

# Education Sector Hotline

March 12, 2019

## TRANSFORMING RTE THROUGH IMPACT INVESTMENT

The Constitution of India was amended in the year 2002 to make the right to education for children, in the age group of six to fourteen years, a fundamental right.

To give effect to this right, the Indian Parliament enacted the '*Right of Children to Free and Compulsory Education Act, 2009*' (RTE Act) with the aim to provide free and compulsory elementary education to all children between the age group of six to fourteen years. This is a central legislation applicable to the entire country. The implementation of RTE Act has been left to each state through respective state specific rules.

## OBLIGATIONS UNDER RTE ACT AND ISSUES IN IMPLEMENTATION

The RTE Act is a legislation which places responsibilities on the government as well as private schools to fulfil its objective of providing elementary education to children.

While the Central Government provides :

- i. grant-in-aids to state governments
- ii. technical support and resources to state governments for promoting innovation, researchers, planning and capability building

there are other obligations on the central/ state government<sup>1</sup> as well. Some of the key obligations includes:

- i. establishing schools within such areas or limits of neighborhood as may be prescribed
- ii. ensuring availability of neighborhood schools
- iii. providing funds for carrying out provisions of this RTE Act
- iv. providing free elementary education to children of age 6-14 years
- v. providing infrastructure including school building, teaching staff and learning equipment
- vi. providing training facility for teachers
- vii. reimbursement of per-child expenditure to RTE students admitted by unaided schools

The implementation of all/ any of the above requires the requisite budgetary allocation which is almost never adequate. Government budgets for education have been woefully lacking as a percentage of our GDP. As a result, governments grapples with setting up schools and providing them with basic infrastructure facilities (benches, water, toilets etc).

Hence, RTE Act is not being implemented in its truest form mainly because of lack of adequate funds in states across India.

Unaided schools (including private schools)<sup>2</sup> also have to fulfill affirmative action obligations under the RTE Act. These schools are required to admit in Class I (or pre-schools where they are attached to schools) to the extent of 25% of the strength of the class, children belonging to weaker section and disadvantaged group in the neighborhood and provide free and compulsory education till its completion. The inability of the governments to provide adequate schooling opportunities automatically shifts the burden of RTE on private unaided schools.

Private unaided schools are entitled to reimbursement from the government on a per-child expenditure basis. This per child amount is pegged to the fee / expenditure related to a child in a government school in that area. This is of course much lower than what the private schools themselves end up spending in fulfilling their RTE obligations. The reality is that the governments are generally not even in a position to reimburse the schools for the basic expenditure as well. The lack of this basic support from the governments has also led to many low cost private schools having to close down as a result of their inability to comply with RTE obligations. Resultantly, the unaided and private school sector is unable to comply with their constitutional obligations.

With proper budgetary support, government as well as private schools can become instrumentalities for change and effective implementation of RTE. The question that arises is how to effectively fund and monitor RTE?

## SOLUTION THROUGH IMPACT INVESTMENT

Impact investment could be the possible solution to this issue as the philosophy of impact investment is based on generating returns through creating a positive social impact.

The model could include a structure facilitating domestic and foreign grants to public charitable trust / society / section 8 company operating schools. The purpose of grant would be to effectively implement RTE Act. These grants could help solve the funding issues of the government / private schools. In addition, the grants and any further funding would be linked to the specific RTE related outcomes being achieved, such as improvement in RTE

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enrollment, learning outcomes of RTE students, their progression and other similar quality matrix.

This funding model will encourage schools to effectively implement their duties and discharge their obligations under RTE Act with a focus on quality and learning outcomes. It would also supplement or in some cases even replace the funding responsibilities of the government. Effective implementation of this model could lead to a transformational improvement in the primary education system in India.

– **Aarushi Jain & Vivek Kathpalia**

You can direct your queries or comments to the authors

<sup>1</sup> As applicable.

<sup>2</sup> Except minority schools.

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