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FOR A

COMMUNITY SCHOOL SUPPORT PROJECT

June 11, 2003

**Human Development Sector Unit  
South Asia Regional Office**

## CURRENCY EQUIVALENTS

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## FISCAL YEAR

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## ABBREVIATIONS AND ACRONYMS

|      |                                       |
|------|---------------------------------------|
| BPEP | Basic and Primary Education Program   |
| CAS  | Country Assistance Strategy           |
| CBO  | Community Based Organizations         |
| CSC  | Central Steering Committee            |
| CSSP | Community School Support Project      |
| DDC  | District Development Committee        |
| DEO  | District Education Office             |
| DFP  | District Focal Person                 |
| DOE  | Department of Education               |
| DSC  | District Steering Committee           |
| DTCO | District Treasury Controller Office   |
| EFA  | Education For All                     |
| FCGO | Financial Comptroller General Office  |
| FMR  | Financial Monitoring Report           |
| FP   | Focal Person                          |
| IAP  | Immediate Action Plan                 |
| IDA  | International Development Association |
| LIL  | Learning Innovation Loan              |
| LSGA | Local Self Governance Act             |
| MDG  | Millennium Development Goals          |
| MOES | Ministry of Education and Sports      |
| MOF  | Ministry of Finance                   |
| MOLD | Ministry of Local Development         |
| NGO  | Non Government Organization           |
| NPC  | National Planning Commission          |
| OAG  | Office of the Auditor General         |
| PAC  | Project Advisory Committee            |
| PFP  | Project Focal Point                   |
| PMC  | Project Monitoring Committee          |
| PRSP | Poverty Reduction Strategy Paper      |
| RRSG | Regional Research Support Group       |
| SAC  | Social Audit Committee                |
| SMC  | School Management Committee           |
| SO   | Support Organization                  |
| VDC  | Village Development Committee         |

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**COMMUNITY SCHOOL SUPPORT PROJECT**

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## **A. LIL Justification**

### **1. What is to be learned (why the piloting)?**

Prior to nationalization of schools in 1972, Nepal almost exclusively relied on community-owned schools for school education. These schools, established through community initiatives, were funded through tuition fees and block grants from the Government. In the quest for improvement of quality of education through assured funding and technical support, the Government nationalized schools. In spite of the sizeable investment that the Government has made since then, the extent of improvement in quality and efficiency of school education did not match with the expectations of the Government or the public. The large gap between the pass rates in the School Leaving Certificate Examinations of public and private schools introduced in the mid-eighties – around 80 percent for private schools and 15 percent for public schools – is being perceived as a glaring example of the failure of the public school system. This has led to the loss of faith of the public in public schools. At present, private provision accounts for around 10 percent of primary enrolment and 20 percent of secondary enrolment. The perceived large gap in quality between the private schools - catering to richer section of the population - and public schools - catering to the poorer - has led to a virtual segregation of education along the wealth status.

Reflecting the widely shared public perception that nationalization of schools did not meet the expectations, the Seventh Amendment of the Education Act, passed in 2001, articulated the policy of devolving school management responsibilities to communities, and renamed all public schools as community schools. In 2002, the Government embarked on the transfer of management of government-funded community schools, hereinafter referred to as government-funded schools, to the community level by offering all communities the option of taking over government-funded primary schools financed on a block grant basis, subject to meeting some basic prerequisites. The Government is about to meet the immediate target of transferring 100 out of over 21,000 government-funded schools to community management. The objective of the proposed Community School Support Project (CSSP), a Learning Innovation Loan (LIL), is to assist the government gain critical experience for successfully up-scaling the transfer of management of government-funded schools to communities.

Transfer of management of government-funded schools to communities is one of the basic strategies of the Tenth Plan aimed at achieving the Education for All (EFA) and Millennium Development Goals (MDG) targets. The lessons learned from the CSSP will help to achieve the EFA/MDG targets by raising the efficiency of investments in school education.

Before nationalization of schools in 1972, there were about 4,000 community schools. Therefore, Nepal does have a wealth of experience on management of schools by communities. However, this experience alone may not be sufficient for success of the on-going transfer of schools to communities, as the socio-political landscape has changed since then. Some of the major changes that have implications for community school operation are emergence of private schools, replacement of the party-less Panchayat System by a multi-party democracy and the policy of devolving school education to local bodies in accordance with the Local Self Governance Act (LSGA) of 1999.

The richer section of the population, which patronized community schools prior to 1972, no longer has a stake in community schools, as at present, its needs, by and large, are being met by private schools. Winning back the original patrons as well as building the capacity of its constituency mainly consisting of poor parents is a challenge for schools being transferred to communities.

The earlier community schools were basically funded by local communities with token assistance from the Government. The new community-managed schools will receive sizable funding from the

Government, and will be more of a Government-community partnership than the previous community-owned schools. The move towards this partnership from the Government command and control system implies serious behavioral change for the civil servants, teachers and communities. Likewise, the degree of autonomy that the schools transferred to communities will enjoy may not be the same as that of community schools in pre-nationalization days.

The LSGA articulates the Government policy of devolving the responsibility for managing primary education to the Village Development Committees (VDCs) - the lowest level of local body - and lower secondary and secondary education to District Development Committees – the highest level of local body. Some proponents of decentralization feel that the Seventh Amendment of the Education Act, 2028 BS, promulgated in 2001, which has paved the way for transferring schools to community management, does not clearly articulate the role of local governments with respect to management of schools. Therefore, there is some confusion at the policy level on the role of local bodies with respect to school education. In spite of this confusion, local bodies have been playing a critical role in promoting school education. It is desirable that the role of local bodies with respect to community-managed schools be crystallized so that the community-managed schools could maximize support from them. The project will aim at forging a strong partnership between schools and the local government - one of the main stakeholders of the schools.

Restoration of a multi-party democracy in 1990 has considerably changed the culture of teachers and other stakeholders, therefore the approach to school management that existed prior to 1972 may not be fully applicable now.

The proposed Community School Support Project (CSSP) seeks to learn about the following: (i) the characteristics of “successful” community-managed schools; (ii) the approaches for formation of school management committees that represent the interest of the entire cross-section of parents including the socially excluded groups; (iii) the needs, modalities and costs for capacity building at community, school, village development committee/municipality, district and higher levels to ensure effective management of schools by communities; (iv) the promising approaches for ensuring access to all primary age children, including those from indigenous peoples - disadvantage janjatis (indigenous nationalities), dalits and disadvantaged communities - in the school service area, and enhancing gender parity, completion rates and quality of education; (v) the role of local government and line agencies with respect to community-managed schools; (vi) service conditions of community-employed teachers that ensures their efficiency; and (vii) the desired changes in the existing legal framework and policies for successful operation of community-managed schools.

## **2. How are the results going to be used (vis a vis CAS objectives and any follow-on operation)?**

**Document number:** 25205 - NEP

**Date of latest CAS discussion:** 12/19/2002

Devolution of responsibility for management and financing of schooling with the intention of raising overall accountability of Government schools was the primary means in the CAS of reaching the objective of improving the poor quality of service delivery by public schools. This project will help generate the critical knowledge needed for successful transfer of responsibility for management of government-funded schools to communities. Therefore, the results of this project will be of direct relevance for meeting the CAS objectives.

IDA, together with seven other donors, are supporting the basic and primary education sub-sector through the Basic and Primary Education Program II (BPEP II), and five of these donors, including IDA, are funding this program through a basket funding mechanism. IDA is supporting this program through

an Adaptable Program Loan (APL) called the Basic and Primary Education Project II, the first phase of which will end in July 2004. The Government and the BPEP donors are now engaged in preparation for the next five-year phase of the BPEP. The Poverty Reduction Strategy Paper (PRSP) aims at transferring management of 8,000 schools to communities by mid-2007. In response to this government goal, the BPEP will have to be able to support community-managed schools. This project aims at developing the critical knowledge base for the BPEP so that it is well equipped to cater to the needs of community schools. As the next phase of the BPEP is being planned for delivery through a flexible programmatic approach and transfer of schools to communities is to be implemented gradually, the learning from this project will be relevant for the next phase of the BPEP.

In a larger context of the serious reform process that Government is undertaking, the initiative to transfer government-funded schools to community management also has an important place. Given the entrenched structure of poor governance, reforming the public sector and making it more responsive to the needs of the poor may face strong resistance. To sustain the reform process, therefore, Government must win the confidence of the common people and create a broad-based constituency for reform. The transfer of government-funded schools to community management is one of the most concrete and immediate steps the Government can take to demonstrate its commitment to changing the way it serves the people. The success of the overall reform process will importantly hinge on the success of this initiative.

### **3. Other countries or situations where similar efforts have shown promise.**

The poor service delivery by public schools is not unique to Nepal. Therefore various strategies for improving service delivery of public schools are underway across the world. The experience of community-managed schools in Guatemala, Nicaragua and El Salvador indicates the potential of community-based approaches in school management. The success of a large number of community-owned schools in Nepal, which do not receive public funding, also indicates the potential for success of public schools transferred to community management. Similarly, the experience of the UNDP-supported Community Owned Primary Education (COPE) program indicates the capacity of communities to manage schools.

## **B. Structure of the Pilot**

### **1. How will learning take place?**

To respond to the need for taking reform actions urgently and to seize the political opening, the Government has launched the school transfers somewhat opportunistically. While the Government has issued basic guidelines for management of schools and developed a legal agreement that is used to formalize the obligations of the school management committee and the Government, many issues will need to be addressed in making these community-managed schools truly effective. The Government is learning to do it right as it proceeds. The proposed CSSP will assist the Government in this evolutionary approach to implementing a simple concept that nonetheless requires much attention to details in its application. Careful process documentation of the experience from the initial phase of transfers and its analysis will help in the learning of critical design details as the transfers proceed to scale. In fact, emergence of a well-designed support system and evidence of substantial improvement in educational outcomes will be necessary to convince many communities to take up the option now presented to them.

Each school is unique by virtue of the distinctive characteristics of its stakeholders. A one-size-fits-all tendency of top-down planning will be counterproductive for community-managed schools. The Government's school transfer initiative aims at facilitating the stakeholders to choose their own unique vision, mission, and goals for their schools. Therefore, the primary focus of learning in this project will



be on learning how outside agencies such as local administration and line agencies facilitate and support the community-managed schools in their endeavors to improve school effectiveness.

In this project, the following structure will be used for learning:

- The community -- parents, teachers and SMC -- in partnership with NGOs/SOs (Support Organizations, which includes NGOs, firms and community managed schools) and with support from the local bodies will arrive at a vision of school reform and design, implement, monitor, evaluate and document school activities.
- A network of the community-managed schools will be formed to facilitate exchange of experience among the community-managed schools.
- The MOES staff, resource persons and the Research Support Groups (RSGs) will provide professional support to the communities and NGOs/SOs. The MOES with support from the RSGs will periodically analyze the experience of community-managed schools and draw lessons, which will be communicated to the schools.
- At the end of the program, the project will be evaluated by independent consultants.
- The RSGs will receive guidance from the Central Steering Committee.

## **2. Outcome-level test to be conducted**

The best indicator of the positive outcome from the project will be a significant increase in number of community-managed schools. Other outcome-level indicators to be tested are participation rates, promotion rates and learning achievements. While participation rates can improve relatively quickly, improvement in promotion rates and learning achievements takes time, and consequently, results of the project inputs may be evident only after the completion of the project. Therefore, transformation of the school environment in terms of factors such as class occurrence, student regularity, user satisfaction, participation of parents from diverse socio-economic backgrounds in school governance activities, extracurricular activities, cleanliness, which will eventually translate into improvements in promotion rates and learning achievements and a lot beyond, will also be tested. For the purpose of the outcome-level testing, a baseline will be established in a sample of government-funded community-managed schools - treatment group, government-funded schools transferred to community but not receiving project support except for the incentive grant - partial treatment group, and government-funded schools managed by the Government-control group. The achievement of these groups of schools at the end of the project will be compared with the baseline to find out whether community-management leads to better outcomes.

## **3. Steps involved in conducting the pilot**

The pilot will be undertaken using the following steps:

- Following the project effectiveness, a communication campaign will be launched to attract more schools to community management.
- The project will seek applications from the schools transferred to communities that are willing to take advantage of the project support. The schools will be selected for support from the project according to predetermined criteria.
- This process will be repeated periodically till the project target in terms of number of schools to be supported is met.
- Hiring of NGOs/SOs for community mobilization and Research Support Groups (a private agency) to support the piloting.
- Establishing self-organizing community groups to help the community – parents, teachers, school

management committees, local government, and social workers and politicians - to assume leadership in school improvement process. Community groups will comprise location specific CBOs as well as interest groups such as dalit groups, janjati groups, and groups of households excluded from education.

- Formulating a school vision through a participatory approach.
- Establishing a baseline in terms of access to, and efficiency and quality of education together with characteristics of school environment in participating schools. The indicators for the baseline will be compatible with the shared school vision of the community and capture the ethnic diversity of the community.
- Participatory monitoring of changes in the school.
- Sustained financial and technical support to the community from Government agencies, Research Support Groups and NGOs/SOs to maintain community leadership in the school transformation process.
- Mid-term review after one year.
- Final evaluation of the project outcome.

#### 4. Learning expectations to be documented in the pilot

- Economic       Technical       Social       Participation  
 Financial       Institutional       Environmental       Other

*Economic:* Although the outcomes expected from the investment in school education such as improvement in participation rates, efficiency and quality have been clearly articulated, there is not enough knowledge about the costs involved in achieving these outcomes, as the relationship between inputs and outcome is vague at the best. This project will help to make an initial attempt to establish this relationship, and will also document the possible sharing of these costs between various stakeholders.

*Financial:* Over 80 percent of the public expenditure on education is being allocated to school education. The total resource transfers to schools by far exceeds the total transfer of funds to Village Development Committees - the lowest level of local bodies. But this resource transfer to the schools, however, have not empowered the communities or schools as the development budget has largely been spent by the line agencies on behalf of the schools, while the regular budget is tied to teachers employed by the Government. This project aims to learn the impact of flow of financial assistance in cash rather than in kind to project supported schools on the efficiency of school management.

*Technical/pedagogic:* School education experience so far has revealed that children and school should be the foci of all education development activities so that the yields from investments in education could be maximized. However, translating this concept into practice has been difficult mainly due to systemic resistance to flowing funds directly to schools as opposed to availing schools with assistance in kind – civil works, goods and services. This project aims at facilitating focus on schools and children by channeling over 80% of the project funds directly to schools. This project is expected to provide valuable documentation of experience related to the way the school/community makes choices on issues related with pedagogy, school environment, teachers, parents, physical facilities, instructional and learning achievement standards, etc.

