and Methods**

#### **Background**

The Government of Nepal is taking several measures for expanding and improving the primary and secondary level education. Despite significant progress attained in enrolments of primary level, there are a number of unresolved problems. These include the high dropout rates especially among disadvantaged groups of children, low quality of education in the public schools, low completion rates and low funding available in schools for improved teaching and learning. In recent years, a shortage of teachers in over crowded schools has also appeared as an issue. This shortage is mainly due to rapid increase in enrolments supported by 'Wel-Come to School Programme'.

In line with the EFA objectives of "Ensuring access to education for all children" and "Improving all aspects of quality education", the Government of Nepal has started providing teacher's salary grants (Rahat) since past few years to the unaided schools and to schools having high pupil: teacher ratio (PTR).

The Annual Strategic Implementation Plan of the Department of Education (2006/07) has reported that the Education Budget for 2006/07 has allocated Rs. 228 millions for providing teacher salary support to the unaided schools. Altogether annual salary support for 4284 teachers (2 Teachers per school) at the annual rate of Rs. 53,300 per teacher was provided to these schools in 2006/07. The grants were continued in the year 2007/08.

Further, the Block Grant scheme has incorporated the provision of "Rahat" salary grants to the community managed (management transfer) schools to cover teacher salaries (specified number of teachers)

The per capita funding scheme introduced by the Department of Education is a further measure to assist the "unaided" community primary schools and the community managed schools to help them provide quality education by supporting teacher provision. The main expectation of this scheme is to tackle teacher shortage problems in these two types of schools by providing additional funding (as mentioned in the Guidelines Document). Some aided schools have also received grants to cope with high enrolments.

The per capita funding scheme is at the initial stage of implementation. The study is intended to assess the implementation processes at the present stage and present the opinions of the stakeholders about the merits of the system.

#### **Introduction to Per Capita Funding**

At present, the Government of Nepal is devoting about 16.8 percent of the annual budget (2007/08) for the Education Sector. Major portion (about 80.7%) of the education budget is allocated for school level education (grades 1-10). Primary education sub-sector gets about 61% of the education budget. Teacher salary constitutes major portion of the allocation for primary, lower secondary and secondary levels. The main source of income of the community schools is the government grants. The government managed community schools are popularly

known as public or government schools. The government meets 100 per cent of salary of the government approved teachers' positions of primary, lower secondary and secondary schools managed by the government. These schools are also called as "aided schools". There are, however, many community schools which have been receiving only partial support from the government. These schools receive fixed basic salary grants equivalent to two teacher's positions as relief (Rahat) grants. These schools are considered as "unaided" schools.

Under the Education For All (EFA) program, the Block Grants scheme was introduced since 2062. Under this program, several grants were provided to the primary schools (annually) on per student basis. These grants include the grants for School Improvement Plan (SIP) and Educational Materials. A further extension of the government's school financing policy is the introduction of Per Capita Funding (PCF) mechanism since 2064 B.S. (2007). For the purpose of the PCF grant calculation, teacher's initial pay scale (annual) is divided by pupil: teacher ratio as determined by the Department of Education (DOE) for different regions: 40:1 for Mountain Region, 45:1 for Hill Region and 50:1 for Terai and Kathmandu valley. The per capita funding is granted to the schools for hiring teachers to teach the students in excess of the P:T Ratio, used as basic norm by the Department Of Education.

Currently, the PCF grants are to be provided to the unaided primary schools and the community managed (management transfer) primary schools having high pupil teacher ratio according to the Guidelines Document. The main objective of the PCF grant program introduced by the government is to minimize the negative effects of the deficiency of teacher positions on teaching learning situation, and to improve quality of education of the schools. There is a third objective that is to reduce the number of out-of-school children in a school community. The PCF grants are distributed with the aim of securing social justice and transparency. The government provides funding to the schools for meeting the learning needs of the un-served students, with the hope that the schools will arrange teachers to cope with the high student teacher ratio. Currently, the provision of such PCF grant is being done by the government in all the 75 districts of the country.

Under the PCF scheme, the schools are provided financial assistance to hire teachers on their own, if the Pupil teacher ratio exceeds the norms stated above. The additional grant assistance will be based on teacher cost per child (Pupil). As of now, the "unaided" community schools and community managed schools have been the beneficiary of this scheme.

## **Research Questions and Objectives**

### **Research Questions**

The PCF is an innovative financing scheme: the following research questions have been set for the study:

- What are the opinions of the stakeholders on the provision of 'per-capita-funding'?
- How is this mechanism functioning?
- What are the strengths and weaknesses of this mechanism?
- What strategies need to be followed for its expansion?

### **Objectives Of the Study**

- To analyze the concept, criteria, procedure and management of the PCF mechanism.
- To explore the opinions of Head Teachers (HTs), School Management Committees (SMCs) and District Education Officers (DEOs) regarding the implementation mechanism, criteria, impact and scope of PCF.
- To find out strengths and weaknesses of PCF implementation mechanism
- To suggest strategies for expansion of the mechanism.

### **Methodology of the Study**

To address the above research questions, following methodology has been adopted:

a. Document study:

- Study of documents on PCF funding and literature on experiences of South Asian Countries and developed countries.
- Education Act, 2028 and Amendments.
- Education Regulations, 2059.
- Study Reports on Block Grants, Unaided schools, and Formula Funding.
- PCF Grants Implementation Guidelines, 2064, DOE (Guidelines Document)

The Guidelines Document is the principal reference for the study. The document covers the following areas: Objectives of PCF, Bases for determination of PCF grants, Prerequisites for receiving the grants, Role and functions of different MOES organizations and schools, SMC, and Calculation of the amounts of grants by regions.

b. Field survey:

This study has been conducted with the use of field study which covers the schools/districts, where PCF has been implemented. The selection of the schools was done in consultation with the DEO, Resource Persons and School Supervisors.

List of districts

For this study two districts were selected. Due to time constraints the Mountain districts were not covered for this study. The districts selected are:

- Lalitpur: (Kathmandu Valley)
- Chitwan: (Terai)

*Selection of Schools*

The school selection was done with the objective of covering two unaided schools and one community managed school in each district. Altogether three schools were chosen from each district. The DEO Offices in the concerned districts have the list of schools identified for receiving the grants. This list was used for the purpose of school selection.

a. Interviews:

Interviews were conducted with the following officials/individuals:

- Central level: MOES officials, DOE officials
- DEOs, School Supervisors and Resource Persons
- SMC Members, Head teachers, and teachers

There were three sets of interview questionnaires addressed to the following:

- Central level officials, MOES and DOE officials.
- District Education Officers, School Supervisors and Resource Persons.
- Head teachers, teachers and members of SMC.

### **Coverage of the questionnaires**

#### *i. Questionnaire for Central Level Officials*

The questionnaire mainly covered these areas:

Main rationale for introducing PCF; need of PCF grants besides the Rahat teacher salary grants; grants disbursement for unaided schools and community managed schools; factors considered in providing grants; opinion on continuation of Rahat teacher salary grants; and replacement of the Rahat grants by PCF; opinion regarding handover of the tasks of school selection and determination of the PCF grant to District Education Offices; effect of PCF grants on teaching learning situation in the schools; disbursement of PCF grants at the beginning of the fiscal year; responsibilities of DOE, DEOs and schools ; extension of PCF to the aided/government managed schools; extension to lower secondary and secondary levels, monitoring of PCF.

#### *ii. Questionnaire for DEO and School Supervisors*

The questionnaire mainly covered these contents:

Awareness about the PCF Guidelines; dissemination of Guidelines to schools; whether PCF grants will help resolve the problem of shortage of teachers; strengths and weaknesses of the PCF mechanism; role of DEO in implementing PCF; whether the DEO can handle the work of determination of PCF grants; expected time period needed for disbursing the PCF grants; system adopted for monitoring the use of the PCF grants; opinion regarding whether PCF should be extended to the aided schools, lower secondary and secondary levels; opinion on whether PCF should replace Rahat teacher salary grants; measures needed for handling the additional workload on DEO; expected effects of PCF on teaching learning situation and schooling of out-of-school children.

#### *iii. Questionnaire for head teachers, teachers and SMC members*

The questionnaire mainly addressed contents as:

Knowledge about PCF system; relative merits of PCF and Rahat teacher salary grants; adequacy of PCF for hiring full time teachers; use of own resources for hiring teachers; timely submission of school data to the DEO; whether there is regular monitoring of the use of PCF grants; difficulties experienced in PCF implementation; reforms needed in the PCF system; need of expanding the PCF System; whether PCF should be extended to lower secondary and secondary levels.

## CHAPTER II

### Review of Studies and Country Experiences on Per Student Expenditure (unit cost) and its Use

#### Introduction

In recent years, the government expenditure on education has increased sharply due to the implementation of new programmes and projects. Increase in number of institutions and enrollment, teachers' salaries, and the effects of inflation on the costs of goods and services used in the delivery of school educational programmes and services. Consequently, costs per student have gone up.

Household expenditures on education have also increased significantly due to increasing concern of parents for providing quality education for their children, increased cash income and increasing cost of schooling (fees).

Higher efficiency in the education system and better performance of the educational institutions is now demanded by the government, general public and the donor agencies.

Unit cost or average expenditure per student refers to total expenditure on the enrolled students at a particular level divided by number of the students at that level in a given year. Ideally, the total expenditure should include expenditure by all parties/agencies concerned (government, schools, parents, local bodies and local communities). However, data of expenditure by all parties/agencies are not available.

Data on government expenditure is readily available. Government expenditure per student (unit) can be calculated by dividing the total government expenditure on a particular level of education by the number of students at that level in a given year.

We can calculate teacher cost per student by dividing the average annual salary of a teacher by pupil: teacher ratio. If we want to include non-teacher cost we can further introduce a factor (ratio of non-teacher costs to teacher salary cost)

The formula for unit cost estimates is as follows:

$$\text{Unit cost of pupil (Teacher salary only)} = \frac{\text{Average annual salary of a teacher}}{\text{P : T Ratio}}$$

For considering non- teacher salary costs also we would have to know the ratio of non teachers salary cost to teacher cost. We need to use the following formulae:

$$\text{Unit cost of pupil (All costs)} = \text{Average annual salary of a teacher} \times \frac{1+r}{\text{P : T Ratio}}$$

Where r is the ratio of non teacher salary costs to teacher salary costs

#### Moes and Cerid Studies

The amount of per student expenditure in schools is generally regarded as an indicator of the level of the educational effort by the public bodies (central government and other government organizations). The amount of per student expenditure determines the quality of schooling to a large extent.

Two recent studies have tried to estimate per student expenditure in public primary schools.

- i. School Financing System for Effective Schools, MOES Core Group, 2005
- ii. Longitudinal Study on System Indicators, CERID, 2004

The *Effective School* Study made the following assumptions:

- Primary level (grade 1 - 5) with 45 students per grade and a total of 225 students
- Total number of teachers : five
- Administrative cost (for non-teacher staff)
- Stationery cost per teacher
- Scholarships for Dalit, poor girls and the disabled.
- Expenses for recurrent training
- Per child grant for text books

The total annual cost on all the categories of school expenditure (for one school) was arrived at Rs.580, 200 and the per student expenditure was, thus estimated to be Rs. 2,579.

The CERID study, *the Longitudinal Study on System Indicators, 2004* considered the expenditure on teacher salary, staff salary, capital expenditure and other non-salary expenditure in the sample primary schools. The total expenditure under different headings in the school was set against the total number of school children in those schools. Data for 62 primary schools in different regions was used. The study found the per student expenditure to be Rs. 2,404 in the year 2003.

The CERID study includes capital expenditure (which is a small proportion of the total) and does not consider expenditure on scholarships of various types. Both the *Effective schools study* and the *Longitudinal Study* do not consider parental/household costs of schooling.

## **Research Studies**

### *A. Study on unaided schools*

The Report on '*A Survey Of Unaided Community Primary Schools*' 2005 by Arbinda Lal Bhomi, done for the World Bank Office, Kathmandu is relevant to the present study on per capita funding (PCF). This is so because the PCF system is mainly addressed to the unaided community primary schools.

The study has come up with the following findings:

1. The unaided community primary schools (UCP) number 2421 schools and comprise 9.8% of the total primary schools in the country.
2. The UCP schools began receiving teacher salary support (Rahat) up to two teacher positions from the year 2004/05. This new funding policy of the government had positive impact on the operation of the UCP schools in several ways:
  - a. The UCP schools became able to retain the working teachers, and appoint some new teachers.



- b. Further, along with the salary grants (Rahat) the schools began receiving grants for the preparation of SIP and preparation of educational data.
- c. There was an increment in the salary amount of the working teachers.
- d. The work motivation of the teachers went up with the increase in their salary amount.
- e. The schools became able to recruit better quality teachers and also demand better services from the teachers. Further, there was improvement in the learning environment. Student enrollment in the grant receiving schools went up after these schools got the Rahat salary grants.
  - 1. All the stakeholders working in and for the UCP schools had a good understanding of the new funding policy of providing salary grants to the UCP schools. The head teachers were provided orientation on the system at the resource centre level by the Resource Persons and School Supervisors.
  - 2. The funds flow system under the salary grants (Rahat) was quite straight forward. The DEO deposited the salary grant in the bank accounts of the respective schools and its information was given to the schools.
  - 3. Monitoring of the UCP schools was done by the DEO officials. They collected information about the school's problems in the head teachers meeting at the RC level. Further, sporadic visits were conducted in the accessible areas by the DEO officials.
  - 4. The performance of the School Management Committees of the sample schools was found to be satisfactory (in terms of number of meetings, attendance, decision making, and implementation).
  - 5. The S:T ratio ranged from 23:1 to 40:1 in Chitwan, and from 38:1 to 47:1 in Makwanpur. On an average, the S: T ratio in the sample schools was 30:1 for Chitwan and 41:1 for Makwanpur. These ratios are less than the norms set by Department of Education (50:1 for Terai and 45:1 for Hills)

The implications of the findings of the study are as follows:

- a. In view of the positive impact of the salary grants (Rahat) in the schools, it may be difficult to convince the UCP schools to agree on the replacement of the salary grants (Rahat) system by the per capita funding system.
- b. The per capita funding system is based on strict use of the student: teacher ratio norms, which need to be exceeded to qualify for the PCF grants. The S:T ratios found by the study (report) imply that many UCP schools will not meet such requirement (because their S: T ratios are less than the norms set by the Department of Education).
- c. *Study on the use of formula for financing of primary education:*

The Report on '*Formulae For Allocating Public Resources to Primary Schools in Nepal*' (2005) by Shailendra Prasad Sigdel, is a dissertation submitted to the IIEP in Paris in the fulfillment of the advanced training programme in educational planning and management.

This study report presents an analysis of the theoretical basis (mainly from equity standpoint) of investment in education, and discusses the issues of educational financing in Nepal. After a critical review of the current financing practices including the Block Grants scheme, and use of formula based funding mainly with respect to grants for school improvement plan implementation, the author presents a comprehensive proposal on use of formula funding approach to allocation of public resources to primary education sub-sector.

The author points out the following issues in educational financing in Nepal.

- a. Inadequate funds for the education sector
- b. Inequitable distribution of the available resources.
- c. Low per capita investment.

With respect to the per capita investment (primary level expenditure), the author points out that the unit cost (expenditure) in primary education was Rs. 1094 in 1995. It went up to Rs. 2027 (at current prices) in 2001. Since the price index has gone up to 140.7 (price index 1995=100), the real per capita expenditure (primary education) will be Rs. 1441 only in the year 2001.

The author concludes that the present per capita expenditure is inadequate: and that it should be increased to ensure a good level of education. The author states that because of the low level of funding (per capita), schools do not have adequate physical infrastructure and teaching/ learning materials. Such inadequacy has contributed to low motivation of the teachers and an overall weak delivery system.

The author reviews the efforts made under the Basic and Primary Education Project - Phase II, with regard to use of formula funding (per student allocation for implementing the school improvement plans) by the schools concerned.

### **Relevance of literature Review**

The report is critical about the provision in the Block Grant Scheme to provide higher level SIP grants (per student) to schools which are better equipped and better functioning (Level One, Level Two) in comparison with schools assessed as belonging to Basic Level. This provision, the report states, is highly discriminatory against the (common) schools which do not have better physical facilities. And the study pleads for use of per capita funding based on a wide range of school needs, besides Basic Student Allocation.

The author proposes a comprehensive formula based funding which considers the following components:

- a. Basic student allocation.
- b. Curriculum enhancement
- c. Special needs
- d. School site needs
- e. Performance needs.

The process of allocating public funds for primary education could be quite complex, as several components have to be considered in a single formula. Of the five components mentioned above, *the basic student allocation* seems to be most important one, and it would be much easier to work out and implement.

The author states that the basic student allocation should cover costs of educating the students with normal or regular educational needs. As conceived by the author, every VDC/Municipality will/should receive certain (specified) amount of money (for supporting education) on the basis of number of school going population (aged 6-10 years) in the VDC/Municipality. The author uses this criteria in a proposal of education allocation in the dissertation.

The review of the literature indicates the uses of per student expenditure concept in analyzing the government investment in education. The help rendered by relief (Rahat) salary grants to unaided schools has also been highlighted.

## Country Experiences

### A. Nepal

#### I. Use Of Per Student Expenditure

The information on student expenditure is of much value for estimating the total expenditure of operating the public schools. It indicates how much it costs to operate a public school, even when not considering the cost of school buildings and facilities.

