TURNING PLANS INTO PROGRESS: AN ANALYSIS OF 2025/26 PROVINCIAL EDUCATION BUDGET TRENDS AND COMMITMENTS

NCE NEPAL

National Campaign for Education Nepal
(NCE Nepal)

Editor:
Mr. Ram Gaire

Research and Analysis:
© NCE Nepal

Published on:
August 2025

Supported By:

Design and Production:
Pentagram Pvt. Ltd.
business.pentagram@gmail.com

Preface

National Campaign for Education Nepal (NCE Nepal) is a national network of 508 member CSOs committed to safeguarding the right to education and lifelong learning for all children and adults across the country. Since its establishment in 2003 as the Nepal chapter of the Global Campaign for Education (GCE), and as a recognized member of the UN ECOSOC, NCE Nepal has been at the forefront of advocacy, lobbying, and campaigns aimed at strengthening public education. A core focus of our work lies in building the capacity of civil society organizations and generating research-based evidence to inform education policy and practice.

NCE Nepal firmly believes that education must remain a top priority of the state and continues to advocate for the government to allocate at least 20% of the national budget and 6% of GDP to education, as committed in national and international forums. With Nepal's transition to a federal system, responsibilities for education financing are shared among federal, provincial, and local governments. Provincial governments play a crucial role in advancing constitutional provisions, including the delivery of free and compulsory basic education and free secondary education.

This report has been developed to track, analyze, and highlight the provincial education budgets and their priority areas for FY 2025/26. It aims to provide valuable insights for policymakers, provincial leaders, CSOs, and community stakeholders in strengthening education financing and planning.

We extend our sincere appreciation to Education Out Loud (EOL) for their generous support in conducting this study. We are equally grateful to our member organizations, board members, and advisors for their ongoing guidance and feedback throughout this process. Special thanks are due to the Research and Publication team for finalizing the report.

Regards

Rajendra Pahadi
President

NCE Nepal

Table of Contents

Chapter 1 INTRODUCTION

Context

Education is a foundational pillar for Nepal's inclusive and sustainable development. In the federal governance structure, the constitutional mandate has empowered provincial and local governments with increased responsibility for education planning, resource allocation, and service delivery. The transition to federalism brought both opportunities and challenges—particularly in managing and financing education across diverse regions with varying capacities, needs, and contexts.

As Nepal enters its seventh year of federal implementation, analyzing the provincial budgets through an education lens is crucial to understanding whether public finance is aligned with national goals such as the Sustainable Development Goals (SDGs), constitutional guarantees of basic and secondary education, and broader equity and inclusion objectives. The fiscal year 2025/26 is particularly important, as provinces are expected to show stronger ownership in education policy and financing following several years of capacity building, federal transfers, and decentralization of school governance.

As part of its ongoing commitment to promoting equitable and quality education, NCE Nepal has been conducting annual analyses of provincial education budgets to assess how effectively fiscal policies support education rights and development across Nepal's federal structure. This year's review of the 2025/26 provincial budgets continues that tradition, offering critical insights into provincial priorities, resource distribution, and the alignment of education financing with national goals and international commitments such as the Sustainable Development Goals (SDGs).

Objectives

This report aims to:

- Analyze the size and trend of provincial education budgets.
- Examine the share of education in total provincial expenditure;
- Assess provincial priorities and variations in educational investment;
- Identify gaps in alignment with SDG 4 (Quality Education), gender equality, and equity-focused budgeting;

Scope of the Study

This analysis covers the provincial education budgets of all seven provinces: Koshi, Madhesh, Bagmati, Gandaki, Lumbini, Karnali, and Sudurpaschim. It focuses on:

- Education sector allocations within total provincial budgets;
- Composition of education budgets by capital and recurrent expenditures;
- Provincial commitments toward basic, secondary, and technical education;
- Analysis of available data on school infrastructure, enrollment, and equity;
- Linkages with SDG indicators and inclusive education priorities.

Where possible, comparisons are made to highlight inter-provincial disparities in education financing and provincial focus.

Research methodology

The study has adopted secondary data review and analysis methodology, using official documents and publicly available sources. Key sources include: Provincial budget speeches and red books (where accessible); Nepal's Economic Survey 2024/25; 62nd Annual Report of the Office of the Auditor General etc. Data were analyzed using quantitative techniques (e.g., trend analysis, percentage share calculations), complemented by qualitative policy interpretation to assess the prioritization of education within provincial fiscal frameworks.

Chapter 2

SOCIO ECONOMIC AND EDUCATION STATUS OF PROVINCES

This section provides context and recent status based on which all the seven provinces have prepared their budget, plans and policies.

Socio Economic Status of Different Provinces

Table 1 presents a comparative snapshot of key development metrics across Nepal's seven provinces. It reveals stark disparities in population share, GDP contribution, per capita income, fiscal health, and growth performance.

Table 1: Development metrics of the seven provinces

Status of some Socio-economic Indicators for different Provinces							
Categories	**Koshi**	**Madesh**	**Bagmati**	**Gandaki**	**Lumbini**	**Karnali**	**Sudurpaschim**
Population (in %)	17	21.1	21.1	8.3	17.7	5.7	4.8
GDP (in USD)	14007	9320	26015	16204	12006	10889	11530
% of total national GDP	15.90%	13.16%	35.52%	8.98%	14.23%	4.19%	7.03%
Per Capita Income (USD)	1041	932	2601	1620	1201	1089	1153
Economic Growth Rate 2024/25	3.30%	3.70%	3.70%	4.10%	3.90%	3.30%	3.30%
Expenditure (in billion) 2023/24	28.03	24.54	44.51	22.21	26.44	19.87	18.51
Revenue (in billion) 2023/24	13.1	14.1	25.5	10.65	13.89	8.04	8.54

Source: Economic Survey of Nepal 2024/25

Bagmati Province, despite sharing the highest population percentage (21.1%) with Madhesh, contributes 35.52% of Nepal's GDP—nearly triple that of Madhesh (13.16%). Conversely, provinces like Madhesh (21.1% population, 13.16% GDP) and Koshi (17% population, 15.9% GDP) underperform relative to their population sizes, pointing to weak productivity and limited economic diversification. Karnali (5.7% population, 4.19% GDP) and Sudurpaschim (9.1% population, 7.03% GDP) also contribute modestly, which is unsurprising given their geographic remoteness and lower industrial and service activity.

Moreover, Per capita income varies drastically. Bagmati leads with USD 2,6015, nearly three times higher than Madhesh (USD 9320)—the lowest. Other relatively better-performing provinces include Gandaki (USD 1,6204) and Lumbini (USD 1,2006), while Karnali (USD 1,0889) and Sudurpaschim (USD 1,1530) reflect lower income levels. These disparities highlight the unequal access to employment, services, and economic opportunities—despite efforts toward balanced federal development.

Despite Bagmati's large economic base, its growth rate is not exceptionally high, suggesting a plateauing effect or inefficiencies in capital mobilization. In contrast, Gandaki's better performance with a smaller economic base highlights a more agile and diversified regional economy.

Provinces with large populations such as Madhesh and Koshi are underperforming economically, reflecting weak institutional capacity, inadequate infrastructure, and low private sector activity. Meanwhile, the lower-income provinces, particularly Karnali and Sudurpaschim struggle with geographic isolation and limited revenue generation. The significant fiscal gaps across all provinces highlight the need for enhanced sub-national financial management, better revenue mobilization strategies, and more effective public expenditure systems.