*Community participation/management:* The transfer of school management to School Management Committees dominated by the parents, elected from among the parents of children studying in community schools, gives an excellent opportunity to make schools directly accountable to the parents – the closest stakeholders of the school. The degree of accountability of SMCs to parents will, however, depend upon the extent to which parents are able to organize themselves and the degree to which they represent all stakeholders in the community. The major focus of the CSSP is in building sustainable institutional

structures at the community level that can continuously monitor and support SMC initiatives. The procedures or practices that can ensure election of the SMC representing all cross-section of the society including the marginalized are another area of focus of this project. The CSSP is expected to provide valuable insights into the potent modalities for building capacities of the communities for managing schools, and monitoring and supporting school activities.

*Social inclusion:* Mainstreaming out-of-school children is one of the critical challenges on the path towards achievement of the Universal Primary Education goal of the Education for All (EFA) and Millennium Development Goals (MDGs). These challenges have proved to be formidable because of the inherent biases of the institutions that deliver education resulting from the prevailing power, social and caste structures. The CSSP specifically aims at assisting marginalized/disadvantaged communities in overcoming the barriers to access to education. To overcome these barriers, the project will try out the promising strategies of external interventions and provide necessary support including scholarships to households with out-of-school children. Mainstreaming out-of-school children will be made a community agenda rather than an agenda of the disadvantaged by implementing social contracts between the mainstream society and the excluded groups. Thus the project is expected to document the ways schools can be managed in a socially inclusive manner.

*Institutional:* The transfer of management of schools to communities not only change the way schools operate but also their relationship with other institutions like the local government, district education offices and other government agencies. This change in interrelationship may face some difficulties because of the inherent systemic inertia as well as the change in the power structure. The new modality of management will have profound implications for teachers. Evolving a terms of service for the teachers that promotes efficiency would be a serious exercise to be supported by the CSSP.

## **5. Triggers for a follow-on operation**

IDA, together with seven other donors, is supporting the basic and primary education sub-sector through the Basic and Primary Education Program (BPEP), which is due to end in July 2004. IDA is supporting this program through the first phase of an Adaptable Program Loan (APL) called Basic and Primary Education Project Phase II. The Government, together with the BPEP donors, are now engaged in preparation for the next five-year phase of the BPEP.

The PRSP aims at transferring management of 8,000 schools to communities by mid-2007. In response to this government goal, the BPEP will have to be able to support community-managed schools. This project aims at developing the critical knowledge base for the BPEP so that it is well equipped to cater to the needs of community schools. As the next phase of the BPEP is being planned for delivery through a flexible programmatic approach, and transfer of schools to communities is to be implemented gradually, the learning from this project will be relevant for the next phase of the BPEP.

While the BPEP is catering to the basic and primary education sub-sector alone, this CSSP caters to the whole school system. If the CSSP becomes successful in achieving its aims, there may be a case for a separate follow-on project adopting the whole-school approach. The triggers for such an operation may be:

- A significant increase in number of schools taking over management of government-funded schools
- Mainstreaming of the majority of the out-of-school children in the project areas.
- A significant improvement in promotion rates.
- An improved fit between the ethnic, caste and gender profile of the community served by the school with the ethnic, caste and gender profile of the school population and passouts.

## **6. Results-based Monitoring and Evaluation System**

The monitoring and evaluation framework is presented in Annex 1. The first level of monitoring will be at the community/school level. A Project Monitoring Committee (PMC), described in Annex 2, will be formed at each school community. Support organizations (SOs) responsible for social mobilization will provide training on participatory monitoring to the communities. Monitoring indicators will comprise a standard set of indicators reflecting the overall project objectives/outcomes, a supplementary set of indicators reflecting district priorities, and another set of indicators reflecting community aspirations. The frequency of monitoring will vary from indicator to indicator. If indicators like class regularity will be monitored on a daily basis, indicators like promotion rates and participation rates will be monitored on an annual basis. School level indicators will also include process indicators such as classroom organization, display and use of teaching learning materials, use of participatory and activity based methods that will lead to improvement in system indicators. The resource persons and the Research Support Group providing professional support to the project will provide technical support for monitoring activities. The PMC will periodically submit the monitoring report to the Project Advisory Committee (PAC) described in Annex 2. The head teacher and the SMC Chairperson will submit monitoring reports to the District Education Office (DEO) on a trimesterly basis.

The next level of monitoring activities will take place at the district level. The Focal Person (FP) responsible for the project activities in the district will process the monitoring reports received from the participating schools. The volume of work involved will depend upon the number of participating schools in a given district. The RSG will provide support to the FP for monitoring related activities. The FP will present the finding of the monitoring report to the District Steering Committee. The DEO will submit the monitoring reports to the Project Focal Point (PFP), which will function as a project coordination unit, in the Department of Education (DOE).

The PFP will collect and process monitoring reports from all districts. In this task, the PFP will be assisted by the Monitoring and Evaluation Section and EMIS Section of the DOE together with the RSG. The PFP will present the consolidated monitoring report with a summary of the findings to the Central Steering Committee (CSC). The feedback from the CSC will be used for improvement of the design of the LIL and will be disseminated to the regional directorates, districts and participating schools. The PFP will provide financial monitoring reports (FMRs) to IDA on a trimester basis, within 35 days after the end of each trimester.

The project also envisages a formative research, under the proposed baseline studies, to document the process of transformation of the school and the community it is serving. The baseline studies will also include poverty and social impact assessment of the households served by the school.

*Evaluation of Outcomes:* Final evaluation of the outcomes of the project will be contracted out to independent consultants. The evaluation will be based on monitoring and evaluation reports, aide-memoires of supervision missions, baseline studies and progress assessment and an extensive field work. The terms of reference (TOR) for the evaluation of the project will be agreed upon with IDA and the report shall be completed by June 2006.

## C. Project Components and Implementation Arrangements

### 1. LIL Components

School education comprises primary education (grades 1-5), lower secondary education (grades 6-8), secondary education (grades 9-10) and higher secondary education (grades 11-12). At present, public provision serves for around 91% of the total enrolment in primary education, around 73% in lower secondary and 67% in secondary education. The net enrolment ratio at primary education was 80% in 2000. The gross enrolment ratios of lower secondary and secondary education in the same year were 58% and 37% respectively. The primary school completion rate was 54% in 2000, while the School Leaving Certificate Examinations pass rate was 31%. The gender gaps in primary and secondary education were 12% and 18% respectively.

Difficulties in mainstreaming the children from excluded or disadvantaged households, low promotion rates and poor learning achievements are among the main weaknesses of school education. If the current trend of improvements continues, it is unlikely that Nepal will be able to meet the targets of the Millennium Development Goals. The problems of school education are mainly associated with poor accountability of the school system originating from a poor participation of stakeholders in the management of schools.

In support of the Government policy of providing an incentive grant to communities taking over management of government-funded schools, this project will provide such grants to about 1,500 schools. Out of these schools, the project will provide block, performance, supplementary and other grants, scholarships and technical assistance for capacity building to about 250 schools as follows:

(a) **School Grants Component.** The component will provide the following inputs: (a) incentive grants for communities that take over management of government-funded schools; (b) block grants tied to performance for lower secondary and secondary schools funded entirely by the communities of government-funded primary schools transferred to community management; (c) performance grants for improvement of access to primary education and improvement of promotion rates; (d) supplementary grants to community schools for schools expanding enrollment to cover additional costs; and (e) other grants for providing additional support to marginalized communities, and for encouraging for piloting innovative approaches such as bilingual education, teaching Nepali as a second language, and employment of female teachers and teachers from disadvantaged communities. The outputs/outcomes from the above inputs will be: (i) mainstreaming the bulk of out-of-school children of primary school age into the school system; (ii) improving the access of girls and disadvantaged communities to lower secondary and secondary education; (iii) improving the promotion rates and learning achievement; (iv) increasing the number of community- managed schools; (v) holistic development of school – from primary to lower secondary level; (vi) distributing equitable subsidies to communities; and (vii) ownership of schools by communities.

(b) **Scholarship Component.** This component will provide booster scholarships to out-of-school children in the first year and maintenance scholarships in the later years of primary schools. The maintenance scholarship will be provided to all children from poor households. The scholarship will be a demonstration of Government commitment to mainstream and retain all out-of school children in schools. This inclusive approach of the project is likely to transform the social fabric of communities and make the school a focal point for inclusion.

(c) **Capacity Building.** This component will provide the following inputs: (a) assistance to the communities by NGOs/SOs to organize themselves to manage schools; (b) training for teachers in instructional planning and delivery, and improving public relation with the community, and for SMC

members in school management; (c) orientation for civil servants, local government officials and social workers; and (d) communication of government policy of transfer of schools to community management. The expected outputs/outcomes from this component are: (i) improved capacity of communities to manage schools; and (ii) evolution of roles of local government, teachers, district education offices and other government agencies in relation to community-managed schools.

(d) **Monitoring and Evaluation.** This component will assist in the development of a monitoring and evaluation system for the project in coordination with the existing monitoring and evaluation system within the MOES, and strengthen the capacity of officials and communities responsible for monitoring and evaluation. The output/outcome of this component will be a well-established and smoothly operating monitoring and evaluation system that can support periodic improvement in the experimental design of the LIL. Special emphasis will be given to community level monitoring and evaluation as the LIL relies heavily on communities for achieving the project outcomes.

| Component                       | Indicative Costs (US\$M) | % of Total   | Bank-financing (US\$M) | % of Bank-financing |
|---------------------------------|--------------------------|--------------|------------------------|---------------------|
| 1. School Grants                | 3.66                     | 70.7         | 3.66                   | 73.2                |
| 2. Scholarships                 | 0.44                     | 8.5          | 0.44                   | 8.8                 |
| 3. Capacity Building            | 0.66                     | 12.7         | 0.56                   | 11.2                |
| 4. Monitoring and Evaluation    | 0.42                     | 8.1          | 0.34                   | 6.8                 |
| <b>Total Project Costs</b>      | <b>5.18</b>              | <b>100.0</b> | <b>5.00</b>            | <b>100.0</b>        |
| <b>Total Financing Required</b> | <b>5.18</b>              | <b>100.0</b> | <b>5.00</b>            | <b>100.0</b>        |

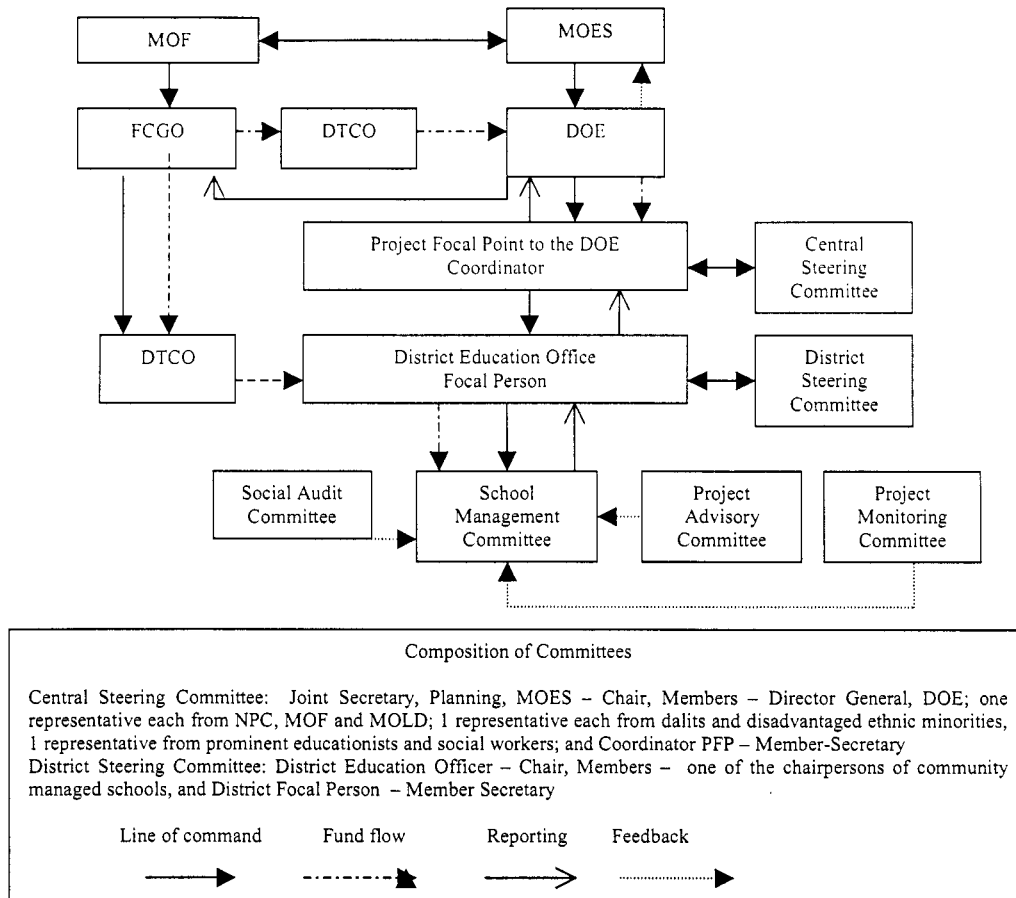
## 2. Implementation Arrangements

**Project Management.** The organizational structure and fund flow system for the CSSP are presented in the figure below.

The implementing agency for the project will be the Department of Education (DOE) under the Ministry of Education and Sports (MOES). The DOE has designated one of its divisions as the Project Focal Point (PFP) and the head of the division is designated as the Project Coordinator. The PFP core team will comprise the Coordinator, a Deputy Director, a Section Officer, an Accounts Officer and a Procurement Officer. The PFP will be supported by the whole apparatus of the DOE and other agencies under the MOES. The PFP will be guided by a Central Steering Committee (CSC) chaired by the Joint-Secretary, Planning Division, MOES, and it will include: Director General of the DOE; one representative each from NPC, MOF and MOLD; one representative each of dalits and ethnic minorities; one representative from among prominent educationists or social workers; and the Coordinator as the Member-Secretary. The main functions of the committee will be approving the schools for funding, monitoring progress and providing policy advice. The representatives from ethnic minorities, dalits and prominent educationists or social workers, at least one of whom should be female, will be nominated by the Government in consultation with IDA. The PFP will be supported by a Research Support Group (RSG).

The DEO will implement the project activity at the district level. A Focal Person will be designated in each DEO to monitor the implementation of project activities. The FP will report to the DEO and will be assisted by other DEO staff as necessary. The project activities at the district level will be guided by a District Steering Committee (DSC) comprising District Education Officer – Chair, one representative from among the SMC Chairpersons of community-managed government-funded schools in the district selected by the community-managed schools and Focal Person – Member Secretary. The main functions of the DSC will be approving recommendation for release of grants, reviewing progress and providing feedback on the program.

**Organizational Structure and Fund Flow of the Project**



Most of the activities of the project will be implemented by the communities – SMCs/schools, and CBOs supported by SOs. The DEO will monitor and supervise the communities.