*The Fourth Medium Term Expenditure Framework (National Planning Commission 2005)* tried to use estimates of unit costs (for free text books, teacher training, literacy programme etc) for preparing future budgetary requirements. *The Education For All (2004-2009) Core Document* of the MOES has used unit cost (per capita cost of participants) as a basis for cost calculation of several programmes. The examples are as follows:

- Participants in Women Literacy Programme : Rs. 875 per participant
- Participants in Out- of- school programme : Rs. 875 per participant
- Scholarships for Dalit, poor girls and disabled: Rs. 350 per person per year

#### II. The Block Grant Scheme

Per student allocations have been specified in the Block Grant scheme (introduced in 2004/2005) for various types of scholarships, text books and educational materials. Also the scheme had specified funding of school improvement plan (SIP) on the basis of per student expenditure. The Block Grant scheme has mentioned the following per student grants (main ones):

*School Improvement Plan:* Per student grant per year (Rs. 325 per student in Mountain districts, Rs. 300 per student in Hill districts and Rs. 275 per student in Terai, and Valley districts). (The revised rates )

*Educational materials grant:* Rs. 100 per student per year (Discontinued now)

*Scholarship grant (per student per year)*

- Girl student : Rs.350/- per year
- Dalit student: Rs.350/- per year
- Booster scholarship: Rs. 500/ per student (one time) (Discontinued now)
- Feeder hostel scholarship: Rs. 1200/- per student per month for Hills and Mountain districts and Rs.1000 per month in Terai districts.

So far, the various school grants have not been unified into a single category of expenditure to take care of teacher salary, administration costs, scholarship, SIP, capital costs and other categories of expenditure.

Grants by specific categories seem to be more practical from administrative standpoint and for macro-planning purposes. Total amounts of grants (of various categories) could be used as basis of cost estimation of educational programmes.

The examples of use of per student expenditure given above shows that the per student expenditure estimates have been used mainly for planning purposes and for working out total expenditure needed for different programmes. However, the Block Grant scheme provides an example of allocation and disbursement of grants on per student basis in several categories of expenditure particularly the school improvement programmes.

## **B. INDIA**

India has a federal system of government. Education is a State subject. The primary level is generally from grades 1-8 (which have two stages, lower primary 1-4 grades, and upper primary 5-8 grades). There are differences in school structure among the states. In general, there is 10 +2 system with primary cycle of 8 years.

The types of schools (primary and secondary)

- Government schools which are fully funded by the government for all expenses.
- Aided private schools, receiving some grants- in- aid from the state governments.
- Private schools (also called public schools) which charge very high fees, and mainly cater to the elite and the rich families
- Schools run by local bodies and municipalities.
- Central schools (for children of government staff) managed by the central government
- Schools run by religious organizations and trusts

The main schools receiving grants- in- aid are the government schools, aided private schools, and the schools run by local bodies and municipalities.

### **Financing of Primary Schools:**

The government run primary schools are financed fully by the State governments. The schools run by local bodies are financed partly from their own funds and partly through grants from the state governments.

The Ministry of Education of the central government (Union Government) also helps by providing grants for centrally sponsored schemes and other programmes like supply of uniform, mid-day meals, science equipments etc. The aided schools also use funds that are raised from community for school buildings and other programmes. The central government provides grants to the central schools.

### **Role of Local Bodies:**

In India, school education at the primary level is essentially a local body and state government partnership. The local bodies include Panchayat Raj institutions, the District Boards, and the Municipalities.

The reason for involving the local authorities in the administration of primary schools is that these bodies will bring local knowledge to bear on the solution of school problems and also help with financing the schools. It is seen that the financial contribution of the local bodies is not very large but in case of some rich municipalities, it is quite substantial.

The state government supports the local bodies with grants for financing of the schools operated by the local bodies. Such grants- in- aid take into account the expenditure for admitting the students as well as the running of the institutions.

### **Per Capita Cost Concept**

The Report of the Education Commission (1964-66) presents the concept and use of per capita student cost for use in educational planning. The Report gives estimates of expenditure on the development of school education (1966-1985) based on cost per student at various levels: pre-primary, lower primary, higher primary education, lower secondary and higher secondary education.

The cost per student at lower primary level is based on the cost of the following items of expenditure:

- a. Average annual salary of a teacher
- b. 10% of salary cost as retirement cost
- c. Total non- teacher cost per student
- d. Pupil : teacher ratio

### **Use of the Concept of Per Student Expenditure:**

The recommendations of the Education Commission have been the guiding principles of education policy in India since many years. The following aspects are considered in trying to reduce the interstate differences, and inter district- differences (within a state).

- a. Considering the relative position of different states in allocating resources (by central and state governments).
- b. Analysis of educationally backward areas within a state.
- c. Differences in per capita expenditure from one district to another.
- d. Differences in per institution expenditure from one district to another.

In general, the per student expenditure criteria was used mainly for assessing relative status of different States and districts within a State; and it was also used to get an idea of required expenditure for an expanded education delivery system.

Per capita expenditure criterion has not been categorically used for working out and allocating grants in aid to the schools.

### C. MONGOLIA

*The Report on Educational Financing and Budgeting in Mongolia (IIEP, UNESCO, 2001)* gives an idea of an Asian country to use per capita expenditure as basis for estimation of education budget needs. This document states that per student expenditure data are used for educational financing purposes.

The estimates for government funding are based on unit cost per pupil. The costs considered are mainly the fixed costs (essential services, utilities and electricity). The variable costs are expected to be covered through extra-budgetary funds and income generation.

According to the above mentioned report a new system of funding called Educational Vouchers is to be introduced for primary and secondary levels to encourage competition among schools in the near future.

### D. U.S.A

The American educational system has incorporated per student (per capita) funding for financing of free school education all over the U.S.A. School education is supported by state funds as well as local funds. State funding is provided by all States, and local funds are raised in school districts (within the state) mainly on the basis of property taxes.

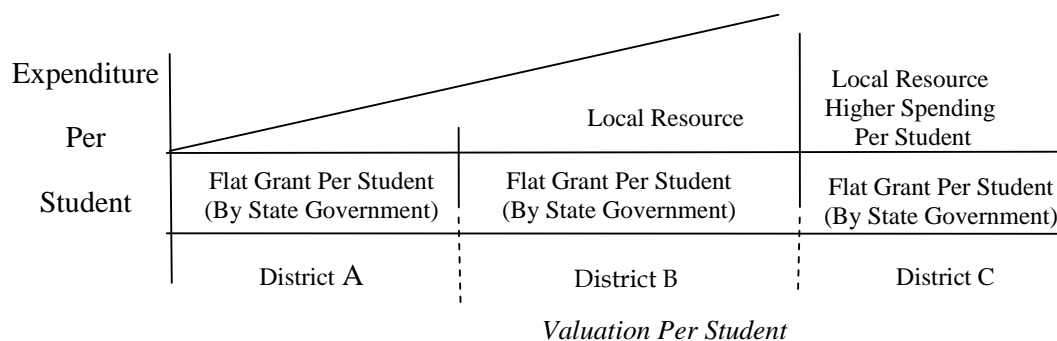
#### (a) Flat Grant System

The States (in U.S.A.) have the system of allocating money to the local communities to meet the cost of school education. This money allocation by State government is based on the Flat Grants System (which differs in different States). The Flat Grant system uses the student data collected in the school census. (counting of all school age children in a school district).

The Flat Grant approach assumes that a specific minimum of schooling should be guaranteed to every citizen. The minimum of schooling is deemed to be necessary for proper functioning as a citizen in the society.

The following diagram illustrates the grant provision by the government. From the diagram below, it is seen that various School Districts (such as A, B, C) receive same (Flat) amount of grant per student. The richer school district can spend more per student by raising more resources locally. School District C, for instance, spends more per student than School Districts A and B (Diagram 1).

Diagram 1: Flat Grant System

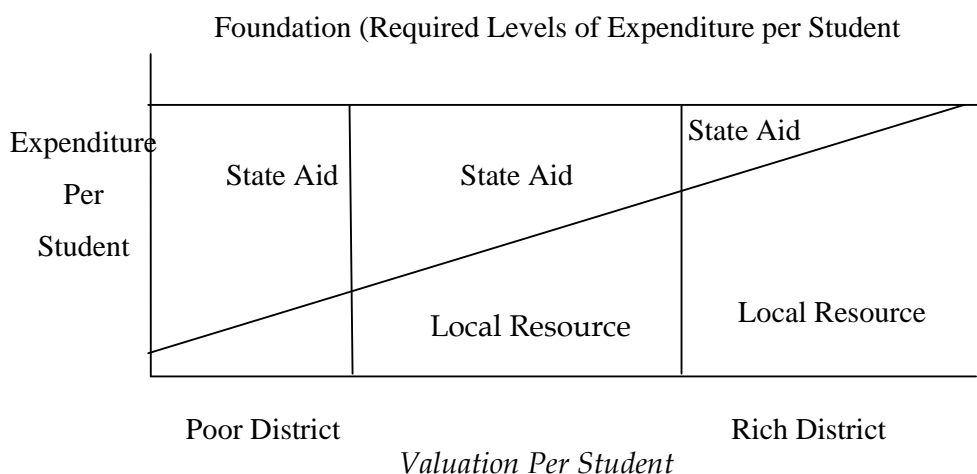


**(b) Foundation Grant system**

Some States (in U.S.A) have devised a scheme of providing varying amounts of support for different school districts (poorer, richer districts) in order to ensure that all school districts spend same amount of money per student in order to provide minimum adequate education for all children (of different districts)

The State government specifies the dollar (\$) amount of expenditure per student (Foundation) that each School District is to receive in order to guarantee the minimum education. Under this system poorer District gets more grants per student than richer one from the State Government. It is conceived that the richer School District will collect and use more local resources than the poorer School District for the financing of local schools. (Diagram 2)

Diagram 2: Foundation Grant System



Source of the Diagrams: W. Garms and others, *School Finance: The Economics and Politics of Public Education*, Prentice Hall, 1978.

**A. England**

*Compulsory Education*

In England, there is a system of Compulsory Education (from Elementary to Secondary level). Compulsory Education ends at age of 16.

*The Local Education Authorities*

Almost all state schools in England are maintained and funded by the Local Education Authorities (LEA), which are educational organs of the elected local bodies. The local authorities receive Central government grants in a package, which includes allocations for school education. The local bodies meet the local service expenditure with the use of government grant (about 75% of expenditure) supplemented by local revenue collected from local tax on property.

The central government grants to the local bodies (local authorities) are provided with the aim of achieving fiscal equalization among the local authorities (LA)

considering the differences both in the need of LA to spend on services including education and in the fiscal capacity (of the LA)

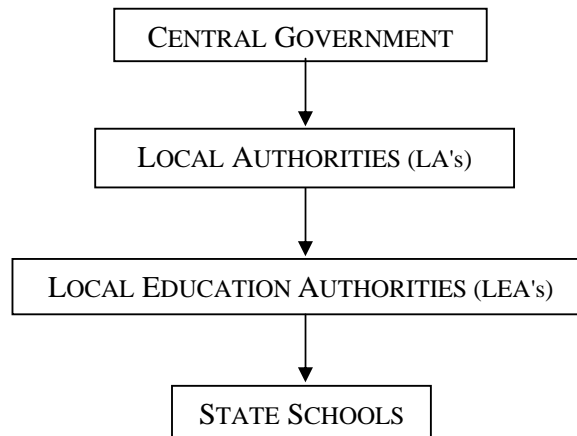
#### I. Stages of School Finance

The School Financing System has two stages:

- a. The Central Government allocates money for education to the local government as part of the local government block grant
- b. The Local Education Authorities (LEA's) allocate funding for schools.

**Chart 2.1**

### **School Financing in England**



#### *Factors Considered in Grants to Schools by LEA*

Each LEA's need to spend on education is assessed by the central government using a formula which consists of the number of pupils in pre-schools, Primary and Secondary age ranges, indicators of social deprivation related to learning need, a scarcity index for low population density and an area adjustment factor for regions with above average wage levels. This assessment of spending need is called Education Formula Spending Share.

#### *Introduction of the System of Local Management of School*

The distribution of funds from the LEAs to the schools underwent a major reform in 1990s following the recommendation of Education Reform Act of 1998, which introduced local management of schools. This requires the LEAs to determine each school's budget using a formulae that must be approved by the Department of Education and Skills of the Central Government. The major determinant of schools' budget is the number and age of pupils.

Before the introduction of the system of Local Management of schools in 1998, schools were financially administrated by the LEAs. The numbers of teachers and support staff as well as salary matters were handled by the LEAs. The LEAs provided all the maintenance and cleaning services. Schools had flexibility only with regard to the use of funds (per pupil allocation) for purchase of text books (of their choice) and learning materials.



*Change in School Financing System after 2003*

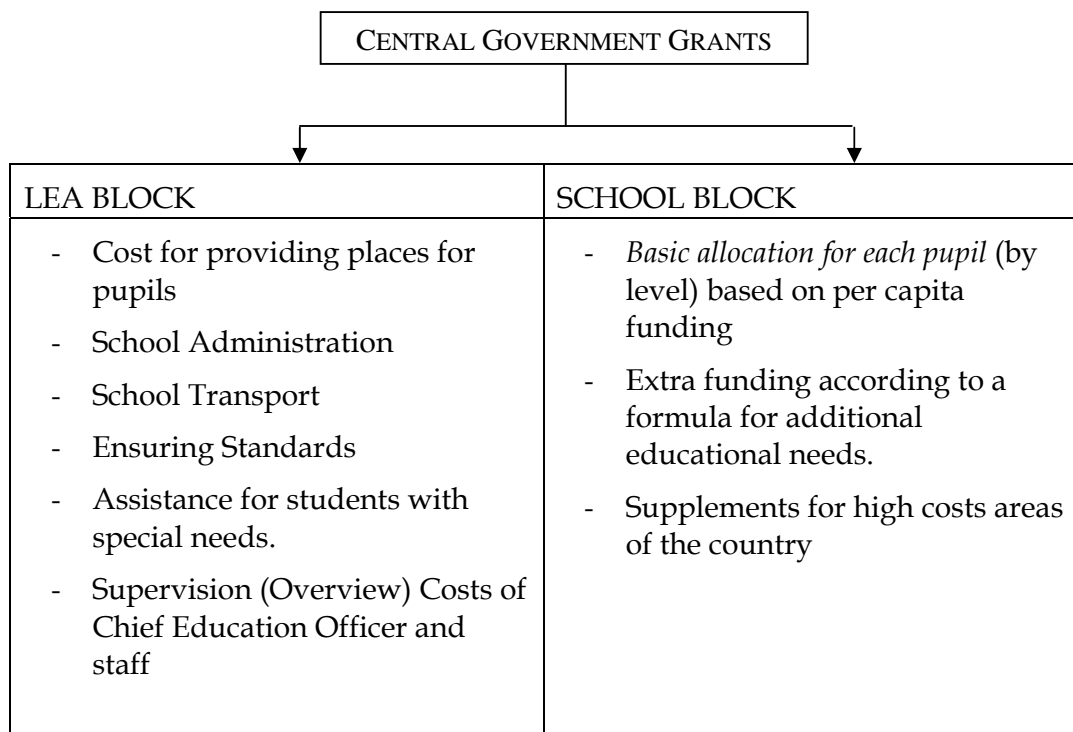
There was a major change in the Local Authorities grant distribution system in 2003, which included changes related to school funding.

The new system has school funding system with two blocks.

- a. Funds for the LEA (LEA Block)
- b. Funds for the Schools (School Block)

**Chart 2.2**

**Central Government Grants to School Education  
(2003 onwards)**



*Central Grants Blocks for School Education*

The LEA Block funds are passed on to the schools by the LEAs mainly to meet expenses of providing school facilities, transport and school administration

THE SCHOOL Block funds are based on Per Pupil Allocation: Teacher and staff salary costs are in the School Block funds. Under the locally managed of school system, teachers are appointed by the concerned schools.

**Major Points in School Financing (in England) at Present**

- Compulsory Education system facilitates enrollment and retention. The schools are administrated largely by the local bodies (LEAs).
- State Schools are supported by the Central Government with Grants to the LEAs and direct grants to the schools.

- Per capita allocation is a feature of school grants, which are meant to provide basic allocation per student. The per capita allocations differ by age and grade of student (Higher for upper grade and age).
- Teachers are appointed by the schools themselves. Consultation is done with the concerned authorities.
- In allocating funds for the local authorities, the Central Government takes into consideration the need of the local Authority, as well as the fiscal capacity of the concerned area.
- The basic driving principle in school financing is "Money follows the pupil". That is the higher the enrollment, the higher the grants.
- School Accounts are carefully audited.

### **Relevance of Survey of Country Experiences**

Experiences of Nepal, India, Mongolia show that the per capita expenditure (unit cost) has been used mainly for calculating total budgetary requirements to meet the expenses of educational programmes. India has used the concept to work out interstate, and interdistrict differences in educational investment. The U.S. example shows that several States provide lump-sum (Flat) grants, which is determined on the basis of per student expenditure, to the School Districts. The England example shows that Basic Student allocation, worked out on per student basis, is the major government expenditure in the public schools.

Per capita funding system of Nepal has no exact parallel system in other countries. The flat grant system in USA and Basic Student allocation in England are much advanced systems as these systems cover teacher costs as well as several other major costs (non-salary).

## CHAPTER III

### Financing of School Education

#### Education Policy

Much progress has been attained in the expansion of school education. At present the net enrolment rate at primary level has reached 89% (Flash-I 2064). The gross enrolment rate at lower secondary and secondary level has reached 72% and 57% respectively in the year 2063. Further, information technology is now widely used in educational administration (MOES, DOE and central level offices). There has been an increase in representation of community people in School Management Committees.

Despite this, the education system faces several problems as follows:

- The participation rate of the poverty stricken groups and marginalized groups is still low.
- Dropout and repetition rates at primary level are still high,
- Examination failure rates in SLC are very high; nearly 50% or more students fail in this examination every year.
- The quality of education in the public schools (both primary and secondary) is observed to be low in terms of achievement level.
- Educational management has not been decentralized sufficiently (for attaining quality education) due to lack of local participation, though much power has now been given to the School Management Committees (SMC).
- There is a problem of reconstruction of school facilities and rehabilitation of school children in conflict affected areas.