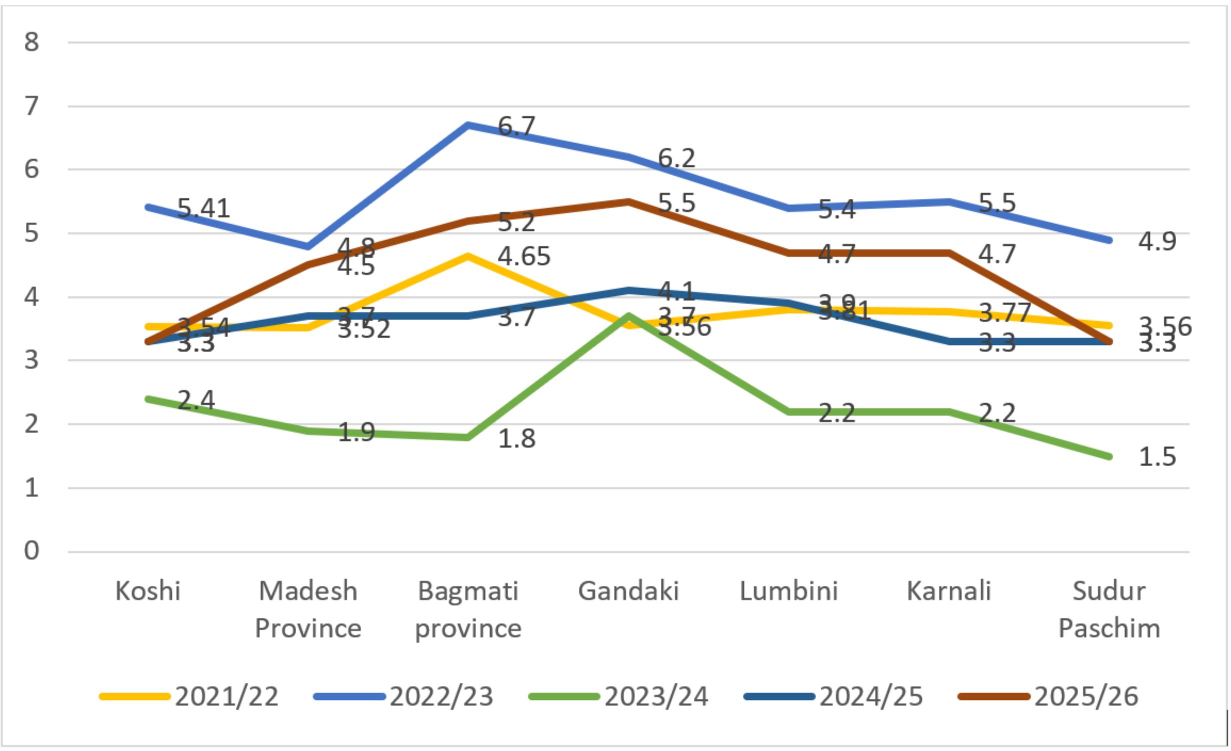
The table 2 provides details about the economic growth rate of provinces in five years.

Table 2: Economic growth Rate of seven province

Economic growth Rate							
	Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
2021/22	3.54	3.52	4.65	3.56	3.81	3.77	3.56
2022/23	5.41	4.8	6.7	6.2	5.4	5.5	4.9
2023/24	2.4	1.9	1.8	3.7	2.2	2.2	1.5
2024/25	3.3	3.7	3.7	4.1	3.9	3.3	3.3
2025/26	3.3	4.5	5.2	5.5	4.7	4.7	3.3

Source: Province Budget Speech and Red Book over 5 years

Figure 1: Economic growth Rate of seven province



Source: Province Budget Speech and Red Book over 5 years

In the fiscal year 2025/26, Nepal's provincial economies are projected to rebound from the slowdown experienced in 2023/24, showing signs of cautious optimism. This anticipated recovery is reflected in the growth forecasts for all provinces, with a marked improvement compared to the previous two years. Among the provinces, Gandaki Province is projected to lead with the highest growth rate of 5.5%, building on its momentum from earlier years and driven by key sectors such as tourism, agriculture, and energy. Close behind is Bagmati Province at 5.2%, continuing to benefit from its diversified economy, stronger infrastructure, and concentration of service and industrial sectors.

Lumbini and Karnali provinces are also projected to perform well, both at 4.7%, suggesting improved provincial spending, infrastructure expansion, and gradual strengthening of provincial capacities. Madhesh Province, which had one of the lowest per capita incomes in recent years, is projected to grow at 4.5%, indicating a potentially positive shift in economic activity and investment, possibly driven by agriculture and improved budget utilization.

In contrast, Koshi and Sudurpaschim provinces are forecast to grow at only 3.3%, which, while an improvement over 2023/24, still reflects structural and institutional constraints. These lower projections point to continued challenges such as weak implementation of development projects, limited industrial base, and slower public service delivery.

While the growth projections for 2025/26 indicate recovery and renewed economic momentum, the uneven distribution of growth across provinces reinforces the persistent regional disparities in Nepal's federal setup. Provinces with relatively better infrastructure, institutional readiness, and diversified economies like Bagmati and Gandaki are set to progress faster. Meanwhile, geographically disadvantaged and capacity-constrained provinces like Sudurpaschim and Koshi risk being left behind. Overall, the positive economic indicators of the provinces hint increase investment in social and right based services such as education. Provincial governments need to be constantly pushed for increasing investment in education in this scenario.

Education Status Over the Provinces

When it comes to planning and budgeting, assessing the status of educational indicators holds significant value. The table 3 below illustrates the condition of educational indicators across Nepal's diverse provinces.

Table 3: Education status of seven Province

Particulars	Koshi	Madesh	Bagmati Province	Gandaki	Lumbini	Karnali	Sudurpaschim	National
No. of schools	6902	4913	6692	3890	5735	3210	4105	35447
Net enrollment rate at basic level								94.4
1 to 5	94.6	94.1	94.9	95.2	93.8	94.9	94.3	94.4
6 to 8	93.4	93.7	93.7	93.9	93.7	93.6	93.6	93.6
Net enrollment rate at secondary level (9 to 12)	56.5	54.3	55	57.9	55.9	57.7	56.4	55.8

Source: Economic Survey, 2024/25

Provinces such as Koshi (6,902 schools) and Bagmati (6,692 schools) lead in the number of schools, reflecting their relatively higher population and urban concentration. Conversely, Karnali (3,210 schools) and Gandaki (3,890 schools) have fewer schools, largely due to difficult terrain and lower population density. However, a higher number of schools does not necessarily translate to better education outcomes, particularly in rural areas where accessibility, quality, and functionality remain challenges.

At the basic education level (Grades 1–5), the net enrollment rate (NER) is commendably high across all provinces, averaging around 94.4% nationally. Gandaki Province slightly leads with 95.2%, while Lumbini is at the lower end with 93.8%. Enrollment in Grades 6–8 remains consistent across provinces, with a national average of 93.6%, showing a relatively stable continuation of students from lower to upper basic levels.

However, a critical concern emerges at the secondary education level (Grades 9–12), where the national net enrollment rate drops significantly to 55.8%. Despite high enrollment in earlier grades, nearly half of the students are out of school at the secondary level. The dropout trend underscores major systemic gaps in retention, particularly for students from disadvantaged backgrounds.

