RECLAIMING PRIORITIES

A CRITICAL REVIEW OF NEPAL'S 2025/26 EDUCATION BUDGET & ITS IMPLICATIONS FOR SDG4 & INCLUSIVE DEVELOPMENT

NCE NEPAL

National Campaign for Education Nepal
(NCE Nepal)

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National Campaign for Education Nepal (NCE Nepal)'s Press Release on Education-Related Provisions in the FY 2025/26 Budget

The Government of Nepal's budget for the FY 2025/26, presented by Deputy Prime Minister and Finance Minister Hon. Bishnu Prasad Poudel at the joint session of the Federal Parliament on 29th May, 2025, has allocated only Rs. 211.17 billion which is just 10.75% of the total budget to the education sector. Although this amount is slightly higher in size than previous years, it falls far short of the government's commitment to allocate at least 20% of the national budget to education. In fact, compared to recent years, the share for education has been steadily decreasing. This trend contradicts the government's long-term education reform plans and the commitments made in national and international platforms. The Constitution guarantees free and compulsory quality education, and therefore, it is the duty of the state to invest at least 20% of the total budget in education. The NCE Nepal has consistently advocated, campaigned, and pressured all three levels of government to meet this minimum investment goal.

While this year's budget includes some positive initiatives such as educational upliftment programs, school mapping, educational upliftment programs, a review of teacher recruitment, dissemination of successful school management practices, establishment of teacher banks, expansion of mid-day meal and sanitary pad programs, and preservation of traditional education, but it has failed to address key commitments from the 2025/26 policy and program. These include passing the School Education Bill, developing a long-term roadmap for good governance and restructuring in school education, ensuring basic education for all children by 2028, and making public education technology-friendly. In addition, the budget has not been able to address concrete programs such as the continuity of education and learning in times of disaster, the promotion of technology-based learning, and the promotion of inclusive education. Therefore, there is a lack of coordination and financial commitment in the education-related provisions and budgets in the government's annual policies and programs for the transformation and reform of the education sector.

Since the Constitution places responsibility on the state to provide free and compulsory education, NCE Nepal strongly urge the government and honorable members of the Federal Parliament to ensure at least 20% allocation for education in the upcoming budget discussions. Similarly, as provincial and local governments prepare their own budgets, we also call on provincial governments, provincial assembly members, and local representatives to allocate at least 20% of their budgets to the education sector.

Thank you.

Rajendra Pahadi
President, NCE Nepal

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1

INTRODUCTION

1.1 Context and background of the study

Nepal's fiscal policy for the year 2025/26 is shaped by a complex interplay of economic recovery efforts, institutional limitations, and development ambitions. With a national budget of NPR 1.96 trillion, the government has outlined priorities across sectors such as infrastructure, agriculture, digital transformation, and human capital development. However, the education sector, despite being a cornerstone for inclusive and sustainable development continues to receive a relatively modest allocation, comprising only 10.75% of the total budget in FY 2025/26. This figure remains well below the internationally recommended benchmark of 15–20% set by the Incheon Declaration and Sustainable Development Goal 4 (SDG4).

In this context, the National Campaign for Education Nepal (NCE Nepal) has been conducting annual reviews of the national education budget to assess its adequacy, equity, and alignment with national and global education commitments. As a civil society network dedicated to promoting the right to education, NCE Nepal plays a critical role in holding the government accountable for its policy promises. These annual reviews serve as a vital tool for evidence-based advocacy, policy dialogue, and public engagement.

The need for such reviews is underscored by persistent challenges in Nepal's education financing landscape. These include the dominance of recurrent expenditures over capital investments, underutilization of allocated funds, weak intergovernmental coordination in a federal structure, and limited gender and equity-responsive budgeting. Moreover, the declining share of education in SDG-linked budget allocations raises concerns about the government's long-term commitment to inclusive and quality education for all.

Given these realities, this study seeks to critically examine the 2025/26 education budget through a multi-dimensional lens. It aims to provide a comprehensive understanding of how public resources are being mobilized and utilized in the education sector, and whether these efforts are sufficient to meet the learning needs of all children, especially those from marginalized and disadvantaged communities. By doing so, the study contributes to strengthening transparency, accountability, and strategic investment in education as a driver of national transformation.

1.2 Objectives of the study

The primary objectives of this research are:

- To analyse the trends and composition of Nepal's education budget of recent fiscal years.
- To assess the efficiency of budget execution and fund utilization in the education sector.
- To identify gaps and challenges in budgetary planning, implementation, and monitoring.

1.3 Scope of the study

This study focuses on the federal education budget of Nepal for the fiscal year 2025/26, with comparative insights from previous years. It covers:

- Budget allocation and expenditure trends across recurrent, capital, and financing components.
- Revenue generation and fiscal sustainability in relation to education funding.
- Gender-responsive budgeting and equity-based investment in education.
- Efficiency and accountability in education spending.

1.4 Research methodology

The study employs quantitative analysis method based on the available secondary data. An analysis of official budget documents including the Red Book, Ministry of Finance reports, and Auditor General's annual reports were conducted. Additionally, the study includes, trend analysis of budgetary data over multiple fiscal years to identify patterns and anomalies. The study also employs data visualization tools with the use of charts and tables to present budget composition, expenditure efficiency, and sectoral allocations. Furthermore, the study also went through two rounds of review from NCE Nepal management team and board members who provided constructive feedback to improve and add value to the study.

Chapter 2

SOCIO-ECONOMIC SITUATION ANALYSIS

2.1 Macro-economic indicator overview

The economic performance of Nepal over the past five years reveals a mixed pattern of growth and inflation dynamics, with notable deviations between forecasted and actual outcomes as shown in table 1. In fiscal years 2021/22 and 2022/23, Nepal's economy outperformed the expectations that the government had forecasted growth rates of 2.9% and 4.1% respectively, the actual growth reached 4.8% in 2021/22 and 5.6% in 2022/23. This stronger-than-expected performance was largely attributed to electricity, transportation and storage, and financial and insurance services[1]. However, inflation during these years significantly exceeded forecasts, with actual rates hovering around 4.8% in 2021/22 and rising to 5.6% in 2022/23. The inflation surge was driven by global supply chain disruptions, rising fuel and food prices, and currency depreciation[2].

Table 1: Economic growth and inflation rate

Years	Forecasted		Actual
	Economic growth rate	Inflation	Economic growth rate
2021/22	2.9	4.2	4.8
2022/23	4.1	5.8	5.6
2023/24	4.4	7.8	2.16
2024/25	3.87	6.3	3.7
2025/26	4.6	5.5	

Source: Economic survey of different years

Looking ahead to 2025/26, the government has forecasted an economic growth rate of 4.6% and targeted inflation at 5.5%. This projection assumes improved capital spending, controlled inflation, and favorable external conditions. However, the outlook remains subject to risks such as climatic variability, political uncertainty, and external economic shocks. While historical trends show a tendency to overestimate growth and underestimate inflation, improvements in macroeconomic management (e.g., fiscal discipline, import regulation, better reserve buffers) may help close this gap. Achieving these goals will depend heavily on improved public spending efficiency, private sector confidence, and external stability.