Currently, the policy measures with respect to school education as stated in the Education Plan documents are as follows:-

- a. Increasing the access to preprimary education (Early childhood development, and preprimary education)
- b. Increasing enrolment rate and reducing dropout rate through various measures.
- c. Improving the quality of primary education, and universalize primary education.
- d. Increasing access to lower secondary and secondary education, and also raise quality of education.
- e. Determining essential prerequisites for quality education .
- f. Increasing access to education for the girls, and students with special needs.
- g. Provide technical education and vocational training for middle level manpower production.
- h. Improving school management by giving more authority to the School Management Committees.
- i. Promoting decentralized education management system.

- j. Promoting access to education for the disadvantaged groups, marginalized groups, minorities and people with disabilities in order to attain goals of "Education for All" programme.
- k. Promoting literacy and non-formal education.

Attainment of goals of 'Education For All' and improving the quality of secondary education are the principal objectives of educational programmes at present. Financial requirements for supporting the expanding education system and raising quality of education at all levels are being met mainly with internal resources; and external support mainly for development works has been available under various educational projects.

## **Government Financing of Education**

### **Budget Allocations**

In recent years, about 16% of government expenditure has been devoted to the financing of the Education Sector. The Budget for the year 2006-07 has allocated Rs. 23 billion for the Education Sector. The Budget for the year 2007-08 has allocated Rs. 28.29 billion for the Education Sector (including Youth , Sports and Culture). This constitutes 16.8% of the total budget of the Government of Nepal.

Allocation for Primary Education and Secondary Education has been consistently increasing in recent years. The proportional allocation on the Primary Education Sub sector went up from 55% in 2001/02 to 61% in 2007/08. The implementation of Education for All (EFA) 2004-2009 is the main reason for this. Besides, there has been an increase in the numbers of the teachers and the salaries. Similarly, the proportional allocation on the Secondary Education Sub sector has also gone up from 21.5% in 2001/02 to 24% in 2005/2006. This is mainly due to the implementation of Secondary Education Support Programme (SESP) 2003-2008.

### **Sources of Funds.**

The governmental resources have been the main source of funding for the education budget. Most of the budgeted allocation is for the payment of teacher salary, a recurrent budget category for which the government is solely responsible. Development and capital expenditures are met generally with foreign assistance resources under various projects.

The government's own resources met about 80% of budget allocation in the years 2002/03 and 2003/04. In the budgets of years 2004/05 and 2005/06, the share of foreign aid went up significantly, leading to corresponding reduction in share of the government's own resource. In 2005/06, about 27% of budget allocation for the Education Sector was to be met from donor assistance. The credit for increased share of donor assistance goes to implementation of projects such as the EFA (2004-09) and the SESP (2003-2008).

### **Income and Expenditure of Schools**

#### **a. Income**

Schools get their income from various sources. For the public schools (community schools), the major sources are the government grants; schools have their own resources (rental of property, fees etc.) as well. Most schools get small portion of their income from local government grants and community resources.

The percentages of income from different sources by level of education (as found by a study) are given in Table 2.1.

**Table 2.1: Percentages of Income of Schools from Different Sources**

S.No.	Sources of Funds	Primary	Lower Secondary	Secondary
1	Total Government Grants	86.6	71.4	60.3
2	Local Government Grants	1.7	0.8	4.6
3	School's own resources	2.3	9.7	23.8
4	Community contribution	1.0	1.9	3.1
5	Miscellaneous	8.4	16.2	8.2
	Total	100.0	100.0	100.0

Source: Baseline Survey of Selected Community Schools in Selected Districts, 2005

The dependence of primary schools on government grants is more significant than that of lower secondary and secondary schools. These lower secondary and secondary schools have been allowed to charge fees of various types by the Education Regulations 2059. The fee income is reflected in schools' own resources. Relatively, the contribution of local bodies is quite small especially at primary and lower secondary level.

The pattern of income sources of community schools as given in the report of Technical Review of School Education (TRSE) (Feb 2006) also shows the major contribution of government sources in total income of the schools (Table 2.2).

**Table 2.2: Sources of Funds of Community Schools (Primary), 2004**

S.No.	Source	Percentage
1	Government Grants	82.0
2	DDC/ Municipality	4.5
3	Student fees	2.6
4	INGO/NGO	7.3
5	Other sources	3.6
	Total	100.0

Source: Technical Review of School Education (TRSE), Feb 2006

#### b. Expenditure

As regards the areas of expenditure, the TRSE report mentioned above shows that more than 80% of the expenditure was on salary, about 5% was for school administration and 8% for construction. The remaining 7% of the expenditure was for educational materials, extra curricular activities, furniture, equipment and others.

#### **Practices on Government Financing of School Education**

The following practices are reflected in education sector financing:

- Providing free education at the primary level; no fees of any kind to be charged on the students. (However some schools are charging fees).

- Providing free text books for all primary school students.
- Allowing lower secondary and secondary schools to charge fees on the students as approved by the DEO, prominent fees being admission fees, examination fees and monthly tuition fees.
- Cost sharing principle is adopted in the secondary education (government funds, local resources and fees from parents)
- Provision of scholarship at primary levels for Dalit students, and 50% of girls students.
- Promoting the concept of community schools managed by the communities (management transfer schools).
- Promoting the practice of developing and implementing school improvement plans.
- Provision of free secondary education for Dalit students at secondary level, schools to receive per student based grant (Rs. 500 per student annually for providing free education.
- Providing Block Grants for implementation of school implementation plan to the schools (on an annual basis), on basis of per student allocation (Rs. 325 in Mountain, Rs. 300 in Hills and Rs. 275 in Terai and Kathmandu Valley).
- Providing salary support (up to two teachers salary) for the 'unaided' schools and for schools having high student teacher ratios (primary level).
- Providing scholarships to girl students at secondary level.
- Providing scholarships for all girl students at primary level, and secondary level in Karnali Zone districts.
- Providing support for developing and implementing Village Education Plan (VEP), and District Education Plan (DEP).
- Implementing 1-8 grade primary and 9-12 grade secondary school structure on a pilot basis.
- Empowering the School Management Committee (SMC), and strengthening SMC role in mobilization and use of financial resources.
- Introducing per capita funding scheme to resolve teacher shortage problems in primary schools since 2064/65.

## **The Block Grants to Schools**

### **Introduction**

Under the Education Regulations, the public schools get lump sum grants, which are determined by the DEO considering total enrolment in the school, number of teachers in the school, results of school examination, and economic conditions of the school. Teacher salary amounts constitute the major portion of government grants to schools. The government bears 100% of salary of the public school teachers both at primary and secondary levels (for approved posts). The public schools have complained that major portions of the government grants are spent on teacher salaries leaving very little money for quality improvement purposes.

To address the problem of lack of financial resources for quality improvement purposes, the government has devised various schemes. Of these, one principal measure is the provision of grants for implementing school improvement plans (SIPs).

A new system of school grants called Block Grants has been introduced since the fiscal year 2004/05. This grant provision incorporates the school grants already implemented as well as several new types of grants.

The grant system under the EFA is comprehensive, covering various types of grants, each type intended to achieve certain specific objective. The Department of Education (DOE) has introduced the School Grants Operation Guidelines (SGOG) in order to explain the objectives of various grants and the roles of DOE, District Education Offices (DEOs), and the schools in the implementation of the grants.

An important feature of the Block Grants under EFA is that major grants like Education Materials Grant and the School Improvement Plan implementation grant are based on "Formula Funding". The Education Materials Grants to schools are provided on per student basis and SIP grants are also provided on per student basis. There is also a general grant called School Improvement Grant, which is provided on per school basis.

### **Types of School Grants**

- I. Broadly, the grants are categorized as:
  - i. Earmarked Grants
    - ii. Block Grants, which are further categorized as General Grants, SIP grants, and Performance grants.
  - i. The Earmarked Grants
    - a. Early Childhood Development (ECD) centers and Pre-primary classes
    - b. (Grants for meeting expenses of Facilitator remuneration and Educational materials)
    - c. Outreach and Flexible schooling under Alternative Education Programme
    - d. (Grants for meeting expenses of Facilitator remuneration and Education materials)
    - e. Teacher Salary and allowances of teachers of Primary, Lower Secondary and Secondary Schools.
    - f. Scholarships: Booster, Girls scholarships, scholarships for lower secondary and secondary students, Freeships for lower secondary and secondary students, Feeder Hostel scholarships, scholarships for Dalit students, Scholarships for remote area hostel students, Scholarships for the disabled, (Scholarships for students below poverty line and the Booster Scholarship have now been discontinued).
    - g. Girls Education fund
  - ii. The Block Grants
    - a. General Grants
      - Grants to public schools to meet administrative and *masalanda* (stationery) expenditure

- Grants to schools managed by community to cover teacher salaries (specified number of teachers)
  - Grants to NGOs for facilitation of work of schools
  - Per school grants to schools for educational improvement
  - Educational materials grants to schools based on per student allocation, (Rs. 100 per student) (Not in operation now)
  - Grants for conducting Bilingual teaching at Grade 1.
- b. SIP Grants (Primary Level)
- Grants to schools to implement school improvement plan are based on Per student allocation: Mountain Districts- Rs. 325, Hill Districts- Rs 300 and Kathmandu and Terai Districts - Rs. 275) (Revised Rates). Better schools are entitled to get SIP grants at higher rate. An accreditation system is to determine the standard and quality of school. It is noteworthy that rates of the SIP grants have been revised upward now.
- c. Performance Grants
- Rewards to schools attaining 85% survival rate to grade 5 and to schools recording improvements over past year's survival rate.
  - Rewards to schools attaining 50% proportion of dalit and women teachers in total number of teachers.
  - Incentive grant of Rs. One Lakh for primary school transferred to community management.
  - Reward for enrolling 96% of school age children from local community.
  - Reward for attaining proportion for girls enrolment above the average for 20 districts with low girls' enrolment.
  - Reward for raising enrolment of girls and disadvantaged group children above 30% of the total enrolment.
  - Reward to secondary schools for attaining high SLC pass rate beyond specified standards.

The above performance grants excepting incentive grants for management transfer are not in practice now.

#### **Implementation of Block Grants:**

The following measures were taken by the government for implementation:

- a. Preparation and dissemination of School Grants Operation Guidelines 2061. The guidelines document has been prepared by Department of Education,
- b. Preparation of EFA Programme budget for each district.
- c. Approval of EFA Budget by MOF and authorization to District Treasury Controller Office (DTCO) to release the money



- d. Receipt of EFA funds by DEO from DOE for various specified EFA programmes.

### **Grants Implemented**

The types of school grants funds received by DEO since the fiscal year of 2004/05 are the following:

- Grants for conducting ECD.
- Grants for free primary textbooks.
- Grants for supporting scholarships (for Booster, Dalit Students, and Girls).
- Grants for conducting out of school education programme.
- Teacher salary grants.
- SIP implementation grant.
- School improvement grants (Rs. 3000 per school) (Not in operation now).
- Education materials grant for each school (Rs 100 per student). (Not in operation now).
- Book corner grants. (Not in operation now).
- Grants for supporting teacher salary in management transfer schools.
- Performance grant for attaining 85% survival rate at primary level. (Not in operation now).

### **Main Issues and Suggestions**

The CERID study mentioned the following issues regarding the implementation of school grants system:

- a. Schools have a limited understanding of the purpose of block grants. The idea of providing the grants is to promote school autonomy and empowerment of SMC.
- b. The contents of the School Grants Operation Guidelines, 2061 have not been widely disseminated to the school level.
- c. Schools have not taken prompt initiative in finding out the grants disbursements to the schools.
- d. The monitoring of disbursement of grants to the schools and their utilization has not been done. The Resource Persons and the District Education Officers are expected to do this; at present, their capacity to monitor the grants flow and the use of grant money by schools is limited.
- e. The school management committee meetings have not taken place in time to decide on the use of grants in most schools.
- f. Schools now receive a large number of grants. Schools need assistance in the management of grant funds.
- g. Side by side with the provision of grants for primary level (Under EFA Programme) schools having lower secondary and secondary level now receive the grants for lower secondary and secondary levels (under the SESP). But the

lower secondary and secondary schools have not yet developed SIPs for their particular levels.

- h. The concept of social audit of expenditure of Block Grant money is still not clear to schools.

The CERID study came up with the following recommendations:

- a. The Department of Education and the District Education Offices should take steps to widely disseminate the contents of the School Grants Operation Guidelines, 2061
- b. The DEOs/ Resource Centres should be active in monitoring the use of grant money by school,
- c. The flow of funds from the Department of Education to the DEO offices should be made without undue delay,
- d. There is a need of developing awareness about the grants among the SMC members. Further the SMC meetings should be held promptly to decide on the use of grant money.
- e. The system of keeping financial accounts in the schools should be promoted.
- f. The DEO capacity to monitor the use of grants by school should be enhanced.
- g. Schools should be assisted in developing school improvement plans.

The Block Grants Scheme provides opportunity to the schools to have quite large amounts of financial resources for taking up physical facilities improvement and upgrading' of quality of teaching in the schools. The management of grants should be improved from the central to school level. The Department of Education at the centre should ensure speedy disbursement of grant funds from the Ministry of Finance. The District Education Offices should release the grants to the schools on time and monitor the use of funds by the schools. The schools should prepare plans for utilization of the funds and make use of funds for stipulated programmes.

### **Role of Department of Education and District Education Office in School Financing:**

#### **Role of the Department of Education (DOE)**

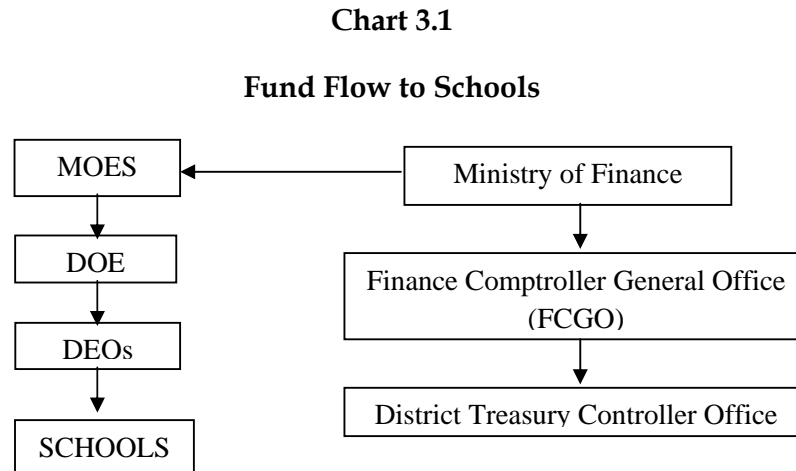
The DOE established under the Ministry of Education, is vested with full administrative and financial authority and responsibility for implementing and monitoring educational programmes. The Regional Education Directorates and The District Education Offices work under the direction of DOE.

The DOE has several functions. The functions relevant for the study are:

- To prepare plans, budget, programs related to basic and primary, lower secondary and higher secondary education.
- To implement primary and secondary education programs.
- To oversee, supervise and monitor the programs and activities relating to primary, lower secondary, secondary and higher education.

- To spend through concerned agencies the allocated budget of different projects and programme.

With respect to financing of school education the flow of funds is as follows: (Chart 3:1)



The role of DOE in implementing the Education for All program is crucial. It is responsible for preparing annual EFA programme based on EFA Document and decisions of MOES, Guidelines from National Planning Commission and Ministry of Finance.

The Flow of Funds (for EFA and other programmes) is initiated from the Ministry of Finance to the Ministry of Education and then to the Department of Education (DOE). Thereafter the DOE provides authorization (of expenditure) to the District Education Offices (DEOs). The DEO disburses the funds to the schools.

### **Role of the District Education Office (DEOs)**

At the district level, the management of school education is done by the District Education Office (DEO). The DEO has the responsibility of preparation and implementation of district level educational programmes, monitoring' of educational programmes in the district, and supervising the schools, besides other functions.

Preparation of annual and periodic statistical reports of the schools, students and teachers is also an important task of DEO. It takes a lot of time and effort of the DEO staff in collecting, compiling and publishing the data. With reference to grants like the per capita funding, correct reporting of data is of crucial importance.

The District Education Offices (DEOs) are expected to get funding on the approved programmes (EFA and other projects) with the clearance of District Treasury Controller Office (under the Ministry of Finance).

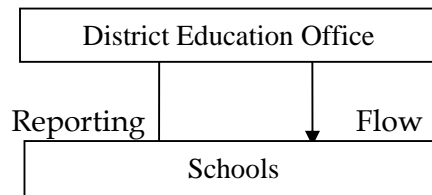
In the financing of education programs of district and local levels, the role of DEO is very important

- The DEO prepares estimates of budget requirement for the district and submits to DOE before budget formulation (for next year).
- The DEO represents the budget needs of the district in budget discussion in DOE.

- The DEO gets budget and programmes approved by DOE.
- The DEO distributes the approved funds to the schools on various expenditure heads (Salary, Scholarships, Block Grants, SIP Grants etc-)
- The DEO disburses the amount to the schools through their bank accounts.
- The DEO requires schools to submit periodic reports on expenditure out of the allocated budget.

**Chart 3.2**

**Funds Flow at District Level**



The schools which are the users of Block grants as well as Earmarked grants have to be in contact with the DEO office for getting the funds released in time. The DEO Officer has the responsibility of providing the funds to the school in time. Further, the DEOs have to explain the purpose of particular types of grants provided to the schools. Currently, there are several problems relating to funds flow at district level. Funds are released late from the centre. Further, it takes some time at the district level to disburse funds to the schools. The DEO officer has to allocate the total released funds among the schools. Clearance has to be obtained from the DTCCO. Schools have to be notified about the release.

Further, there are reported problems regarding teacher salary (Primary Teachers) through the District Development Committee (DDC). The DDC takes some time to approve the salary release. With regard to the non-salary amount (Primary Teachers) all grants money is released directly by the DEO.

## CHAPTER IV

### Per Capita Funding: Rationale, Criteria, Computation and Role of DOE, DEO

#### Rationale for Introduction of PCF in Nepal

The PCF system was introduced in the country from the year 2007/08 under the EFA programme. There was a long period of time involved in preparatory work (Such as identification of schools, determination of funds grants by schools and disbursement to schools). The grants under the PCF mechanism are expected to be made to schools in the last quarter of the fiscal year.