**a. Procurement**

The summary of the procurement capacity assessment of the DOE, the Implementing Agency for the Project, is presented in Annex 6. At present, the DOE is implementing the Basic and Primary Education Program (BPEP) jointly funded by eight donors including IDA. The BPEP is using the IDA Procurement Guidelines. The DOE has a reasonably acceptable procurement capacity.

The project will fund grants to schools, scholarships, training, goods, some administrative costs and services from consulting firms and NGOs/SOs. Over 80 percent of the funds is allocated to grants and scholarships. The average level of grant per school within the project period will be around Rs. 240,000 (US\$3000). Most of the grants are to be disbursed on an installment basis tied to the performance. Grants will be used solely for developmental activities that have been discussed and endorsed by the community and enable the community to achieve project objectives that would include, inter alia, small rehabilitation or construction works, teaching materials, training and consumables. Procurement of such goods, works and services will be done by the school following simple procedures described in the

Operations Manual. Procurement at the district and central level mainly consists of services. Services and goods will be procured at the district and central levels using IDA Procurement Guidelines.

The PFP will get services from the Procurement In-charges of the DOE, who have been engaged in procurement for the BPEP. Similarly at the district level, the official responsible for BPEP procurement will also handle procurement under the project.

## **b. Financial Management**

### ***Funds flow and Disbursement Arrangements***

Initially for the first year of the program until the districts can be identified, the budget for the Project will be allocated under a separate identifiable budget head at the central level. Following the approval of the program and budget estimates, the budget authorization will be released to the Department of Education. Based on demands for transfer of schools from various districts, the Project Focal Point (PFP) will allocate budget for districts, and provide spending authorization along with the transfer of funds to respective District Education Offices (DEOs). DEOs will release funds to the schools that are qualified to obtain grants based on set indicators, and will maintain a record of schools receiving grants. Grants provided to schools meeting specific criteria are considered as expenditures, without any need for schools/communities receiving such grants to return any savings thereof, if any. Utilization of grants for the intended purpose will be closely monitored and reported. Financing of grants and scholarships are pre-financed by government's own resources, the consolidated claims of which are later charged to the special account or submitted to IDA for reimbursement. Almost 80 percent of required resources are pre-financed by the government, and the remaining 20 percent dealing with direct payments to consultants or suppliers are paid through the special account. A Special Account will be established to facilitate payments of various activities under the project. During the first year, as the demands for school transfers in districts get clearer, Government and IDA will review to determine whether the arrangement in place should continue or an alternate arrangement should be made from the second year onwards to transfer the budget to the district level budget allowing the resources to be transferred directly through the respective District Treasury Controller Offices (DTCOs) to the respective DEOs.

Disbursements will be made against one time incentive grants for all government-funded primary, lower secondary and secondary schools that choose to take over management responsibilities from the Government. Selected schools will also get various performance-based grants. Disbursements will also be made for providing scholarships as per the criteria set to effectively mainstream the out-of-school children. Funds will also be provided for capacity building to encourage communities to experiment with different modalities of community mobilization approaches. Funds will be disbursed to mobilize community, to train the CBO members, teachers, SMC and VDC members, to orient managers, social workers and politicians. Disbursement will also be made to establish an effective monitoring and evaluation system. Funds will be provided for the procurement of various equipment and vehicles required for the Project Focal Point (PFP), and for incremental operating costs (incremental staff salary and allowances, operation and maintenance of facilities used by the PFP for project implementation, office supplies, and utilities) that will be incurred by the PFP. Costs to cover consultancy services and training will also be covered under IDA disbursements.

### ***Financial Management***

A financial management assessment of the implementing agency, the Department of Education (DOE), was carried out (Summary, Annex 4). The DOE has been implementing the Basic and Primary Education Program (BPEP) jointly with other donors under an innovative "basket" approach. Despite the new



initiative and several challenges, the DOE has been satisfactorily managing the basket approach. An Accounts Officer has been designated for the Project. In view of proven experience of managing the BPEP and a satisfactory financial management system in place, the overall institutional financial management risk is moderate. The first draft of an Operations Manual, which will describe the reporting, monitoring and accounting procedures, has been completed. The manual will contain simple reporting formats that can be implemented by schools at the community level. It will provide guidelines stating how the accounts of the grants received should be maintained, and also specify the reporting format that should be reported on a trimesterly basis to the DEOs. The report will indicate how the grants are being spent and how they have contributed to the overall school management. The guidelines will also specify the scope of the social audit report which should be submitted to respective DEOs on a trimesterly basis. A monitoring system will also be established to allow the respective DEOs to monitor the use of grants on the basis of the trimesterly reports that will be submitted by the schools. DEOs will submit a consolidated report to the PFP, to enable the PFP to assess the outputs of the grants and related outcomes.

#### **c. Other**

### **D. Risks**

#### **1. Social and Environmental Risk**

##### **Environmental Category: [X] C**

The project aims to support the government's policy that is designed to empower communities to manage their own schools. Communities would be provided with block grants which make them responsible for recruiting and managing teachers, determining resource requirements, and utilizing those resources according to local needs. Indigenous people, if any, in the project areas will benefit from the project through their mainstreaming into primary education. It also provides for scholarships to disadvantaged children and, therefore, would help improve equity. The project will assist indigenous communities, dalits and disadvantaged communities to organize so that their interests are protected.

No new schools will be built under the project. The project will not fund civil works directly. Grants received by schools may be used for rehabilitation of existing facilities and minor new construction within the boundaries of existing schools. The average grant per school will not exceed Rs. 240,000 (US\$3,000), most of which is to be used for non-construction activities. Therefore, negative environmental impacts are not expected from the CSSP.

#### **a. Safeguard Policies**

This project triggers Environmental Assessment OP 4.01 and Indigenous Peoples OD 4.20.

Environmental Assessment OP 4.01: No new land will be acquired for the project. Therefore, culturally sensitive areas or critical natural habitats will not be affected. The project does not directly fund construction, which if any, will be minor or associated with rehabilitation. The scale of construction, if any, will be very small. Therefore, the impact on the bio-physical environment will be very small.

Indigenous Peoples OD 4.20: The project aims to mainstream out-of-school children, many of whom will belong to indigenous peoples, dalits and disadvantaged. Maximizing project benefits to these groups will be the focus of the project. An Indigenous Peoples Development Plan (IPDP) has been prepared for

the project and is presented in Annex 10. The IPDP was translated into Nepali and disclosed to stakeholders. Negative impacts on these groups are not expected.

**Environmental Category: C (Not Required)**

**b. Other Social Risks**

The CSSP is aimed at assisting the Government in effective implementation of the existing policy of transferring school management to communities. This policy, already under implementation, enjoys broad social and political support. Since it should help empower more marginalized communities as mentioned above, social risks associated with the project are minimal and without implications for any reputational risks for the Bank. The potential positive social outcomes of the project outweigh any possible risks.

**2. Other (external, reflecting the failure of the assumptions in the fourth column of Annex 1)**

| <b>Risk</b>   | <b>Risk Rating</b> | <b>Risk Mitigation Measure</b>   |
|---|--------------------|--|
| <b>From Outputs to Objective</b>  |                    |  |
| The Government may not abide by its commitment to fund and provide technical assistance to community-managed schools. | N                  |  |
| The Government may not abide by its commitment to withdraw government teachers when requested by the SMCs.            | S                  | To work out up front clear procedures for withdrawing teachers from community-managed schools. To orient bureaucrats on this procedures.                                   |
| The Government may not abide by its commitment to let SMCs manage schools without government interference.            | M                  | To promote networking among community-managed schools so that they can own interests. To issue a clear code of conduct with respect to support to community schools.       |
| The Government may have difficulty in financing school transfer if the community response becomes overwhelming.       | M                  | To change the existing mode of input-based, in-kind support from donor funding to outcome-based support in cash.   |
| Dominant caste/ethnic groups in some communities may resist gender, caste and ethnic mainstreaming of students.       | M                  | To carry out intensive social mobilization and to evolve processes for election of school management committees accountable to dalits and disadvantaged ethnic minorities. |
| <b>From Components to Outputs</b>   |                    |  |
| Poor communities may not be able to mobilize local resources.   | M                  | To assist communities get engaged in income generation activities through training. To introduce equity-based grants.  |
| <b>Overall Risk Rating</b>  | M                  |  |

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

## E. Main Loan Conditions

### 1. Effectiveness Condition

Legal opinion by the Ministry of Law and Justice that the Agreement has been duly authorized or ratified by the Kingdom of Nepal and legally binding on the same.

### 2. Other (classify according to covenant types used in the Legal Agreements.)

The consolidated accounts for all components will be maintained for annual audit by the Office of the Auditor General, and a certified project accounts including statement of expenditures account and special account will be submitted to IDA within six months of the close of each financial year.

## F. Readiness for Implementation

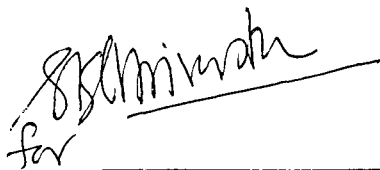
- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first six months' activities are complete and ready for the start of project implementation; and a framework has been established for agreement on standard bidding documents that will be used for ongoing procurement throughout the life of LIL
- 3. The LIL's Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## G. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.



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Sector Manager



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Country Manager

**Annex 1: Project Design Summary**  
**NEPAL: Community School Support Project**

| <b>Hierarchy of Objectives</b>   | <b>Key Performance Indicators</b>  | <b>Data Collection Strategy</b>  | <b>Critical Assumptions</b>  |
|--|--|--|--|
| <p><b>Sector-related CAS Goal:</b></p> <ul style="list-style-type: none"> <li>● Devolution of responsibility for management of schooling with the intention of raising overall accountability of Government-financed schools</li> <li>● Targeting educationally and socially disadvantaged groups</li> </ul> | <p><b>Sector Indicators:</b></p> <ul style="list-style-type: none"> <li>● Increase in number of community-managed schools.</li> <li>● Community-managed schools emerge as leading public schools</li> <li>● Enrolment profile of schools more compatible with ethnic, caste and gender profile of communities they serve</li> </ul>  | <p><b>Sector/ country reports:</b></p> <ul style="list-style-type: none"> <li>● National Education Management Information System</li> <li>● Comparative assessment of community-managed and private schools</li> <li>● Parents' satisfaction survey</li> <li>● Baseline studies</li> </ul> | <p>(from Goal to Bank Mission)</p> <ul style="list-style-type: none"> <li>● Schools continue to receive adequate public funding</li> </ul> <p>Communities can be mobilized to support gender, caste and ethnic mainstreaming</p> |
| <p><b>Follow-on Development Objective:</b></p> <ul style="list-style-type: none"> <li>● To develop a critical knowledge base for successful upscaling of transfer of management of government-funded schools to communities</li> </ul>   | <ul style="list-style-type: none"> <li>● Improved capacity of the Government to support community based schools</li> <li>● Segregated schooling for rich and poor originating from perceived significant quality gap between public and private provision starts to fade in case of community-managed schools</li> <li>● Significant improvement in access to and efficiency and quality of community-managed primary education</li> </ul> | <ul style="list-style-type: none"> <li>● National Education Management Information System</li> <li>● Parents' satisfaction survey</li> </ul>   |  |
| <p><b>Project Development Objective:</b></p>   | <p><b>Outcome / Impact Indicators:</b></p>   | <p><b>Project reports:</b></p>   | <p>(from Objective to Goal)</p>  |

|   |  |   |   |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>● To test whether community management of schools can better contribute to enhance (a) participation rates, (b) quality and efficiency; and (c) accountability of schools</li> </ul>   | <ul style="list-style-type: none"> <li>● Improvement in participation and promotion rates</li> <li>● Viable modalities for community management of schools established</li> <li>● Confidence of public in community-managed schools established</li> </ul>   | <ul style="list-style-type: none"> <li>● Financial Monitoring Reports</li> <li>● Evaluation reports</li> <li>● Parents' satisfaction survey</li> <li>● Records of social audits</li> </ul>  | <ul style="list-style-type: none"> <li>● Local government elections are held</li> <li>● Peaceful environment is established</li> </ul>  |
| <p><b>Output from each Component:</b></p> <p><b>School Grants</b></p> <ul style="list-style-type: none"> <li>● Enhanced participation and promotion</li> <li>● Increase in number of community managed schools</li> <li>● Equity enhancement through block grants to community schools not receiving public funding</li> </ul> <p><b>Scholarships</b></p> <ul style="list-style-type: none"> <li>● Mainstreaming of out-of-school children</li> <li>● Improved retention of children from disadvantaged households</li> </ul> <p><b>Capacity Building</b></p> <ul style="list-style-type: none"> <li>● Capacity of communities to manage, monitor and support schools developed</li> <li>● Enhanced professional and management skills of teachers</li> <li>● Improvement in social fabric by developing inclusive approaches in school management and operation</li> </ul> | <p><b>Output Indicators:</b></p> <ul style="list-style-type: none"> <li>● Enrolment rate of children of age 6</li> <li>● Net enrolment ratio of primary education</li> <li>● Enrolment rate of girls and disadvantaged communities</li> <li>● Promotion, repetition and dropout rates</li> <li>● Improvement of physical facilities</li> <li>● Share of female teachers</li> <li>● Representation of women and disadvantaged communities in various committees</li> <li>● Frequency of meetings and monitoring</li> <li>● Community contribution in cash and kind</li> <li>● Relationship between community-managed schools and district education offices</li> <li>● Quality of monitoring reports</li> </ul> | <p><b>Project reports:</b></p> <ul style="list-style-type: none"> <li>● Financial Monitoring Reports</li> <li>● Independent evaluation</li> <li>● Supervision mission reports</li> <li>● Implementation Completion Report</li> <li>● Status reports</li> <li>● Parents' satisfaction survey</li> <li>● National Education Management Information System</li> <li>● School annual reports</li> <li>● Baseline studies</li> </ul> | <p><b>(from Outputs to Objective)</b></p> <ul style="list-style-type: none"> <li>● The Government sticks to its commitment to fund and provide technical assistance to community-managed schools.</li> <li>● The Government abides by its commitment to withdraw government teachers when requested by the SMCs.</li> <li>● The Government abides by its commitment to let SMCs manage schools without government interference.</li> <li>● The Government adjusts the block grants as the enrolment changes.</li> </ul> |

|  |  |   |  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>● Roles of local government, line agencies and communities with respect to schools crystallized</li> <li>● Monitoring and Evaluation</li> <li>● Participatory monitoring modalities developed</li> <li>● Monitoring capacity of line agencies strengthened</li> </ul> |  |   |  |
| <p><b>Project Components / Sub-components:</b></p> <ul style="list-style-type: none"> <li>● School grants</li> <li>● Scholarships</li> <li>● Capacity building</li> <li>● Monitoring and evaluation</li> </ul>   | <p><b>Inputs: (budget for each component)</b></p> <ul style="list-style-type: none"> <li>● US\$3.66 million</li> <li>● US\$0.44 million</li> <li>● US\$0.66 million</li> <li>● US\$0.42 million</li> </ul> | <p><b>Project reports:</b></p> <ul style="list-style-type: none"> <li>● Audit reports</li> <li>● Financial Monitoring Reports</li> <li>● Implementation Status Reports</li> </ul> | <p><b>(from Components to Outputs)</b></p> <ul style="list-style-type: none"> <li>● Community is able to generate matching fund</li> </ul> |