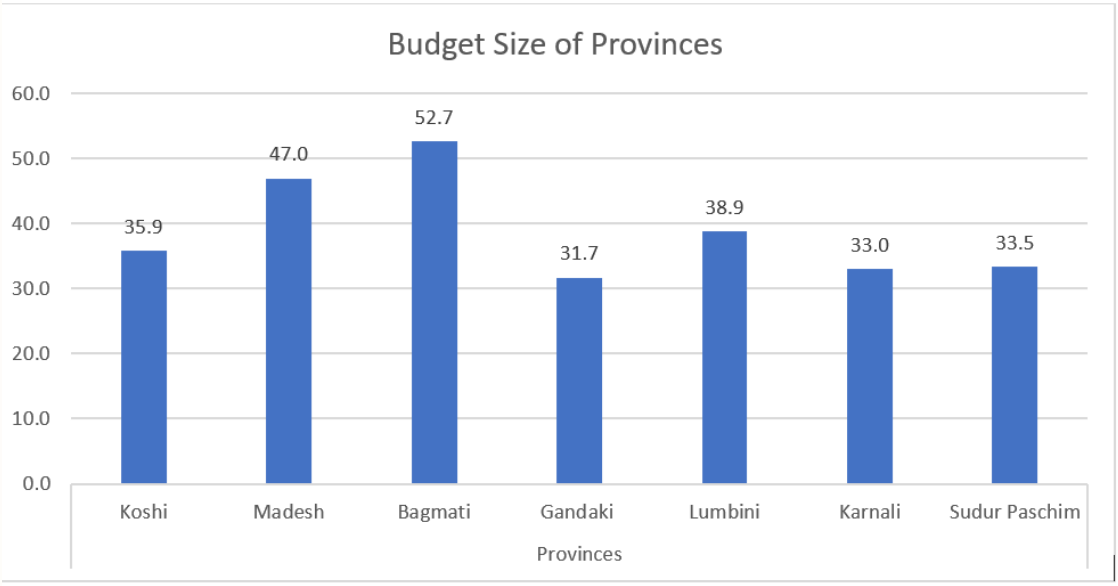
The data points to a major educational challenge: Nepal is struggling to retain students through to secondary education, especially in rural and socially marginalized areas. This dropout problem is not only a loss in human capital development but also deepens existing regional and social inequalities. To address these challenges, provincial governments need to invest in expanding and improving secondary school infrastructure, particularly in underserved areas. Policies must also prioritize inclusive education, targeted scholarships, mid-day meal programs, and awareness campaigns—especially to support girls, children with disabilities, and economically disadvantaged communities. Equally important is enhancing educational quality through efficient educational investment, better teacher training, learning resources, and monitoring mechanisms.

Chapter 3 BUDGET ALLOCATION OF PROVINCES

Size of Allocation

In line with Nepal's federal structure, all seven provinces have presented their respective budgets for the fiscal year 2025/26, following the federal budget announcement.

Figure 2: Budget Allocation of Seven Provinces (in NPR billion)



Source: Budget Speech of Provinces 2025/26

Among the provinces, Koshi Province has proposed a budget of NPR 35.87 billion, marking a modest increase of NPR 600 million from the previous year. The budget emphasizes health, agriculture, and tourism, with notable programs like upgrading the Shailaja Heart Disease Centre, launching the "Tourism Year 2082 BS," and promoting mental health services across provincial hospitals.

Madhesh Province has increased its total budget by 7.04%. The provincial government has kept increasing agricultural productivity, bringing good governance in budget implementation, sustainability of natural resources, making an investment friendly economic environment, eliminating determination, implementation of SDGs etc. Improving the public education system in the province is missing from the budget priority.

Gandaki Province has announced a budget of NPR 31.7 billion, which is NPR 1 billion less than the previous year. The budget is structured with 39.51% allocated to recurrent expenditure, 59.7%% to capital expenditure, and 0.78% financing expenditure, reflecting a focus on infrastructure and development. The province plans to finance its budget through a mix of federal grants, internal revenue, and internal loans.

Lumbini Province has presented a Rs38.91 billion budget. Of this, 39.68 percent) is for recurrent expenditure and 60.32 percent for capital investment.

Karnali and Sudurpaschim Provinces have comparatively equal budget size at near NPR 33 billion, though Karnali relies heavily on fiscal transfers at 41.19% of the budget relying on federal government and Sudurpaschim at 36.79%. Bagmati Province leads with the highest income and expenditure (NPR 52.7 billion), reflecting its strong internal revenue generation capacity.

Overall, the provincial budgets reflect a blend of federal support and localized priorities, aiming to address both immediate needs and long-term development goals. Table below provides details regarding the income and expenditure for FY 2025/26.

Table 4 : Income and expenditure of Seven Provinces

Total Income and expenditure of different provinces							
Categories	Provinces						
	Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
Internal Revenue	21376600	34246951	52658027	19746399	24890100	16937255	19268848
Inter-governmental Fiscal Transfer	35879900	46983351	67477327	31979999	38910000	32996655	33476048
Total Income	35879900	46983351	67477327	31979999	38910000	32996655	33476048
Total Expenditure	35879900	46983351	67477327	31979999	38910000	32996655	33476048
Recurrent expenditure (Amount)	18673320	16720517	26044691	12636675	15438535	12398942	13635842
Recurrent expenditure %	52.04	35.59	38.60	39.51	39.68	37.58	40.73
Capitall expenditure (Amount)	17106580	30262834	41432636	19093324	23471465	19982713	19830206
Capital expenditure %	47.68	64.41	61.40	59.70	60.32	60.56	59.24
Reserve financing %	0.28	00		0.78		1.86	0.03

Source: Budget Speech of Provinces 2025/26

The data reveals a complex interplay between fiscal capacity, federal support, and development priorities. Provinces rely heavily on federal transfers to meet basic needs. The high proportion of capital expenditure across most provinces is encouraging, as it indicates a forward-looking approach to development. However, the effectiveness of this spending depends on institutional capacity, transparency, and long-term planning.

Madhesh Province allocates a striking 64.41% of its budget to capital expenditure, the highest among all provinces. This suggests a strong focus on infrastructure and social development, possibly to address historical underinvestment. However, such a high capital-to-recurrent ratio also raises questions about the sustainability of operations and maintenance of newly built infrastructure.

Bagmati Province, despite its economic strength, maintains a relatively balanced expenditure profile with 61.4% allocated to capital and 38.6% to recurrent spending. Koshi Province, on the other hand, spends slightly more on recurrent activities (52.04%) than on capital (47.68%), which may indicate a focus on maintaining existing services rather than expanding infrastructure.

Karnali, Gandaki, and Sudurpaschim provinces all allocate over 59% of their budgets to capital expenditure, signaling a developmental push in historically marginalized regions. This is a positive trend, but it also demands scrutiny regarding the efficiency and impact of such investments. Without robust institutional capacity, high capital spending can lead to underutilized or poorly maintained infrastructure.

Reserve financing is negligible across provinces, with only Koshi (NPR 0.1 billion) and Karnali (NPR 0.615 billion) reporting any. This suggests limited fiscal buffers, which could be problematic in times of economic shocks or natural disasters. The absence of significant reserves also reflects the tight fiscal space within which provinces operate.

Credibility of Expenditure

The 62nd Annual Report of the Office of the Auditor General (OAG) of Nepal for FY 2023/24 presents a sobering view of the financial discipline across provincial and local governments. According to the report, unsettled irregularities within the provincial agencies totaled approximately Rs 4.2 billion. Of this, Rs 768 million was deemed recoverable, Rs 2.8 billion required regularization, and Rs 626 million represented outstanding advances. Among the provinces, Madhesh Province stood out with the highest percentage of irregular transactions at 3.67% of total audited transactions and the highest arrears at Rs 8.03 billion. In contrast, Sudurpaschim Province reported the lowest irregularity ratio at just 0.79%, indicating significant disparities in financial governance across provinces.

Detailed breakdowns reveal additional concerns. Koshi Province reported arrears of Rs 5.05 billion, Bagmati Rs 4.28 billion, Gandaki Rs 2.68 billion, Lumbini Rs 4.29 billion, Karnali Rs 3.94 billion, and Sudurpaschim Rs 2.68 billion. These arrears are part of a broader national trend, with unsettled government accounts reaching nearly Rs 1.3 trillion. The report also highlights alarming issues at the local government level, including uncollected revenues totaling Rs 768.5 million and widespread misuse of funds intended for school meal programs, sanitary pad distribution, and textbook/scholarship disbursement. For example, 124 local units spent Rs 279.9 million on student meals without maintaining attendance records, and 151 units stocked Rs 98.8 million worth of sanitary pads without proper distribution. Moreover, Rs 2.5 billion was misused in teacher salary payments, often without actual service delivery.

From a critical perspective, these findings underscore systemic weaknesses in Nepal's fiscal federalism. While the constitutional framework has devolved spending authority to provinces and local governments, the capacity to manage public funds responsibly remains uneven and often inadequate. The sharp contrast between provinces such as Madhesh and Sudurpaschim reveals governance gaps that must be addressed through targeted institutional strengthening. The fact that most irregularities fall under the category of "requiring regularization" indicates procedural lapses rather than outright corruption, suggesting that many issues could be resolved through better training, standardized financial procedures, and improved monitoring.