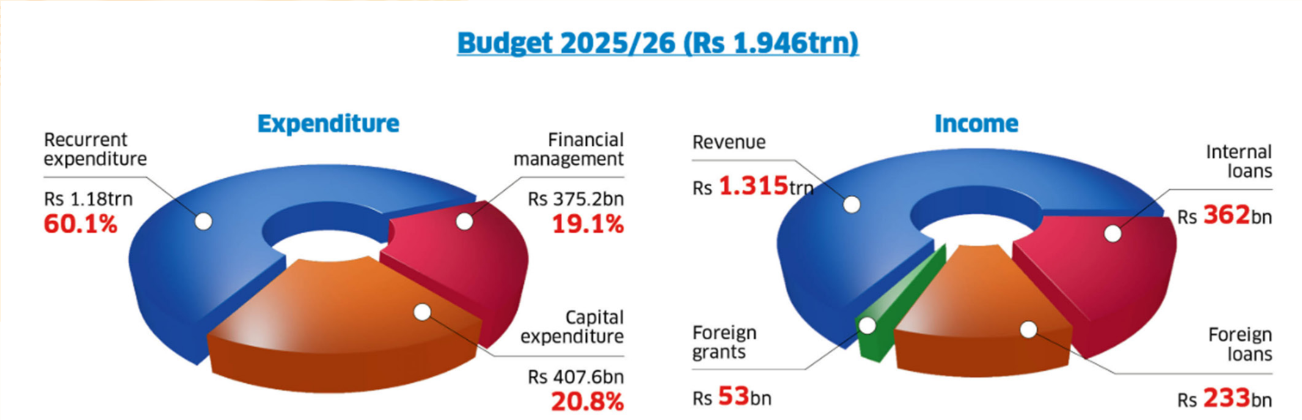
2.2 National budget 2025/26

The national budget for 2025/26, totaling Rs 1.96 trillion, aims to stimulate economic growth through various initiatives. These include income tax exemptions for startups with turnovers up to NPR 100 million, concessional loans for youth entrepreneurs, and significant investments in sectors like education, health, infrastructure, and agriculture. Additionally, the budget allocates funds for digital infrastructure, such as expanding broadband internet access and promoting digital transactions.

1 https://giwmscdnone.gov.np/media/pdf_upload/Budget%20Translation_2082-2083_nzrwuof.pdf

2 https://drive.google.com/file/d/1uFmZ7v35wRICn-9YJjHbSBM0DDqh-1oi/view?usp=drive_link

Figure 1: Estimated income source and expenditure source for FY 2025/26



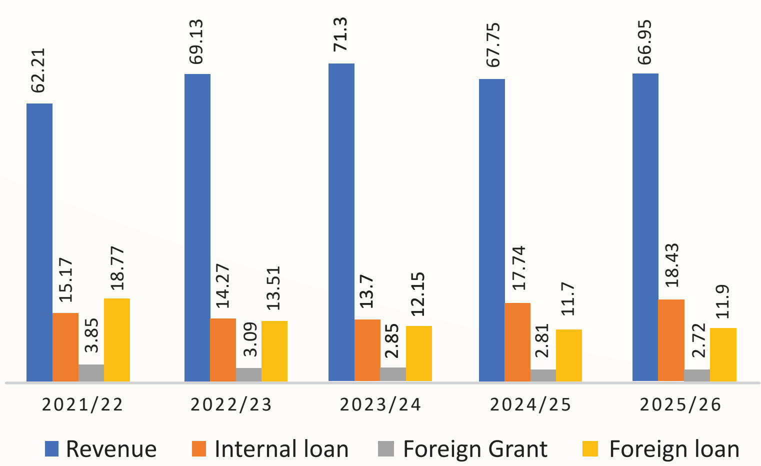
Source: Red book of 2025/26

As shown in figure 1, revenue at 1.315 trillion is the primary source of income for the government making around 67.6% of the income. However, this is barely sufficient to cover the recurrent expenditure which is estimated to be 1.18 trillion. To cover the gap, the government relied on external sources such as grants and loans. With 19.1% of the budget expected to go towards debt servicing, over reliance on internal and foreign loan signals more heavy debt financing budget in the future. For 2025/26, almost 80% of the budget is recurrent and debt servicing, leaving only 20% for actual developmental initiatives. With this extremely limited investment in development initiatives, it is difficult to assume that the progress goals set by the budget can actually be achieved. This could mean that large and transformative education plans of government such as School Education Sector Plan (SESP), Recovery and Accelerated Learning (ReAL) Plan, presidential education programme, universal basic education is at risk of being underachieved, risking education rights of millions of children and citizens in Nepal.

2.3 Source of national budget

There are four main sources of national budget i.e internal revenue, internal loan, foreign grant, and foreign aid. Internal revenue has remained the primary source of budget. While it experienced steady growth till 2023/24, it has continued to decline with estimated revenue at just 66.95% in 2025/26 as illustrated in figure 2. Internal loan has shown a gradual increase, moving from 15.17% in 2021/22 to 18.43% in 2025/26, reflecting growing reliance on domestic loans. On the other hand, external support has been shrinking as foreign grants has declined consistently from 3.85% to 2.72% over the same period and foreign loans also dropped sharply from 18.77% in 2021/22 to just 11.9% in 2025/26.

Figure 2: Source of national budget in percentage



Source: Red book of different years

Table 2: Source of national budget in Rs billion

FY	2021/22	2022/23	2023/24	2024/25	2025/26
Total National Budget	1647.58	1793.84	1751.31	1860.303	1964.11
Revenue	1024.91	1240.12	1248.62	1260.3	1315
Internal loan	250	256	240	330	362
Foreign Grant	63.38	55.46	49.94	52.33	53.44
Foreign loan	309.29	242.26	212.75	217.67	233.66