### Annex 1a: Project Monitoring Baseline and Targets

| Key Performance Indicators <sup>5</sup>  |                      |                      |                               |
|--|----------------------|----------------------|-------------------------------|
|  | Baseline<br>06/30/03 | Mid-term<br>09/30/04 | End of<br>Project<br>07/15/06 |
| Outcome/Impact Indicator   |                      | Target               | Target                        |
| <b>Fully supported schools</b>   |                      |                      |                               |
| Out-of-school children of primary age in the service area, %                               | <i>a</i>             | 80% of <i>a</i>      | 50% of <i>a</i>               |
| Out-of-school children of age 6 in the school service area, %                              | <i>b</i>             | 70% of <i>b</i>      | 33% of <i>b</i>               |
| Weighted average repetition and dropout rate of primary grades together, %                 | <i>c</i>             | 90% of <i>c</i>      | 75% of <i>c</i>               |
| Out-of-school girls of primary age in the service area, %                                  | <i>d</i>             | 85% of <i>d</i>      | 55% of <i>d</i>               |
| Out-of-school dalit children of primary age in the service area, %                         | <i>e</i>             | 90% of <i>e</i>      | 60% of <i>e</i>               |
| Out-of-school disadvantaged ethnic minority children of primary age in the service area, % | <i>f</i>             | 90% of <i>f</i>      | 60% of <i>f</i>               |
| Out-of-school girls of age 6 in the school service area, %                                 | <i>g</i>             | 70% of <i>g</i>      | 33% of <i>g</i>               |
| Out-of-school dalit children of age 6 in the school service area, %                        | <i>h</i>             | 70% of <i>h</i>      | 33% of <i>h</i>               |
| Out-of-school disadvantaged ethnic minority children of age 6 in the service area, %       | <i>i</i>             | 70% of <i>i</i>      | 33% of <i>i</i>               |
| Average gender gap in secondary and lower secondary education, %                           | <i>j</i>             | 90% of <i>j</i>      | 75% of <i>j</i>               |
| Gender gap in rate of transition from primary to lower secondary grades, %                 | <i>k</i>             | 90% of <i>k</i>      | 75% of <i>k</i>               |
| Non-dalit to dalit gap in rate of transition from primary to lower secondary grades, %     | <i>l</i>             | 90% of <i>l</i>      | 75% of <i>l</i>               |
| Gender gap in rate of transition from primary to secondary grades, %                       | <i>m</i>             | 90% of <i>m</i>      | 75% of <i>m</i>               |
| Non-dalit to dalit gap in rate of transition from primary to secondary grades, %           | <i>n</i>             | 90% of <i>n</i>      | 75% of <i>n</i>               |
| Weighted average repetition and dropout rates of lower secondary grades, %                 | <i>o</i>             | 95% of <i>o</i>      | 80% of <i>o</i>               |
| Weighted average repetition and dropout rates of secondary grades, %                       | <i>p</i>             | 95% of <i>p</i>      | 80% of <i>p</i>               |

| Key Performance Indicators <sup>6</sup>                   |                      |                      |                            |
|---|----------------------|----------------------|----------------------------|
|   | Baseline<br>06/30/03 | Mid-term<br>09/30/04 | End of Project<br>07/15/06 |
| Output Indicators   |                      |                      |                            |
| Number of schools transferred to community management     | 86                   | 700                  | 1,500                      |
| Number of schools receiving full support from the project | 0                    | 200                  | 250                        |
| <b>Fully supported schools</b>                            |                      |                      |                            |
| Training of NGOs/SOs                                      |                      | 250                  | 300                        |
| Number of schools communities mobilized                   |                      | 200                  | 250                        |
| Number of school communities oriented                     |                      | 1,000                | 1,300                      |
| Number of civil servants and politicians oriented         |                      | 600                  | 1000                       |

|  |  |       |       |
|--|--|-------|-------|
| Number of teachers receiving customized training   |  | 1,000 | 1,500 |
| Number of staff supported for developmental assignments  |  | 5     | 10    |
| Participatory monitoring modalities developed  |  | Y     | Y     |
| Community mobilization modalities and modalities for school management/governance by communities including developed modalities for ensuring of management committees representing all cross sections of parents developed |  | Y     | Y     |
| Framework terms of reference for employment of teachers by community managed schools developed   |  |       | Y     |
| Roles of local government, district education office and other line agencies with respect to community-managed schools in terms of funding, technical assistance, supervision and monitoring clarified                     |  |       | Y     |
| Frameworks for performance grants and social contracts for improvements of access including innovative scholarship modalities developed  |  | Y     | Y     |



### Policy Framework

| Policies   | Due Date for Compliance  | Responsible Agency                              |
|--|--|---|
| Guidelines for support to community-managed schools developed, which will among others include: <ul style="list-style-type: none"> <li>● Procedures for withdrawing teachers from community-managed schools at the request of SMCs within 6 months of the request adopted</li> <li>● Procedures for termination and appointment of head teachers by SMCs adopted</li> <li>● Broad guidelines for appointment of teachers by SMCs of community-managed schools adopted</li> <li>● Procedures for up front release of block grants to community-managed schools adopted</li> </ul> | September, 2003<br><br>September, 2003<br>September, 2003<br>October, 2003 | PFP/MOES<br><br>PFP/MOES<br>PFP/MOES<br>PFP/MOF |
| Community-managed schools will continue to receive the same level and kind of support as government-managed schools  | Complied   |   |
| Regular block grants to community-managed schools will be revised bi-annually  | Complied   |   |
| New classroom blocks will be provided promptly to accommodate increased enrolment if available   | December, 2003   | DOE   |
| No government teachers will be posted or transferred to community-managed schools  | Complied   |   |
| A framework to establish a pension scheme for teachers of community-managed schools will be adopted.   | June 30, 2004  | PFP/HMG   |

<sup>5</sup> For schools supported starting from the first half of the project. Baseline will be established for each of the project-supported schools following their selection by the project.

<sup>6</sup> For schools supported starting from the first half of the project.

## **Annex 2: Detailed Project Description**

### **NEPAL: Community School Support Project**

School education in Nepal comprise primary education (grades 1-5), lower secondary education (grades 6-8), secondary education (grades 9-10) and higher secondary education (grades 11-12). Grades 1 to 10 are administered and/or regulated by the Department of Education, while grades 11 and 12 come under the Higher Secondary Education Board. Schools offering secondary or lower secondary programs also offer lower level programs. School education is offered by government-funded community schools, community schools - owned and funded by community, and institutional (private) schools. At the primary level, community-owned and private schools account for 2% and 7% of the total enrolment, while at the lower secondary level their shares are 16% and 11% respectively, and at the secondary level 21% and 12% respectively.

The Net Enrolment Ratio (NER) at primary, lower secondary and secondary levels are around 80%, 33% and 20% respectively. The promotion rate at grade 1 is around 45%, while at grade 10 it is around 81%. The promotion rates and learning achievement levels in private schools are significantly higher than that of government-funded schools in spite of the fact that government-funded schools on an average have better physical facilities and more qualified and trained teachers. To address this weakness of the public school system, the Government has decided to gradually transfer government-funded schools to community management. To encourage communities to take over management of government-funded schools, the Government has offered a one-time grant of Rs. 100,000 (around US\$1,200) to communities taking over management of government-funded schools.

Schools transferred to community management will have full authority for management of schools including hiring and management of staff, while the Government will continue to fund them through block grants, which will not be less than the current level of funding. Community-managed schools are expected to perform better than government-managed schools, as such schools will be accountable to the community, whereas the latter is accountable only to the Government.

This Community School Support Project (CSSP) is aimed at learning how schools transferred to community management can be best supported in a sustainable manner to improve access to, and quality and efficiency of education, so that this important initiative of the Government could be up-scaled at a fast pace to help Nepal achieve the MDG targets.

In support of the Government policy of providing an incentive grant to communities taking over management of government-funded schools, this project will provide such grants to about 1,500 schools (counting each level of school as one school). Out of these schools, the project will provide block and performance grants, scholarships and technical assistance for capacity building to about 175 primary schools, 50 lower secondary schools and 25 secondary schools, while the remaining schools will receive only a token assistance limited to development of school vision and building their capacity for monitoring progress in achievement of their vision.

While incentive grants will be made available to community-managed government-funded schools on a first-come first-serve basis, schools for full project support - all or some of block, incentive, other, performance and supplementary grants - will be selected by the Government using criteria agreed upon with the Bank.

Although this project finances primary, lower secondary and secondary schools, the project gives greater focus to primary schools. One of the reasons for extending support to lower secondary and secondary

schools is that in Nepal, very often such schools are integrated with primary schools, and it is not feasible to improve only a section of the school. The project will have the following components: (a) School Grants; (b) Scholarships; (c) Capacity Building; and (d) Monitoring and Evaluation.

**By Component:**

**Project Component 1 - US\$3.66 million**

**School Grants.** The Education Act articulates the obligation of the Government to primary education as providing the full cost of salaries for teachers, and the partial costs of salaries for secondary education. The obligation for mobilizing resources for other expenditures, especially physical infrastructure, lies with the communities. In spite of the above provision, the Government has been providing inputs for capacity building, teacher training, physical facilities, etc., through the development budget – largely funded by donors. If the grants for salaries are directly disbursed to schools, the allocations for other expenses are mostly spent by district level agencies for activities aimed at supporting schools.

The funds disbursed directly to schools for salaries or funds spent by districts for schools have not empowered schools as the salaries are to be paid to the teachers employed by the Government and schools have little choice over the expenditures from the developmental budget. The CSSP will provide a one-time incentive grant of Rs. 100,000 (US\$1,200) for government-funded primary schools that choose to take over management responsibilities from the Government consistent with the Government policy. Similarly, it will provide the same amount of incentive grants to government-funded lower secondary and secondary schools. There is no risk that incentive grants to lower secondary and secondary schools will encourage primary schools to upgrade themselves to higher levels, because schools upgraded without government approval/funding will not be eligible for incentive grants, and the cost of such upgrading to be borne by the community is much higher than incentive grants. Tying up incentive grants to school levels is also an attempt to link the grants with the school size.

Schools in poorer areas may need greater incentives to opt for community management, as they are likely to be less well off in terms of physical facilities and, as investment and operating costs are likely to be higher in such areas. The CSSP will specifically study the incentive structures that could attract poor remote schools to community management.

To ensure replicability of the LIL experience, the proposed incentive grants together with performance grants described below, will be kept within the range of the supports schools are receiving from the development budget. Therefore, incentive grants essentially attempt to empower schools by disbursing the funds being spent for the schools by the Government agencies to the schools directly, which will allow the schools to make their own choices. The incentive grants are deemed critical for encouraging more and more communities to take over management of schools and provide some resources up front to enable them to initiate school improvement activities right away.

Some of the government-funded primary schools transferred to community management may have lower secondary and secondary levels funded by the community, as it is usual practice to upgrade primary schools to lower secondary and secondary levels through community efforts. Many of such schools eventually manage to get Government funding for lower secondary and secondary levels also. It is in the interest of the Government to strengthen such schools, as success of such schools will help to expand community-managed schools. In this context the CSSP also will provide block grants tied to performance to exclusively community-funded lower secondary and secondary levels of government-funded primary schools transferred to communities. These grants will cover up to 25% and 50% of staff costs for secondary and lower secondary schools, respectively.

Mainstreaming the children from socially excluded families requires serious efforts. Lack of incentives for schools in their mainstreaming has resulted in failure of consecutive five-year plans in achieving the targets for improving participation rates in primary education. For example, the net enrolment ratio target for primary education in both the eighth and ninth five-year plans were 90%, while the achievement at the end of ninth plan – mid-2002 - is estimated at around 83%. Therefore, the CSSP aims at learning the potential of incentives in accelerating mainstreaming of out-of-school children. The schools will receive a performance grant of Rs. 500 for mainstreaming each out-of-school child of primary school age.

The project is counting heavily on social mobilization for inclusion of indigenous, disadvantaged and dalit communities excluded from education. The social mobilization will lead to a social contract, which is at the core of the CSSP design, between the excluded community and the School Management Committee (SMC) witnessed by the community benefiting from school, the local government (VDC or municipality) and the District Education Office (DEO). The social contract is intended to articulate: (a) the community's commitment to ensure inclusion of all households excluded from education; (b) clear delineation of the roles of all parties to the contract; and (c) specific mutual obligations of these parties to each other. Social mobilization of various stakeholder groups in the community around the articulation and implementation of the social contract will be key to the project approach. It will be particularly critical to involve and empower the three groups who make up the bulk of the out of school population: females, dalits and disadvantaged ethnic groups.

The primary cycle completion rate in year 2000 was around 54%, whereas the percentage of children completing the primary cycle within the prescribed duration was only 14%. Low completion rate is the greatest impediment towards achieving the MDG of universal primary education by 2015. Therefore with a view to learn the impact of incentives on improvement of pass rates, schools will be given a performance grant of around Rs. 500/gain in pass rate/grade for primary grades. Standardized assessments will be conducted for ensuring validity of tests.

The performance grants for access and completion rate improvements, and scholarships for out of school children, are likely to boost enrolment. The CSSP is not likely to achieve its objectives if schools do not receive additional resources to respond to the need for more teachers and physical facilities. Therefore, the CSSP will provide block grant to schools to enable them to meet needs for more teachers and physical facilities till the schools are able to receive such support from the Government. This policy fits well within the Government policy of moving to block grants rather than directly bearing operating costs of schools.

Schools operate within diverse socio-economic and cultural environment, and consequently a flat level of grants may discriminate against poor communities making them unable to get transferred to community management as well as make desired improvement in targeted indicators.

For almost half of the population, Nepali is not the mother tongue, yet the medium of instruction in community primary schools is Nepali. This has been recognized as one of the major reasons contributing to high dropout rates in primary education. During the consultations in the course of preparation of the project, the Nepal Federation of Nationalities emphasized the need for dealing with this critical issue. Introduction of bilingual education and teaching Nepali as a second language may help address this difficulty.