The grants are to be made available mainly to the 'Unaided Community Primary Schools' and to the Community Managed primary schools basically to enable them financially to hire (on their own) the primary school teachers. This is expected to relieve the teacher shortage situation in school with high pupil: teacher ratio. Such teacher provision is expected to enable the schools to provide effective teaching in the concerned schools.

The stock of teachers in the unaided schools and Community Managed Schools after the provision of PCF grants will be as follows:

- A. Unaided schools with no government grants
- B. Unaided schools with Rahat salary grants

#### TOTAL STOCK OF TEACHERS

Teachers hired with PCF Grants
Teachers hired with Rahat Grants
Teachers hired with own resource

- A. Community Managed Schools

#### TOTAL STOCK OF TEACHERS

Teachers hired with PCF Grants
Teachers hired with Rahat Grants
Regular Teachers (Approved Darbandi Teachers) Seconded to the schools
Teachers hired with own resource

As noted in the above stock of teachers, the community managed schools are in more favorable position as these schools are getting some regular Darbandi teachers seconded to the schools by the DEO Office.

The objectives of PCF as stated in the Per Capita Funding Implementation Guidelines (2064) are as follows:

#### Objectives of Providing the PCF Grants:

- a. To initiate the provision of grants in aid to the schools based on students enrolment.

- b. To provide grants in aid to the schools in a transparent manner keeping in view the provision of social justice as the main basis.
- c. To promote uniformity in the distribution of social grants in aid.
- d. To minimize the negative effects of shortage of teachers on teaching, learning situation in the schools.

The first objective of the PCF mechanism is to address the issue of high pupil: teacher ratio in the schools by providing grants based on size of enrollment. Enrolment is one of the main bases of provision of grants in aid. The objective is to provide teacher assisted instruction (education) for those students, who are currently "Unserved" due to high P: T Ratio in the concerned schools.

The second objective of PCF is to ensure the promotion of social justice while providing grants to schools. Most of the present out of school children and students who drop out belong to disadvantaged (economically and socially) groups. The grants in aid provided under the PCF system would be used to bring in more of the disadvantaged children to the schools. If this objective is attained, social justice will be promoted.

The third objective of PCF system is to apply uniform basis and criteria for distribution of grants to the schools. Under the system, schools would not be discriminated against for any reason. Uniformity in criteria will enable schools to get an idea of expected volume of grants beforehand. Such knowledge of expected volume of grants will enable the schools to plan ahead their programmes and activities.

The fourth objective of the PCF system is to minimize the negative effects of shortage of teachers (in relation to enrollment) on the teaching learning situation in the schools. There are a number of determinants of teaching-learning situation in the schools. Briefly, these are

- (i) Students, their preparedness, attendance, and motivation.
- (ii) Teachers, their training, number and performance.
- (iii) Text books and learning materials.
- (iv) Schools physical facilities and environment
- (v) School management

One of the factors affecting teaching learning situation in the schools is the availability and performance of the teachers. The grants-in-aid under PCF would help reduce the teachers shortage and also help in improving teaching learning situation in the schools.

### **Criteria of Per Capita Funding**

Two main criteria for receiving the PCF grants are:

- a) The type of schools
- b) The size of enrollment in relation to the number of teachers (P:T Ratio)

Note: The PCF grants for 2064/65 are based on 'Appeared data' of 2063.

### **Type of the school**

Schools Targeted: (a) "Unaided" schools without any teacher quota or Rahat grant.

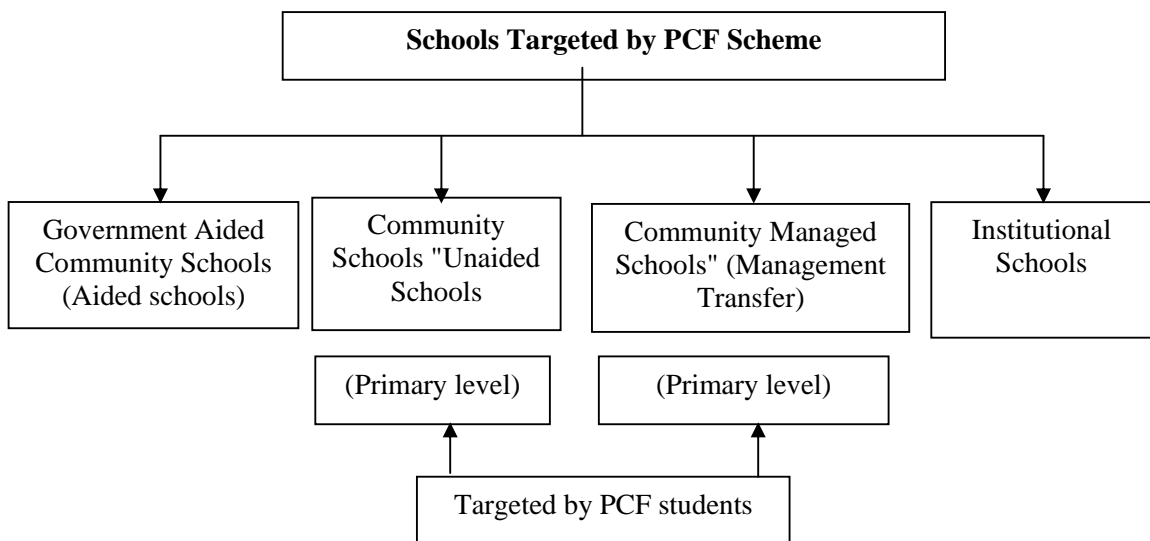
(b) "Unaided" schools receiving Rahat Grants (Teacher Salary grants)

(c) Community Managed Schools receiving Rahat (Teacher Salary) grants.

Category (a) schools are to receive full grants based on the per capita funding.

Category (b) and (c) schools to receive the PCF grants on top of Rahat grants. (Please see Chart 4.1)

**Chart 4.1**



**Pupil Teacher Ratio:**

The size of enrollment is the second major determinant of the access to PCF funding. The Department of Education has determined the Pupil Teacher Ratio cut off for estimation of number of students eligible for getting the Per Capita grant as follows:

40:1 for Mountain

45:1 for Hills

50:1 for Terai and Kathmandu Valley

Further, while calculating the number of teachers working in a school, the number of teachers working under the Rahat Teacher grants will also be counted. Teachers employed with own resources of the school are not considered.

Currently, under the Guidelines on PCF (DOE) the PCF grants are to be provided to the unaided primary schools and the community managed (management transfer) primary schools having high pupil teacher ratio. The main objectives of the PCF grant program is to minimize the negative effects of the deficiency of teachers' positions on teaching learning situation, and thereby improve quality of education of the school. The PCF grants are distributed with the aim of securing social justice and transparency. The government provides funding to the schools which will arrange

teachers to cope with the high pupil teacher ratio. At present 'Appeared data' is used as basis for calculation of the grants.

Under the PCF scheme, the schools are provided financial assistance to hire teachers on their own, if the pupil:teacher ratio exceeds the norms determined by DOE. The additional grant assistance will be based on cost per child. As of now, the "unaided" community schools and the community managed schools are the beneficiary of this scheme. In case of unaided schools receiving Rahat salary grants, the provision of additional teachers' salary grants of upto salary of two teachers will be supplemented by a system of grant assistance based on per child allocation if the student numbers exceed the P: T ratio, determined by the Department of Education.

### Estimate Procedure of Per Capita Funding:

An extension of the government's school financing policy is the introduction of per capita funding (PCF) mechanism since 2064 BS (2007). For the purpose of the PCF grant calculation, a teacher's initial pay scale (annual) is divided by pupil:teacher ratio as determined by the Department of Education for different regions: 40:1 for Mountain region, 45:1 for Hill region and 50:1 for Terai and Kathmandu Valley. The per capita funding is granted to the schools for hiring teachers to teach the students in excess of the P:T ratio used as basic norm by the Department of Education.

#### Per Capita Teacher Costs, 2064

Level	Initial Teacher Salary (Monthly)	13 months Salary	Mountain	Hills	Terai and Kathmandu Valley
Primary	Rs. 6280	Rs. 81640	Rs. 2041	Rs. 1814	Rs. 1633

Note: 1) Per Capita Costs calculated by using P:T ratio of 40:1 in Mountain, 45:1 in Hill and 50:1 in Terai and Kathmandu Valley.  
 2) Teacher Salary Scale as of 2064.  
 Source: DOE, PCF grants Implementation Guidelines, 2064.

### Main Conditionality for Receiving PCF Grants:

P/T Ratio must exceed the Norms determined by the DOE.

PCF grants amount: Based on number of the students above the P:T Ratio (Norms).

An example of PCF Calculation:	
<b>School A (Hill District)</b>	
Enrolment (Primary level)	: 200
Teachers (No.) Regular Darbandi or Rahat Grant	: 4
P: T ratio	: 50:1
PCF Guidelines Norm (P: T Ratio) (Hills Region)	: 45:1
No. of students served under P: T Ratio	: 45:1=180
No. of students un-served and eligible for PCF grants	=20 students
Total amount of PCF grants for the school	= Rs.1814 X 20 = Rs. 36,280(Annual)



## **The Role of Department of Education and District Education Offices in the Management of the Per Capita Funding Mechanism.**

The DOE Guidelines on Per Capita Funding mention the role and functions of the MOES, DOE, Regional Education Directorates, the DEOs, and schools in the management of the PCF system (Appendix 1).

### **The Ministry of Education (MOE):**

The MOE is vested with the function of policy making, mobilization of resources, establishing coordination among different agencies, and conducting outcome monitoring.

#### *The Department of Education (DOE)*

The DOE plays the key role in the management of the PCF system. Its main functions are:

- Determining the districts and schools where the system will be applied.
- Updating enrolment data of schools.
- Verification of data (Enrolment/ Appeared)
- Developing districtwise programmes and disbursing funds accordingly.
- Conducting achievement monitoring.

For the DOE, the PCF is one of the several grants programmes that are developed for each district. The same procedures are used for all programmes as processes of getting the programme/ budget approved by the Ministry of Finance. The DOE prepares the programmes and budget for each district and get these approved by the MOE. All the approved DOE programmes are incorporated finally in the Education Budget. The DOE has to fulfill the complex task of determining whether the identified schools have enrolments excluding the P:T Ratio specified for the particular geographical region and then determines the amounts of PCF grants for each of the identified schools. This involves the work of analyzing the school enrolments and teacher position.

The whole process takes a long time-getting data from the DEOs on enrolments and examination appeared data and teachers stock of each school, verifying the data for their correctness, determining the number of students in excess of P: T Ratio, and then finally determining the grants amounts using the pr capita teacher costs for the concerned region.

The DOE has to keep in mind the total funds available for distribution in a particular fiscal year before deciding on the scale of implementation.

The fund flow process is expected to be same as in the case of the Block Grants. The funds are directly disbursed to the DEO offices, and the DEO offices get access to the funds after being cleared by the District Treasury Controller Office (DTCO). The DEO disburses the funds to the concerned schools in their bank accounts, and notifies the concerned schools.

According to the Guidelines Document, the DEO offices are expected to regularly report to the DOE on the use of funds being made by the schools. The DOE is expected to conduct "Achievement monitoring" after the information on disbursements to schools and their use is received.

### *District Education Office*

The DOE has specified the following tasks of the DEO offices in the management of the PCF mechanism at the district level.

- Identifying the schools eligible for receiving the PCF grants,
- Collecting school enrolment data
- Requesting the DOE for funds along with submission of details of schools and their enrolment.
- Disbursing the funds to schools
- Monitoring of the accuracy of the school data.
- Monitoring the use of the PCF funds granted to schools.
- Getting progress reports from the schools and submitting reports to the Regional Education Directorates and the DOE.

The DEO offices disburse several grants to the schools. The PCF grants are one of the grants provided to the identified schools (unaided schools and management transfer schools). All grants are generally sent to the schools in a package depending on release from the DOE. At present, the PCF grant is being provided to schools as a separate grant category.

The DEO offices are expected to disseminate information about the PCF grants to the concerned schools through the Resource Persons and School Supervisors. As stated earlier, the working of PCF mechanism depends on communication of accurate school data to the DEO offices by schools, and then further transmission of the data to the DOE (in Sanothimi) for further scrutiny and analysis.

The DEO offices need to make all efforts to disburse the PCF funds (as also other funds) to the schools without delay. The task of DEO in monitoring the use of the PCF funds (as also other grants funds) is important.

The DEO office has to ensure that the schools fulfill all the conditionalities of getting the PCF grants, including the preparation of school improvement Plan (with emphasis on enrolment and retention of the disadvantaged group children).

### **Role of DOE and DEO Offices**

#### **with Respect to PCF**

Area	DOE	DEO office
School Data	Scrutinize and update data	Collect data and submit to DOE
Schools selection	Select schools/districts	Identify schools
Communication	Information to DEOs and DEO offices	Information to schools about PCF Guidelines
Finance	Prepare district wise budget	Submit Requests for Funds to DOE
Funds Flow	Disburses to DEOs	Disburse to schools after data verification
Monitoring	Achievement monitoring	Use of the grants by the schools

## CHAPTER V

### Implementation of the Per Capita Funding Mechanism

#### Implementation Activities

The Department of Education has been providing Relief (Rahat) Teacher Salary Grants to the unaided schools, and the community managed schools for some years now. Further, teacher salary supports have been provided to the schools with high student: teacher ratios. The introduction of the PCF grants system is a continuation of the government efforts to relieve teacher shortages in the public schools and to improve teaching/learning condition in school with high student enrolment.

The following activities have been conducted to implement the PCF System since the fiscal year 2064/65.

a. Preparation of the Guidelines:

The Department of Education prepared the Guidelines on the PCF System. The Guidelines Document describes the objective of PCF, the criteria for PCF grants, process of computation of grants to schools and the role of the agencies and schools. (Appendix 1)

b. Dissemination of the Guidelines Document:

The Guidelines document has been disseminated up to the level of the District Education Offices. The school supervisors and resource persons have been provided some orientation on the Guidelines in course of meetings in the DEO offices. However, they need further information about the working procedure of the system, and their role in this respect.

c. Data Verification:

This is a very important work done mainly at the level of District Education Office. The DEO offices in Lalitpur and Chitwan districts have found variation in the data used by DOE and data recorded in the schools. In Chitwan district, the DEO office has corrected the data. This work took long time (more than 2 months of work).

d. Total Allocation:

The Department of Education has allocated a sum of Rs. 350 million for disbursement to the schools in 75 districts for the year 2007/08. The amount is expected to meet the needs of 190 thousand 'Unserved' students at the primary level. The DOE has worked out the details of the allocation by districts and by individual schools. Enormous computer assisted allocation work was involved in this process. For allocation of the PCF amounts by school, the DOE has used the Examination Appeared Number of students as mentioned in Flash II Report of 2063.

e. Disbursement to the District Education Offices:

The DOE has disbursed the budgetary allocation to the DEO offices. The DEO offices are now ready to further disburse the amounts to the concerned schools, which have been identified by the DOE. This would involve getting approval of the District Treasury Controller office as well. So far, the schools have not been officially notified about the PCF Grants by the DEO Offices. The DOE had

communicated the disbursement information to the DEO offices on the 30<sup>th</sup> of Poush 2064. The letter has laid down a condition for disbursement of the grant. The identified schools should agree to transfer the management to the community under the Management Transfer process and should sign an agreement with the DEO.

f. Disbursement to Schools:

The implementation process would be completed only when the funds are duly disbursed to the schools and the schools make use of the funds for the intended purposes. This part of implementation (Funds Flow to Schools) is expected to be fulfilled in the last two months of the fiscal year 2064/65. The actual use of the fund is expected to be done by the schools in the next fiscal year (2065/66).

g. Use of Funds

The schools, once they get the funds in their bank accounts, are expected to convene the meetings of the School Management Committee and make decisions on the activities to be carried out with the funds.

**Role of Different Agencies**

The following works done by the different agencies of the MOE and the schools for carrying out and facilitating implementation can be noted.

DOE	-	Policy Formulation and Budgeting, Approval for seeking foreign assistance
DEO	-	School identification
	-	PCF Grants by identified schools
	-	Enrolment data (by school) analysis
	-	Monitoring disbursement
SCHOOL	-	Verification of enrolment (By School)
	-	Communication to schools about grants
	-	Disbursement to school
	-	Data verification
	-	Monitoring of the use of funds by schools
	-	Submission of accurate data in Flash Reports
	-	Initiative in getting the release of the funds
	-	Use of the Grant Fund
	-	Holding SMC meetings

A. Role Performed by Different Agencies in Implementation:

I. MOE

- Policy formulation on PCF (based mainly on EFA)
- Resource mobilization for PCF
- Budgeting

- II. Department of Education
  - Preparation of Guidelines document
  - Analysis of school data availed by the EMIS Section of DOE
  - Determination of schools
  - Allocation of PCF funds by the district
  - Disbursement to DEOs with directives for use and further disbursement to schools
- III. District Education Office
  - Dissemination of information on PCF based on Guidelines Document
  - Information/Communication to concerned schools on PCF grants
  - Identification of schools (Expected to be done soon)
  - Collection, compilation and analysis of enrolment and teacher data from school.
  - Verification of school data
  - Dissemination of Guidelines through Supervisors and Resource Persons (Expected to be done soon)
  - Monitoring of the use of funds by the schools
- IV. Schools
  - Submission of enrolment and teachers data to DEO (in Flash Report form)
  - Submission to DOE for corrections of data (if needed)
  - Efforts to get fund release

### **Findings of Field Survey in Lalitpur District**

The DOE sent letter of PCF disbursements to the DEO offices mentioning the schools and amounts of PCF grants.

In Lalitpur district, 4 Unaided Community Schools, and 4 Community Managed Schools were selected by DOE for PCF distribution (Appendix 2).