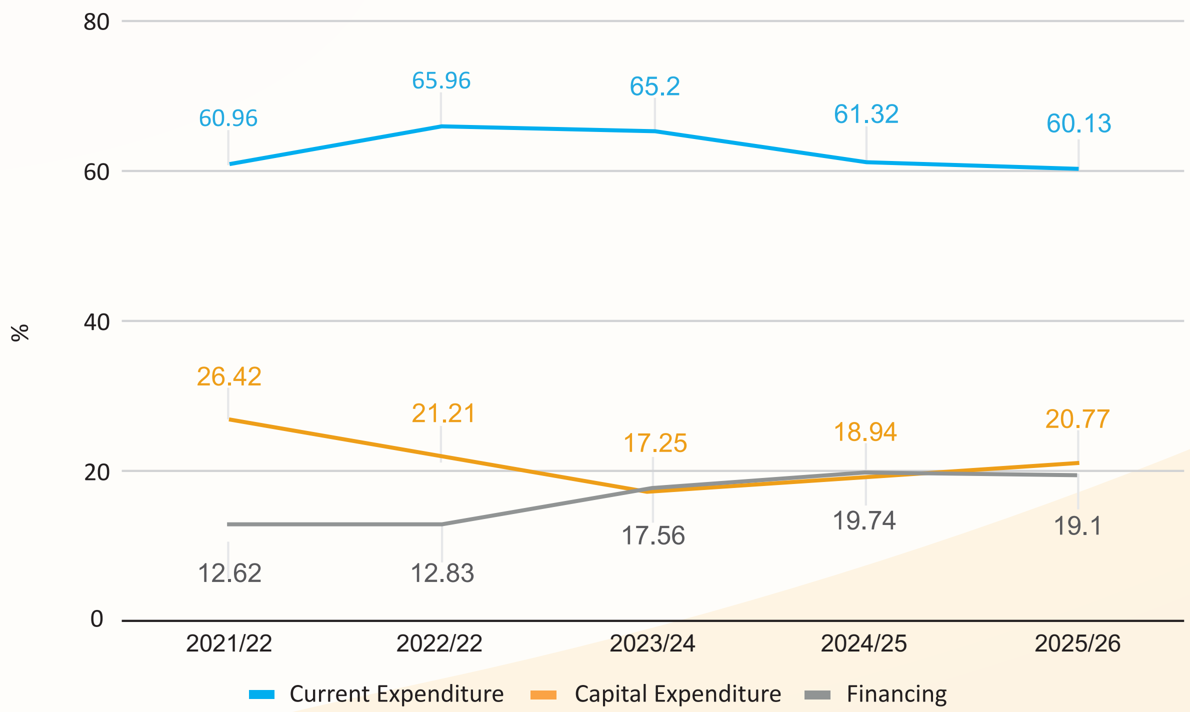
Source: Red book of different years

The broader fiscal picture emerging from this data suggests that while Nepal's tax revenue system appears to be strengthening and becoming more predictable. Trend of declining foreign aid has been predicted that it will continue to shrink as Nepal graduates from Least Developed Country. With this implication, Nepal must ensure sustained revenue generation from internal sources such as tax and non-tax revenue.

2.4 Expenditure analysis

The Government of Nepal's expenditure patterns from fiscal year 2021/22 to 2024/25 reveal significant shifts in fiscal policy, highlighting challenges in capital expenditure execution and a growing reliance on debt financing. There has been a steady increase in financing expenditures, its share in budget increasing from 12.62% in 2021/22 to 19.10% in 2025/26 as shown in figure 3.

Figure 3: Percentage of expenditure headings over the years



Source: Red book of different years

Table 3: Expenditure budget over the years (in Rs billion)

Year	Total budget	Recurrent Expenditure		Capital Expenditure		Financing	
		Amount	%	Amount	%	Amount	%
2021/22	1647.58	1004.36	60.96	435.24	26.42	207.98	12.62
2022/23	1793.84	1183.23	65.96	380.39	21.21	230.22	12.83
2023/24	1751.3	1141.78	65.20	302.07	17.25	307.45	17.56
2024/25	1860.3	1140.67	61.32	352.35	18.94	367.28	19.74
2025/26	1964.11	1180.98	60.13	407.89	20.77	375.24	19.10

Source: Red book of different years

The trend analysis indicates increase in recurrent and financing expenditure over the years and decrease in capital expenditure. This demonstrates low allocation inefficiency as government is more concentrated towards fulling its committed responsibility such as salaries, administrative cost, and debt financing rather than investing in novel development projects. While the country is struggling for economic progress along with the improvement in the human development indicators, decline in the capital expenditure does not provide any harmony for the socio-economic improvement of the nation.

A significant portion of the total spending has always been allocated to recurrent expenditures, which cover day-to-day operational costs such as salaries, administrative expenses, and essential services. This high proportion suggests a strong emphasis on maintaining existing systems and workforce commitments. Meanwhile, large budget allocation in financing heading reflects debt servicing or financial obligations. This means that much of the space is being consumed by repayment of past borrowing. The capital expenditure has remained in flux with 26.42% in 2021/22 to sharp drop to 20.77% in 2025/26. Capital investment is crucial as it is which that includes infrastructure development, societal change, and long-term progress creation. The most worrying part is that government expensed almost the same share to financing and capital expenditure. This relatively low share to capital expenditure points to challenges in expanding physical infrastructure, scaling and improving development initiatives particularly the social sectors like education and health. The distribution highlights the need to balance operational maintenance with future-oriented investments, especially in a growing economy like Nepal's.

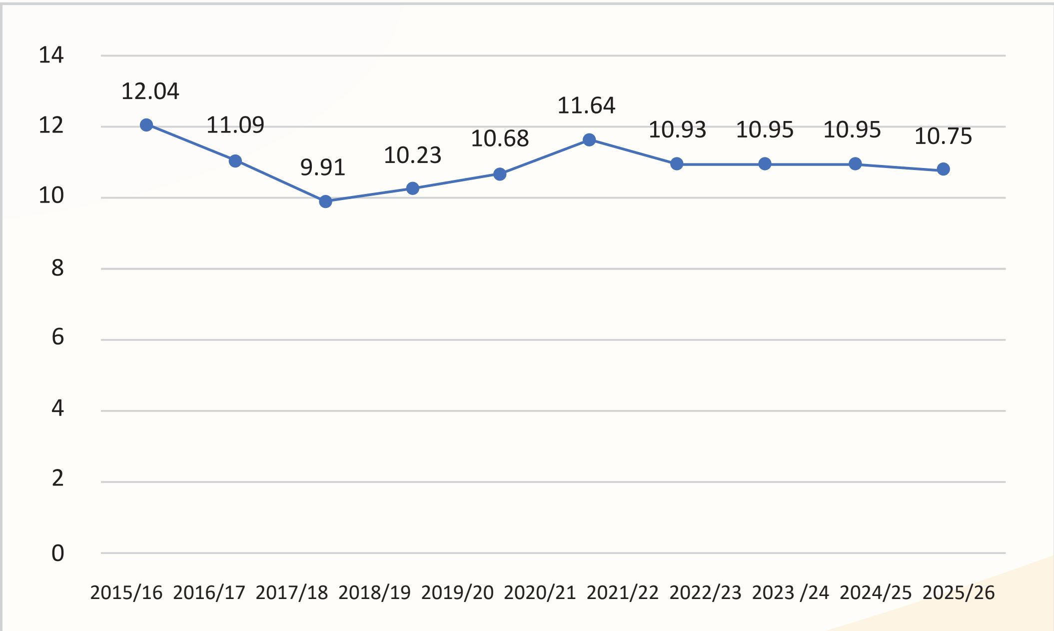
Chapter
3

SOCIO-ECONOMIC SITUATION ANALYSIS

3.1 Education Budget

A critical analysis of Nepal's education budget reveals a persistent gap between the country's financial commitment to education and its global obligations under the Sustainable Development Goal 4 (SDG 4) and the Incheon Declaration, both of which recommend allocating at least 15–20% of the national budget to education. Over the even year period since the implementation of SDGs, despite a steady rise in the overall education budget from NPR 98.64 billion in 2015/16 to NPR 221.16 billion in 2025/26 its share has decreased from 12.04% to 10.75% in the same time period as shown in figure 4. This indicates that while nominal allocations to education have increased, the government has not prioritized education as a central pillar of national development. The share of education in the national budget has actually been declining slightly in recent years which raises concerns about the political will to invest in long-term rights realisation process. Overall, this year's budget also fails to meet the global benchmark of 15-20% investment in education.