There is a lot of evidence that the presence of female teachers in schools significantly contributes to

improvement in participation rates of girls and improvement on learning environment in schools. The Government's policy of employing at least one female teacher in every primary school remains unfulfilled mainly due to social biases in favor of males. Similarly, there is some evidence that recruitment of teachers from disadvantaged communities help in improving access to education for children from disadvantaged communities.

The project will provide other grants specially targeted to marginalized communities, to piloting of innovative approaches such as bilingual education, teaching Nepali as a second language, and to recruiting female teachers and teachers from disadvantaged communities.

A critical factor that affects progression and completion rates is the standard of instruction and performance level a school community sets for itself. Hence, attempts will be made to connect qualitative improvement in school/classroom atmosphere, instructional processes and learning acquisition level with the performance grants.

The ultimate achievement of the project objectives will be contingent upon success of the communities in improving the learning environment for children. Although the grants are not directly tied to the improvement in learning environment, the project will focus on assisting the communities to continuously improve the learning environment in schools in a systematic manner.

Community vision of school improvement and optimum child development will be the focus of the reform activities. Enhanced consciousness and community participation in the management of reform activities will serve as a glue that will bring together different actors to make a difference in school improvement and child learning. The effect and impact of improved school atmosphere and instructional quality on mainstreaming out-of-school children will also be closely examined.

#### **Project Component 2 - US\$0.44 million**

**Scholarships.** Around 20% of the primary age children are still out of school in spite of the fact that the Government is providing free textbooks and no fees are levied in government-funded primary schools. It is believed that one of the main barriers for mainstreaming such children into primary education is the inability of households to bear other costs associated with schooling such as cost of stationaries, school uniforms, and in some cases opportunity cost of labor. With a view to overcome this barrier, the Government has been providing various scholarships specifically for girls, dalits, and children from households below the poverty line. The success of these scholarships in mainstreaming the disadvantaged communities into primary education has been limited. Some of the arguments questioning the effectiveness of the current scholarship programs are: (a) the scholarship is too small to dismantle the barriers that the hard core groups are facing; (b) the mechanism for distribution of scholarship does not preclude elite capture of the scholarship funds; and (c) the scholarships are received only at the end of academic year making them accessible only to children already in school.

The scholarship component will be aimed at understanding how could scholarships be used effectively for mainstreaming the out-of-school children. The CSSP will aim at mainstreaming all out-of-school children within the service area of community-managed schools funded by the project. The communities will be allowed to design scholarship modalities including topping up of scholarships using performance grant for access. The basis for estimating scholarship grants to schools will be as follows:

- The first child and/or the first girl child from poor families, from which none of the family members ever completed primary school, will be offered a scholarship of Rs. 500 per year at grade 1 and Rs. 250 per year in subsequent years. Other children from such families will receive Rs. 250 per year.

This design is based on the assumptions that: (a) higher scholarship is required to entice out-of-school children, but they can be retained by providing lower maintenance scholarship; and (b) once the first child and/or the first girl child goes to school, the household is likely to send other children to school even without an enhanced scholarship.

- The scholarship will become a part of the social contract referred to above, so that there is social obligation for parties signing the contract to make sure that out-of-school children not only get enrolled, but also retained to the end of primary school.
- This component will also provide scholarships for attending lower secondary and secondary schools to the first girl and to the first boy from poor dalit/oppressed/disadvantaged janjati families, from which none of the family members completed secondary school. This scholarship is aimed at improving access to secondary education for children from disadvantaged households. The estimates for scholarship grant are based on the assumption that the scholarships for lower secondary and secondary schools are Rs. 700 and Rs. 1,000 per child per year. The schools will be given flexibility to adjust the scholarship amounts. This component will also pilot scholarships for other secondary children (apart from the first boy and girl).
- As mitigation of social and cultural barriers apart from economic barriers are critical to successful mainstreaming of out-of-school children, the scholarship design will also take into account social and cultural background of the school service area.

#### **Project Component 3 - US\$ 0.66 million**

**Capacity Building.** Community-driven development is being promoted across the world as an approach that can contribute to improvement of service delivery. EDUCO in El Salvador, BRAC in Bangladesh and PRONADE in Guatemala are related to such successful initiatives. The community-driven development approach is being successfully applied in forestry, rural energy and water supply sectors in Nepal. The Community-Owned Primary Education Program (COPE) in Nepal, assisted by the UNDP, does demonstrate the capacity of communities to manage schools. COPE is supporting new community-owned schools that do not receive public funding, and hence, communities manage them on their own. Similarly, there are around 8,000 schools owned and managed by communities that do not receive public funding. This LIL aims at expanding the experience of community management to public schools, which by virtue of receiving public funding and having government teachers have very different characteristics.

The experience of successful community-driven development indicates the need for rigorous community mobilization exercise for success of community-driven development. This component will fund community mobilization activities in the service area of schools funded by the project. Community mobilization will mainly draw upon seven basic principles adapted from the highly successful Rural Energy Development Program - skill enhancement, women's empowerment, establishment of self governing community organizations, capital formation, technology promotion, literacy promotion and environment conservation. However, it is to be noted here that none of the community mobilization approaches adopted in other sectors exactly responds to the type of community that this project serves. For example, if water supply, forestry and rural energy projects provide services to the whole community within the given locality, the community-managed schools provide services to only part of the community as some households may be getting services from private schools and others may not have school-age children. Therefore, the project will encourage communities to try out different modalities of community mobilization approaches. Major activities of this component comprise community mobilization through a facilitator, training for CBO members, training of teachers, SMC and VDC members, orientation of managers and social workers. NGOs/SOs, which will be hired by the

communities themselves from among those qualified by the Department of Education, will be used for community mobilization as they have developed a good capacity in this area. For empowering communities this component will provide grants for community mobilization, and training of community, teachers and SMC members.

The focus of capacity building activities will be on enhancing collective consciousness level and on equipping key stakeholders with skills and readiness level to participate in school improvement activities that will ensure efficient instructional processes and optimum achievement levels.

This component will also include communication of the government policy of transferring management of government-funded schools to communities within the civil service as well as to the public at large. Effective communication of this policy will be critical for success in transfer of schools to communities, as implementation of this policy involves changes in the power structure, and consequently, is prone to misinterpretation from those who may lose privileges from this reform. The project will make the utmost effort to disseminate the government policy to the disadvantaged janjatis by communicating this policy in their languages.

#### **Project Component 4 - US\$0.42 million**

**Monitoring and Evaluation.** A rigorous documentation and analysis of the experience generated through the project will be carried out as a part of this component with a view to test whether the hypotheses of the project have been confirmed, and draw conclusions on the best modalities for delivery of various project components. The main hypothesis of the project is that community management of government-funded schools can better enhance access to schools for all children including children from disadvantaged communities, and better improve efficiency and quality of school education compared to schools not transferred to community management. A set of indicators comprising progress in mainstreaming out-of-school children, their retention, pass rates and learning achievements, and other qualitative and quantitative parameters indicating school effectiveness like class occurrence, student regularity, user satisfaction, participation of parents in school activities, extra curricular activities, cleanliness will be used for the test of the hypothesis. A baseline will be established in each of the participating schools, and progress will be monitored on a periodic basis. The baseline will be developed through active participation of the community and additional indicators reflecting the vision of the community with respect to school improvement will be incorporated into the baseline. The community will be provided with training in order to enable them to periodically monitor progress against their targets. NGOs/SOs, local government, resource persons, district education offices, regional education directorates, Department of Education and Research Support Groups (private firms or NGOs) will be involved in various ways at various areas and levels of monitoring.

As the outcome of this policy initiative may be significantly affected by the socio-economic and cultural status of the community, the baseline survey will incorporate indicators reflecting development stages of the communities such as living standard, assets, infrastructure and services, and the ethnic and caste composition of communities.

The effectiveness of various components of the project will also be evaluated with a view to draw inferences on promising approaches for delivery of these components and contribution of these components in achieving the overall objective of the project.

Some of the other studies to be undertaken as a part of this component are assessment of community mobilization approaches, approaches for ensuring social inclusion in access to education and school management, assessments of scholarships and performance grants and project evaluation. To transfer the experience generated through the project to universities as well as to benefit from the experience of universities, the project will modestly fund student research and field work in related areas. This component will also fund relevant on-the-job-training (development assignment).

The success of the project will, to a large extent, depend upon the extent of success in ensuring synergy of inputs from various components. Therefore, components will not be treated as independent activities. School activities will be guided by its goals, and inputs from various components will be matched with the requirements of a given activity. School grants envisaged in this project are designed to give the communities flexibility in harmonizing inputs from various components. Consistent with this synergetic approach while executing project inputs along with processes will be monitored. Some of the processes that will be carefully monitored in schools are:

- Setting of a vision, goal, standards of instruction and performance
- Transformation of attitude of stakeholders by reinforcing positive values
- Inclusion of all segments of society in school transformation process
- Transparency in business transactions
- Team spirit and mutual trust
- Transformation of school physical and academic/classroom environment
- Use of a wide variety of teaching and learning materials
- use of participatory activity-based teaching learning methods
- Monitoring of visible progress in school functioning and learning level
- Interaction on and communication of school progress

### **Implementation Arrangements**

The Department of Education (DOE) under the Ministry of Education and Sports (MOES) will be the implementing agency for the project. The DOE has designated one of its divisions as the Project Focal Point (PFP) and the head of the division is the Project Coordinator. The Coordinator will be assisted by a Deputy Director, a Section Officer, an Accounts Officer, a Procurement Specialist and other officials. The PFP will be guided by a Central Steering Committee (CSC) comprising Joint-Secretary Planning Division, MOES – Chair, DG - Member, one representative each from NPC, MOF and MOLD, and two representatives from the private sector, Deputy Director designated for the project - Member, Coordinator PFP – Member Secretary. The main functions of the committee will be to approve annual plans and budgets, select schools participating in the project, monitor progress of project activities and provide policy advice. The representatives from the private sector will be from among prominent educationists, NGOs and social workers. The representatives from the private sector will be nominated by the Government in consultation with IDA. The PFP will be supported by one of the Research Support Groups. The Director General (DG) of the Department will assume overall responsibility for the project and will delegate authority for day-to-day operation of the project to the Coordinator.

The District Education Office (DEO) will implement the project activity at the district level. A District Focal Person will be designated to implement project activities. The Focal Person will report to the District Education Officer, and will be assisted by DEO staff as necessary. The project activities at the district level will be guided by a District Steering Committee (DSC) comprising District Education Officer – Chair, one representative from among the SMC Chairpersons of community-managed government-funded schools in the district selected by the community managed schools and Focal Person – Member Secretary. The main functions of the DSC will be recommending annual work plans and budgets for consideration of the CSC, screening schools applying for participation in the project, reviewing progress of project activities and providing feedback on the program. The District Education Officer will assume overall responsibility for the project activities in the district and may delegate his/her authority as appropriate to the District Focal Person.

Most of the activities of the project will be implemented by the communities – SMCs/schools, and CBOs



supported by NGOs. The SMCs will have overall responsibility for implementation of the project activities within the school communities. The DEO will monitor and supervise activities of the communities. For broad community involvement in the project activities, SMCs will form Project Advisory Committees (PACs), Project Monitoring Committees (PMCs), Social Audit Committee (SACs) and other committees, as appropriate. Desired composition of the PAC, PMC and SAC are presented below for guidance. The SMCs may use their judgment with respect to composition of the committees.

#### Composition of the Project Advisory Committee

|   |                  |
|---|------------------|
| 1. SMC Chairperson  | Chair            |
| 2. All other members of SMC   | Member           |
| 3. Chairperson, Parent Teacher Association  | Member           |
| 4. Chairpersons of all committees formed according to Guidelines for Transferring management of Schools to Communities      | Member           |
| 5. A male and a female representative of disadvantaged communities  |                  |
| 6. A male and a female representative of parents of out-of-school children from indigenous/dalit /disadvantaged communities | Member           |
| 7. Parents of children studying in primary grades   | Member           |
| 8. Representatives of pupils including one from primary grades and one girl   | Member           |
| 9. Chairpersons PMC and SAC   | Member           |
| 10. Head teacher  | Member-Secretary |
| 11. Chairperson, Village Development Committee  | Advisor          |

#### Composition of the Project Monitoring Committee

|  |        |
|--|--------|
| 1. One male and one female representative of parents                                       | Member |
| 2. One male pupil and one female pupil   | Member |
| 3. One male and one female representatives from disadvantaged/indigenous/dalit communities | Member |
| 4. One social worker   | Member |

A Chairperson will be elected by the members from among the members.

#### Composition of the Social Audit Committee

|  |        |
|--|--------|
| 1. One male and one female representative of parents | Member |
| 2. One male pupil and one female pupil               | Member |
| 3. One social worker                                 | Member |

A Chairperson will be elected by the members from among the members.

**Annex 3: Estimated Project Costs**  
**NEPAL: Community School Support Project**

| <b>Project Cost By Component</b>       | <b>Local<br/>US \$million</b> | <b>Foreign<br/>US \$million</b> | <b>Total<br/>US \$million</b> |
|--|-------------------------------|---------------------------------|-------------------------------|
| School Grants                          | 3.21                          | 0.00                            | 3.21                          |
| Scholarships                           | 0.38                          | 0.00                            | 0.38                          |
| Capacity Building                      | 0.59                          | 0.00                            | 0.59                          |
| Monitoring and Evaluation              | 0.48                          | 0.00                            | 0.48                          |
| <b>Total Baseline Cost</b>             | 4.66                          | 0.00                            | 4.66                          |
| Physical Contingencies                 | 0.30                          | 0.00                            | 0.30                          |
| Price Contingencies                    | 0.22                          | 0.00                            | 0.22                          |
| <b>Total Project Costs<sup>1</sup></b> | 5.18                          | 0.00                            | 5.18                          |
| <b>Total Financing Required</b>        | 5.18                          | 0.00                            | 5.18                          |

| <b>Project Cost By Category</b>  | <b>Local<br/>US \$million</b> | <b>Foreign<br/>US \$million</b> | <b>Total<br/>US \$million</b> |
|--|-------------------------------|---------------------------------|-------------------------------|
| <b>Grants</b>  | 3.21                          | 0.00                            | 3.21                          |
| <b>Scholarships</b>  | 0.38                          | 0.00                            | 0.38                          |
| <b>Goods</b>   | 0.08                          | 0.00                            | 0.08                          |
| <b>Services</b>  | 0.52                          | 0.00                            | 0.52                          |
| <b>Training, study visits, development assignments,<br/>student research</b> | 0.15                          | 0.00                            | 0.15                          |
| <b>Incremental Operating Costs</b>   | 0.32                          | 0.00                            | 0.32                          |
| <b>Unallocated</b>   | 0.52                          | 0.00                            | 0.52                          |
| <b>Total Project Costs<sup>1</sup></b>                                       | 5.18                          | 0.00                            | 5.18                          |
| <b>Total Financing Required</b>  | 5.18                          | 0.00                            | 5.18                          |

<sup>1</sup> Identifiable taxes and duties are 0.18 (US\$m) and the total project cost, net of taxes, is 5 (US\$m). Therefore, the project cost sharing ratio is 100% of total project cost net of taxes.