Three schools were surveyed for the purpose of the study:

1. Namuna Machindra Secondary School, Lagankhel
2. Basuki Lower Secondary School, Lamatar
3. Jayal Kumari Primary School, Lele

(Appendix 2)

### **General Findings**

- Schools have not received the Guidelines Document and orientation on the PCF.
- The identified schools have not yet received the approved PCF Grants.

- In case of two schools, there is a variance between the Flash II Examination Appeared data of 2063 used by the DOE/DEO and the actual data in the school records.
- One of the three surveyed schools is collecting monthly fees, another school is collecting 'Assistance Donation' from parents annually.
- Two of the schools have sizeable resources of their own (from property rents and donations by community people)
- There is a strong preference among the working teachers for the Rahat teacher grants.
- One of the three surveyed schools is facing declining enrolments and there is a fear that the two Rahat Teachers working in 120 schools may become redundant.
- There is an expressed opinion (as stated by the teachers) that Flash I Enrolment should be used for calculation of the PCF Grants.

From the standpoint of the resources, the three schools surveyed in Lalitpur districts have the following features:

#### **Namuna Machindra Secondary School**

##### **Lalitpur**

- Substantial internal resources mainly from shop rents and school fees (Primary Level)
- Has a Rahat supported teacher
- Employs four teachers for the primary level with its own resources
- Less dependent on government grants (Rahat/PCF) for survival and growth.

#### **Basuki Lower Secondary School**

##### **Lalitpur**

*(Community Managed/Management Transfer School)*

- Has a modest internal resource from rental of a building, Assistance Donation from parents, and donation by community people.
- Employs some teachers with its own resources.
- Have two Rahat Teachers for Lower Secondary Level, and three regular Darbandi teachers for Primary level.
- Is well endowed with regular Darbandi teachers provided by the government

#### **Jayal Kumari Primary School**

##### **Lalitpur**

- Is very poor in resources
- Has got two Rahat Support teachers
- Has very little contribution from the community
- Faces declining enrolment situation and becomes not eligible for PCF grants

(Please see Appendix 4.1, 4.2, 4.3)

### *Problems experienced in implementation*

- a. The schools, the teachers, the SMC Members needed full information on the PCF System, how it works, how it would affect school teachers. So far, the communication has not been done to the school level.
- b. The Year 2064/65 is the first year of implementation of PCF grants. Much preparatory work was needed to launch the PCF System
- c. The difference in examination appeared data recorded in DOE (EMIS), Flash II, and the actual data (recorded in the schools) appeared in case of two schools in Lalitpur District. This has led to a delay in the disbursement of PCF Funds to the concerned schools.
- d. So far, the School Supervisors and the Resource Persons have not conducted field visits to the concerned schools to verify the school data.
- e. The PCF Grants worked out for a small number of unserved students are insufficient to hiring full time teachers. The schools should be permitted to make alternate use of the money for improving teaching/learning in the schools.

### Further actions needed to speed up implementation in Lalitpur District

- a. Information and communication on PCF to the concerned schools by the DEO Offices.
- b. Disbursement of the approved grant funds to schools.
- c. Guidelines to schools regarding use of the grant funds in case the funds are not sufficient for hiring teachers for full time work.
- d. Verification and correction of the enrolment data recorded in the DEO/DOE.
- e. Continuation of the Rahat teacher salary grants to the Unaided schools.
- f. Monitoring of the teacher salary grants system.

### **Findings of the Field Survey in Chitwan District**

In Chitwan district, 2 new unaided community schools, 18 unaided community schools, 1 unaided community school with no government grants of any type, and 5 community managed schools were selected for PCF grants for the year 2064/65. Total amount disbursed is Rs 18, 91,014 (Appendix 5).

The DEO sent official letters to the schools on disbursements along with directions for use of the funds. The grants receiving schools were made to sign an agreement (of management transfer) with the DEO office (Appendix 7). For the purpose of the field survey, the following schools were selected:

1. Basundhara Rastriya Primary School, Mangalpur
2. Sita Ram Sanskrit Secondary School (Unaided Primary School) Devghat
3. Bhole Baba Community Managed Primary School, Piple

### **General Findings**

- Guidelines document is not yet available in the schools. But the schools have got some information about the PCF scheme, mainly after they got the disbursement letter from the DEO office.

- The Head Teachers have got some orientation in the respective Resource Centres.
- The identified schools have got the disbursement letters.
- The DEO office distributed the grants in the fourth week of Jestha 2065.
- All unaided schools were made to agree on management transfer (to the community). One school, Sita Ram Sanskrit Secondary School has still to sign the agreement.
- There were extensive variations in data (used by the Department of Education and recorded in the school). The DEO office made necessary corrections after verification of data. The DOE had allocated a sum of about RS 44 lakhs for distribution to the schools as PCF grants. The actually disbursed amount was Rs 18,91,014. All the three surveyed schools were collecting some contributions from the students in the form of Admission charges, and Examination fees. However, they were not charging Monthly Tuition Fees.
- Regarding the use of PCF grants, two schools are planning to use the money for providing additional salary to the teachers. One school plans to appoint a teacher (preferably from among the volunteer teachers working in the school).
- The DEO, Chitwan has taken initiative in correcting the Examination Appeared data of the schools, and thus DEO has demonstrated its capacity to verify the school data (as used by DOE, and reported by the schools).
- There is a strong preference among the school Head Teachers, Teachers and SMC members for continuation of Rahat salary grants.
- The schools generally feel that the PCF grants will fluctuate in future (years) due to possible changes in enrolment.

### **Strengths and Weaknesses of the Per Capita Funding System.**

#### **A. Strengths:**

##### *1. Contributing to Promote Universal Enrolment.*

One of the main aims of the Education for All Program is to ensure access to education for all children. For this the government has the responsibility to make universal provision of schools with the required physical facilities and the teachers. In recent years, the number of children seeking admission in schools has significantly increased both due to efforts of the government to encourage enrolment as well as the growing realization among parents for providing education to their children.

The measures taken by the government under the EFA programme include school mapping, construction of new classrooms, operation of Out- of- school and Flexible schooling programmes and School Welcome programme. The PCF system intends to help in making available the essential financial resources for providing the teaching – the teachers. The PCF system provides financial resource to the community schools, which have not got full approval and funding from the government, to recruit teachers. (Please see Appendix 6, for estimates of teacher shortage).

##### *2. Incentives for School to Enroll and Retain More Children.*



The PCF system allows schools to get more funds from the government when they have higher enrolments and retention rates. The schools will have "self interest" in bringing in more children to schools and seeing that they stay and complete their studies. With this increased funding, the schools can hire teachers and do some essential school improvement works. Since it is in the financial interest of the schools, the schools will have an additional incentive to enroll and retain the students.

3. *Flexibility:*

The PCF system is conceptually a flexible system. This means that they can have more grants resources when the enrolments increase.

4. *Transparency:*

Under the PCF system each eligible school will know how much money they can expect to get from the government as PCF grants. Since the grants are worked out based strictly on a formula, all concerned persons and agencies can see how much money the school is getting or is eligible to get.

5. *Teacher Provision Without Being Tied to Regular Darbandi: (Quota)*

Schools need teachers to deliver teaching. It is not possible financially for the government to provide a certain set of teachers to new schools which often have small enrolments to start with. For these schools, the PCF system could be helpful in availing resources to hire teachers. The government, at the same time, is not required to provide a fixed number of teachers (Such as 3 teachers for a school with 1-3 grades)

6. *Starting to Make Systemic Improvements :*

Schools receiving the PCF grants are required to develop School Improvement Plans, to keep the educational data up to date and to improve their accounts system. These improvements can be helpful to the better functioning of the school in future.

7. *PCF As A Part of Total Grants – In – Aid System:*

The PCF is not a stand alone grant system. The school receives grants for various purposes: Scholarship, Textbooks, SIP implementation and relief (Rahat), salary grants. The PCF system brings in additional resources to the schools for enrollment of more students and provision of the required number of teachers.

**B. Weaknesses of the PCF Mechanism**

1. Difficulty in Using the Formula :

The PCF System is based on use of a formula of fixed P: T ratio. Schools can expect to get PCF Funds only if their enrollments exceed the fixed P: T ratio. If enrollments are below the P: T ratio, there is no possibility of getting the grants, (in a particular year). Grants are calculated on the basis of P:T Ratio considering the number of government provided teachers (Darbandi) if any and the number of Rahat salary grant teachers. Teachers appointed with school's own resources if any, are excluded in calculation of P:T Ratio (For PCF purposes).

2. Not Helpful for Mountain Districts

The Mountain district schools generally have small enrollments and the P: T ratio is much below the fixed ratio of the Department of Education (40:1).

The Longitudinal Study on System Indicators 2005, states that the P: T ratio in sample Mountain districts was 18:1 on average. The study report further finds the P: T ratio for sample schools to be 27.1 in Hills (Sample schools) and 42:1 in Terai.

If the P: T Ratio found by the Longitudinal study was to prevail in most schools, very few schools will qualify for receiving the grants.. In general, it can be expected that the Terai districts will benefit more than the Mountain district and Hill district schools (Where P: T ratios are expected to be lower than the P: T ratio fixed as norms by the DOE). Addressing student pressure in Terai is needed and PCF helps to do this. Equity issues will emerge in case of Mountain and Hills districts where the PCF grants will be less available because of lower size of enrolment.

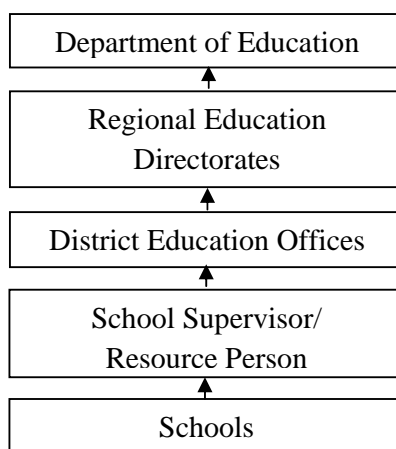
3. Uncertainty of Availability of PCF Grants

Since PCF grants are based on enrolments basically, a fall in enrollments (and appeared data) will result in a decline in the PCF grants in future. This is the main apprehension of the school (head teacher, teacher and SMC members). Under such conditions, it is difficult to appoint teachers or provide them a fixed salary scale.

4. Doubts about Correct Reporting of School Enrollment Data

Several of the government grants disbursed to the schools requires correct reporting of enrollment data by schools on regular basis. The flow of data upwards from the schools is shown in the chart below.

**Upward Flow of the School Data**



It is seen that the primary source of data is the school. The accuracy of the total information is, thus, determined by the accuracy of the data reported by the schools.

The data verification work is done at various levels : by the head teacher at the school level, by the Supervisor and Resource Person at cluster level,

by the DEO office at the district level, and by the Department of Education at the central level. The DEO office is directly concerned with management of school data, since several grants have been distributed to the schools on the basis of the school data (Enrollment, Teachers and Facilities).

It is sometimes stated by the observers that the school might misreport the data (Over report enrollment), since they can put up requests for higher amounts for SIP grants, Scholarship grants and textbook grants. Similar over-reporting may be done with the intention of showing enrollments in excess of the P: T ratio norms for getting higher amounts of PCF Grants.

Such manipulation/over-reporting of the data could, however, be prevented or minimized by proper checking of data by the Supervisors and the Resource Persons. Regular orientation of the school head teachers on data keeping and reporting as well as simplification of data reporting formats will help in ensuring regular and correct reporting of data to the DEO Office.

5. The PCF System is More Favorable to Large Schools.

The rural schools and the small schools (schools with low enrolments) will not benefit from the system, since they can not cross the threshold P: T Ratio even if the stock of teachers in these schools is small as well. The large schools and urban based schools would benefit more from the system. Similarly, the Terai schools, with high student pressure would benefit more. The small schools tend to have the following problems:

- Less number of teachers in the schools than the grades.
- Less number of classrooms than the grades.
- Head teacher's involvement much needed in administrative, accounting matters and in data management (at the cost of teaching).

The PCF system is primarily concerned with meeting the required number of teachers in a school (generally large school).

The problems of small schools –small enrolments, small number of classrooms, and generally having less than adequate instructional environment need to be addressed by monitoring provision of resources (government, non-government, community, and parental resources).

6. Centralized System of Planning.

The PCF mechanism, at present, is centrally managed. The selection of districts for implementation, the identification of schools to be provided with the PCF grants, and the calculation of the volume of grants for each school is done at the Centre (Department Of Education). The Department also allocates the funds for each district to be distributed to the identified schools. This system involves careful scrutiny and analysis of enrolment and teacher data of each school (Community schools) in the country as reported in the Flash Reports. Much time is involved in receiving the data from the districts.

The District Education Offices are presently responsible for distributing the funds made available by the DOE to the schools identified and determined by the Centre (DOE). It is obvious that the process of disbursement of grants could be more expeditious if the function of identification of the schools is given to the DEOs, and if there is a fund for budgetary allocation for distribution in the DEO Office.

7. PCF Grants to Schools too Little for Teacher Appointments

In case of several schools, it is expected that the PCF grants will be too small for appointment of teachers (grants for a few unserved students). A school will get less than Rs. 10,000 in PCF Grants if the number of unserved students is 4 or 5.

8. Teachers' Preference for Rahat Grants

Schools which have been getting Rahat Salary Grants want the Rahat grants to continue. They fear that replacement of Rahat grants by PCF grants will greatly reduce the grant amounts and also lead to lower motivation among the teachers.

9. PCF Grants in Relation to School Resources.

A school may have sufficient resources of its own (from sources like fees, rents, property income). Under such conditions one may ask whether the school should get PCF Grants to make additional teacher appointments.

(Please see Appendix 10 for Opportunities and Risks).

## **Stakeholders' Opinions**

### School Teachers/ Head Teachers (Lalitpur district)

- a. The PCF amounts are small and inadequate to hire teachers.
- b. How to resolve the issue of data inconsistency is not clear yet.
- c. Rahat Teacher Salary Grants are better than PCF grants.
- d. SMC Chairman (In Case of Namuna Machindra School)
- e. The PCF grant system is welcome. But it is not itself a solution for the main problem of the schools: that is raising quality of teaching. Various other measures are needed in a package  
SMC member (In case of J.K. Primary School, Lele)  
Teachers are irregular, causing frustration among parents.

### District Education Officer (Lalitpur district)

- a. Data inconsistency (between the Enrolment/Examination appeared data used by DOE and recorded in schools) has caused delay in disbursements of PCF grants to schools. Decision by the Department of Education is needed to resolve this issue.
- b. The condition of "management transfer" has also been a factor in delay of disbursement to the "Unaided" schools, as these schools have not readily agreed to accept the condition and sign an agreement with the DEO office, The DOE has to provide directives to the DEO offices to resolve the stalemate situation.

- c. The PCF grants amounts are inadequate for hiring full time teachers. The DOE has to provide guidelines to DOE offices regarding the use of the money under such conditions.
- d. The determination of teacher cost per pupil (PCF grant amounts) by using the norms of 50: 1 (P:T Ratio) is unrealistic as the actual P: T Ratio (at Primary level) in Lalitpur District is 24: 1 at present (2007).
- e. There should be a differentiation in amounts of PCF grants as between Rural and Urban school. The resource poor rural schools should get grants at higher rate.

School Teachers/Head Teachers (Chitwan district)

- a. Uncertainty in the PCF amounts in the future years makes the school unable to appoint teachers (full time on permanent tenure).
- b. Possibility of decline in PCF grants due to fluctuation in enrolments makes schools unable to provide fixed salary for the teachers (appointed with PCF funds).
- c. Most Head teachers state that they will use the PCF money to provide additional salary to the teachers (primary level) who are presently getting low salary.
- d. Schools which have signed management transfer agreement with the DEO office expect additional support from the government (such as more Rahat quotas, more financial assistance and permission to operate upper grades).

District Educational Officer (Chitwan district)

- a. The government has initiated the new scheme with the objective of providing resources to the SMC/Schools for provision of teachers. Teacher's appointment should be based on provision of the Education Regulations. The requirement of teacher licenses should be fulfilled by the schools.
- b. There is a possibility of decline in PCF grant to schools if enrolment declines in future. There is an uncertainty in the continuity of service and amount of salary of the teachers appointed with PCF grants. The school administration should resolve this issue.
- c. PCF is a very new idea. We need to assess its implementation closely and take steps to achieve its objectives.

SMC Chairman (Chitwan District)

- a. SMC chairman of two schools expressed their intention to use the PCF grants for providing higher salaries to the working teachers.
- b. SMC chairman of one school expected that, after management transfer the DEO will permit the school to operate 1-5 grades (presently operating 1 and 2 grades). Further, he expected that the more facilities will be provided to the school. SMC chairmen of two schools were much concerned about providing appointment to the volunteer teachers with use of the PCF grant.

## **Monitoring of the PCF Fund Flow System**

Monitoring is undertaken to oversee if the planned activities are being carried out in earnest and on time. It is done as a regular activity by different levels of programme administration. It is needed for finding out how the planned work is going on, and for identifying the problems faced in implementation.

### **Agencies Concerned**

With regard to educational programmes, monitoring work is done at the school level by the Head teacher, at district levels by The District Education Office (assisted by the School Supervisors and Resource Persons), at the Central level by the Department of Education (DOE) and the Ministry of Education.

### **Monitoring of the PCF Fund Flow:**

The PCF grants system is part of the total grants system of the Ministry of Education. The Department of Education implements the total package of school grants, which includes the PCF grants. Thus, the monitoring of PCF grants is undertaken along with the monitoring of all other grants. However, special attention to the PCF grants is needed in view of the fact that the PCF is a new and innovative programme.

### Role of Different Agencies in Conducting Monitoring.

The Guidelines Document has mentioned the monitoring responsibilities of different levels of educational administration as follows:

- a. Ministry of Education
    - Monitoring of the PCF Mechanism and review and analysis of the outcomes of the PCF system.
  - b. Department of Education (DOE)
    - Conducting Achievement monitoring of the PCF.
  - c. Regional Education Directorates
    - Monitoring the achievements of the PCF in the concerned region.
  - d. District Education Offices (DEO)
    - Monitoring the accuracy of the data submitted by the schools and also the use of the PCF funds made available to the schools.
- a. Schools
    - Conducting financial and social audit of the school finances.