Figure 4: Share of public education in national budget



Source: Red book of different years

Table 4: Share and size of education budget

FY	Size of education budget (NRP billion)	Share of education budget (%)
2015/16	98.64	12.04
2016/17	116.36	11.09
2017/18	126.75	9.91
2018/19	134.51	10.23
2019/20	163.76	10.68
2020/21	171.71	11.64
2021/22	180.04	10.93
2022/23	196.39	10.95
2023/24	197.3	11.27
2024/25	203.66	10.95
2025/26	211.16	10.75

Source: Red book of different years

With this budget, the government has made significant plans. According to the budget speech, government aims to modernize the education system and make it more technology-friendly in order to develop capable, entrepreneurial, and productive human capital. A result-based incentive program will be implemented in 100 schools, with at least one school in each district, and each of these schools will receive Rs. 2.5 million to support other schools in improving their results. Schools will be re-mapped based on student-teacher ratios, geographic location, and transportation facilities, and a school merger policy will be introduced with incentive grants provided to merged schools. Teacher positions will be reviewed regularly, and training will be arranged periodically to enhance teachers' skills.

Policies will be adopted to improve school quality by expanding corporate social responsibility (CSR) initiatives, and successful practices from community and institutional schools will be replicated in other community schools. A teacher bank will be established in cooperation with universities to address shortages in English, Science, and Mathematics, while bachelor-level graduates will be mobilized as volunteer teachers. Secondary-level examinations will be managed at the provincial level, and conditional grants in education will gradually be converted into fiscal equalization grants.

The Mid-Day Meal Program has received a budget of Rs. 10.19 billion, benefiting 2.8 million students up to grade five. The free sanitary pad distribution program will continue with a budget of Rs. 1.29 billion, benefitting 1.3 million girls. Scholarships for students from disadvantaged and remote communities will continue, with Rs. 2.44 billion allocated specifically for Musahar, Dom, and Chamar students pursuing higher medical education. The government has also increased grants for the remuneration of early childhood development support workers and community school staff, with Rs. 10.16 billion allocated for this purpose.

A digital learning portal and virtual teaching system will be developed to enhance learning, while hostels will be arranged for students with disabilities to ensure access to basic education. Schools, including private ones, will be monitored through national regulatory standards. Traditional education systems such as Gurukul, Gumba, and Madrasa will be preserved and promoted. Under the National Education Reform Program, Rs. 2.72 billion has been allocated for capital grants to build infrastructure in large schools across the Terai, hills, and mountains, and for the completion of model schools.

For higher education, it will be made more research-oriented and aligned with labor market demands. An umbrella act will be introduced to ensure uniformity among universities. The University Grants Commission will be restructured into a strong regulatory body, and grants to universities will be distributed based on student numbers, academic quality, and infrastructure needs. Universities will be required to publish and follow academic calendars, with non-compliant institutions facing grant cuts.

The infrastructure development of Madan Bhandari University of Science and Technology will continue, Shahid Dashrathchand Health Science University will be brought into operation, and the infrastructure of Vidushi Yogmaya Himalayan Ayurved University will be built. Policies will be adopted to attract foreign students by providing them with free study visas and multiple-entry visas for their guardians.

Scholarships will be provided to poor, meritorious, and remote-area students in medical education to address shortages in the public health system. A budget of Rs. 560 million has been allocated to support the construction of medical colleges in Bardibas, Butwal, Surkhet, and Dadeldhura. Study quotas in medicine, engineering, information technology, and nursing will be expanded to meet workforce demands.

Students who have completed school education will be encouraged to enroll in technical or vocational education, while those unable to pursue higher education will be supported with entrepreneurial training. More than 26,900 youths will receive six months or more of skill-based training through the Council for Technical Education and Vocational Training (CTEVT). Each province will have one technical school upgraded into a model institution, and technical stream students from general schools will be able to use these facilities for skill development. Internships will be arranged in public institutions according to service needs. The "Padhdai Kamaudai" (Work While Studying) program will be introduced, allowing students to work up to 20 hours per week at a minimum wage to promote entrepreneurship-friendly education.

In short, quality improvement, inclusivity, digital learning, scholarships for marginalized groups, expansion of technical & vocational training, and restructuring of higher education while also supporting traditional education and infrastructure growth. But the current share of budget may be very limited to fulfil all of these ambitions.

3.2 Composition of education sector spending

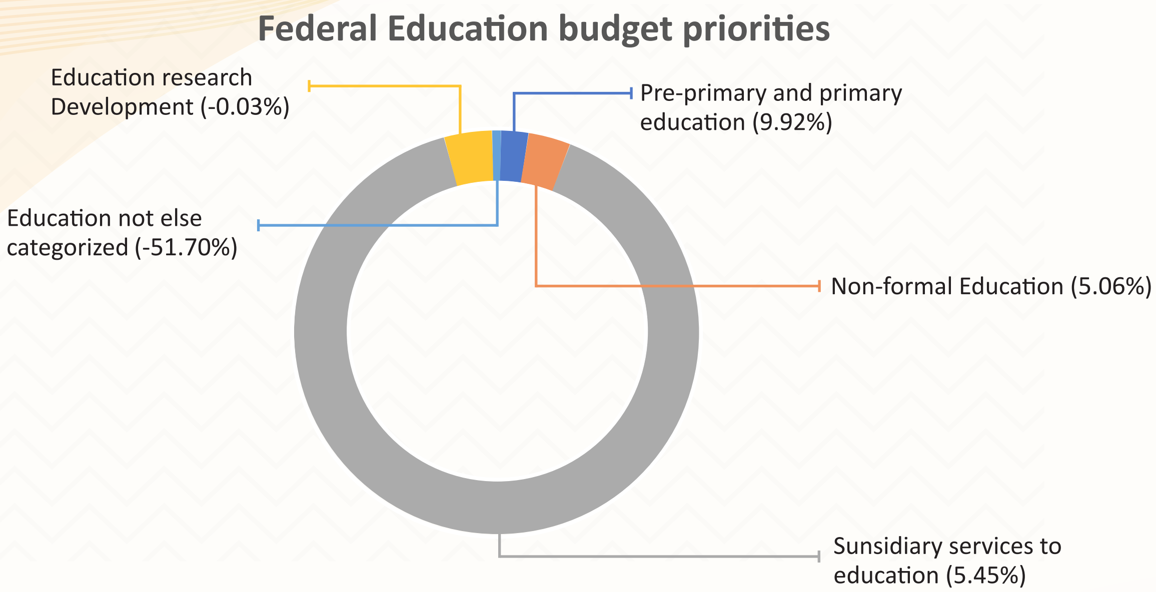
The budget for the education sector has prioritized for increase in gross school enrolment, creation of favourable environment for vocational knowledge, linkage of education to labour and continuation of some of the previous programs as per the budget speech detailed in section above. The details of changes in ratio of priority of budget over two fiscal years in different sectors of education has been highlighted below:

