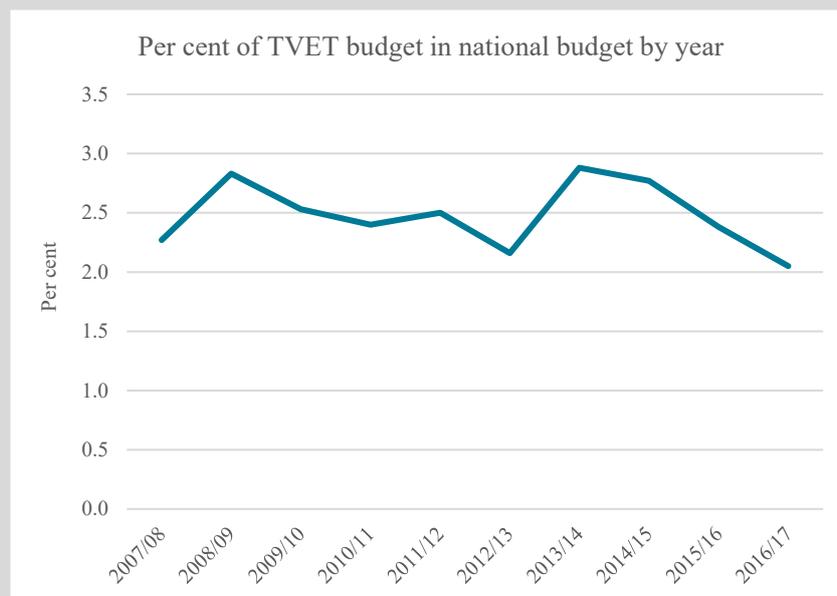


# Financial Flow in TVET in Nepal

## Transiting from the Old to the New Constitution



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# Financial Flow in TVET in Nepal from the Perspective of Constitutional Transition

**Ten years (2007/08 – 2016/17) data show that public sector investment in TVET has been substantially low despite policy priority to the sector. Owing to weak institutional development in the country, provisions made in the new constitution of 2015 regarding TVET governance has not been fully adopted. This show that Nepal has yet to experience and develop a coordinated system of governance among three political levels.**

## Nepali TVET System

The Nepali TVET system is a very small one as its annual training capacity is just around 100,000 including long term academic degrees and short-term non-degree courses. Surprisingly, the System achieved this capacity in its history of 70 long years. Nepali TVET also suffers from limited social recognition. That is, Nepali state has not been able to show its full commitment for the development of TVET in the country. In this context, an effort has been made in this paper to see the pattern of fund flow and trends of public sector budgetary allocations in TVET in ten years between 2007/08 and 2016/17.

### Data Source

The paper draws the public sector financial flow data in TVET from the two reports prepared by Parajuli and Shakya (2012) and Kushiya and Lamsal (2019). Both reports got the data from the official budget book, popularly known as the Red Book, published annually by the Ministry of Finance. Lack of data did not allow us to discuss investments made by private sector and households.