Furthermore, the pervasive misuse at the local level—especially in programs targeting vulnerable populations like students and women—raises serious concerns about public service delivery and equity. Without stronger oversight, public trust in provincial and local governance may erode, threatening the legitimacy of Nepal's federal system.

Recurrent and Capital Expenditures

Over the years, there has been a significant increase in allocations for recurrent expenditures, indicating the government's emphasis on meeting salaries and allowances rather than prioritizing development projects.

The table 5 outlines the distribution of capital expenditure as a proportion of the total expenditure for the provinces across different years.

Table 5: Capital expenditure in total expenditure of Seven province

Share of capital expenditure in total expenditure of province						
Description	2023/24		2024/25		2025/26	
	Total Expenditure	Capital exp %	Total Expenditure	Capital exp %	Total Expenditure	Capital exp %
Koshi	36.2335	50.32	35.2793	45.92	35.7799	47.81
Madhesh	44.1146	58.25	43.8922	63.55	46.9833	64.41
Bagmati	62.2091	57.08	64.5404	57.23	52.658	57.62
Gandaki	33.4272	60.4	32.9786	59.18	31.7299	60.17
Lumbini	40.4797	57.45	38.97	63.09	38.91	60.32
Karnali	33.3797	58.65	31.41	59.7	32.3816	61.71
Sudurpaschim	28.9659	58.77	31.6298	55.43	33.466	59.25

Source: Red Book and Budget Speech of Provinces 2023/24 to 2025/26

Capital expenditure reflects long-term development investments. In FY 2025/26, Madhesh Province aims for the highest capital expenditure share at 64.41%, a steady increase from 58.25% in 2023/24. This demonstrates Madhesh's growing commitment to long-term development over operational or recurrent spending. Karnali (61.71%), Gandaki (60.17%), and Lumbini (60.32%) also commits to maintain capital expenditure shares above 60%, reflecting consistent prioritization of infrastructure and development projects in geographically challenged and lagging regions.

Bagmati Province, despite having the highest total expenditure (NPR 52.658 billion), has allocated only 57.62% to capital, a modest increase over previous years. Sudurpaschim similarly maintains a capital expenditure share of 59.25%, which suggests balanced fiscal discipline and development priorities.

In contrast, Koshi Province shows a drop in capital expenditure share from 50.32% in 2023/24 to 45.92% in 2024/25, before rebounding slightly to 47.81% in 2025/26. Although still close to half of the total budget, Koshi's lower share compared to other provinces may point to a heavier focus on recurrent expenditure, possibly reflecting growing administrative costs or limited absorption capacity for capital projects.

These patterns highlight a positive trajectory in provincial fiscal behavior, with increasing attention to development-oriented spending. However, the real effectiveness of these allocations depends not only on budgetary earmarking but also on timely and quality implementation, transparency in procurement, and capacity at the local level to execute capital projects efficiently. Provinces with fluctuating or declining capital expenditure shares may need to reassess their fiscal strategies to ensure sustainable and inclusive growth.

Chapter 4 EDUCATION BUDGET

This section examines the composition of education budget in the total budget of the provinces, examining the functional composition of allocation and spending.

Priority to Education Sector in Budget of Provinces

Koshi Province

- Budget allocated for the strengthening of physical infrastructure and the construction of residential schools in hilly and Himalayan regions.
- Budget arranged to develop Nijgadh Residential School as a model school.
- Budget provisioned for:
  - Management of early childhood education
  - Improvement of primary-level teaching and classroom management
  - Encouragement of school mergers and collaboration
  - Budget allocated to support technical and vocational education for youth in hilly and Himalayan areas, including:
  - Implementation of pre-vocational training programs
  - Launch of "earn while you learn" programs
- The budget arranged for the institutional strengthening of teacher training centers and the implementation of programs to enhance teachers' professional capacity.
- Continued support for the volunteer science teacher program in schools without sanctioned positions in hilly and Himalayan regions.
- Budget of Rs. 14 crore allocated for the structural and managerial reform of Manmohan Technical School, and to support teaching, learning, and research in fields including medical science.
- Budget provisioned for scholarships to support disadvantaged, poor, and disabled students pursuing higher education.
- Financial support arranged for the operation and management of schools attended by children with disabilities.
- Monthly incentive of Rs. 2,000 allocated for resource teachers working with children with special needs across the province.
- Budget allocated to develop Saraswati Secondary School, Damak, as a research center for innovation.
- Budget arranged to conduct a feasibility study for establishing a Science Promotion Center (Science Center) to support the development and expansion of science education.
- Budget allocated for the empowerment of economically and socially disadvantaged groups, including Women, Children, Senior citizens, Persons with disabilities, poor, Minorities and Marginalized communities
- Budget of Rs. 1 crore 50 lakh allocated to implement the "Saksham Chhori" (Empowered Daughter) program as a model initiative to increase educational access for girls from the Musahar community and support their economic and social transformation.
- Budget arranged to implement the Adolescent Girls Empowerment Program in coordination with local governments, involving direct participation of secondary-level girls, to support the campaign for a child marriage-free province.
- The budget arranged for the establishment of a national-level provincial museum in Koshi Province.
- Necessary provisions will be made to use Maithili and Limbu languages, as recommended by the Language Commission, in official provincial government operations.

Madhesh Province

- Budget allocated to implement a volunteer teacher program in schools under Madhesh Province where there is a shortage of teaching staff due to limited capacity.
- Budget provisioned for strengthening affiliated community technical schools, including:
  - Regular operational grants
  - Establishment of science laboratories
  - Enhancement of library and science education
  - Budget allocated to make schools ICT-friendly through the installation of smart boards and e-libraries.
- The budget arranged for the construction of physical infrastructure to support structural improvements in schools across eight districts of the province.
- Budget provisioned through grants for administrative, physical, and managerial reforms in universities under Madhesh Province.
- A total of Rs. 3.57 billion 66 lakh 55 thousand allocated to the Ministry of Education and Culture.

Bagmati Province

- With the vision of "Educated Citizens for Economic Prosperity and Social Transformation," the education sector will be made modern and high-quality to develop capable and entrepreneurial human capital.
- In partnership with local governments, residential programs in community schools currently in operation will be continued.
- Access to inclusive and free education will be expanded for children from endangered and highly marginalized communities such as Jajarel, Surel, Thami, Chepang, Majhi, and Danuwar, ensuring quality education.
- In collaboration with local governments, leadership education will be promoted from the school level.
- Pre-vocational and vocational education programs will be implemented to enhance the academic quality of community secondary schools.
- Budget allocated to implement the "Bhim Bahadur Tamang Academic Quality Improvement Program" to improve the educational quality of community secondary schools.
- Continued provision of grants to community secondary schools with zero sanctioned positions.
- Emphasis will be placed on a scientific education system that supports self-employment-oriented and problem-solving-based research and innovation
- A budget of Rs. 25 crore has been allocated for the institutional strengthening and infrastructure development of Bagmati Province University, with the goal of running academic programs to produce high-level human resources.
- Continued support for educational scholarships and quality enhancement programs for students studying in community campuses.
- To promote the development of science and innovation, exhibitions and science fairs will be organized to identify and develop the talents of individuals in Bagmati Province.
- Investment in the information technology sector will be expanded to develop Bagmati Province as an IT hub.
- In collaboration with the private sector, a study will be conducted to establish an IT learning center in Kirtipur, Kathmandu

Gandaki Province

- In partnership with local governments, programs to expand hostels and residential schools in remote and scattered settlements will be encouraged. Educational and structural reforms in schools located in Himalayan and high hill regions will be continued.
- Continued implementation of programs for parental education, educational awareness, talent identification, and professional development of teachers to improve the quality of community schools. The budget has been allocated to encourage the integration of campuses and community schools.
- Gandaki University will be developed as an accredited center for technical education and research, with programs currently conducted by the Gandaki Science and Technology Academy to be operated under the university. Continued support for curriculum development and infrastructure construction for technical and vocational education institutions in Gandaki Province.