Table 5: Budget for sub sectors in education

Details	Budget in 2025/26	Budget in 2024/25	% changes
Pre-primary and primary education	1.2714	1.1567	9.92
Non- formal Education	2.0531	1.9543	5.06
Subsidiary services to education	54.5956	51.775	5.45
Education research Development	2.2639	2.3243	-0.03
Education not else categorized	0.4282	0.8865	-51.70
Total Budget	**60.6122**	**58.0968**	**4.33**

Source: Redbook of 2024/25 & 2025/26

Figure 5: Budget for sub-sectors within education for 2025/26



The data in table and figure 5 presents a breakdown of Nepal's federal education budget for the fiscal year 2025/26 compared to 2024/25, categorized by specific sub-sectors. The allocation to pre-primary and primary education increased from NPR 1.16 billion in 2024/25 to NPR 1.27 billion in 2025/26, reflecting a 9.92% rise. This is a positive and necessary step, considering early childhood education is foundational to learning outcomes and equity in education. However, even with the increase, the absolute amount remains low, indicating that early education may still not be receiving the strategic attention it requires to ensure universal access and quality, especially for marginalized groups.

Non-formal education, which includes literacy programs and alternative learning opportunities for out-of-school youth and adults, saw a modest 5.06% increase. This suggests some recognition of the need for lifelong learning and inclusive education, but again, the scale of investment may be insufficient to address the high number of out-of-school children and to meet Sustainable Development Goal 4 (SDG 4) commitments on inclusive and equitable education.

Subsidiary services to education are the largest category, increasing from NPR 51.78 billion to NPR 54.60 billion—a 5.45% rise. Subsidiary services typically include meal programs, infrastructure support, and other operational expenses. The increase is expected as these are recurring expenditures, but the continued dominance of this category in the federal education budget suggests limited new areas for investment. This leaves limited fiscal space for innovation, reforms, and targeted quality improvements in education service delivery.

Surprisingly, the budget for education research and development slightly decreased by 0.03%—a very marginal change in numerical terms but symbolically concerning. Research is essential for evidence-based policymaking, curriculum reform, and quality improvement. Stagnation in this area reflects a potential underappreciation of data, innovation, and knowledge creation in shaping Nepal's education system.

3.3 Education budget components

The total budget of the education sector at federal level has been divided into different programmes and departments. The table 6 provides information regarding the funds for the fiscal year 2025/26 along with the change in funds estimation for 2024/25 after the end of eight months' period.

Table 6: Federal level education budget distribution

S.N	Particular	Estimate for 2024/25	Revised Estimate of 2024/25	Deviation % in the budget		2025/26 (In billions)					
						Total Budget	Sources			Nature of expenditure	
							Nepal Govt	Foreign		Current Expenditure	Capital
								Grant	Loan		
1	Ministry of Education, Science and Technology	5.4558	4.5247	17.07%	Amount	5.2943	3.1182	0.8068	1.3693	0.8362	4.4581
2	Library-3 (Dilliraman, Keshar, National)	0.0488	0.0477	2.25%	Amount	0.0433	0.0433	0	0	0.0408	0.0025
3	Education for All -ECD	0.0274	0.0181	33.94%	Amount	0.0098	0	0.0098	0	0.0098	0
4	President Education Improvement Program	0.877	0.8052	8.19%	Amount	2.7236	2.7236	0	0	2.7236	0
5	Education and Human Resource Development Center	0.8474	0.8174	3.54%	Amount	0.832	0.832	0	0	0.8038	0.0282
6	Education Development and Coordination Unit	0.8777	0.845	3.73%	Amount	0.824	0.824	0	0	0.8024	0.0216
7	School Education Sector Plan (Central)	1.1567	1.0903	5.74%	Amount	1.2714	0.8757	0.1312	0.2645	1.2269	0.0445
8	Curriculum Development Center	0.0684	0.0662	3.22%	Amount	0.0659	0.0659	0	0	0.0644	0.0015
9	Education Quality Examination Center	0.0324	0.0315	2.78%	Amount	0.0311	0.0311	0	0	0.0306	0.0005
10	School Teacher Bookstore	0.0487	0.0455	6.57%	Amount	0.0431	0.0431	0	0	0.038	0.0051
11	Teacher Pension Facility	19	22.1789	-16.73%	Amount	19.0001	19.0001	0	0	19.0001	0
12	University Grant Commission	19.1646	18.5172	3.38%	Amount	19.7083	19.7083	0	0	19.7083	0
13	Teacher Service Commission	0.1981	0.1907	3.74%	Amount	0.1827	0.1827	0	0	0.163	0.0197
14	Nepal National Commission for UNESCO	0.0184	0.0186	-1.09%	Amount	0.016	0.016	0	0	0.016	0
15	Medical Education Commission	5.171	4.9867	3.56%	Amount	5.8623	5.8623	0	0	5.8623	0
16	Higher Education Improvement Promotion Program	2.2919	1.7877	22.00%	Amount	2.2328	0	0	2.2328	2.2328	0
17	National Education Board	0.333	0.3626	-8.89%	Amount	0.3325	0.3325	0	0	0.3325	0
18	CTEVT	1.5929	1.234	22.53%	Amount	1.7108	0.6588	1.052	0	1.7108	0
19	Nepal Science and Technology Academy	0.486	0.4635	4.63%	Amount	0.3777	0.3777	0	0	0.3494	0.0283
Total (at the federal level)		**57.6962**	**58.0315**	**-0.58%**	**0**	**60.5617**	**54.6953**	**1.9998**	**3.8666**	**55.9517**	**4.61**

Source: Red Book 2025/26

Table 6 shows that there has been increase in the revised estimation of budget for 2024/25 than the previously allocated. This is unusual trend as there has always been the trend of underspending in the budget estimates. Huge increase in budget is seen for Teacher Pension Facility and this budget is part of recurring expenditure only.