## **Annex 4: Financial Management**

### **NEPAL: Community School Support Project**

#### *Financial Management Arrangements*

The Department of Education (DOE) is responsible for the management of project funds, including the proceeds of the credit and counterpart funds. DOE has designated a Project Focal Point (PFP), which functions as the Project Coordination Unit (PCU), and is responsible for overall project coordination and consolidation of accounts. Its Accounting Division will be responsible to perform the relevant financial management functions. A Financial Controller, who has several years of relevant accounting experience, heads the Division. There is a total of six staff in the DOE, including the Accounts Controller. The DOE has designated one of the Accounts Officer for the project. The Accounts Officer shall be responsible for assisting in formulating the annual budget, operation of the accounting system, supervision of district level accountants, training of district level accountants, and monitoring of overall financial transaction.

#### *Accounting Arrangements and Funds Flow*

A separate budget head will be assigned in the Government's Budget (Red Book) which will allow reporting of expenditures and accounts under IDA funding. Initially for the first year of the program, until the districts can be identified, the budget for the Project will be allocated under a separate identifiable budget head at the central level. Following the approval of the program and budget estimates, the budget authorization will be provided to the Department of Education. Based on demands for transfer of schools from various districts, the Project Focal Point (PFP) will allocate budget for districts, and the DOE will issue spending authorization and transfer funds to respective District Education Offices (DEOs). DEOs will release funds to schools that are qualified to obtain grants based on set indicators, and will maintain a record of schools receiving grants. Grants provided to schools meeting specific criteria are considered as expenditures, without any need for schools/communities receiving such grants to return any savings thereof. Utilization of grants for the intended purpose will be closely monitored and reported. Financing of grants and scholarships are pre-financed by government's own resources, the consolidated claims of which are later charged to the Special Account or submitted to IDA for reimbursement. Almost 80 percent of required resources are pre-financed by the government, and the remaining 20 percent dealing with direct payments to consultants or suppliers are paid through the special account.

During the first year, as the demands for school transfers in districts get clearer, HMG and IDA will review to determine whether the arrangement in place should continue or an alternate arrangement should be made from the second year onwards to transfer the budget to the district level budget allowing the resources to be transferred directly through the respective District Treasury Controller Offices (DTCOs) to the respective DEOs. Following the handover decisions of schools to communities by the Central Steering Committee and on signing of agreement between the DEO and schools incentives grants will be released by the DEOs to the SMCs. Similarly, other school grants tied to performance will be released to schools on approval by the District Steering Committee. The DOE will maintain the accounts for the project in accordance with the Government's cash-based accounting systems. The DOE has computer facility to maintain the accounts in spreadsheets. The DOE has a rich experience of implementing innovative approach of basket funding involving five donors for the Basic and Primary Education Program. The accounting systems contain the following features: (a) application of consistent cash accounting principles for documenting, recording, and reporting its financial transactions; (b) a well-defined chart of accounts that allows meaningful summarization of financial transactions for

financial reporting purposes; (c) maintenance of withdrawal monitoring register, SOE record, and special account register; (d) the use of an asset register; (e) monthly closing and reconciliation of accounts and statements; and (f) the production of annual financial statements acceptable to IDA.

## **Internal Control**

An Operations Manual containing among others the reporting and accounting procedure, and internal control arrangements for the project is under preparation. The Draft manual is expected to be completed by the negotiations date. The manual will also contain simple reporting formats that can be implemented by schools at the community level. It will provide guidelines as to how the accounts of the grants received should be maintained, and also specify the reporting format that should be reported on a trimesterly basis to the DEOs. The report will indicate how the grant is being spent and how it has contributed to the overall school management. It will specify internal control measures to ensure that funds are spent for the intended purpose, and records are maintained that should be transparent to the community and other interest groups. The guidelines will also specify a need for regular social audit and submission of such reports to DEOs on a trimester basis. A monitoring system will also be established to allow the respective DEOs to monitor the use of grants on the basis of trimesterly reports that will be submitted by the schools. DEOs will fulfill the role of internal evaluators to oversee the proper use of grants. DEOs will submit a consolidated report to the PFP of the DOE to enable the PFP to assess the outputs of the grants and related outcomes.

The PFP will also arrange to recruit independent evaluators to visit districts and evaluate the works of DEOs and the communities against the approved operations manual. Independent evaluators will submit an independent assessment report to the PFP with recommendations for improvements in the system. Initially, independent evaluators will be fielded every six months.

A mechanism will also be put in place for technical audit during the mid-term review to measure the outcomes of the grants provided to schools. DOE will hire independent consultants qualified to carry out performance audit to measure the impact of the grant.

District Education Offices will be responsible to maintain district level accounts under a separate ledger for the given budget head. DEOs will forward the monthly statements to the DOE which will prepare a consolidated monthly statement. A consolidated project expenditures will be reported by the DOE's Accounting Division, based on the accounts maintained by it and the information provided by the DEOs on district project activities and grants expenditures. The annual financial statements will include, at a minimum, the following documents: (a) a Summary of Sources and Uses of Funds; (b) uses of Funds by Project Activity; (c) summaries of the Special Accounts statements and of SOE disbursements, and (d) notes to financial statements.

### *Audit*

Annual project accounts (including statement of expenditures and special account) of the project will be maintained by the PFP and will be audited by the Office of the Auditor General of Nepal (OAGN) as required by the Constitution of the Kingdom of Nepal, with audit reports due within six months of the end of each fiscal year.

During audits, the grants released to communities will be considered as expenditures and accounts will be maintained as incurred expenditures, and audits thereof will be based on total grants released. Since grants released are treated as expenditures, there will be no need for recipients to refund

the savings, if any, of the received grants.

### **Reporting and Monitoring**

Schools/communities will submit the trimester report as specified in the operations manual to respective DEOs. Respective DEOs will prepare a summary report for submission to the PFP. The PFP will prepare the financial monitoring report (FMR) on a trimesterly basis reporting the implementation progress on financial, physical progress and procurement. The PFP and IDA will agree to a reporting format during negotiations, which will be used as the standard form of reporting the progress both to HMGN and IDA.

### **Supervision Plan**

IDA will supervise the project on a regular basis, and more particularly, focus on the following during supervision:

- Review of Statement of Expenditures (SOE), and
- Periodic field visit to DEOs and community schools to oversee the use of grants and financial management at DEO and community level.

Supervision will be on an ongoing basis from the Nepal Country Office, and will flag the issues on a timely basis.

**Annex 5: Project Processing Schedule  
NEPAL: Community School Support Project**

| <b>Project Schedule</b>                    | <b>Planned</b> | <b>Actual</b> |
|--|----------------|---------------|
| Time taken to prepare the project (months) |                | 2             |
| First Bank mission (identification)        |                | 02/18/2003    |
| Appraisal mission departure                | 05/05/2003     | 05/12/2003    |
| Negotiations                               | 06/09/2003     | 06/09/2003    |
| Planned Date of Effectiveness              | 07/16/2003     |               |

**Prepared by:**

Department of Education, Ministry of Education and Sports

**Preparation assistance:**

None

**Bank staff who worked on the project included:**

| <b>Name</b>         | <b>Speciality</b>                          |
|---------------------|--|
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| Susan E. Hirshberg  | Sr. Education Specialist                   |
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| Kiran Ranjan Baral  | Sr. Procurement Specialist                 |
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| Afshan H. Khawaja   | Senior Social Scientist                    |
| Gertrude Cooper     | Program Assistant                          |
| Sushila Rai         | Program Assistant                          |

**Annex 6: Procurement and Disbursement Arrangements**  
**NEPAL: Community School Support Project**

**Procurement**

**A. Institutional Capacity**

As a part of the project appraisal, the Bank carried out an assessment to determine the institutional capacity to carry out procurement in accordance with the World Bank guidelines for procurement and for selection of consultants of the Project Focal Point (PFP), which will function as a project coordination unit, within the Department of Education (DOE). The PFP will manage the procurement activities of the corresponding Part of the Project. At present, the Department of Education (DOE) is implementing the Basic and Primary Education Program (BPEP) jointly funded by five donors including IDA under a basket funding approach. Procurement is being carried out in accordance with IDA Procurement Guidelines. Over the four years of implementation of this project, DOE has gradually built up its procurement capacity which is now well developed at the central level and reasonably developed at district level.

**B. Procurement Methods**

All goods financed under the IDA credit shall be procured at the Central and District levels in accordance with Bank guidelines for procurement (Guidelines: IBRD Loans and IDA Credits, January 1995, revised January and August 1996, September 1997, and January 1999). All consultant services and training and orientation funded by the IDA credit/grant shall be selected in accordance with the guidelines (Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised September 1997 and January 1999, and May 2002).

**Procurement methods (Table A)**

The expenditure categories and their respective estimated costs, the procurement method and the respective amounts in parenthesis financed by the IDA Credit are summarized in Table A.

**Table A: Project Costs by Procurement Arrangement  
(US\$ million equivalent)**

| Procurement Method 1/                              |        |             |             |       |             |
|--|--------|-------------|-------------|-------|-------------|
| Expenditure Category                               | ICB/IS | NCB/NS/IS   | Other 2/    | N.B.F | Total Cost  |
| (1) Grants   |        |             | 3.21        |       | 3.19        |
| (2) Scholarships                                   |        |             | 0.38        |       | 0.38        |
| (3) Goods  |        | 0.08        |             |       | 0.08        |
| (4) Consulting Services                            |        | 0.52        |             |       | 0.52        |
| (5) Training, Study Tours, Development Assignments |        | 0.15        |             |       | 0.15        |
| (6) Incremental Operating Cost                     |        |             | 0.32        |       | 0.32        |
| Unallocated  |        |             |             |       | 0.52        |
| <b>Total</b>                                       |        | <b>0.75</b> | <b>3.91</b> |       | <b>5.18</b> |

**Table A1: Consultant Selection Arrangements  
(US\$ million equivalent)**

| Expenditure Category | Selection Method 1/ |     |      |     |      |       |        | Total Cost |
|----------------------|---------------------|-----|------|-----|------|-------|--------|------------|
|                      | QCBS                | QBS | SFB  | LCS | CQ   | Other | N.B.F. |            |
| 1. Firms             | 0.14                |     | 0.06 |     | 0.29 |       |        | 0.49       |
| 2. Individuals       |                     |     |      |     |      | 0.03  |        | 0.03       |
| Total                | 0.14                |     | 0.06 |     | 0.29 | 0.03  |        | 0.52       |

Note: QCBS = Quality- and Cost-Based Selection

QBS = Quality-based Selection (consulting services for NEA institutional strengthening)

SFB = Selection under a Fixed Budget

LCS = Least-Cost Selection

CQ = Selection Based on Consultants' Qualifications

Other = Selection of individual consultants (per Section V of Consultants Guidelines), Single Source Selection of Firms or SOE for Training, etc., Selection of Individual Consultants (per Section v of Guidelines for Consultants), Commercial Practices, etc.

N.B.F. = Not Bank-financed

**C.**

**Prior review thresholds (Table B)**

- (i) Each contract for goods for US\$50,000 equivalent and above.
- (ii) Each contract for consulting services for US\$40,000 and above in case of firms, and US\$10,000 and above in case of individuals.

**Table B: Thresholds for Procurement Methods and Prior Review 1/**

| Expenditure Category | Contract Value   | Procurement Method | Contracts Subject to Prior Review (US\$ million equivalent) |
|----------------------|--|--------------------|---|
| (1) Goods            | US\$50,000   | NCB                | All   |
| (3) Services         | a) Firms, exceeding US\$40,000<br>b) Individual exceeding US\$10,000 |                    | a) All<br>b) All  |
|                      |  |                    |   |



## **Disbursement**

### **Allocation of credit proceeds (Table C)**

Table C: Allocation of Credit Proceeds

| Expenditure Category                              | Amount in US\$ Million | Financing Percentage   |
|---|------------------------|--|
| 1. Grants   | 3.21                   | 100%   |
| 2. Scholarships                                   | 0.38                   | 100%   |
| 3. Goods  | 0.07                   | 100 % of foreign; 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally |
| 4. Consulting Services                            | 0.44                   | 85%  |
| 5. Training, Study Tours, Development Assignments | 0.14                   | 100%   |
| 6. Incremental Operating Costs                    | 0.24                   | 85% during the first year; 75% during the second year; and 65% thereafter  |
| 7. Unallocated                                    | 0.52                   |  |
| Total   | 5.00                   |  |

## **Disbursement Arrangements**

Disbursements from IDA will be made in accordance with traditional disbursement procedures, which include full documentation or statement of expenditure (SOE). To facilitate disbursements, a Special Account will be established. For large payments exceeding the Special Account threshold, direct payments will be made by IDA. For small payments including the release of grants and scholarships, disbursements from IDA will be on a reimbursement basis.

### **Use of statements of expenditures (SOEs):**

SOEs will be used for the following expenditures:

(a) for all grants and scholarship, (b) for goods under contracts costing less than \$50,000 equivalent each, (c) for consultants' services contracts costing less than US\$40,000 in case of firms, and less than \$10,000 or equivalent in case of individuals, (d) for cost of training, study tours and development assignments, and (e) incremental operating costs (incremental staff salary and allowances, operation and maintenance of facilities used by the PFP for project implementation, office supplies, and utilities).

### **Special account:**

A Special Account in US Dollars may be established, on terms and conditions satisfactory to IDA. The authorized allocations for special accounts will be US\$200,000. The Special Account will be managed under the joint signatures of the Project Coordinator and the Accounts Officer.