- Continued implementation of the "Earn While You Learn" program in schools offering both general and technical education.
- Continued implementation of programs promoting gender mainstreaming and substantive equality, with the goal of zero tolerance against gender-based violence, and ensuring full and meaningful participation of women in all sectors through women's empowerment.

Lumbini Province

- Programs will be implemented to ensure the right of children to access quality and basic education.
- Expansion of skill-based and technical education will be prioritized to create employment opportunities.
- Higher education will be made more research-oriented, innovative, and career-focused.
- A budget of Rs. 7 crore 50 lakh has been allocated for scholarships and incentive programs to increase access to education for targeted groups and communities.
- The "Mero Vidyalaya, Mero Dayitwa" (My School, My Responsibility) campaign will be expanded to all schools.
- A budget of Rs. 5 crore has been allocated to improve the quality of community schools through:
    - Teacher awareness programs
    - Talent identification
    - Professional development of teachers
    - Effective use of information technology
- STEM education (Science, Technology, Engineering, and Mathematics) will be expanded.
- Research grants will be provided to promote research, scientific thinking, and innovation in higher education.
- A budget of Rs. 5 crore 50 lakh has been allocated to promote entrepreneurship through innovative skill-based training and internships
- Volunteer engagement under the slogan "Learning, Earning, and Gaining Skills through Education"
- A budget of Rs. 11 crore has been allocated to develop Lumbini Technical University as a center of excellence for technical education, including physical and core infrastructure development.
- In coordination with local governments, a budget has been arranged to implement skill-based training, income generation, and employment programs in poverty-stricken areas.
- Provisions have been made to utilize the knowledge, skills, and experience of retired professors and teachers for educational enhancement, along with teacher incentive programs to improve performance in mathematics and science.
- A budget of Rs. 6 crore has been allocated for the construction of physical infrastructure for night technical schools

Karnali Province

- The education system will be made quality-driven, entrepreneurial, employment-oriented, and life-relevant through the development of appropriate educational infrastructure, use of modern technology, and effective management of educational materials.
- A comprehensive plan has been adopted to improve the physical infrastructure and academic quality of community schools, ensuring accessible and quality education. In the upcoming fiscal year, 390 schools will receive support for infrastructure improvement and development.
- A budget of Rs. 15 crore has been allocated to complete the construction of community schools that were previously initiated but remain unfinished.
- A Digital Education Support Program targeting Grade 10 (SEE) students will be launched to improve public education and make it more student-centered. The Chief Minister's Digital Education Program will continue to make community schools digitally equipped and produce competitive, skilled human resources. A total of Rs. 16 crore has been allocated for both programs.
- A budget of Rs. 6 crore has been allocated to implement a program for the development of large schools with residential facilities in each provincial constituency, in partnership with local governments.
- Budget provisioned to:

    - Enhance the quality of technical and vocational education institutions
    - Operate traditional and religious schools
    - Promote the "We Improve Our School" campaign
    - Develop skilled and innovative human resources through curriculum and institutional reforms
- Budget allocated to provide special scholarships for students from poor and hardworking backgrounds pursuing higher education in fields like health, engineering, agriculture, veterinary science, tourism, and information technology. Continued support for scholarships targeting girls, Dalits, persons with disabilities, endangered and marginalized groups.
- Necessary arrangements made to provide block grants for the management of English, Math, and Science teachers in community schools with high student-teacher ratios.
- A budget of Rs. 4 crore has been allocated to strengthen laboratories at Madhyapaschim University's engineering faculty, to enhance learning and test the quality of construction materials and structures used in the province.
- Continued support for higher education institutions and the "One Hour, One Book Every Friday" program to provide practical knowledge and life skills to students.

Sudurpaschim Province

- A budget of Rs. 23 crore has been allocated for the "Jayaprakash Bahadur Singh Educational Infrastructure Development and School Quality Improvement Program", under which one secondary school in each of the 32 provincial constituencies will be developed as a model school to improve access to quality education.
- Budget for the establishment of early childhood development centers in various locations of Sudurpashchim Province, including educational materials and teacher management.
- Budget allocated for the strengthening of resource classes to ensure inclusive and accessible education for children with disabilities and those from marginalized groups.
- The budget arranged for the construction and operation of a residential school with necessary infrastructure for intellectually disabled children in Belauri, Kanchanpur.
- Budget provisioned for Braille and sign language education, and for the operation and management of shelters for orphaned children.
- A budget of Rs. 7 crore 65 lakh has been allocated for scholarships to support talented students from economically and socially disadvantaged backgrounds pursuing higher education and medical studies (MBBS/MD). Continued support for the "Badi Upliftment Scholarship Program".
- Budget arranged to improve the quality of technical and vocational education, including:
    - Integration into provincial policy
    - Industrial training and employment linkage
    - Skill testing and digital classroom programs
    - Institutional capacity building
- A budget of Rs. 5 crore 50 lakh has been allocated for the establishment of a Science and Technology University in Tikapur, Kailali, to be developed as a Center of Excellence.
- The budget was provisioned to promote research and innovation in higher education, and to develop one campus per district with a significant number of students as a model campus.
- Budget allocated for the institutional strengthening of teacher training centers, and for career counseling programs targeting newly appointed teachers and local education personnel, especially for secondary-level students.
- Continued support for internship and volunteer programs for students pursuing undergraduate and postgraduate studies, particularly in science and information technology, with budget provisioned for participating campuses.

Share of Education Budget

The Government of Nepal has committed in different national and international forums for allocating a minimum of 15-20% of the national budget and 4-6% of the GDP in the education sector. But the federal government for the fiscal year 2025/26 has only allocated 10.75% of total budget into the education sector which is very minimal as per the commitment made. Provincial governments play a critical role in covering the financing gap left by the federal government. This section of the analysis reviews the share of the education budget of seven provinces..

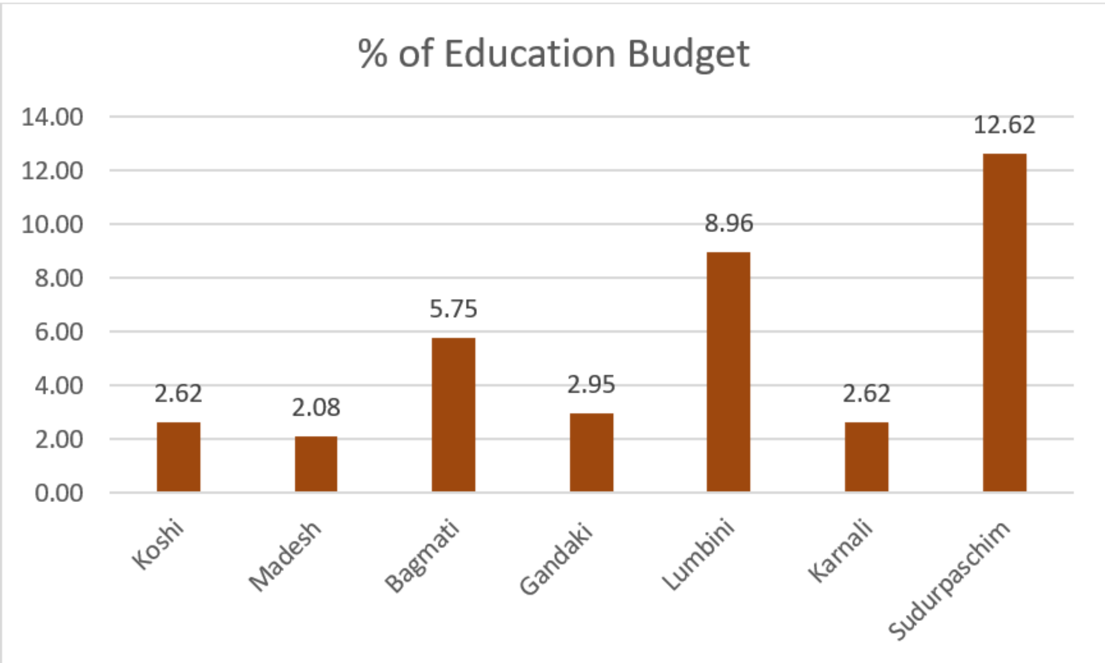
Table 6: Education Budget of Seven Provinces

Particulars	Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
Total Education Budget (in billion)	0.9408	0.9774	3.8812	0.9441	3.4880	0.8634	4.2240
% of Education Budget	2.6200	2.08	5.75	2.95	8.96	2.62	12.62

Source: Budget Speech of Provinces 2025/26

The analysis of provincial education budgets for Nepal in fiscal year 2025/26 reveals a stark gap between policy commitments and actual allocations. Despite the government's stated goal of allocating at least 20% of budgets to education, none of the seven provinces have met this benchmark. The highest allocation comes from Sudurpashchim Province, which has earmarked 12.62% of its total budget for education—still significantly below the target. Other provinces, such as Lumbini (8.96%) and Bagmati (5.75%), show moderate investment, but the remaining provinces—Koshi (2.62%), Madhesh (2.08%), Gandaki (2.95%), and Karnali (2.62%) are critically underinvesting in the sector.