In general, the DOE and the DEO are the main agencies of the government concerned with monitoring of the PCF fund flows and use of the funds. Further, the DEO has to see whether the schools are fulfilling various conditions for receiving the PCF grants such as submitting the data regularly, developing School Improvement Plans, executing an enrolment expansion activity.

### Particular Aspects of Fund Flow to be Monitored:

- a. Orientation to schools on the PCF and Funding system.
- b. Timing of funds flow (grant disbursement) from the DOE to the DEO offices.
- c. Timing of distribution of PCF grants from the DEO to the schools.
- d. Time taken in disbursement by DEO after receipt of funds from the DOE.

- e. Activities conducted by the School Supervisors and Resource Persons in familiarizing the school Head Teachers, and Teachers about the PCF and fund flow.
- f. Reporting by schools on the use of the PCF funds.
  - Time taken in decision making by School Management Committee.
  - Areas of use of the funds.
- g. Activities (related to PCF grants provision) done by the schools.
- h. Use of the grants funds such as hiring of teachers and other uses

### **Assessment of the Status of Monitoring of the PCF Fund Flow.**

The year 2064/65 is the first year of implementation of the PCF system. A lot of time was involved in working the detailed disbursement programme (selection of schools and determination of the grants amount). Thus, the information about the grants was provided to the DEO offices only in the month of Magh (2064).

The DEO offices are presently verifying the enrolment data of the identified schools. Thus, funds have still not been distributed to the concerned schools in Lalitpur district. The DEO office, Chitwan has distributed the grants after completing data verification.

The late release from the centre (DOE) and further lapse of time in the DEO offices imply that the schools may not be receiving the PCF grants funds within this fiscal year (2064/65), that is by the end of the month of Ashadh 2065.

Currently, the main issue is that the grants funds are being kept on hold by the DEO offices. In Lalitpur district, this is due to the need to verify the data and resolve the data inconsistency issue. The problems need to be promptly resolved by the Department of Education.

### **Conclusion:**

The Guidelines Document on the PCF mechanism has mentioned the role of the DOE, and the DEO offices in the monitoring of the use of the PCF Grants by the concerned schools. As the basic purpose of the PCF is to support hiring of teachers by schools, the important question to ask will be whether the schools have made such appointments.

The timing of the receipt of the grants, and the processes involved in accessing the grants money by the schools are also the areas of monitoring.

The role of the District Education Office and its staff (Supervisors and Resource Persons) is crucial in the monitoring process.

The MOE/DOE should commission a study on experiences of the PCF implementation over a year.

## CHAPTER VI

### Strategies for the Expansion of the Per Capita Funding (PCF) Mechanism

#### Introduction

The provision of PCF Grants-in-aid to the schools is mainly intended to relieve the shortage of teachers in the public schools so that the teaching / learning situation can be improved and the learning needs of the children could be fulfilled.

At present, the PCF system is being introduced mainly for the primary level education. The PCF grants are provided to three categories of schools:

- a. The schools which have not got any Rahat teacher Salary grants.
- b. The Unaided schools which have got Rahat teacher Salary grants.
- c. The Community Managed schools which have got Rahat teacher Salary grants.
- d. Some 'Aided Schools' having high P:T Ratios have also been provided the grants.

The expansion of the PCF mechanism can be done in the following forms:

- a. Expanding the coverage of the scheme by increasing the number of schools and districts (Benefiting).
- b. Expanding the coverage so as to include the Aided schools (Government Managed schools).
- c. Expanding the coverage by including Lower Secondary and Secondary schools.

#### Factors to be Considered in Expanding the PCF Mechanism

a) The Findings of the Experience of the First Year Implementation:

With respect to the findings of the experience of the first year implementation at the primary education level in the district, the important question to ask is related to the outcome.

- (i) Has the system (and the provision of additional public fund grant under the PCF) helped the schools (mainly those with high P:T ratios) to relieve the shortage of teachers in the schools?
- (ii) Has the provision of the PCF grants led to increased participation of the out-of-school children in schooling?
- (iii) In general, has the system contributed to improvement in teaching/learning situation in schools?

If the answers to the above questions (related to objectives of the PCF) are positive, the feasibility of expanding the system to cover more schools and more districts, or scaling it up to Lower Secondary and Secondary level can be considered.

b) Financial Position of the Schools

The Unaided primary schools and the Community Managed schools are invariably collecting monthly tuition fees or donations from the parents



(despite the government Regulations prohibiting such collections). In case the internal resources of the schools are substantial irrespective of the source, there will be less need for the government to provide additional grants-in-aid for hiring additional teachers.

The Lower Secondary and Secondary schools (Aided and Unaided) have been allowed by the Education Regulations, 2059 to charge monthly tuition fees, examination fees, and various other types of fees. The tuition fees alone could bring in substantial amount of income on a regular basis.

In general, Lower Secondary schools derive about 71% of their revenue from government grants and the Secondary schools get about 60% of their revenue from government grants (Baseline Study of Selected Community Schools in Selected Districts 2005). PCF funding will be more necessary for the schools which have limited resources.

c) Grants Provided to the Schools

The Unaided schools and Community Managed primary schools have been provided various grants by the government. These are: the Rahat teacher Salary grants, SIP grants, Educational Material grants and the grants for Scholarship and textbooks.

The Unaided Lower Secondary and Secondary Schools also get Rahat Teacher Salary grants (Salary grants for two teachers for each level). Further, under the Secondary Education Support Programme (SESP), secondary schools were provided with SIP grant of Rs. 25,900 (for each level) for one year (Not in operation now)

Pupil: Teacher Ratio in the Schools :

The Education Regulations, 2059 has determined normal class sizes to different regions as follows: 40 for Mountain, 45 for Hills and 50 for Terai as normally applicable (without differentiation by level).

In 2005, the Pupil: Teacher ratios at different levels were: 41: 1 at Primary level, 55: 1 at Lower Secondary level and 33: 1 at Secondary level. The P: T ratios have been rising for all three levels over the past few years indicating that the increase in number of teachers has lagged behind the increase in enrolments at each level. Latest data on P:T Ratios at primary and lower secondary level are given in appendix 8 and 9.

d) The Teacher Requirements by School Level

The Education Regulations, 2059 has determined minimum number of teachers needed for each level of school education.

- |   |  |
|---|--|
| - School with Grades 1-5 (Primary)          | - Minimum of 3 teachers                            |
| - School with Grades 6-8 (Lower Secondary)  | - 4 teachers                                       |
| - School with Grades 9-10 (secondary level) | - 5 teachers with different subject specialization |

e) The School Financing Policy

The Education Regulations, 2059 states that the financing of school education (at Secondary level) will be based on cost sharing (Sharing of school financing needs by the Government, Schools, Local Bodies, Communities and Donors).

This means that the schools need not depend on the government only for financial resource, for carrying out various development works. The Lower Secondary and Secondary schools should be encouraged to mobilize resources by fund raising activities to supplement the government grants.

f) Availability of Financial Resources

The expansion of the PCF system will depend largely on availability of financial resources with the government. The Rahat Teacher salary grants presently being provided for the Unaided Primary, Lower Secondary and Secondary schools can not be terminated for several reasons. The Rahat salary grants have contributed to better teaching/learning situations in the schools. The government will have to find alternate funds for providing the expanded PCF grants. Replacement of Rahat salary grants by PCF system is not practicable and desirable.

Determination of the need for expansion of the PCF system has to be decided by the government considering all the above factors, and also by considering the experience of the PCF system now being implemented

The various types of grants are being provided to the schools for their operation (Salary Grants, Administrative expenditure, Educational materials, SIP implementation, Scholarship, Text books etc).

PCF is a system of providing additional grants to schools to cope with high pupil: teacher ratios and resolve the deficiency of the teachers (number). Much work is involved at the district and central levels on collection, analysis and verification of school enrolment data, identification of the schools, computation of the amounts of grants and disbursement of grants to the schools.

The MOE/DOE has to decide on the expansion of the system after assessing the operational costs of the system and the benefits derived/expected for the educational system and the schools.

**Strategies for Expansion:**

The following strategies are suggested:

1. Extend the coverage of the PCF System (based on teacher cost per pupil) to more schools.
2. Introduce PCF System to provide grants to newly permitted primary schools.
3. Provide guidelines for use of PCF grant funds. Allow alternate use of the grants fund if the funds are insufficient for hiring full time teachers.
4. Continue providing Rahat salary grants for Unaided and Community Managed Schools in order to provide minimum number of teachers.
5. Extend PCF to the Aided schools in order to provide funds for hiring additional teachers on their own. Assess their financial position and allow the schools to mobilize funds from different sources.
6. Scaling up: Provide PCF to Unaided Lower Secondary schools. Work out teacher costs per child at this level before launching PCF.
7. Continue to provide Rahat grants to Unaided and Community Managed Lower Secondary and Secondary schools.

8. Assess financial position of schools before deciding on providing PCF grants (in order to see if schools can hire teachers with their own resources).
9. Provide PCF grants only to those schools which are resource poor in general.

### **Summary of the Strategies**

<b>Strategies</b>	<b>Actions</b>
PCF for newly Permitted Schools in Terai districts	Inform promoters Allow search for additional resource Provide other grants (Under Block Grants)
PCF for Aided Schools (Primary)	Provide PCF to hire new teachers on their own (to cope with high student numbers)
Continue Rahat Teacher Salary Grants to the Unaided and Community Managed primary schools	Assess use of Rahat Salary Grants Assess impact Assess financial position of concerned schools
Provide PCF (Based on teacher salary costs per child) for Unaided Lower Secondary School	Work out teacher costs per child Decide on Norms of P: T ratio to be used
Continue Teacher Salary support grants for Unaided and Community Managed Lower Secondary schools for coping with high enrolments	Assess use of the grants and impact
Provide PCF grants to only the resource poor schools	Assess financial position of the schools

## CHAPTER VII

### Conclusions and Recommendations

#### Conclusions

1. Value of Investment in Children's Education

Improved school education needs provision of physical facilities, study materials and teachers. All these involve expenditure and costs. Schools having low financial resources can not meet all these needs adequately. Increased expenditure/investment per student is needed, in the form of provision of classrooms, textbooks and teachers. Higher investment will help in enabling the students to complete the primary education with better achievement levels.

2. Concept of Per Capita Funding

The Per Capita funding is a system of providing funds/grants to the schools on the basis of student numbers. Presently, major position of government support to schools is made on the basis of number of teachers. Per Capita Funding system is a departure from the traditional system and uses enrolment as base for funding. Per Pupil Public expenditure can be found by dividing the total public expenditure on education (level wise) by enrolment at that level. The Per Capita Funding is based on Per Pupil Public expenditure on teachers only at the primary level.

3. A Notional Concept

Though the PCF is based on Enrolment (student numbers in the concerned schools) the funds made available are not directly put in the hands of the students (unlike in case of scholarships). Students get the benefit from the grants in the form of services of the teachers hired with the PCF funds.

4. A Means of Providing Additional Funding to the Unaided Schools

The Community Primary schools are generally under financed even though most Unaided schools charge some school fees. In recognition of their role in enrolling students at primary level, the government has, since past few years, provided teacher salary grants (Upto 2 teachers) to the schools. The PCF grants will allow these schools to get additional funds with which they can hire some more teachers.

5. Support for Community Managed Schools

The transfer of management of the government managed schools (Aided schools) to the community has been a prime objective of the educational policy. Incentive grants are provided to schools agreeing to have "management transfer". The Block Grants scheme has a provision of providing teacher salary grants to the community managed schools (up to two teachers salary). The PCF Guidelines document envisages providing further grants, if the enrolment exceeds the Pupil Teacher Ratio Norms (determined by the DOE).

The promotion of community managed schools is an underlying objective of the government policy on Per Capita Funding. The Department of Education has directed the DEO offices to implement the conditionality of management transfer before disbursing the PCF grants to the concerned schools.

6. Ultimate Goal of Per Capita Funding

The ultimate goal of PCF mechanism is to promote better teaching/learning conditions in the public schools by reducing the shortage of teachers. The underlying idea is that the schools with high P: T Ratio will receive the grants and make use of the grants in hiring teachers. A related goal is to increase enrolments particularly from the disadvantaged groups and to raise the retention rates of the students.

7. Implementation Process

The DOE has taken a number of steps to implement the PCF scheme. These are as follows:

- a) Arranging financial resources (grants from World Bank).
- b) Developing and publishing a Guidelines Document
- c) Analyzing and verifying school enrollment data of each and every primary school (Aided, Unaided, Community managed) of the country.
- d) Identifying schools eligible for grants.
- e) Disbursing the grants to the DEO offices.

The role of Department of Education in implementation is crucial. The DOE is also expected to regularly monitor the implementation activities at various levels of education administration. DOE will also conduct monitoring of the achievements of the scheme.

8. Total Allocation for PCF Grants (2007/08)

A sum of Rs. 350 million has been allocated for disbursement in PCF grants in the year 2007/08. This amount will serve the teacher needs of 190 thousand 'unserved' children in the country.

9. Role of District Education Office (DEO)

The DEO office is of the forefront of implementation at district and local levels. It has to verify the Enrolment, Examination Appeared student data before disbursement of the grants. Further, it has to provide orientation to schools on the use of the grants. Its role in monitoring is also important. All field level monitoring work has to be done by DEO with the help of Resource Persons and School Supervisors. The DEO Offices also provide orientation on the PCF to the head teachers in course of formal meetings and workshops.

10. Strengths and Weaknesses

The main strength of PCF mechanism is that it is intended to help the resource poor schools to have some funds to hire teachers on their own and thus improve their teaching work. This will help in achieving the EFA goal of raising Quality of Education. For the government, the PCF system provides a system of school financing without being tied to creation of permanent teaching posts (which is difficult to do due to financial constraints).

One limitation of the PCF system, as shown by the field survey, is that the PCF amounts granted to the schools are not sufficient to hire full time teachers. Further, this system relies very much on reporting of the correct enrolment and examination appeared student data to the DEO by the schools and further transmitting of the data to the DOE. Mismatch between the data used by the

DOE/DEO and the data recorded in the schools has been noticed causing delays in fund disbursement to the schools.

11. Problems and Issues

**Problems of implementation**

- a. Schools have not received Guidelines; the process of calculation of grants is not comprehensible to all concerned.
- b. School teachers and SMC members are yet to be made aware about the PCF system.
- c. Flow of PCF Funds from DEO office to the schools has been delayed, mainly due to data inconsistency.
- d. Schools with higher P: T Ratio would benefit more from the system than the schools with lower P: T Ratio
- e. Requirement of management transfer (for the Unaided, Aided schools) for getting PCF grants has not been fulfilled readily in all districts. The implications of transfer have not been explained to the schools.

**Some Issues**

- a. Data inconsistency (DOE data and school data) is a major problem
- b. Available PCF grant is not sufficient for appointment of full time teachers. Guidelines Document is not clear about it.
- c. Data management at various levels (Schools, DEO, DOE levels) faces some problems (mainly relating to accuracy and consistency).
- d. There is a need of making the DEO offices more capable to manage the school data for use in making decisions on PCF Funding of the schools.
- e. There is a possibility of dissatisfaction among teachers (recruited under different systems) due to differing salary scales.
- f. There is an issue of termination of teachers hired with PCF grants if enrolment declines.
- g. DOE has not yet provided guidelines on use of funds if the PCF funds granted are insufficient for employing full time teachers
- h. P:T Ratio Norms used by DOE are not realistic as shown by recent statistical data (Flash reports)

**Recommendations**

1. **Dissemination of Guidelines:** The contents of the Guidelines document should be widely disseminated to the level of the schools. The purpose of introducing this mechanism, how it is working , how it would affect the schools, teachers and the students need to be communicated to the concerned schools by organizing workshops and through simply written brochures. The stakeholders (teachers, SMC members) should be provided orientation.
2. **Fund Flow:** The PCF grants that have been approved by the Department Of Education and disbursed up to the District Education Offices should be disbursed to the concerned schools without delay. The factors causing present delay should be resolved soon. The resolution of data inconsistency by the DOE

is needed to speed up the funds flow process. Alternatively, as in the case of Chitwan district, the DEO office should be authorized to make the correction and distribute the grant accordingly.

3. **Provision relating to use of Funds:** Since it is now clear that most schools that are identified for receiving the PCF Grants would receive amounts which are inadequate for recruiting full time teachers (for the whole year), schools should be permitted to make alternate use of the grants funds. Such use should be related to promotion of better teaching. For this purpose, the Guidelines Document should make necessary provision.
4. **Networking of Data:** There should be a system of networking of data between the DOE and the DEOs. For this, computer facilities should be installed in DEO offices.
5. **Management Transfer:** The PCF Grants are to be provided to the unaided schools after fulfilling the conditionality of immediate management transfer. The concerned schools should be provided enough time to decide on management transfer. Management transfer is an issue in aided secondary schools where primary section is running as an unaided school.
6. **Rahat Grants:** The Rahat teacher salary grants to the Unaided and the community managed schools should be continued in order to provide minimum number of teachers in schools. Replacement of the Rahat grants by the PCF grants is not feasible mainly because the PCF grant amount will be much less compared to the Rahat salary grant amounts (as indicated by the grants provided to most schools in Lalitpur and Chitawan districts). Especially, for new schools in the Mountains and Hills, where the enrolments are low, Rahat grants would be preferable to PCF grants.
7. **PCF and other Grants:** The PCF grant is part of the total school grants to the school. There is a need to spell out the total grants funds made available to a school and to establish links between them (particularly between PCF and SIP)
8. **Monitoring:** Monitoring of the grants (Fund flow and use) should be made. Monitoring of PCF mechanism should be done mainly by District Education Office with the help of Resource Persons and supervisors.
9. **Capacity Building:** Considering the increased workload on the DEO offices (particularly the Planning Section, and the Accounts Section), capacity building work is needed. This includes installation of computers for data processing and management, and related training activities.
10. **Assessment:** The PCF system implementation for a full year should be assessed before decisions on expansion (such as extension to the Aided Schools, and to lower secondary and secondary levels) are taken.
11. **Teacher Appointment:** The Department of Education should provide guidelines regarding the use of PCF grant money in case the amounts are inadequate for appointing fulltime teachers for the whole year. There is a mention of part time teacher in the Guidelines but conditions of appointing part time teachers are not given in the Guidelines. This should be made clear.
12. **School Management:** There are well known problems for irregularity of students' attendance and teachers' attendance in the public primary schools. The inadequate funds are not the only problems. Along with the provision of

the grant funds, the school management should make efforts to improve other aspects of school functioning so that the goals of providing the PCF grants are realized.