**Table A: Procurement Plan**  
(US\$ million equivalent)

| Pckg. No. | Component/Desc. of Services/Goods   | Estimated Cost <sup>1</sup>         | Procurement Method <sup>2</sup> | Date of RFP/ITB <sup>2</sup>                                | Date of Award   | Indicative Completion/Delivery Date <sup>3</sup> |
|-----------|---|-------------------------------------|---------------------------------|---|---|--|
| 1         | Capacity Building/NGO services - 150 packages to be procured independently by schools | 60000.00<br>(0.00)                  | SFB                             | August 2003 - lot 1; April 2004 -lot 2; April 2005 - lot 3) | September 2003-lot 1; May 2004-lot 2; March 2005 -lot 3 | August 2004; April 2005; February 2006           |
| 2         | Training for NGOs - 5 packages  | 38000.00<br>(0.00)                  | QCBS                            | April 2003  | July 2003   | November 2005                                    |
| 3         | Regional Research Support Groups  | 128000.00<br>(0.00)                 | CQ                              | April 2003  | July 2003   | June 2006  |
| 4         | Transfer Policy Communication   | 51000.00<br>(0.00)                  | QCBS                            | January 2004  | March 2004  | November 2005                                    |
| 5         | Baseline survey - evaluation -2 packages  | 70000.00<br>(0.00)                  | CQ                              | June 2003<br>October 2005                                   | October 2003<br>February 2006                           | February 2004<br>May 2006                        |
| 6         | Baseline survey - formative research  | 45000.00<br>(0.00)                  | CQ                              | June 2003   | October 2003  | May 2006   |
| 8         | Project evaluation  | 49000.00<br>(0.00)                  | CQ                              | December 2005   | March 2006  | June 2006  |
| 9         | Individual consultant   | 30000.00<br>(0.00)                  |                                 |   |   |  |
| 10        | Orientation of civil servants and social workers, and monitoring                      | 50000.00<br>(0.00)                  | QCBS                            | July 2003   | November 2006   | January 2005                                     |
|           | <b>Total</b>  | <b>\$521000.00</b><br><b>\$0.00</b> |                                 |   |   |  |

<sup>1/</sup> Figures in parentheses are the amounts to be financed by the . All costs include contingencies

<sup>2/</sup> RFP - Request for Proposals, ITB - Invitation to Bid, ICB - International Competitive Bidding, NCB - National Competitive Bidding, QCBS - Quality- and Cost-Based Selection, QBS - Quality-based Selection, SFB - Selection under a Fixed Budget, LCS - Least-Cost Selection, CQ - Selection Based on Consultants' Qualifications

<sup>3/</sup> End of contact may not exceed loan/credit board date

Disbursement

Table B: Allocation of Credit Proceeds

| Expenditure Category                          | Amount in US\$million | Financing Percentage   |
|---|-----------------------|--|
| Grants  | 3.21                  | 100  |
| Scholarships                                  | 0.38                  | 100  |
| Goods   | 0.07                  | 100% of foreign, 100% of local (ex-factory) and 85% local expenditures of other items procured locally |
| Consulting Services                           | 0.44                  | 85   |
| Training, Study Tours, Development Assignment | 0.14                  | 100  |
| Incremental Operating Costs                   | 0.24                  | 85% during the first year, 75% during the second year, and 65% thereafter                              |
| Unallocated                                   | 0.52                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
|   | 0.00                  |  |
| <b>Total Project Costs</b>                    | 5.00                  |  |
| <b>Total</b>                                  | 5.00                  |  |

**Annex 7: Documents in the Project File\***  
**NEPAL: Community School Support Project**

**A. Project Implementation Plan**

*Borrower's Project Implementation Plan for Community School Support Project.* Department of Education, Ministry of Education and Sports. May 9, 2003.

**B. Bank Staff Assessments**

*Community School Support Project, Learning Innovation Loan Proposal.* South Asia Region, Human Development Sector. March 14, 2003.

**C. Other**

Education Regulations, HMGN, 2002.

Directives for Community Managed Schools, HMGN. September 2002.

The Seventh Amendment of Education Act 2028 BS, 2001, HMGN.

The Tenth Five-Year Plan 2002-07, National Planning Commission, 2003.

\*Including electronic files

**Annex 8: Statement of Loans and Credits**  
**NEPAL: Community School Support Project**  
26-Mar-2003

| Project ID    | FY   | Purpose                               | Original Amount in US\$ Millions |        | Cancel. | Undisb. | Difference between expected and actual disbursements <sup>1</sup> |           |
|---------------|------|---------------------------------------|----------------------------------|--------|---------|---------|---|-----------|
|               |      |                                       | IBRD                             | IDA    |         |         | Orig  | Frm Rev'd |
| P071291       | 2003 | Financial Sector Technical Assistance | 0.00                             | 16.00  | 0.00    | 16.67   | 0.00  | 0.00      |
| P050671       | 2002 | NP: Telecommunications Sector Reform  | 0.00                             | 22.56  | 0.00    | 23.25   | -0.51   | 0.00      |
| P045052       | 2000 | ROAD MAINTENANCE AND DEVELOPMENT      | 0.00                             | 54.50  | 0.00    | 35.41   | 48.88   | 3.56      |
| P045053       | 1999 | RURAL INFRA LIL                       | 0.00                             | 5.00   | 0.00    | 0.78    | 0.87  | -0.17     |
| P040612       | 1999 | BASIC & PRIMARY ED. II                | 0.00                             | 12.50  | 0.00    | 5.10    | 5.77  | 2.05      |
| P010530       | 1998 | IRRIG SECTOR DEVT                     | 0.00                             | 79.77  | 8.01    | 7.86    | 17.61   | 2.32      |
| P010509       | 1998 | MULTIMODAL TRANSIT                    | 0.00                             | 23.50  | 0.00    | 4.30    | 5.02  | 4.92      |
| P010516       | 1997 | RURAL WS& SANITATION                  | 0.00                             | 18.30  | 1.55    | 1.74    | 4.59  | 2.52      |
| <b>Total:</b> |      |                                       | 0.00                             | 232.13 | 9.56    | 95.11   | 82.22   | 15.20     |

NEPAL  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
Jun 30 - 2002  
In Millions US Dollars

| FY Approval | Company          | Committed |        |       |        | Disbursed |        |       |        |
|-------------|------------------|-----------|--------|-------|--------|-----------|--------|-------|--------|
|             |                  | IFC       |        |       |        | IFC       |        |       |        |
|             |                  | Loan      | Equity | Quasi | Partic | Loan      | Equity | Quasi | Partic |
| 1996        | Bhote Koshi      | 19.26     | 2.95   | 0.00  | 29.45  | 19.26     | 2.95   | 0.00  | 29.45  |
| 1994        | Himal Power      | 25.89     | 0.00   | 4.50  | 0.00   | 25.89     | 0.00   | 4.05  | 0.00   |
| 2001        | ILFC - Nepal     | 0.00      | 0.30   | 0.00  | 0.00   | 0.00      | 0.30   | 0.00  | 0.00   |
| 1998        | Jomsom Resort    | 4.00      | 0.00   | 0.00  | 0.00   | 4.00      | 0.00   | 0.00  | 0.00   |
|             | Total Portfolio: | 49.15     | 3.25   | 4.50  | 29.45  | 49.15     | 3.25   | 4.05  | 29.45  |

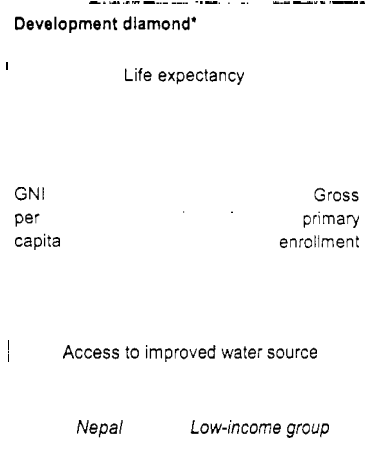
| FY Approval | Company                   | Approvals Pending Commitment |        |       |        |
|-------------|---------------------------|------------------------------|--------|-------|--------|
|             |                           | Loan                         | Equity | Quasi | Partic |
|             | Total Pending Commitment: | 0.00                         | 0.00   | 0.00  | 0.00   |

## Annex 9: Country at a Glance

### NEPAL: Community School Support Project

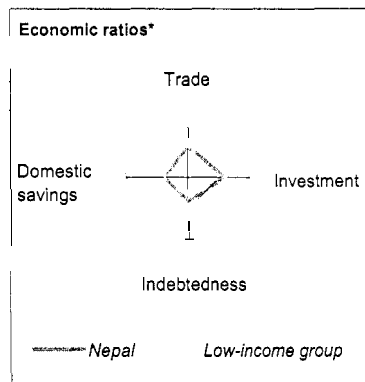
#### POVERTY and SOCIAL

|  | Nepal | South Asia | Low-income |
|--|-------|------------|------------|
| <b>2001</b>  |       |            |            |
| Population, mid-year (millions)                              | 23.6  | 1,380      | 2,511      |
| GNI per capita (Atlas method, US\$)                          | 250   | 450        | 430        |
| GNI (Atlas method, US\$ billions)                            | 5.8   | 616        | 1,069      |
| <b>Average annual growth, 1995-01</b>                        |       |            |            |
| Population (%)   | 2.4   | 1.9        | 1.9        |
| Labor force (%)  | 2.5   | 2.4        | 2.3        |
| <b>Most recent estimate (latest year available, 1995-01)</b> |       |            |            |
| Poverty (% of population below national poverty line)        | 42    |            |            |
| Urban population (% of total population)                     | 12    | 28         | 31         |
| Life expectancy at birth (years)                             | 59    | 62         | 59         |
| Infant mortality (per 1,000 live births)                     | 74    | 73         | 76         |
| Child malnutrition (% of children under 5)                   | 47    | 49         |            |
| Access to an improved water source (% of population)         | 81    | 87         | 76         |
| Illiteracy (% of population age 15+)                         | 57    | 44         | 37         |
| Gross primary enrollment (% of school-age population)        | 126   | 101        | 96         |
| Male   | 140   | 109        | 103        |
| Female   | 112   | 93         | 88         |



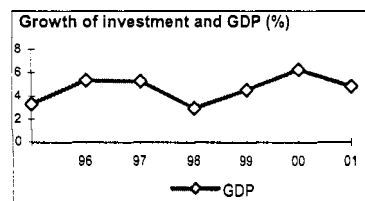
#### KEY ECONOMIC RATIOS and LONG-TERM TRENDS

|                                   | 1981           | 1991           | 2000        | 2001        |                |
|-----------------------------------|----------------|----------------|-------------|-------------|----------------|
| GDP (US\$ billions)               | 2.3            | 3.9            | 5.5         | 5.6         |                |
| Gross domestic investment/GDP     | 17.6           | 20.8           | 24.2        | 24.3        |                |
| Exports of goods and services/GDP | 12.9           | 11.8           | 23.3        | 22.4        |                |
| Gross domestic savings/GDP        | 10.9           | 9.6            | 15.0        | 14.7        |                |
| Gross national savings/GDP        |                |                | 24.7        | 25.4        |                |
| Current account balance/GDP a/    | -2.3           | -7.5           | 2.1         | 2.8         |                |
| Interest payments/GDP             | 0.1            | 0.7            | 0.5         | 0.5         |                |
| Total debt/GDP                    | 12.2           | 45.7           | 51.5        | 48.5        |                |
| Total debt service/exports        | 3.3            | 11.1           | 5.6         | 4.9         |                |
| Present value of debt/GDP         |                |                | 28.4        |             |                |
| Present value of debt/exports     |                |                | 87.3        |             |                |
| <b>(average annual growth)</b>    | <b>1981-91</b> | <b>1991-01</b> | <b>2000</b> | <b>2001</b> | <b>2001-05</b> |
| GDP                               | 4.7            | 4.9            | 6.2         | 4.8         | 4.1            |
| GDP per capita                    | 2.4            | 2.4            | 3.7         | 2.4         | 1.8            |



#### STRUCTURE of the ECONOMY

|                                | 1981           | 1991           | 2000        | 2001        |
|--------------------------------|----------------|----------------|-------------|-------------|
| <b>(% of GDP)</b>              |                |                |             |             |
| Agriculture                    | 60.9           | 48.6           | 40.7        | 39.1        |
| Industry                       | 12.4           | 17.9           | 22.1        | 22.0        |
| Manufacturing                  | 4.1            | 6.9            | 9.4         | 9.3         |
| Services                       | 26.7           | 33.5           | 37.2        | 38.9        |
| Private consumption            | 82.1           | 81.2           | 75.9        | 75.4        |
| General government consumption | 7.0            | 9.2            | 9.1         | 10.0        |
| Imports of goods and services  | 19.6           | 23.1           | 32.4        | 32.0        |
| <b>(average annual growth)</b> | <b>1981-91</b> | <b>1991-01</b> | <b>2000</b> | <b>2001</b> |
| Agriculture                    | 3.8            | 2.8            | 4.9         | 4.3         |
| Industry                       | 8.7            | 6.4            | 8.7         | 2.5         |
| Manufacturing                  | 9.2            | 7.4            | 7.2         | 3.6         |
| Services                       | 4.5            | 6.0            | 5.8         | 6.6         |

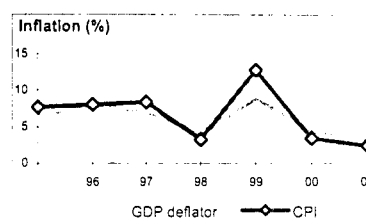


Note: 2001 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

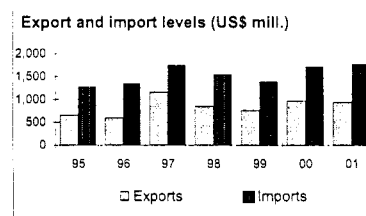
## PRICES and GOVERNMENT FINANCE

|  | 1981 | 1991  | 2000 | 2001 |
|--|------|-------|------|------|
| <b>Domestic prices</b>                     |      |       |      |      |
| <i>(% change)</i>                          |      |       |      |      |
| Consumer prices                            | 13.6 | 13.8  | 3.4  | 2.4  |
| Implicit GDP deflator                      | 7.9  | 9.1   | 4.4  | 3.1  |
| <b>Government finance</b>                  |      |       |      |      |
| <i>(% of GDP, includes current grants)</i> |      |       |      |      |
| Current revenue                            | ..   | 8.9   | 10.7 | 11.4 |
| Current budget balance                     | ..   | -2.8  | 1.1  | 0.2  |
| Overall surplus/deficit                    | ..   | -10.7 | -3.5 | -4.5 |



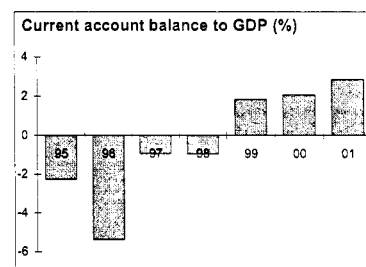
## TRADE

|                        | 1981 | 1991 | 2000  | 2001  |
|------------------------|------|------|-------|-------|
| <i>(US\$ millions)</i> |      |      |       |       |
| Total exports (fob)    | 135  | 228  | 971   | 942   |
| Food                   | ..   | ..   | 61    | 65    |
| Pulses                 | ..   | ..   | 46    | 56    |
| Manufactures           | ..   | ..   | 230   | 256   |
| Total imports (cif)    | 371  | 715  | 1,713 | 1,774 |
| Food                   | ..   | 87   | 157   | 81    |
| Fuel and energy        | ..   | 70   | 273   | 338   |
| Capital goods          | ..   | 184  | 297   | 312   |