3.4 Distribution of education budget across levels of government

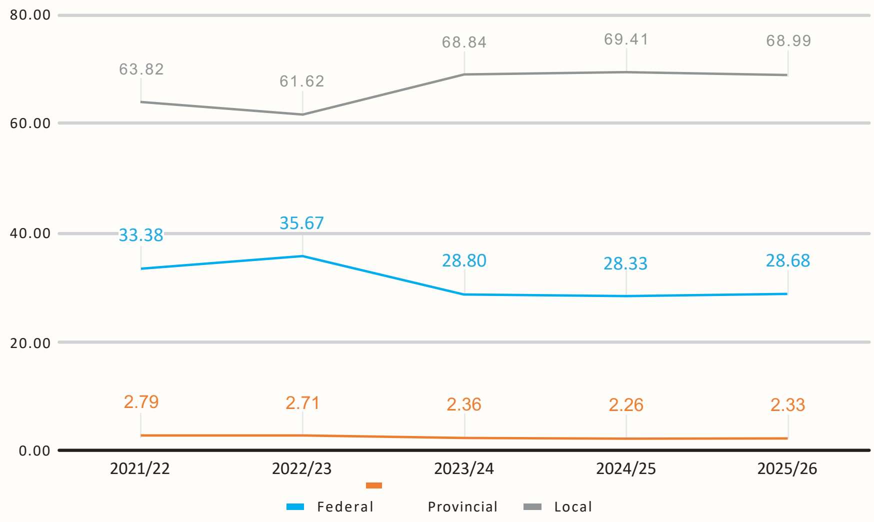
The total share of the education budget has been allocated to the federal, province and local government. The table 7 shows the share of education budget for the different government units.

Table 7: Distribution of education budget across levels of government

	2021/22		2022/23		2023/24		2024/25		2025/26	
	NRS	%	NRS	%	NRS	%	NRS	%	NRS	%
Total Education Budget	180.04		196.39		197.30		203.66		211.1669	
Federal	60.11	33.38	70.05	35.67	56.82	28.80	57.70	28.33	60.56	28.68
Provincial	5.023	2.79	5.32	2.71	4.66	2.36	4.61	2.26	4.92	2.33
Local	114.91	63.82	121.01	61.62	135.81	68.84	141.36	69.41	145.68	68.99

Source: Red Book of different years

Figure 6: Share of education budget across levels of government



Source: Red book of different years

From 2021/22 to 2025/26, the education budget shows a clear trend of shifting more responsibility to local governments. Local governments have received biggest share, rising from about 63.82% in 2021/22% to nearly 69% in 2025/26. The federal government's share has slowly droped from around 33.38% to 28.68% in same time span. The provincial government's share has stayed very small, only about 2–3%. Overall, most of the education budget is moving toward local governments which is positive indicator as constitutional mandate to manage education falls on local governments.

3.5 Contribution of budget to achieve educational indicators

The table 7 provides details regarding the contribution of budget to achieve different educational indicators set by the government in its School Education Sector Plan. It presents a set of key performance indicators expected to be achieved in education sector by the end of FY 2025/26, compared with targets for FY 2024/25, and highlights the projected contribution of the national education budget toward improving each indicator.

Table 8: Education indicators for budget 2024/26

S.N	Indicators	Unit	Expected at the end of FY 2024/25	Expected until the end of FY 2025/26	Contribution by the budget to improve the indicator
1	Enrolment rate in pre-primary education	%	99.9	100	0.1
2	Class one student's enrolment rate with experience of ECD	%	76.3	83.8	7.5
3	Net Enrolment Rate				
a	Basic Level (Grade 1-8)	%	94.1	98.1	4
b	Secondary Level (Grade 9-12)	%	55.8	61.6	5.8
4	Gross enrolment rate for higher education	%	22	24	2
5	Retention rate				
a	Basic Level (1-8)	%	86.5	89.1	2.6
b	Secondary Level (9-12)	%	40.6	42.6	2
6	Gender equity ratio (net enrolment rate to school education)				
a	ECD	ratio	1	1	0
b	Basic Level (Grade 1-8)	ratio	1	1	0
c	Secondary Level (Grade 9 - 12)	ratio	1	1	0
d	Gender equity ratio in Higher Education net enrolment	ratio	1.03	1.02	
7	Literacy Rate (above 5 years)	%	77.5	79	1.5
8	Literacy Rate (15-24 years)	%	90.8	92	1.2
9	Ratio of completing basic education	%	82.4	84.6	2.2
10	Districts declared as literate	No	66	70	4
11	Students obtaining mid-day meal (ECD to Grade 6 annually)	No. of students (million)	2.806	2.818	0.012
12	Free Sanitary pad for girls (Grade 6 to 12)	No. of local govt	753	753	0
13	Construction of new classroom	No (in thousand)	3000	4000	1000
14	Skill development training (short term)	trainee (in thousand)	570.86	576.34	5.48
15	Technical education evaluation (Pre diploma and diploma program)	No (in thousand)	606.23	638.75	32.52
16	Training of Trainers for Technical and Vocational Education	trainee (in thousand)	18.2	19.35	1.15

17	Quality assurance and accredited campus	No.	105	130	25
18	Skills testing	No. (in thousand)	551.84	566.84	15
19	Extension of access to technical education	Local govt.	675	675	0
20	Students obtaining scholarship at basic level	%	26.24	27	0.76
21	Schools with toilets having clean water and sanitation	%	79.2	85	5.8
22	Schools using IT in teaching learning	%	66	70	4
23	Schools with internet facilities (Broadband internet)	%	80	85	5
24	students studying technical subjects at Secondary level	%	10	12	2
25	students studying technical subjects at Higher level	%	18	20	2
26	Research and studies on Science and Technology	No	1089	1239	150
27	DANA database	No	990	1150	160
28	Research fellowship	No./Yearly	1102	1217	115
29	Case study and report of process science and province level	No.	1200	3000	1800
30	Teachers obtaining training via direct and virtual method	No./Yearly	96010	97000	990

Source: Red Book 2025/26

Overall, the indicators have been kept to reflects incremental progress across most areas, with notably higher targets set for enrolment, retention, literacy, infrastructure, technical education, and digital integration. For instance, the enrolment rate in pre-primary education is expected to reach near-universal coverage (100%), while the ECD experience among first-grade students is projected to increase by 7.5 percentage points, signalling a strengthened focus on early childhood development.

In basic and secondary education, net enrolment rates are set to rise by 4 percentage points for basic level (to 98.1%) and 5.8 for secondary (to 61.6%), along with increased retention rates, especially at the basic level. These reflect improved access and system efficiency. Similarly, the gross enrolment in higher education is expected to grow modestly from 22% to 24%, indicating expanding access but still reflecting challenges in higher education participation.

The gender equity ratio remains steady at 1 across all levels, suggesting continued gender parity in enrolment, although some slight decline is projected in higher education (from 1.03 to 1.02), which should be monitored.

Literacy rates for the overall population (5+) and youth (15–24 years) are projected to improve slightly by 1.5 and 1.2 percentage points, respectively, and 4 more districts are expected to be declared fully literate.

On the support and infrastructure front, improvements are projected in several areas such as; Mid-day meal recipients to increase slightly to 2.818 million students, new classroom construction will increase by 1,000 units, schools with clean water and sanitation facilities and internet access will grow by 5–5.8 percentage points, use of IT in teaching is expected to reach 70% etc.

Yet, the scale of change in some critical areas, particularly quality, research, and digital transformation, remains limited, signalling the need for more targeted and results-driven investments such as improving students learning outcomes and awarding additional grant to schools that show excellent results.