Figure 4: % of Education Budget in Seven Province



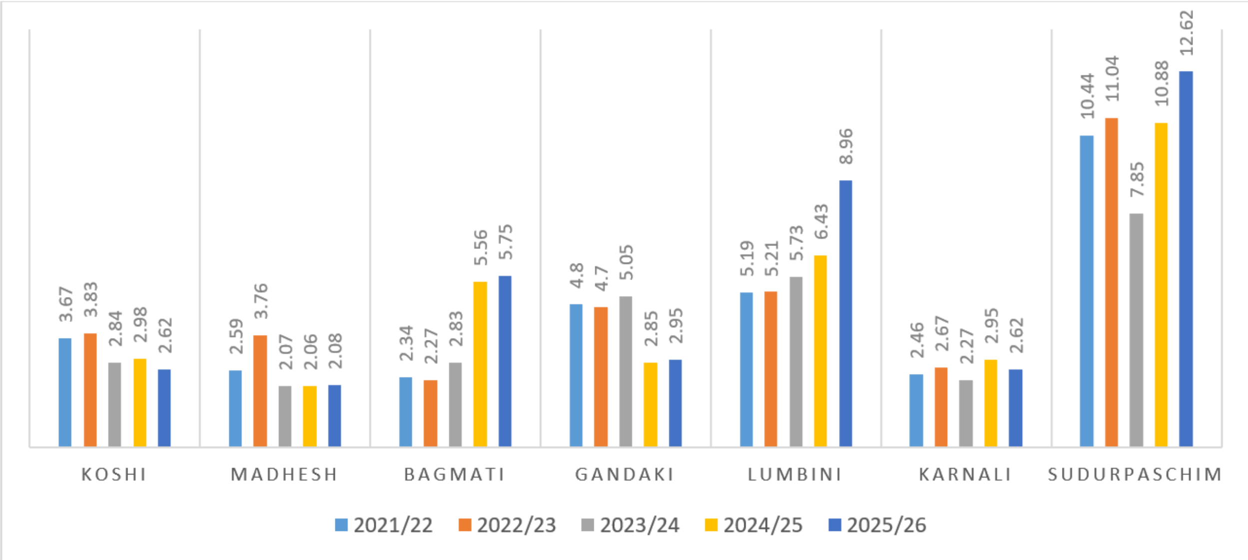
Source: Budget Speech of Provinces 2025/26

Table 7 : Share of Education Budget over the years

% of budget in education	2021/22	2022/23	2023/24	2024/25	2025/26
Koshi	3.67	3.83	2.84	2.98	2.62
Madhesh	2.59	3.76	2.07	2.06	2.08
Bagmati	2.34	2.27	2.83	5.56	5.75
Gandaki	4.8	4.7	5.05	2.85	2.95
Lumbini	5.19	5.21	5.73	6.43	8.96
Karnali	2.46	2.67	2.27	2.95	2.62
Sudurpaschim	10.44	11.04	7.85	10.88	12.62

Source: Budget Speech of Provinces 2025/26

Figure 5: Share of Education Budget over the years



Source: Budget Speech of Provinces 2025/26

Review of data over the years indicates that the highest allocation is seen in Sudurpaschim Province, which has gradually increased its share from 7.85% in 2023/24 to 12.62% in 2025/26. While this upward trend is commendable, it still falls significantly short of the national target.

Other provinces show either stagnation or minimal improvement. For instance, Lumbini has increased its education budget share from 5.73% to 8.96%, and Bagmati from 2.83% to 5.75%, indicating some progress. However, provinces like Koshi, Madhesh, and Karnali have remained consistently low, hovering around 2–3%, which reflects a lack of prioritization for education in their fiscal planning. Gandaki Province, which had a relatively higher allocation of 5.05% in 2023/24, saw a decline in 2024/25 before a slight recovery, suggesting inconsistency in commitment.

This widespread shortfall in education funding raises serious concerns about the provinces' ability to support quality education, improve infrastructure, train teachers, and ensure equitable access, particularly in underserved and rural areas. The data underscores the urgent need for provincial governments to reassess their budgetary priorities and align them with national education goals and international commitments. Without significant and sustained investment in education, the broader objectives of social equity, economic development, and human capital enhancement will remain unfulfilled.

Allocation by Programs

Data on disaggregated allocation by agencies and programs at province level are not yet public in the public domain. Therefore, this section only examines province level education budget allocation by different sub-sectors of education.

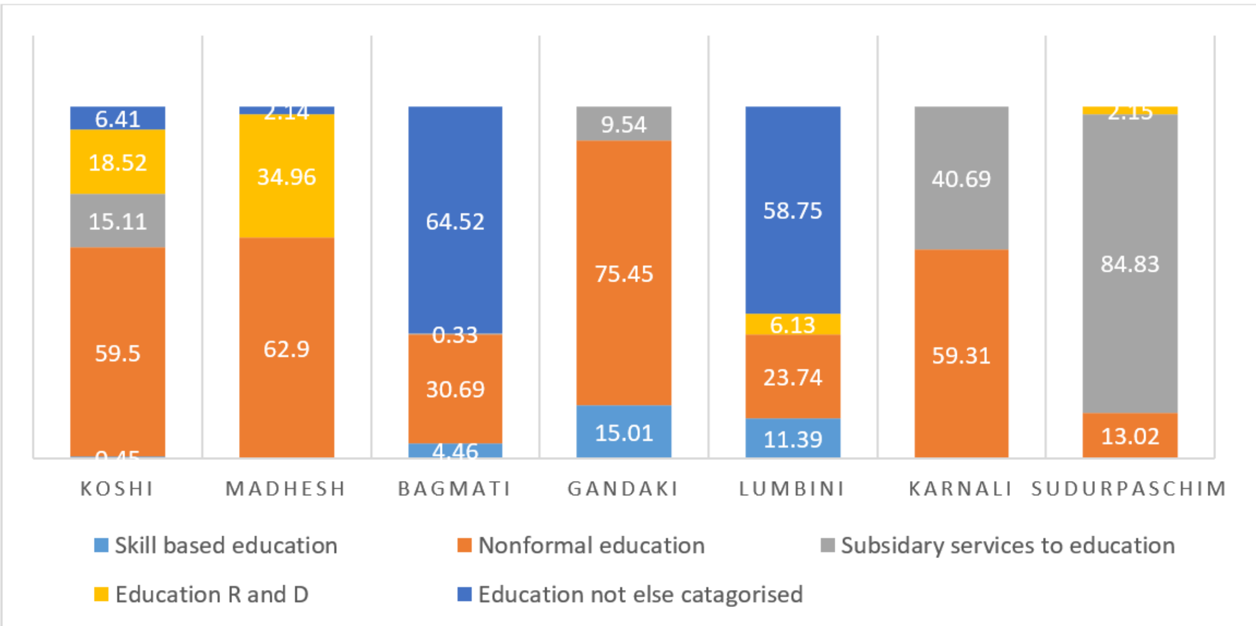
The table below provides details of education sector spending by different province governments.