13. **Financial Management:** The school financial management system (account keeping, information on grants, documentation on finance) should be improved.
14. **Measures Helpful For Promoting Fund Flow And Use:** There are some improvements necessary for speeding up the flow of funds to the schools:
  - Prompt verification of enrolment data.
  - Submission of necessary documents to the District Treasury Controller Office.
  - Capacity building of Accounts Section of DEO Offices.
  - Strengthening Accounts keeping system in schools.
  - Initiative by head teachers for fund release.
  - Submission of necessary reports to DEO office by the schools.
  - Holding periodic meetings of head teachers at the Resource centre and DEO levels.
15. **Support Needed for The Schools: The schools should be Provided Support and Assistance for the Following Works.**
  - Conducting household survey
  - Preparing SIP
  - Keeping accounts
  - Report preparation.
16. **Financing of the Scheme:** Presently, the PCF scheme is being funded by external assistance (World Bank grant assistance) under the Education for All Programme. In order to reduce dependence on external resources school should be encouraged to utilize local resources and non governmental resources by developing contacts with local bodies (VDC, Municipality) and NGO development projects.
17. **Decentralized Planning And Management** At present, the work of identification of the schools (eligible for getting the PCF grants) and allocation of grants to each school is being done by the Department of Education (Primary Schools Administration Section). This is due to two reasons: a) Extensive statistical work in analyzing and verifying the enrolment/examination appeared data of each and every primary school of the country. b) Accountability of the DOE in utilizing the grant funds made available by an external agency for executing the PCF scheme.
18. The work of identification of schools could be decentralized to the District Education Offices. The work of statistical analysis will be much easier at the district level, considering the volume of the work involved. However, such decentralization of PCF related work to the DEO offices will require:
  - Orientation on tasks to be completed.



- Provision of computer facilities
- Staff training
- Maintenance of school record

Further, the DEO offices would have to incorporate the amounts needed for PCF grants in the annual budget requests (to be submitted to the DOE).

19. **Reconsideration of the P:T Ratios used by the DOE:** This seems necessary as the Ratios used have been found to be unrealistic for the PCF grants. The use of sub-regional P:T Ratios may be considered. Flash-I data (2007) shows that the P:T Ratio (National average) at primary level is 42:1 and for Hills the ratio is 37:1, for Terai 56:1, and for Kathmandu valley 22:1. Thus it is seen that P:T Ratio used by DOE is unrealistic in case of Hills and Kathmandu Valley. The use of differentiated rates of PCF grants for urban and rural schools should be considered.
20. **Explanation of Implications of Management Transfer:** DEO should provide orientation to the unaided schools on management transfer. Since all Unaided schools have been asked to comply with management transfer, they should be provided all information about the implications of management transfer (including additional facilities provision).
21. **Expansion Strategies**

- a. Extension to Aided Primary Schools

There is already a system of providing teacher salary grants to Aided schools having high pupil: Teacher Ratio. The ASIP, 2006/07 of the Department of Education has mentioned that salary supports for 4500 teachers of Primary level will be provided in the year 2006/07. Thus, in principle, the government has a policy of providing additional funding to these schools for coping with high Pupil: Teacher Ratio. The question, now, is should such salary support (of Rahat type) be replaced by the PCF grants. It is conceivable that the schools would prefer to have a continuation of teacher salary supports of Rahat type. The extension of the PCF is conceptually possible, and may be acceptable by the concerned schools if the PCF amounts are not less than the Rahat teacher Salary grants.

With regard to the extension of PCF system to Aided schools (government managed schools), the following aspects have to be considered:

- Identification of schools, eligible for getting the PCF grants in each of the 75 districts.
- Identification of Aided schools which are currently getting relief grants to cope with high P:T Ratio.
- Determination of PCF funding requirements.
- Meeting/consultation with Head Teachers and SMC Members of the Aided schools.

- b. Extension to Lower Secondary Level

There is much student pressure at the lower secondary level. Support provided to these schools will relieve the teacher shortages (relative to

enrolment) at the lower secondary level. The PCF mechanism could be an appropriate system of providing financial support (for teacher provision) in these schools. Exercises relating teacher costs per student at this level have to be conducted. Further, P: T Ratios norm at this level for different regions have also to be worked out.

**22. Basic Policy on PCF:**

The basic policy on PCF should be based on the following premises:

- a. Ensuring minimum teacher provisions for every school, and then providing PCF for incremental salary funding needed to hire additional teachers
- b. Adopt a system of differentiated PCF rates based on remoteness of schools, student needs, and economic situation of the school and community.

**23. Other Recommendations**

- Establishment of new schools should be done only on basis of school mapping. This is necessary in order to avoid indiscriminate use of PCF mechanism.
- The PCF mechanism should be linked with SIP grants system, and should be included in the government budget.
- Various indicators of efficiency should be used to evaluate the use of the PCF grants effects.
- The school finances should be audited by appropriate agency regularly. Auditing should cover the use of PCF grants received by the schools.
- Schools themselves, and the local communities should make efforts to generate resources for the schools. Resources generated should be used for promoting better teaching in the schools.

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**Appendix 1**  
**Main Contents**  
**of**  
**The DOE Guidelines on**  
**Provision of Per Capita Funding Grants**  
**2064**

- 1. Objectives of Providing the PCF grants:**
  - a. To initiate the provision of grants-in-aid to the schools based on student enrolment.
  - b. To provide grants-in-aid to the schools in a transparent way keeping in view the promotion of social justice as the main basis.
  - c. To promote uniformity in the distribution of school grants in aid.
  - d. To minimize the negative effects of shortage of teachers on teaching/learning situation in the schools.
  
- 2. Bases of Determination of Per Capita Grants**
  - a. The size of school enrolment will be the main basis of school grants-in-aid. An increase in enrolment will lead to provision of higher amounts of grants in aid, and a decline in enrolment will similarly lead to decline in grants.
  - b. The calculation of per capita grants will be done keeping in view the excess number of students over and above the Pupil: Teacher Ratio of 40:1 in Mountain, 45:1 in Hills, and 50:1 in Terai and Kathamndu Valley. The per capita annual grant (annual) per student (above the stated P:T Ratio) is fixed at Rs. 2041 for Mountain, Rs 1814 for Hills, and Rs 1633 for Terai and Kathmandu Valley.
  - c. The per capita fund grant is based on initial salary of a primary school teacher (annual).
  - d. Students appearing in the final school examination will constitute the reference student enrolment for the purpose of the provision of P.C.F. grants.
  
- 3. Schools Eligible for Receiving the P.C.F. Grants**
  - a. Community Schools, which have received permission to operate, and have not received any government teacher quota or relief (Rahat) teacher salary grants.
  - b. Permitted community primary schools which are receiving Relief (Rahat) teacher salary grants will be eligible for receiving the P.C.F. grants for appointment of teachers if the student numbers per teacher (P:T Ratio) exceed the stated (norms) ratio of 40:1 in Mountain, 45:1 in Hills, and 50:1 in Terai and Kathmandu Valley.

- c. Schools, managed by the community, (Management Transfer Schools) which are receiving Relief (Rahat) grants (Teacher salary) will be eligible for receiving the PCF grants for appointment of teachers, if the student numbers per teacher (P:T. Ratio) exceed the stated (norm) ratio of 40:1 in Mountain, 45:1 in the Hills, and 50:1 in Terai and Kathmandu Valley.

**4. Conditions (to be Fulfilled by schools) for Receiving the PCF Grants**

- a. The schools should prepare School improvement plans which include programme for enrolment of out of school children, and children specially belonging to poorer groups (on the basis of their identification by conducting household surveys).
- b. Schools should prepare and implement programmes to ensure 90% student attendance in the schools.
- c. Schools should prepare and implement plans to ensure student pass rate of at least 80%.

**5. Management of PCF grant**

The role of different levels of educational management in the PCF grant mechanism will be as follows:

**a. MOES**

- Resource Management and Coordination.
- Monitoring the PCF Mechanism and review and analysis of outcomes of the PCF.
- Policy reforms in the PCF programme and providing necessary directives to concerned organizations under MOES.

**b. Department of Education (DOE)**

- Determine Districts and Schools for provision of the PCF grants.
- Updating enrolment data in the schools.
- Developing District wise programme and disbursing grants accordingly.
- Conducting Achievement Monitoring
- Resolving complaints regarding the disbursement of PCF grants.

**c. Regional Education Directorates (RED)**

- Conducting regular monitoring of the programme and submitting report to DOE.
- Monitoring the outcomes of the programme

**d. District Education Office**

- Identifying the schools eligible for receiving the PCF grants.
- Collecting school enrolment data.
- Requesting DOE for funds along with the details of eligible schools and enrolment.
- Disbursing funds according to the specified procedure.
- Monitoring of the accuracy of data submitted by schools and also the use of the PCF funds made available to schools.
- Soliciting progress reports from the schools and submitting reports to the Regional Education Directorates and Department of Education.
- Conducting other activities and programmes as directed by MOES, DOE, and RED.

**e. Role of Schools and School Management Committee**

- Developing School Improvement Plan with programmes (with targets) for enrolling the out-of-school children by conducting household surveys for identifying such children.
- Submitting details of school enrolment within specified date, to the DEO.
- Conducting programmes for ensuring regular attendance of children in the schools; carrying out programmes for promoting retention of children in the schools, and promoting improved learning achievements
- Submitting report on progress of the programme in specified format to the DEO
- Conducting Social audit and financial audit of the school as envisaged in the Education Regulations and submitting these reports to the DEO.
- Appointing fulltime and part time teachers according to school regulations, and getting approval of District Education Committee and DEO for such appointment.

**6. Calculation of Per Capita fund (per Child)**

The following formula is used for calculation of per student cost (salary only)

The per capita cost (Teacher salary) is worked out by dividing the initial teacher salary (annual) by 40 in Mountain, 45 in Hills and 50 in Terai and Kathmandu Valley. Per student cost annual for PCF grants is: Rs. 2041 for Mountains, Rs. 1814 for Hills and Rs. 1633 for Terai and Kathmandu.

## Appendix 2

### Data of Grants Receiving Schools, Lalitpur

District	Location	Name of the School, Address	School Type
Lalitpur	Urban	Namuna Machhindra Secondary School, Lagankhel	Primary Level (Unaided) Section of the School
	Rural	Jayal Kumari Primary School, Lele	Unaided Community School
	Rural	Basuki Lower Secondary School, Lamatar	Management Transfer Community Managed School

Schools identified for receiving PCF grants, 2064/65, Lalitpur District

(a) Unaided Community Primary Schools, 2007.

Municipality/VDC	School Name	Appeared Student	Unserved student	PCF amount (Rs.)
Lalitpur Municipality	Namuna Machhindra Secondary School, Lagankhel (primary section)	54	4	6532
Gimdi	Manakamana P.S.	135	85	138805
Gimdi	Kaushe PS	105	5	8165
Lele	Jayal Kumari PS	318	218	355994

(b) Management Transfer Community Primary Schools, 2007.

Municipality/VDC	School Name	Appeared Student	Unserved student	PCF amount (Rs.)
Lamatar	Basuki LSS	162	12	19596
Chandanpur	Chanda Devi SS	123	23	37559
Ashrang	Bhagabati PS	148	48	78384
Dalchowki	Janhit PS	136	36	58788

Source: DOE, Lalitpur.

## Appendix 3.1

### **Namuna Machindra Secondary School, Lagan Khel, Lalitpur** **(Primary Level: Unaided School)**

This school situated at the central place (Lagankhel) in Lalitpur District has Lower Secondary and Secondary levels managed and fully funded by the government and have the Primary level, as Unaided School. The primary level classes are run in the complex of the school, which has large number of classrooms.

The number of students in grades 1-5 was 184 in 2063, 230 in 2064 and 212 in 2065 (Baishak). The primary level is taught by one teacher supported by Rahat teacher salary Grant and four teachers (all female) appointed by the school with its own resources.

The school (Primary level) has been identified by the District Education Office (DEO), and the Department of Education (DOE) as one of the schools eligible for getting the PCF grants. In Falgun 2064, the school was informed about the grant (grant for 4 unserved children). The school has informed the DEO, Lalitpur, and the Department of Education about the need to correct the number of unserved children. According to the school authorities, the school should receive PCF grants for more "unserved students" than the number reported in the DOE/DEO data.

The school charges Rs. 150 as monthly tuition fees. There is no system of charging admission fee and a small examination fee is collected in the school.

The school (Primary, Lower Secondary, and Secondary together) has received Rs.29,95,127 as government grants in the Year 2062/63. It also collected Rs.1,343,025 from school fees. Further, the school's revenue from own resources was Rs. 781,353 in that year. The school is in a relatively better financial position considering the funds available from different sources (Government, fees, and own resources).

The Rahat teacher gets Rs. 53,300 as salary in a year. The teachers appointed with school resources get slightly higher salary than the Rahat teacher.

Further, the school has got funding for SIP implementation, and money for 50% girls scholarships, and free text books.

The observations made by the Head teachers and teachers in discussion are as follows:

- Local residents send children to boarding and private schools.
- Students attending mostly belong to domestic workers and displaced families.
- Teacher Salary Grants (Rahat) is much better than the PCF grants, because the Rahat System could, in future, bring in Permanent Teacher Quotas
- Further, the PCF grant as determined by the DOE is only for 4 children. Even after correction of data, the total PCF Grants amount would not be more than Rs. 15,000. This amount is not sufficient to appoint a teacher for a full year.
- The PCF money, when it is disbursed, may be used for providing better facilities for teachers, and teaching.
- The SMC Chairman suggested that the PCF grant should cover all expenses of schooling (than just the teacher costs) He also pleaded that there should be total grants package covering ECD to Secondary Levels.



## **Conclusion**

The disbursement of PCF grants to the school could be a problem (even after correction of data), as the DOE has set a condition for grant provision. The school should be brought under Management Transfer (to the Community). The issue of the management transfer should be resolved as early as possible.

## **Appendix 3.2**

### **Basuki Lower Secondary School Lakure Bhanjyang, Lamatar, Lalitpur, **(Community Managed Schools)****

This school is situated on a hill top near the Lakure Bhanjyang Pass, at Lamatar, Lalitpur. The School is a community managed (Management Transfer) School.

The school serves mainly the Tamang community, which forms the cluster for the school. The whole area surrounding the school is forested. The students including the primary level students come to school on foot walking for half an hour to one hour.

The school has a pre-primary (Bal Bikas Samiti) Section and runs grade 1 to 8 classes. In Baishakh 2065, the total enrolment in grades 1-5 is 162. The number of students is on the increase progressively.

The school (Primary Level) has been identified as a recipient of the PCF grants. The DEO has determined the number of unserved students (based on Flash Report I of 2063) to be 12. Accordingly, the DOE has allocated the sum of Rs. 19,596 as PCF grants for the year 2064/65.

The school has 3 permanent Darbandi teachers, and one substitute teacher (With use of own resources). Besides, the school has got two Rahat Darbandi for the Lower Secondary Level.

The school is well-maintained and the surroundings are good enough. There are separate toilet facilities for boys and girls students. A drinking water facility also exists in the school.

The school has a system of collecting donations from the local people and organizations working in or near the school community area. Besides, the school collects Assistance donation amounts from the parents for physical facilities development. There are no fees of any kind other than the Assistance contribution. The school has got regular grants from DEO for salary of the permanent teachers and Rahat Teachers. The Head teacher and teachers participating in discussion with the Study Team members expressed their opinion regarding the relative merits of the Rahat Teacher Salary grants and the PCF grants based on what they have heard about the PCF system. In general, they expressed the preference for the Rahat Teacher Salary grants as the Rahat grants system assures them of payment of full teacher salary at the end of every month. However, the teachers appreciated the possibility of getting higher government funding under the PCF system if enrolment increased. The school Head Teacher informed the Team that the school had not got any formal letter from the DEO Office, Lalitpur, regarding the PCF grant sanctioned by the Department of Education for the school. It seemed that the school Head Teacher had to take some initiative regarding the disbursement of the grant to the school from the DEO office.

## **Conclusion**

The examination data of students who are used by the DEO for PCF grants to the school, and the data reported by the school are similar. So there is no problem with data verification. The school should be provided with the PCF grants (as determined by the DOE) as soon as possible.

## **Appendix 3.3**

### **Jayal Kuwari Primary School, Lele, Lalitpur (Unaided Primary School)**

The school is located in a rural area of Lele VDC of Lalitpur district. The school was established in 2057.

The school runs three grades (grade 1 to 3) at present. The school building was constructed with DDC grant. It has three classrooms: one of the classrooms is also used as school office.

The total enrolment is 40 (in the register); attendance on the day of visit by the Team was 24 (9 boys 15 girls).

The school has two teachers: one male, one female supported by the Rahat teacher salary grants. There is also a female teacher supported by Bal Bikas programme of the Government.

The school has received Salary grants for two teachers (Rs. 53,300 for each teacher) in a year. The Bal Bikas supported teacher gets Rs. 1300 per month from the Government. The school has received grants for scholarships (Girls, Dalit) and for text books. However, it has not received any support for the implementation of the SIP in recent years. The school's SIP mentions a list of improvement activities needed in the school, without any details of costs. The school is in a desperate (financial) need at present. Enrolment is on decline (compared to past years). The physical facilities are grossly inadequate. There are three desks/benches (attached) in each room. The desks/benches are crudely made. There is no Book Corner in the school.