3.6 Education sector spending efficiency

The major concern of the education system over the past decades is not only of the insufficient allocation of funds but of inefficient implementation/utilization of the allocated funds. If we consider the efficiency of allocation and utilization in terms of the education sector, the result is not much progressive one.

Table 9: Education budget expenditure from federal level

S.N	Particular	Budget for 2023/24	Actual expenditure of 2023/24	% spending
1	Ministry of Education, Science and Technology	5.9244	2.0328	34.31%
2	Library-3 (Dilliraman, Keshar, National)	0.0403	0.0369	91.56%
3	Food Program for Education	0.414	0.3046	73.57%
4	Education for All -ECD	0.0347	0.0148	42.65%
5	Vocational Education and Training Development Plan-Second	0.0176	0.0128	72.73%
6	SSDP- Central Level	1.0072	0.3017	29.95%
7	President Education Improvement Program	0.8549	0.011	1.29%
8	Education and Human Resource Development Centre	0.8391	0.1258	14.99%
9	Education Development and Coordination Unit	1.424	0.6613	46.44%
10	Curriculum Development Centre	0.0679	0.0565	83.21%
11	Education Quality Examination Centre	0.0296	0.0233	78.72%
12	School Teacher Bookstore	0.0491	0.0458	93.28%
13	Teacher Pension Facility	18.6	23.5339	126.53%
14	University Grant Commission	19.7871	19.4385	98.24%
15	Teacher Service Commission	0.1796	0.1777	98.94%
16	Nepal National Commission for UNESCO	0.0198	0.0158	79.80%
17	Medical Education Commission	3.3045	3.2863	99.45%
18	Higher Education Improvement Program	2.05	0.8075	39.39%
19	National Education Board	0.333	0.2814	84.50%
20	CTEVT	1.4088	1.1126	78.98%
21	Nepal Science and Technology Academy	0.4384	0.2628	59.95%
Total		**56.824**	**52.5438**	**92.47%**

Source: Red Book 2025/26

Table 9 provides the percentage of spending made out of the total budget allocated for fiscal year 2023/24. The data clearly mentions that out of the total budget allocated to the Ministry of Education, Science & Technology at the federal level, only 92.47% was utilized for the fiscal year. However, most of the expenditure accounts for recurrent expenditure. There was over expenditure in Teacher Pension Facility for around 27% which is purely recurrent expenditure. The poorest implementation is of the Presidential Education Improvement Program accounting utilization of only 1.29 percent. Capital expenditure does not hold much share in the total budget allocation and out of it also, there is a huge problem of non-utilization of the capital expenses.

3.7 Insights regarding inefficiency and misutilisation of funds

The 62nd Annual Report of the Office of the Auditor General (OAG) of Nepal for FY 2023/24 reveals a deeply concerning picture of the country's public financial management, highlighting a significant rise in spending irregularities, weak institutional accountability, and systemic inefficiencies—particularly in critical sectors like education. The total amount of unsettled accounts, or beruju, has reached an alarming NPR 733.19 billion, marking an increase of NPR 91.59 billion from the previous year. This includes NPR 551.01 billion in recoverable amounts, NPR 56.12 billion requiring regularization due to improper documentation, NPR 15.11 billion categorized as irregular expenditure, and NPR 5.34 billion in unjustified advance payments. These financial discrepancies are distributed across all levels of government, with the federal level accounting for NPR 375.47 billion, provincial governments for NPR 30 billion, local governments for NPR 200 billion, and other entities such as committees and boards contributing NPR 117 billion.

The Ministry of Finance is responsible for most of the financial shortfalls, with NPR 33.71 billion in irregularities, which makes up about 70% of the federal total. A major issue is unpaid taxes: the government is owed NPR 242.91 billion but has only collected NPR 9.12 billion so far. The report highlights the urgent need to enforce stronger laws and take strict actions, such as freezing the property of those who don't pay, to improve tax collection and reduce these issues.

One of the most troubling revelations of the report lies in the education sector, which continues to suffer from mismanagement and misuse of resources despite its fundamental role in national development. A total of NPR 2.8 billion was spent on mid-day meal programs across 124 local governments without verifying student attendance, raising serious concerns about the authenticity and effectiveness of service delivery. Similarly, NPR 98.75 million allocated for sanitary pads was disbursed with little evidence of distribution, and NPR 36.27 million was spent on textbooks that were never printed or delivered. Further compounding these issues, NPR 2.516 billion was paid out in teacher salaries despite exceeding the approved number of teaching positions—indicating the presence of "ghost teachers" or unauthorized staffing. These findings point to structural inefficiencies, weak oversight, and potential fraud within the education system, which threaten to derail progress toward inclusive and equitable learning outcomes.

This underscores the need for a shift toward results-oriented governance, particularly in the education sector, which is essential not only for literacy and skills development but also for advancing gender equity, workforce readiness, and sustainable economic growth.

Chapter 4

GENDER, SDG AND BUDGET

4.1 Gender responsive education budget

According to the Human Development Report 2025 for Nepal, gender disparities remain a significant concern despite gradual progress. Nepal's Gender Development Index (GDI) with 0.858 reflects persistent gaps in key areas such as health, education, and income between men and women[3]. While the country has made strides in increasing female life expectancy and educational attainment, challenges remain in economic participation and access to resources. Only 41.8% of the indicators needed to monitor the Sustainable Development Goals (SDGs) from a gender perspective are currently available. Critical data gaps exist in areas like unpaid care work, the gender pay gap, and digital skills, which hinders comprehensive policy responses.

Nepal's Gender Inequality Index (GII) stands at 0.487[4], which signals a medium level of gender-based disadvantage across reproductive health, political and labor market participation. Although Nepal has implemented gender-focused policies, structural barriers and social norms continue to limit full gender equality.

The recent budget 2025/26 presents a Gender Responsive classification of the budget. As per the classification, the activities that benefits more than 50% directly to the women are considered as directly supportive, activities where women benefit between 20-50% are indirectly supportive and activities with benefit less than 20% to women are considered as neutral.

Table 10: Gender responsive education budget of federal level

Year		Directly Supportive	Indirectly Supportive	Neutral	Total
2025/26	Amount (NRP billion)	14.2296	46.3321	0	60.5617
	%	23.50	76.50		
2024/25	Amount (NRP billion)	11.5475	46.1487	0	57.6962
	%	20.01	79.99		

Source: Red Book 2025/26 & 2024/25

In 2025/26, out of a total education budget of NPR 60.56 billion, 23.5% is marked as directly supportive of gender equality—an improvement from 20.01% the previous year. This growth in direct gender-responsive allocation (from NPR 11.55 billion to 14.23 billion) is a positive shift, suggesting a strengthening policy commitment to targeted interventions for girls and women in education, such as scholarships, school safety, menstrual hygiene, or recruitment of female teachers.

