

ILLUSTRATION: BINAY SINHA



# Carrying the ideas of NEP to execution

The NEP makes progress in some elements, these need execution, the rest need improvement

In fields like education and health care, there is a tension between government as producer versus government as regulator versus government as funder. The New Education Policy (NEP) makes a beginning in proposing a separation between these “pillars of intervention”. A lot of mainstream knowledge in the field of state capacity and regulation in India can be applied to constructing capable regulatory organisations. When performance is demanded out of a school, and when government resourcing goes into a child, there should be equal treatment between a government school and a private school. These things will work best in a decentralised fashion.

The first question that should be asked, when thinking about public policy in any field, is, “What is the market failure?” In the field of education, there is one market failure, the presence of externalities. When one child gains knowledge, not all of this gain is reaped by the child. Part of the gains for society come from positive externalities that spill over to others. This market failure can be addressed through financing: By raising general tax revenues and reimbursing parents for part of their school expenditures.

There might also be a market failure in the form of asymmetric information. It is hard for parents to decipher whether a school is doing more than just being a day care. There is a case for using state power to do a little regulation, for example, by forcing the measurement of the knowledge of kids

before and after each grade. The release of such information, on a per-school basis, can help parents choose which school is best for their kids.

This logic suggests two required pillars of intervention: A financing pillar (about getting public money to parents in a way that is linked with education expenses) and a regulation pillar (about improving the purchasing decisions of parents). In India, for historical reasons, the government has put its primary focus upon a third and different pathway: Of using public money to run schools. This pathway suffers from significant problems as a large education bureaucracy was created with low accountability.

The incumbent education bureaucracy is imbued with the worldview of a producer of school services, with an appetite for spending more money. Per-child expenditure on government schools in Delhi went up by 123 per cent from 2013 to 2019 and stood at

₹66,038 per child in 2018-19. Alongside this, there is weak evidence that kids in government schools have commensurate learning outcomes in 2018-19 or gains in learning outcomes over the six years. The education bureaucracy has avoided Indian participation in global comparisons of the knowledge of kids, such as the Programme for International Student Assessment by the Organisation for Economic Co-operation and Development, which might lead citizens and politicians to demand performance in return for these vast expenditures (e.g. <https://bit.ly/31yPWUj>).



## SNAKES & LADDERS

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There are conflicts between the three pillars of intervention. The government education bureaucracy thinks like the manager of a corporation that runs weak schools. This same bureaucracy wields the coercive power of the state in regulation; thus the coercive power is used to harm private schools. This same bureaucracy controls the mechanisms of expenditure on education; thus public money does not reach private schools. As an example, in Uttar Pradesh, reimbursement to private schools under the Right to Education Act has been set to ₹450 per child per month, while expenditure per child in government schools is ₹3,064 per month.

The NEP offers some progress on these problems. It has clarity in the establishment of two of the three pillars of intervention: Between the directorate of education at the state level (responsible for running government schools) versus a “State School Standards Authority” (to perform regulatory functions) in each state. The NEP talks about a level playing field, where the Standards Authority should be neutral in its treatment of government schools versus private schools. And it envisages better measurement of learning outcomes at different levels.

These three elements can add up to useful gains if well executed. The puzzle will lie in organisation design, through laws and process manuals, of the two pillars of intervention: The regulation function and the production function. There is a lot of knowledge in the field of state capacity and regulation, in India, which can be applied to doing these things well, for example, Anand and D’Souza, 2019 (<https://bit.ly/2PvV8TA>) analyse the design of the regulator.

While the NEP makes progress on these things, it suffers from two important defects. The first is hostility towards for-profit private schools. It is healthy if for-profit schools vie for the attention of parents. We should not demonise profit; we should harness the private thirst for profit into pathways that foster better education and addressing market failure.

The second is the need for a decentralised approach. The NEP seeks to force a single design upon every corner of the country. This is out of touch with the Constitution of India, which views education and health as state subjects. It is also out of touch with the immense diversity seen across the country. The problems of public policy in education are quite different in (say) Kerala versus Uttar Pradesh. No one document can usefully address both locales. Indeed, even within Kerala, there are important differences between various districts and cities. There is value in more decentralised thinking, of placing the leadership role at cities and state capitals, in living up to the vision of India as a union of states.

We, in India, face a long-standing failure of policy in health and education. In both these areas, there is a lack of understanding of market failure and the role of the state. State power and resourcing tend to cater to an incumbent establishment, which has the worldview of the manager of production facilities for schools/hospitals. The way forward lies in separating out the three pillars of intervention (producing versus regulating versus financing), and subjecting each to tough accountability procedures.

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