A local parent, who participated in discussion at school level, complained about the irregularity of the teachers. The teachers complained about lack of concern for children's education on the part of parents. The local VDC has clearly shown no interest in refurbishing the school with better facilities. The teachers are seen unaware of the possible funding grants for SIP implementation. More active SMC could change the situation. The school can get about Rs. 12,000 for SIP (Rs. 300 per student) at the present level of enrolment.

The PCF grants determined by DOE for the school are quite high. Unfortunately, the grants are based on wrong set of school data. No effort has so far been made by the DEO, and the school to make correction in the data and work out the PCF grants based on correct enrolment data. The teachers were in favour of continuation of teacher salary grants (Rahat), and against its replacement by PCF grants. The PCF grants would not bring in enough funds for teachers salaries, especially when enrolments are declining.

## Conclusion

The school needs to improve its teaching as well as its financial position. One measure necessary is to make all efforts (by the school) to get the SIP funding. With this money, the school can carry out programme of improvement as decided by the School Management Committee.

## Appendix 4

### Data of the Grant receiving Schools, Chitwan

#### Chitwan District

S.N.	VDC	School	Running classes	Total Appeared	Unserved student	PCF Amount
1	Koral	Kuchhur Rastriya Primary School	1-3	New	50	81650
2	Khairahani	Mukteshwar Sanskrit Primary School	1-	New	50	81650
3	Ayodhyapuri	Rastriya Primary School	1-4	286	286	467038
4	Birendranagar	Divyajoti Rastriya Primary School	1-3	100	50	81650
5	Chandi Bhanjy	Dipjyoti Rastriya Primary School	1-2	55	5	8165
6	Lothar	Kandeshwory Rastriya Primary School	1-4	101	51	83283
7	Mangalpur	Basundhara Rastriya Primary School	1-4	68	18	29394
8	Maghauri	Rastriya Primary School	1-4	119	69	112677
9	Siddi	Rastriya Primary School	1-3	55	5	8165
10	Bachhyauli	Parbati Rastriya Primary School	1-2	122	22	35926
11	Bharatpur N.P.	Sharam Sanskrit Secondary School	1-5	155	55	89815
12	Chandi Bhanjy	Parbati Rastriya Primary School	1-5	125	25	40825
13	Dahakhani	Rastriya Primary School	1-5	116	16	26128
14	Darechok	Bakullahere Rastriya Primary School	1-5	111	11	17963
15	Darechok	Rastriya Primary School	1-5	121	21	34293
16	Kathar	Rastriya Primary School	1-5	116	16	26128
17	Khairahani	Rastriya Primary School	1-5	113	13	21229
18	Lothar	Sivapuri Rastriya Primary School	1-5	104	4	6532
19	Piple	Panchadip Rastriya Primary School	1-5	103	3	4899
20	Ratnanagar NP	Panchadip Rastriya Primary School	1-5	101	1	1633
21	Ratnanagar NP	Om Shanti Rastriya Primary School	1-5	130	30	48990
22	Dahakhanj	Rastriya Primary School	1-5	208	58	94714
23	Kumroj	Dharmeshwor Rastriya Primary School	1-5	207	57	93081
24	Piple	Banaspati Rastriya Primary School	1-5	220	70	114310
25	Bhandra	Shikhar Rastriya Primary School	1-5	352	102	166566
26	Piple	Bhole Baba Rastriya Primary School	1-5	420	70	114310
Total				3608	1158	1891014

Source: DOE, Chitwan.

Note: Schools Nos.1 to 21 are Unaided Community Primary Schools; and Schools Nos. 22 to 26 are Community Managed Schools.

## Appendix 5.1

### **Basundhara Primary School (Unaided Community School) Mangalpur, Chitwan**

The school is located beyond Rampur Agriculture Campus. It was established in 1962 (AD) mainly with the efforts of a local leader. The school has got approval for running grades 1-2 . Actually, the school is conducting 1-5 grades. Enrollment in grades 1-5 is 91.

The school has got Rahat Teacher Salary grant for one teacher. There are 5 other teaches, three of them are supported by Rural Community Development Project (RCDP). There are two other teachers who work on voluntary basis.

The school collects admission and examination fees. The school is getting various grants from the government such as SIP grants, and scholarship grants. The total annual income of the school is about Rs. 2 lakhs.

For the year 2064/65, the school has received Rs 29,394 as PCF grants. The money has not yet been used as the SMC has not yet met to decide on the use of the grants.

The teachers are highly motivated. Some teachers are working on voluntary basis. Even the teacher working on Rahat grant gets only Rs 2500 per month.

The opinion of the Head Teacher and SMC chairman is to use the PCF grant money for providing additional salary to the teachers.

The school has signed an agreement with the DEO office, Chitwan for management transfer (to the community). According to the Head Teacher, this was done because other schools also signed such agreement. The Head Teacher/Teachers however, have not fully understood the implications of management transfer

The problems of the schools are: (i) school enrollment is not increasing (ii) Most teachers are working on temporary basis.

*Conclusion:* The school should seek to understand and explore all the facilities/incentives grant to schools which opt for management transfer. Further, the school should make effort to retain the existing enrollment.

## Appendix 5.2

### **Sita Ram Sanskrit Secondary School Primary School Section (Unaided Community School) Devighat, Chitwan**

The school was established as a Sanskrit school in 2034. Now it is running as a general school. There is a primary section, operating as Unaided School.

The enrollments in grades 1-5 is 157 in 2065, which is slightly lower than in 2064. There are 2 Rahat Teacher salary grants teachers, and 2 teachers paid with school's own resources.

The school collects some fees at the time of admission. It collects large amount as parking charges on vehicles at festival times. The school has got SIP and other grants.

The BPEP-II has financed construction of classrooms blocks which are currently used for conducting secondary level classes.

The school has got Rs. 89,815 as PCF grants for 2064/65. So far no decision has been made about its use. The Head Teacher wants to use it for providing additional salary to the teachers, who are currently working on low salary.

The school faces the problem relating to enrollment expansion. The enrollment in 2065 is lower than a year ago. The school resources are limited.

*Conclusion:* The school should consult the DEO office regarding the intended use of the fund. Further, the school should improve the classrooms/facilities for primary school children.

### **Appendix 5.3**

#### **(Bhole Baba Primary School) Community Managed Primary School Piple, Chitwan**

The school was established in a new settlement for flood victims, in 2045. It runs ECD class and grades 1-5. It is considered as a school with high enrollment. Presently (2065), the enrollment in grade 1-5 is 343. This number is lower than in 2064.

There are 4 Darbandi teachers and 3 Rahat teacher salary grant teachers in the schools. Besides there is a volunteer teacher.

The school has got Rs 114,310 as PCF grants for 2064/65. The Head Teacher and SMC chairman are in favour of using the money for appointing a new teacher in the school.

The school has been benefited by JICA-funded classrooms. It is also building a new block with DEO assistance.

*Conclusion:* The grade 1-5 enrollment in the school is on decline. This trend should be prevented. There is a possibility of decline in PCF grants if enrollment falls. There should be sections for each grade to cope with high student numbers. The building under construction should be completed with government and donor assistance.

## Appendix 6

### Teacher Shortage and PCF Teacher Shortage

There are several estimates of teacher shortages at the Primary Level. The TRSE Report (Technical Review of School Education in Nepal) 2006, has presented the following estimates regarding teacher requirements for Primary Schools. The basic assumption made in TRSE estimates is that if a school has 150 students (1-5 grades) and 30 students in each grade, it would need 4 teachers.

#### The TRSE estimates Requirements of Teachers at Primary Level

Level of Education	Additional Teachers Required	Excess Teachers	Net Teachers Requirements
Primary (1-3 grades)	3,686	360	3326
Primary (1-5 grades)	21,454	7,223	14,231
Total	25,140	7,583	17,557

The TRSE estimates present the requirement of 17,557 teachers for the primary level in the year 2006.

A recent estimate has been prepared by Asst. Prof. Mr. Gyaneshwor Amatya of Tribhuvan University, which uses the assumptions of P: T Ratio of 40:1 (Deployment and Redeployment Strategy of Teachers at Primary and Basic Level, 2008). According to Flash Report 1, of 2007, there were 44, 18,694 students at the Primary Level (all types of schools) and 1, 14,712 teachers were working at the Primary level.

Mr. Amatya found that there were excess teachers in 48 districts, and shortage of teachers in 27 districts at the primary level, In 48 districts, there were excess teachers numbering 4245, and in 27 districts, there was shortage of 16,490 teachers. There was, thus, net shortage of 12,245 teachers at the Primary level.

#### Grants to Relieve Teacher Shortage

Recognizing the shortfall in teacher supply at the primary level, the government has introduced teacher salary grants (Rahat grants) to the Unaided Primary Schools. As stated in the "Business Plan for the Education Sector", 2006 (MOES), the Government intended to make the following provision of teacher salary grants during FY 2006/07 and 2008/09.

- (a) Grants for two teachers for 2142 Unaided Schools every year.
- (b) Grant support for 7,000 teachers to other public schools every year.

The school grants are also known as Rahat or Relief grants.

The Relief (Rahat) teacher salary grants have been much useful in relieving the teacher shortage situation particularly in the unaided schools and Community managed schools.

Even after the provision of Teacher Salary grants (Rahat Grants), the Primary schools have been facing the problem of teacher shortage. For relieving this situation, the government has introduced the Per Capita Funding Mechanism.

## **Appendix 7**

### **An Assessment of Opportunities and Risks**

The PCF Scheme is a new and innovative funding mechanism. The following opportunities and risks are noted:

#### **Opportunities:**

1. The Unaided Schools (numbering 2,142) which qualify for the grants will be able to provide better teaching with the help of PCF funds, The Unaided Schools will be empowered after undergoing management transfer (as required by the Government for getting the PCF grants).
2. Schools will get more funds for engaging new teachers.
3. The SMC will be further empowered as the PCF scheme requires decision making by the SMC with regard to use of PCF grant funds.
4. The Permitted Unaided Schools (without any provision of Government Grants) will gain much from the PCF scheme as they will get substantial grants under the Scheme.
5. The PCF is enrolment based grants scheme. Under it, the grants will increase along with increase in enrolments.
6. The government will have a system of making teacher provision without creating new teacher quota (on Government appointment).

#### **Risks:**

1. Large schools and Urban schools will gain more from the scheme than small and rural schools. Flat grants (under PCF) for all types of schools in different location are not regarded as equitable.
2. Schools in Mountain and Hill areas will not gain much from the scheme, as the P: T Ratios in these areas are quite low.
3. There is an issue of financial sustainability. The Scheme is currently funded by external assistance (World Bank).
4. Some schools may be tempted to over-report their enrolment/ examination data.
5. There is extensive mismatch between the data used by DOE, and data reported by schools.
6. It is feared that DOE and DEO will be preoccupied with the new types of grants like PCF at the cost of important grants like SIP.
7. Schools getting grants may use it for purposes other than the intended purpose (that is the appointment of teachers).
8. There will be different categories of teachers in the school such as Regular Darbandi Teachers, Teachers on Rahat Salary Grants, and Teachers appointed

under PCF. These teachers will have different service conditions; conflicts may emerge among the different categories of teachers.

## Appendix 8

### P:T Ratio Primary Level, 2007

(Community Schools) Flash I, 2007 Average Number of Pupils per Teacher

	Eastern	Central	Western	Mid Western	Far Western
Mountain	29.5	31.3	6.3	34.1	30.3
Hills	35.2	42.4	26.9	47.5	40.46
Terai	58.1	77.8	50.8	55.7	54.0
Kathmandu Valley	-	22.5	-	-	-
Regional Average	43.6	48.4	31.8	48.0	41.6

**Country Average: 42.1**

Source: G. Amatya, Analysis of Flash Report 1, 2007 (Unpublished).

## Appendix 9

### P:T Ratio Lower Secondary Level, 2007

(Community Schools) Flash I, 2007 Average Number of Pupils per Teacher

	Eastern	Central	Western	Mid Western	Far Western
<b>Mountain</b>	37.4	54.3	7.9	36.5	32.5
<b>Hills</b>	57.0	62.8	48.6	63.3	35.7
<b>Terai</b>	77.1	110.0	75.2	84.2	67.8
<b>Kathmandu Valley</b>	-	60.4	-	-	45.8
<b>Regional Average</b>	62.6	74.3	53.3	66.9	45.8

**Country Average: 61.3**

Source: G. Amatya, Analysis of Flash Report 1, 2007 (Unpublished).



## Appendix 10

### Basundhara Primary School Chitwan

- Established 2062, 1-2 grades permitted, operating 1-5 grades
- No. of students (1-5 grades): 91
- Teachers: 1 Rahat Teacher, 3 teachers supported by RCDP and 2 other teachers working part time.
- Rahat teacher getting Rs 2500 per month
- ECD teacher also assisting in examination teaching at primary level
- Government grants: SIP, scholarships, textbooks
- Total annual income including Rahat grants: Rs 2 lakhs
- Fee: Admission and examination
- PCF grants: Rs 29,494
- Provided on basis of appeared data of grade 1 and 2.
- School environment good; teachers highly motivated despite low salaries, and some doing part-time work
- Use of PCF grants (received in last week of Jestha):
- SMC has not met and taken a decision on its use. The PCF Grant amount is regarded as inadequate for teacher appointment. The Head Teacher, and SMC chairman want to use if for providing additional salary for working teachers.
- Problems of the school
  - Enrolments not increasing
  - Management of the school teachers - many on temporary work
  - School dependent on NGO (RCDP) for facilities development and provision of some teachers
  - School insists on continuation of Rahat grants.

## Appendix 11

### Sita Ram Sanskrit Secondary School Primary Section, Devghat, Chitwan

- School (Sanskrit Secondary) established in 2034. Now operating Lower Secondary and Secondary General Education, with full government approval and Darbandi teachers (9 teachers for lower secondary and secondary levels).
- Primary section (1-5) permitted
- Enrolment in 2065: 157
- Teachers: 2 Rahat Salary grant teachers, 3 own resource teachers
- Resources: Admission form charges, Parental contributions and Parking charges (during Maghe Sakranti festival and other festivals)
- P.C.F. grants received Rs. 89,815 (Jestha 4th week)
- Use of PCF grants
  - SMC chairman informed
  - No SMC meeting and decision yet
  - General opinion (of H.T. and SMC chairman): use the grant money for providing additional salary to teachers
  - Headteacher thinks some explanation of directives stated in the disbursement letter is necessary
- The school has not yet signed the agreement of management transfer
- School problems
  - Enrolments difficult to increase
  - Students come (mostly) from Tanahu and Nawalparasi
  - Not able to cater the Chitwan district student, far away location
  - Working teachers get low salary; need to increase the salary for quality work
  - Rahat salary grants should be based on revised salary scales (minimum)

## Appendix 12

### Bhole Baba Primary School Piple, Chitwan

- Established 2043, for resettled community displaced by flood
- Enrollment: High, participation of Chepang, Tamang, Rai, Dalit and disadvantaged groups
- Enrollment (1-5 grades) 403 in 2064, 343 in 2065 (Flash I)
- Teachers: Seven government supported teachers  
4 Darbandi (quota) teachers, and 3 Rahat salary grant teachers

2 ECD teachers, and 1 volunteer teacher

- Government grants:  
Salary grants for teachers, SIP grants, scholarships  
JICA supported classroom block construction, present government grant for a new building (6.5 lakhs)
- Annual government grants 114210 lakhs
- Resource: Dependent on government resources  
Fee: Examination fees, no other fees
- PCF grant (2064/65): Rs. 1,14,310 on the basis of 70 unserved students, (examination appeared 420).  
Amount received: 1st week of Ashadh 2065.
- Use of the PCF grants:

The SMC members informed about the grants; SMC has not met yet to decide on the use. Guidelines document not yet available in the school. SMC chairman, chairman of PTA, and H.T. in discussions, have expressed their intention to use the money for teacher appointment by following the due process. Contract appointment is considered in view of uncertainty of PCF amounts in future.

- Problems
  - A decline in student enrollment: Present enrollment (1-5 grades) 343, is lower than in 2064.
  - Likely decline in PCF grants in next year (2065/66) due to fall in enrollment
  - Problem of teacher management: Large number of teachers; Sections needed
  - Funding needed for completing the building under construction.

Some aspects of information on the grant receiving schools are given in Appendix 5.1, 5.2 and 5.3.

Further actions needed to speed up implementation in Chitwan district

1. Orientation on the Guidelines Document (on PCF) for schools
2. Orientation on implication of management transfer for schools
3. SMC decision on use of PCF funds
4. Schools need to discuss the use of grants with DEO office
5. Continuation of Rahat grants
6. Monitoring of the use of PCF by the DEO

## Appendix 13

### P:T Ratio Primary Level, 2007

(Community Schools) Flash I, 2007

	Eastern	Central	Western	Mid Western	Far Western
<b>Mountain</b>	29.5	31.3	6.3	34.1	30.3
<b>Hills</b>	35.2	42.4	26.9	47.5	40.46
<b>Terai</b>	58.1	77.8	50.8	55.7	54.0
<b>Kathmandu Valley</b>	-	22.5	-	-	-
<b>Regional Average</b>	43.6	48.4	31.8	48.0	41.6

**Country Average: 42.1**

Source: DOE, Flash Report I, 2007

## Appendix 14

### P:T Ratio Primary Level, 2007

(Community Schools) Flash I, 2007

	Eastern	Central	Western	Mid Western	Far Western
<b>Mountain</b>	37.4	54.3	7.9	36.5	32.5
<b>Hills</b>	57.0	62.8	48.6	63.3	35.7
<b>Terai</b>	77.1	110.0	75.2	84.2	67.8
<b>Kathmandu Valley</b>	-	60.4	-	-	45.8
<b>Regional Average</b>	62.6	74.3	53.3	66.9	45.8

**Country Average: 61.3**

Source: DOE, Flash Report I, 2007