However, 76.5% of the education budget still falls under indirectly supportive—which, while beneficial, often lacks explicit gender outcomes or monitoring mechanisms. These may include generic investments in infrastructure, teacher training, or curriculum development that aren't always sensitive to the differing needs of girls and boys. Without increasing the share and effectiveness of direct investments, transformational change in gender equity may remain limited.

3 https://www.undp.org/nepal/publications/human-development-report-and-overview-2025

4 https://www.undp.org/nepal/publications/human-development-report-and-overview-2025

4.2 SDGs and budget

The budget data shows that almost half (45.73% in 2024/25 and 44.41% in 2025/26) is not directly linked to any Sustainable Development Goal (SDG). Among the SDGs, the largest share of funds goes to infrastructure (SDG 9), peace and justice (SDG 16), and sustainable cities (SDG 11), each receiving around 7–9% of the budget. Goals like poverty reduction (SDG 1) and reducing inequality (SDG 10) also get a relatively bigger share, above 6%. On the other hand, areas such as gender equality (SDG 5), climate action (SDG 13), and ecosystem protection (SDG 15) receive less than 1%, showing they are not given much priority.

Looking specifically at SDG 4 (Inclusive and Quality Education), the allocation rises slightly from 3.26% in 2024/25 to 3.35% in 2025/26. However, compared to other major areas like infrastructure or cities, education still receives a smaller share.

Table 11: Allocation towards achievement of SDGs in budget

SDG	Goal	2024/25	2025/26
1	Zero Poverty in all forms	6.07	6.25
2	Zero Hunger	3.87	3.69
3	Healthy Lives	2.59	2.98
4	Inclusive & Quality Education	3.26	3.35
5	Gender Equality	0.05	0.05
6	Sustainable Clear Water/Sanitation	1.11	1.32
7	Access to modern energy	2.87	2.44
8	Inclusive Economic Growth	2.72	2.57
9	Resilient Infrastructure	8.6	9.21
10	Inequality Reduction	6.51	6.33
11	Sustainable Cities and settlements	7.02	7.43
13	Climate change adaptation	0.51	0.67
15	Sustainable Utilization of ecosystem	0.56	0.55
16	Peaceful, Just & Active Society	8	8.19
17	Partnership for goals	0.51	0.54
0	Not allocated for any SDG	45.73	44.41

Source: Budget Speech 2025/26

This trend is alarming as it undermines Nepal's global commitments such as the Incheon Declaration (Education 2030) and contradicts its own National Education Policy, both of which emphasize increased investment in equitable and quality education. The sharp budget cuts come at a time when the education system is still recovering from the disruptions caused by the COVID-19 pandemic, which should have ideally prompted enhanced investments in digital education, school infrastructure, teacher development, and learning recovery. However, the data suggests that crucial areas such as quality improvement, education research, and digital transformation continue to be underfunded. If this trajectory continues, Nepal risks failing to meet not only its SDG 4 targets but also its broader national development aspirations. To address this, Nepal must allocate education's share in the national budget to at least 15–20%, ensure stronger integration of SDG goals in policy planning, and adopt a more targeted, inclusive, and results-driven investment approach to revitalize its education system and overall human capital development.

Chapter 5

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The Government of Nepal has yet again fallen short of its commitment towards education financing. Nepal's 2025/26 education budget received 10.75% of the national budget which reflects a persistent under prioritization of education, falling critically short of the 15–20% global benchmark and declining from 12.04% in 2015/16. Despite ambitious plans for digital transformation, equity, and quality reform, the sector faces systemic challenges such as chronic underfunding of key initiatives like the School Education Sector Plan, inefficient execution of programs like the Presidential Education Improvement Plan and budget mismanagement. The current trend of underfunding in education poses a serious threat. Insufficient investment in education undermines foundational literacy and learning outcomes, leaving children without the basic skills needed to succeed in life and the labor market. This, in turn, affects workforce readiness, as a growing number of youths may enter adulthood unprepared for the demands of a modern, knowledge-based economy. Moreover, education is central to achieving gender equity and empowering girls and women. When education budgets shrink, programs aimed at increasing girls' access to schools, providing menstrual hygiene facilities, and addressing gender-based barriers are often among the first to be cut, widening the gender gap. Economically, education drives productivity, innovation, and social mobility. Therefore, underinvestment stunts sustainable economic growth and exacerbates existing inequalities.

If the government is to meet its national and global education goals, it must not only increase the proportional share of education in the total budget to at least 20%, but also improve fund utilization, ensure equitable distribution across regions, and strengthen local government capacities for delivery and oversight. Without these steps, the country risks falling further behind in achieving inclusive, equitable, and quality education for all.

5.2 Recommendations

1. Establish Education as a National Investment Priority

- Increase education's share in the national budget to at least 15%- 20% of national budget, aligning with global benchmarks and commitments made.
- Treat education as a transformative, cross-cutting sector that drives outcomes in health, gender equality, climate resilience, and economic productivity.

2. Enhance Budget Execution and Delivery Efficiency

- Strengthen planning and procurement systems at both central and local levels to improve capital expenditure absorption.
- Promote performance-based budgeting by linking fund release to progress and outcomes, especially for digital education projects.

3. Strengthen Budget Execution through Capacity and Reform

- Capacity enhancement of federal, provincial, and local bodies in planning, procurement, and project execution.
- Early project preparation tied to disbursement cycles.
- A federal check-and-balance framework to monitor real-time execution and reduce fund freezing.

4. Deepen Revenue Reforms and Diversification

- Expand the tax base by addressing informal sector leakage and implementing compliance technologies.

5. Boost Capital Investment in Education Infrastructure

- Raise the share of capital expenditure across government levels to build inclusive, future-ready schools.
- Allocate dedicated funding for digital classrooms, climate-resilient buildings, and TVET centres under this capital outlay.

5. Increase Gender-Responsive and Equity-Based Budgeting

- Mandate gender tagging and outcome monitoring in education programs to ensure marginalized girls and young women benefit.
- Expand targeted investments for gender equity, especially in menstrual hygiene, safe schools, female teacher recruitment, and inclusive curriculum development.
- Mandate budget planning with GEDSI-sensitive audits, invest in school-based gender equity programs, and adopt multi-sectoral approaches linking education to nutrition, protection, and health.

6. Invest in Education System Reform and Resilience

- Modernize curricula and invest in technical and vocational education and training (TVET) to reduce the skills mismatch and youth unemployment.
- Scale up digital learning infrastructure and teacher capacity-building, especially in underserved areas.
- Design an Education Recovery Compact to tackle post-pandemic learning loss with a focus on foundational literacy and numeracy.

7. Support Local Governments in Education Delivery

- Allocate equitable and adequate grants to local bodies for school infrastructure, teacher recruitment, operation cost, and learning materials.
- Build local capacity in education planning, budgeting, and monitoring to ensure federal commitments translate to grassroots improvements.

8. Align Education Financing with SDG 4 and Global Goals

- Use SDG 4 targets to frame national education spending priorities and foster cross-sectoral linkages.
- Set up an Education Financing Tracker to monitor progress toward funding benchmarks and program outcomes.

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