## Flow of Fund in TVET

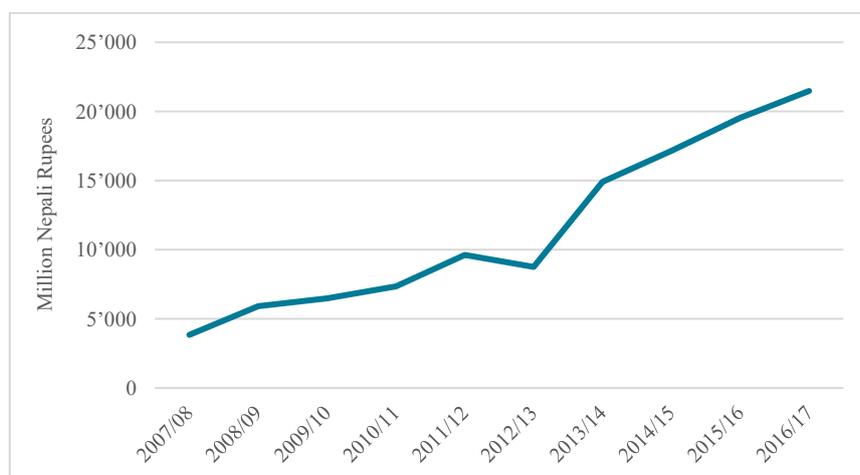
Until 2015 Nepal was a unitary country. Decision on budget allocations to any program and offices was the decision taken at the central level offices, mainly the Ministry of Finance. Allocated budgets were then transferred from higher level offices to implementing offices. The new Constitution of 2015 adopted a three-tier federal mode of governance entrusting the responsibility of governance of school education, including the TVET, to the local governments. However, federal budgeting began only in 2017 when general elections were held at federal, provincial, and local levels. After this it was expected that the allocation of funds would follow the federal model. But in practice this did not happen and the pattern of fund flow in TVET did not follow the constitutional provisions in meaningful sense.



## Trends of Budgetary Allocations in TVET

In the financial year 2016/17, the TVET sector received a total amount of 421,000 million Nepali Rupees. This amount increased more than five times compared to the amount allocated to TVET ten years ago (Fig 1). This five-fold increase is obviously good in itself but while compared with the total national GDP and the total national budget, allocations to TVET remained very small. During the study period TVET budget remained less than one per cent in terms of GDP and remained just about two per cent in terms of national budget. Looking at the trends of public sector budgetary allocations, it can be said that TVET is not a priority sector in Nepal.

**Fig 1: Budget allocations to TVET by year**



## The Scenario

TVET system in any country is the function of broader social context in that country. Such context is expressed in social institutions that could be seen as organizations or systems of organizations (Miller, 2019). When social institutions are institutionalized as stable bodies, they contribute to social processes more effectively. Stagnated performance of Nepali TVET, limited public sector allocations in it, and its limited social recognition can be understood as the outcome of weak development of social institutions in Nepal.

## Policy Recommendations/Policy Implications

The findings suggest that TVET in Nepal has several challenges and thus there is an urgent need for strategic interventions. Such interventions need to prioritize developing and strengthening social institutions, particularly TVET institutions, and should base on a thorough analysis of the sector and its context. Developing clarity in roles and responsibilities, devising appropriate governance system in accordance with the new Constitution, and creating appropriate organizations are essential for these activities. Likewise, instituting and strengthening systems of building capable human resource and functional information/research systems are also essential. A TVET act could incorporate these things. As discussed above, resource allocations to TVET has been low limiting the growth prospect of the sector.

This could be addressed by developing appropriate resource sharing strategy following the principle of inclusion and equity as well as considering efficiency and productivity. It is important to make all the stakeholders realize the potential of this sector in bringing socioeconomic transformation in the country. Such realization would provide strong impetus for its expansion and strengthening. Likewise, it is also essential to build a strong network among all stakeholders including particularly the private sector. It is important to accept the role of the private sector as one of the key drivers of TVET. Collaborating with universities is vital from different perspective like research, capacity enhancement, and discourse building.

This paper analyses the pattern of public sector fund flow and trends of budgetary allocations in TVET. The analysis showed challenges both in fund flow and budgetary allocations. Fund flow does not follow the constitutional provisions that give sole authority to local governments regarding TVET governance at the local level. That is, centralized decision making is still powerful regarding TVET governance. Public sector budget allocations do not comply with the priority government has given to the sector in policy documents. The findings suggest that strengthening TVET institutions – its organizations, legal frames, structures, roles and responsibilities, resources – is urgently needed to see a robust TVET system in the country.

More information:

Parajuli, M.N., Renold, U., Bhandari, U., & Lamsal, H.P. Financial flow in TVET in Nepal: Transiting from the old to the new constitution. *LELAM Working Papers 10*. 2020.

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