Table 8: Budget Allocation by Program seven provinces (in 000)

	Koshi		Madhesh		Bagmati		Gandaki		Lumbini		Karnali		Sudurpaschim	
	NRP	%	NRP	%	NRP	%	NRP	%	NRP	%	NRP	%	NRP	%
Skill based education	4200	0.45			173286	4.46	141664	15.01	397168	11.39				
Nonformal education	559800	59.5	614800	62.9	1191200	30.69	712326	75.45	827900	23.74	512104	59.31	550100	13.02
Subsidary services to education	142199	15.11			13000	0.33	90103	9.54			351299	40.69	3583339	84.83
Education R and D	174268	18.52	341771	34.96					213686	6.13			90610	2.15
Education not else catagorised	60335	6.41	20916	2.14	2503755	64.51			2049203	58.75				

Source: Red Book and Budget Speech of Provinces 2021/22 to 2025/26

Figure 6: Breakdown of education Budget by Category



Source: Redbook and budget speech of seven provinces

Data in table 6 indicates that informal education receives a substantial share in all provinces, particularly in Koshi, Madhesh, and Gandaki, where it accounts for the majority of the education budget. This suggests a strong focus on non-formal learning programs, possibly targeting adult literacy, community-based education, or alternative schooling.

Moreover, a striking feature in Bagmati and Lumbini is the large allocation to "Education not elsewhere categorized" (NPR 2.5 billion and NPR 2.05 billion respectively). This could indicate either flexible or poorly defined spending categories, which may hinder transparency and accountability in education financing. Besides, Sudurpaschim Province allocates a massive NPR 3.58 billion to subsidiary services—far more than any other province. This likely includes support services such as transportation, meals, or administrative infrastructure, reflecting a unique prioritization that may support access and retention in schools.

Despite the growing importance of vocational and technical training, skill-based education receives minimal attention. Only Bagmati, Gandaki, and Lumbini allocate modest amounts, while other provinces allocate nothing. This underinvestment could limit opportunities for youth employment and economic empowerment. Investment in education research and development is low across the board, with Bagmati and Karnali allocating nothing. This lack of focus on innovation and evidence-based policy development may hinder long-term improvements in education quality and system reform.

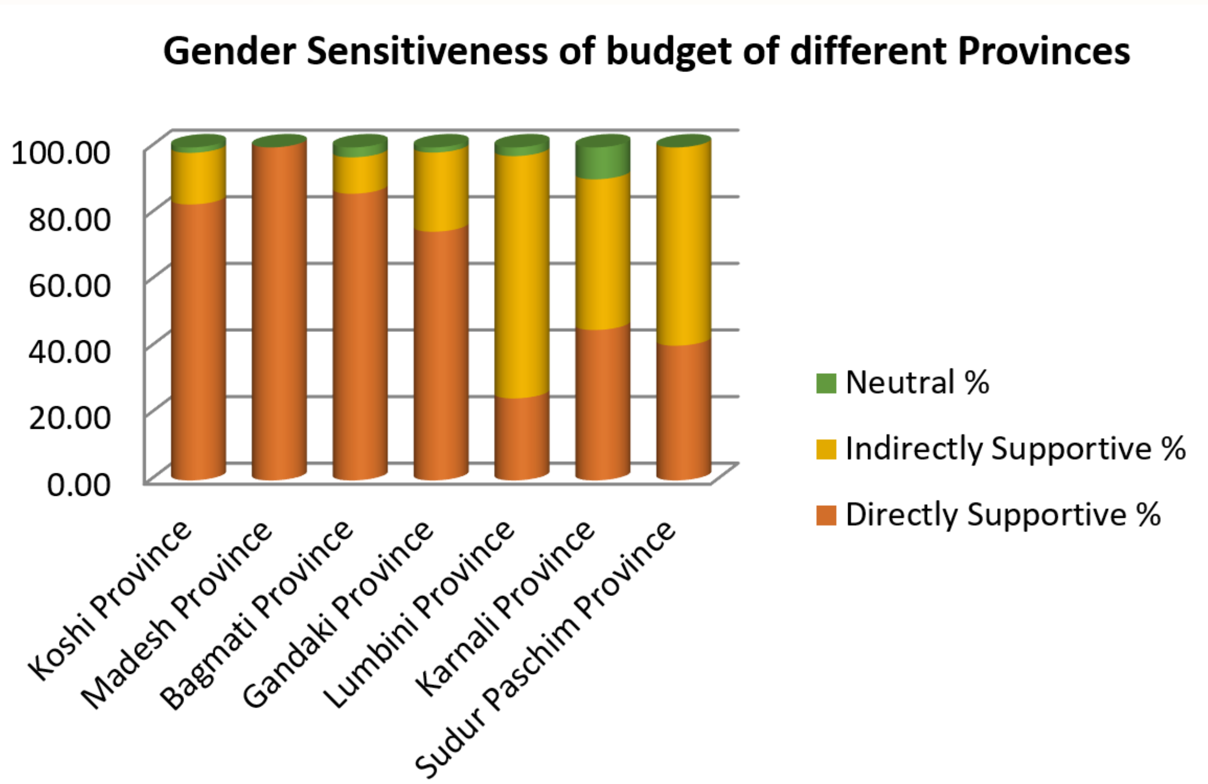
Chapter 5 GENDER RESPONSIVE BUDGET

Gender sensitivity is considered an important component of the budget. The table below provides an overview of different provinces' budgets in terms of gender responsiveness.

Table 9: Gender Responsive budget of Seven Provinces

Gender Responsive Budget of Social Development Ministry (%)							
Particulars	Provinces						
	Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
Directly Supportive	82.87	100	86.08	74.68	24.60	44.18	40.43
Indirectly Supportive	15.50		10.93	2 3.77	72.78	44.26	59.51
Neutral	1.63		2.99	0	2.61	9.38	0.006

Figure 7: Gender Sensitiveness Budget of Seven Province



Source: Budget Speech of Provinces 2025/26

The gender-responsive budgeting data from the Social Development Ministries across Nepal's provinces for FY 2025/26 reveals significant disparities in both the scale and structure of gender-focused spending. Madhesh Province stands out with an exceptionally high allocation of NPR 357.67 billion categorized as directly supportive of gender equality, accounting for 100% of its gender-responsive budget. Karnali allocates 45.17% of its gender-responsive budget to directly supportive programs and 45.25% to indirectly supportive ones, while Sudurpaschim allocates 40.45% and 59.54% respectively. Other provinces show mixed patterns. Bagmati Province, despite its economic strength, allocates only NPR 3.75 billion to directly supportive programs (86.08%) and a modest 10.93% to indirectly supportive ones. Lumbini, on the other hand, leans heavily on indirectly supportive spending (72.76%) with only 24.62% directly targeting gender equality, indicating a lack of targeted interventions. Koshi and Gandaki Provinces also show relatively low absolute allocations, though Gandaki maintains a more balanced distribution between direct and indirect support. Karnali shows a higher neutral share (9.58%), suggesting room for improvement in integrating gender perspectives into all areas of budgeting.

Chapter 6

BUDGET AND ITS CONTRIBUTION IN SDGS

The data on provincial budget allocations across Sustainable Development Goals (SDGs) in Nepal for fiscal year 2025/26 reveals significant disparities in how provinces prioritize development objectives. A critical concern is the substantial portion of budgets not aligned with any SDG—most notably in Bagmati (62.18%), Karnali (31%), and Lumbini (30.11%). This lack of alignment suggests a gap in strategic planning and weak integration of the SDG framework into provincial fiscal policies.

The table below provides an analysis of the budget allocated by different provinces and its contribution to achieve SDGs.

Table 9: Gender Responsive budget of Seven Provinces

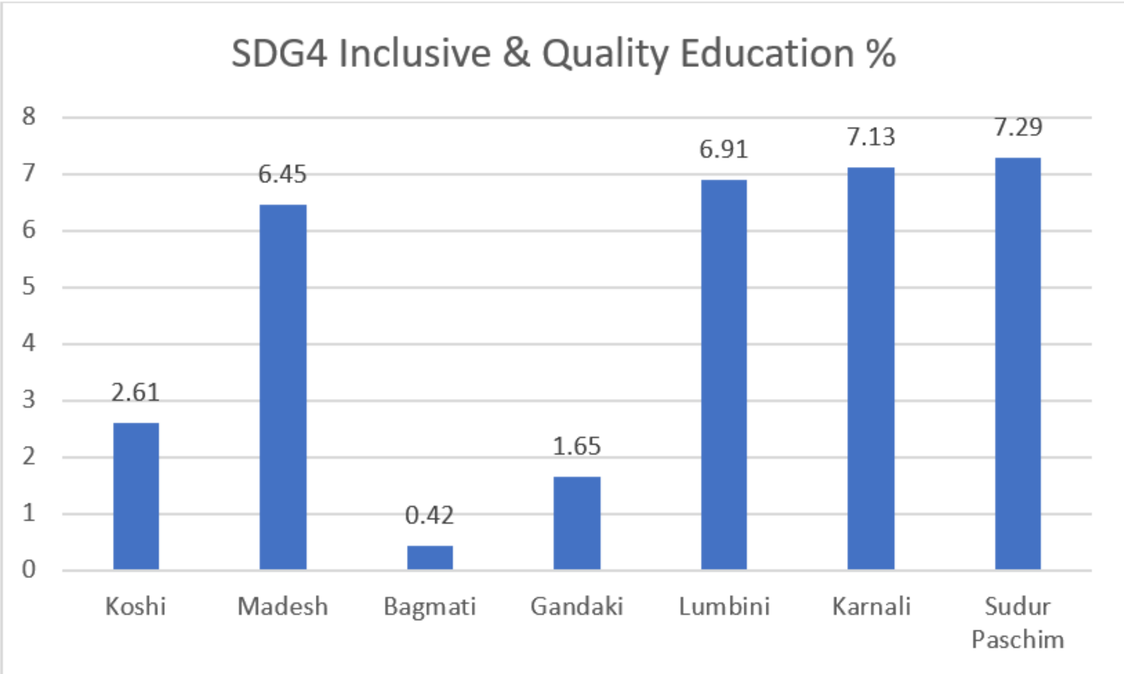
Goals	SDGs	Koshi	Madesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
0	Not allocated for any SDG	0.2	13.87	62.18	24.75	30.11	31	20.07
1	Zero Poverty in all forms	10.26	3.13	0.28	3.41	0.21	14.8	6.23
2	Zero Hunger	2.8	2.31	1.08	5.94	5.71	1.35	3.49
3	Healthy Lives	9.84	16.94	2.6	10.48	9.39	7.06	8.09
4	Inclusive & Quality Education	2.61	6.45	0.42	1.65	6.91	7.13	7.29
5	Gender Equality	0.07	0.03		0.16	0.16	1.91	4
6	Sustainable Clear Water/ Sanitation	5.38	1.82	0.04	5.24	4.04	3.61	7.39
7	Access to modern energy	0.58		0.66	0	0.23	0.2	0
8	Inclusive Economic Growth	8.37	9.61	0.42	0.11	0.85	2.83	23.91
9	Resilient Infrastructure	29.72	37.37	1.6	35.56	22.53	4.08	0.71
10	Inequality Reduction	0	2.64	0	0.28	3.37	0.84	1.26
11	Sustainable Cities and settlements	3.24	0.21	26.09	1.93	10.05	15.88	3.95
12	Responsible consumption and production	1.24	0.09	0.5	2.75	0.47	4.15	0.08
13	Climate chage adaptation	0.76	4.51	0.88	3.26	1.65	3.06	10.7
15	Sustainable Utilization of ecosystem	5.17	0.64	0.33	0	1.92	0.89	0.79
16	Peaceful, Just & Active Society	6.22		2.62	3.29	2.4	1.02	1.08
17	Partnerships for SDG	13.54	0.38	0.3	1.19	0	0.19	0.96
	Total	100	100	100	100	100	100	100

Source: Budget Speech of Provinces 2025/26

Investment in SDG 4 (Quality Education) and SDG 5 (Gender Equality) is particularly underwhelming. No province allocates more than 7.5% of its budget to education, with Bagmati allocating just 0.42%, despite being one of the most resource-rich provinces. Similarly, gender equality receives minimal attention, with most provinces allocating less than 1%, except Sudurpashchim (4%) and Karnali (1.91%). This underinvestment undermines Nepal's commitment to inclusive development and the global 2030 Agenda, especially in areas critical to human capital and social equity.

On the other hand, some provinces show heavy investment in infrastructure (SDG 9), such as Madhesh (37.37%) and Gandaki (35.56%), indicating a development model focused on physical growth. While infrastructure is vital, the imbalance suggests that social sectors are being sidelined. Sudurpashchim stands out for its relatively balanced approach, with notable allocations to education, gender, health, and economic growth, though still below global targets

Figure 8: SDG4 Inclusive & Quality education



Source: Budget Speech of Provinces 2025/26

Overall, the data reflects a fragmented and uneven approach to SDG budgeting across provinces. To ensure sustainable and inclusive development, provinces must realign their fiscal strategies to better reflect national priorities and global commitments, particularly in education and gender equality, which are foundational to achieving long-term development outcomes.

Chapter 7 CONCLUSION & RECOMMENDATIONS

Conclusion

This analysis highlights both promising developments and persistent challenges within Nepal's federal education financing landscape. Across all seven provinces, education does not remain a central component of public investment, though it exists with varying degrees of priority reflected in total allocations, capital vs. recurrent spending, and targeted initiatives. Despite the constitutional mandate and SDG commitments, there remains a significant gap in translating policy intent into targeted and equitable resource distribution. Additionally, provincial disparities in the number of schools, per capita education expenditure, and capital investment point to systemic inequality, which can reinforce educational disadvantage in remote and underserved areas.

The disparity between the policy goal and actual spending highlights the need for a strategic reassessment of fiscal priorities. Without adequate investment in education, long-term socio-economic development and human capital formation will be severely constrained. Provinces must align their budgets with national education goals and international commitments such as the Sustainable Development Goals (SDG 4), which emphasize inclusive and equitable quality education for all.

While provinces should progressively embrace their responsibilities in education financing, there is an urgent need to strengthen planning, execution, and monitoring systems to ensure that budget allocations result in improved educational access, equity, and learning outcomes.

Recommendations

- Increase investment in education up to atleast 20% of the province budget, particularly focused for retention, infrastructure, and quality improvement in provinces.
- Strengthen equity-focused budgeting by prioritizing marginalized groups, girls, and students in remote areas through targeted scholarships, free textbooks, and meal programs.
- Improve budget execution capacity by supporting provincial ministries with technical assistance in planning, procurement, and monitoring of education pro
- Expand capital investment in education infrastructure, to address disparities in school access and facilities.
- Align provincial education budgets with SDG 4 targets and constitutional mandates to ensure policy coherence across levels of government.
- Develop a centralized education financing dashboard to track intergovernmental fiscal transfers to education across provinces and ensure better transparency and accountability.
- Promote inter-provincial learning and collaboration through forums that allow sharing of good practices in education budgeting and implementation.
- Encourage integration of gender-responsive and inclusive budgeting frameworks at the provincial level to better address the needs of vulnerable and underrepresented groups in education.
- Strengthen education data systems to allow real-time tracking of enrollment, dropout, and performance indicators disaggregated by geography, gender, and caste/ethnicity.

National Campaign for Education Nepal (NCE Nepal)
Babarmahal, Kathmandu, Bagmati Province
Contact No.: 01-5323420, 01-6203009
P.O.Box No.: 14421
Website: www.ncenepal.org.np
Email Id: info@ncenepal.org.np
Facebook page: NCE Nepal