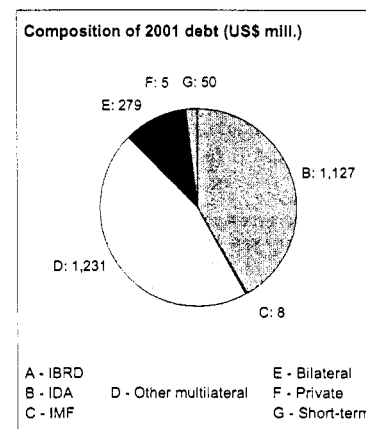
## BALANCE of PAYMENTS

|   | 1981 | 1991 | 2000  | 2001  |
|---|------|------|-------|-------|
| <i>(US\$ millions)</i>                  |      |      |       |       |
| Exports of goods and services           | 294  | 437  | 1,433 | 1,359 |
| Imports of goods and services           | 403  | 854  | 1,922 | 1,984 |
| Resource balance                        | -109 | -417 | -489  | -625  |
| Net income                              | 10   | 66   | 20    | 9     |
| Net current transfers                   | 46   | 60   | 582   | 774   |
| Current account balance                 | -52  | -290 | 113   | 158   |
| Financing items (net)                   | 39   | 417  | 101   | -82   |
| Changes in net reserves                 | 13   | -127 | -214  | -76   |
| <b>Memo:</b>                            |      |      |       |       |
| Reserves including gold (US\$ millions) | ..   | 451  | 952   | 1,027 |
| Conversion rate (DEC, local/US\$)       | 12.0 | 31.0 | 69.3  | 73.8  |



## EXTERNAL DEBT and RESOURCE FLOWS

|                                      | 1981 | 1991  | 2000  | 2001  |
|--------------------------------------|------|-------|-------|-------|
| <i>(US\$ millions)</i>               |      |       |       |       |
| Total debt outstanding and disbursed | 279  | 1,776 | 2,823 | 2,700 |
| IBRD                                 | 0    | 0     | 0     | 0     |
| IDA                                  | 109  | 719   | 1,134 | 1,127 |
| Total debt service                   | 12   | 66    | 100   | 89    |
| IBRD                                 | 0    | 0     | 0     | 0     |
| IDA                                  | 1    | 8     | 24    | 25    |
| Composition of net resource flows    |      |       |       |       |
| Official grants                      | 72   | 52    | 76    | 36    |
| Official creditors                   | 65   | 139   | 97    | 60    |
| Private creditors                    | 0    | -11   | -8    | 0     |
| Foreign direct investment            | 0    | 2     | 3     | 6     |
| Portfolio equity                     | 0    | 0     | 0     | 0     |
| World Bank program                   |      |       |       |       |
| Commitments                          | 32   | 62    | 55    | 0     |
| Disbursements                        | 33   | 49    | 46    | 47    |
| Principal repayments                 | 0    | 3     | 16    | 17    |
| Net flows                            | 33   | 47    | 31    | 30    |
| Interest payments                    | 1    | 5     | 9     | 8     |
| Net transfers                        | 32   | 42    | 22    | 21    |





## Additional Annex 10: Indigenous Peoples Development Plan NEPAL: Community School Support Project

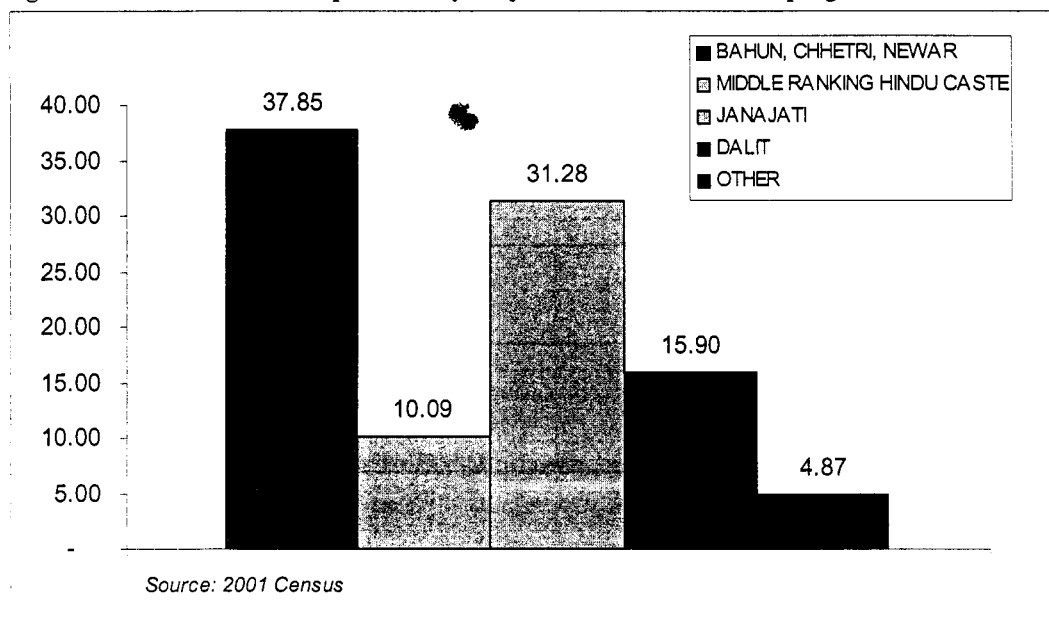
### 1. Legal and Socio-Cultural Framework

Nepal is a country of diverse cultures, races and religions. There are two major racial groups found in Nepal: "Caucasoid" and "Mongoloid". Although there has been cultural and religious cross influence between these two groups, both cultural and religious systems of the two racial groups retain varying degrees of distinctness. Mongoloid groups (such as the Magar, Tamang, Kiranti, Gurung, etc.) tend to follow mostly Buddhism and animism, while most of the Caucasoid groups generally follow Hinduism and a few follow Jainism and Islam. Also, a small proportion of both Caucasoid and Mongoloid populations have adopted Christianity, and some of the Kiranti peoples follow their own religion.

As noted above, Hindus have a "vertical" (hierarchical) social structure based on the idea of ritual purity. At the apex of the system are the Brahmins or *Bahun*s and at the bottom are the *Dalits* or *Untouchables*. Formerly these castes were collectively called the *doms* or *sano jat* (small castes), but currently those who have come into contact with critiques of the caste system and the caste politics of India call themselves Dalits, literally "the oppressed". The term implicitly rejects the validity of the caste system and focuses on its inherent lack of social justice. So all Hindus are members of some *Jat* or caste group, whether low or high. In contrast, Mongoloid groups tend to have more horizontal social structures and are recognized as *Indigenous Nationalities* or Indigenous People (IP).

Although there is still a degree of uncertainty about the precise breakdown of Nepal's population in terms of "high" and "low" caste groups and IPs, Figure 1 below gives at least a rough estimate in terms of orders of magnitude.

**Figure 1: Distribution of Population by major Castes/Ethnic Grouping**



Considering Nepal's diversity of cultures, races, languages and religions, the 1990 constitution has recognized the existence of "tribes" or indigenous peoples. The constitution has committed to the

protection, preservation and promotion of language, religion and culture, as well as to affirmative action for IPs and vulnerable groups. The Local Self Governance Act and the Seventh Amendment of Education Act have both articulated the right of children to education in their mother tongue up to grade five to facilitate inclusion of IPs.

Due to continuous political pressure from the IPs, the government set up the National Committee for Development of Nationalities in 1996. The committee recognized the existence of 61 Indigenous Nationalities in Nepal. Consequently, for the first time, the Ninth Plan (1997-2002) explicitly made policies and programs targeting IPs. The Parliament has passed a bill forming a Foundation for Development of Indigenous Nationalities, which has recognized 59 IPs in Nepal. In 1999, the Local Self-Governance Act was amended, giving more power and authority to local government bodies such as District Development Committees (DDCs), Municipalities and Village Development Committees (VDCs) – including the authority to protect, preserve and promote IPs' language, religion and culture. The National Planning Commission (NPC) has also included programs and strategies for IPs in the Tenth Plan/PRSP (2002-2007).

However, in practice, IPs have had limited ability to obtain access to and effectively use the legal system to defend their rights. This is because on the one hand, the machinery of the government is controlled primarily by "high caste" groups who have held power for the last 250 years and who do not necessarily want to change their behaviors, and on the other hand because many IP groups have had poor access to education, and are not aware of their legal rights. This situation can be seen from the data and discussion presented below.

Dominance in the power structure on the basis of caste hierarchy was first codified in the *Muluki Ain* of 1853 and although discrimination on the basis of caste and ethnicity has been outlawed in the legal system, "high caste" dominance and its accompanying ideology, continues in Nepal. Political marginalization of IPs and Dalits based on social discrimination is the main reason why they are deprived of economic, educational, and the overall social well-being. The 1991 Census recorded that more than two-thirds of the total educated (with BA and above) are from "high caste" Hill Hindu population (Table 1) – within which Chhetris are relatively less educated compared to Brahman and Newar. Then, another 19 percent of the educated are also from the various Hindu castes group including those from the Tarai, but excluding Dalits. The share of IPs and Dalits is desperately low.

**Table 1: Graduate and Above, 1991**

| Caste/Ethnic Group        | No. of Caste/ethnic Group | Population Graduated | %            |
|---------------------------|---------------------------|----------------------|--------------|
| <b>"High Caste"</b>       | <b>3</b>                  | <b>68,024</b>        | <b>70.2</b>  |
| Bahun                     |                           | 33,040               | 34.1         |
| Newar                     |                           | 23,000               | 23.7         |
| Chhetri                   |                           | 11,984               | 12.4         |
| <b>Other Hill Caste</b>   | <b>2</b>                  | <b>2,400</b>         | <b>2.5</b>   |
| <b>Tarai Higher Caste</b> | <b>17</b>                 | <b>15,722</b>        | <b>16.2</b>  |
| <b>Ethnic (IPs)</b>       |                           | <b>6,057</b>         | <b>6.2</b>   |
| Hill Ethnics              | 13                        | 4,957                | 5.1          |
| Tarai Ethnics             | 11                        | 1,100                | 1.1          |
| <b>Low Caste (Dalit)</b>  |                           | <b>3,034</b>         | <b>3.1</b>   |
| Hill Dalits               | 5                         | 2,790                | 2.9          |
| Tarai Dalits              | 5                         | 244                  | 0.3          |
| <b>Others</b>             |                           | <b>1,744</b>         | <b>1.8</b>   |
| <b>Nepal</b>              |                           | <b>96,981</b>        | <b>100.0</b> |

Source: Adapted from Gurung (2002), Table 5, p. 6.

Note: Based on 1991 census.

As with the distribution of the college-educated population in the above table, so adult literacy and

income are also associated positively with one's position on the social ladder (Table 2). The human development index (HDI), a composite index of education, health (life expectancy at birth), and income, is an indicator of overall well-being of the population. The HDI ranking in Nepal shows a similar close association with the caste hierarchy. On the basis of all three indices (adult literacy ratio, income index, and HDI), Brahmans, Newars, and Chhetris are well above the national average while IPs (excluding Newars), Dalits, and Muslims are below. Tarai castes have lower literacy and income than the national average; however, their HDI rank is higher than that of the IPs.

**Table 2: Human Development Index, 1996**

| Social Group                      | Adult Literacy Rate (%) | Per Capita Income (Rs.) | Income Index | HDI   | HDI Rank |
|-----------------------------------|-------------------------|-------------------------|--------------|-------|----------|
| <b>Caste Group</b>                |                         |                         |              |       |          |
| Hill Bahun                        | 58.0                    | 9,921                   | 0.237        | 0.441 | II       |
| Hill Chhetri                      | 42.0                    | 7,744                   | 0.181        | 0.348 | III      |
| Tarai Castes                      | 27.5                    | 6,911                   | 0.160        | 0.313 | IV       |
| Artisan Castes (Dalits)           | 23.8                    | 4,940                   | 0.110        | 0.239 | VII      |
| <b>Language Group</b>             |                         |                         |              |       |          |
| Newar                             | 54.8                    | 11,953                  | 0.289        | 0.457 | I        |
| <b>Hill Ethnic (IPs)</b>          |                         |                         |              |       |          |
| Gurung, Limbu, Magar, Rai, Sherpa | 35.2                    | 6,603                   | 0.152        | 0.299 | V        |
| <b>Religious Group</b>            |                         |                         |              |       |          |
| Muslim                            | 22.1                    | 6,336                   | 0.145        | 0.239 | VII      |
| <b>Others</b>                     | 27.6                    | 7,312                   | 0.170        | 0.295 | VI       |
| <b>Nepal</b>                      | 36.7                    | 7,673                   | 0.179        | 0.325 | -        |

Source: Adapted from Gurung (2002), Table 6, p.7.

Note: Based on NESAC (1998).

Table 3 shows the poverty incidence for selected caste/ethnic groups giving the proportion of each population group falling below the poverty line. The pattern of poverty incidence is similar to the pattern for income and HDI with few exceptions (Table 3), IPs and Dalits have higher proportions and Newar, Brahmans and Yadav have smaller proportions below the poverty line compared to the national average. The exceptions are that, in terms of incidence of poverty, Muslims are relatively better off compared to national average, whereas Chhetris are worse off and the Limbus have nearly three fourths of their community below the poverty line.

**Table 3: Incidence of Poverty, 1996**

| Social Group           | Proportion below Poverty Line (%) | Rank |
|------------------------|-----------------------------------|------|
| <b>Caste Group</b>     |                                   |      |
| Bahun                  | 34                                | II   |
| Yadav                  | 40                                | IV   |
| Chhetri                | 50                                | VII  |
| Sarki (Dalit)          | 65                                | XI   |
| Damai (Dalit)          | 67                                | XII  |
| Kami (Dalit)           | 68                                | XIII |
| <b>Language Group</b>  |                                   |      |
| Newar                  | 25                                | I    |
| <b>Religious Group</b> |                                   |      |
| Muslim                 | 38                                | III  |
| <b>Ethnic (IPs)</b>    |                                   |      |
| Gurung                 | 45                                | V    |
| Tharu                  | 48                                | VI   |
| Rai                    | 56                                | VIII |
| Magar                  | 58                                | IX   |
| Tamang                 | 59                                | X    |
| Limbu                  | 71                                | XIV  |
| <b>Others</b>          | 37                                | -    |

Source: Adapted from Gurung (2002), Table 7, p.8.

Note: Based on NESAC (1998).

It is clear that IPs and Dalits have been historically marginalized both legally and politically on the basis of social and religious ideology which was codified in the *Muluki Ain* of 1853. Despite its abolition in the legal code, this discrimination has continued even after the restoration of democracy with the introduction of the new constitution in 1991. Although overt public forms of discrimination may be less visible in interactions of the urban elite, IPs and Dalits continue to face economic, educational and social disadvantages at all levels of society – but especially among the poor in rural areas.

Among the IP groups, there are very different degrees of marginalization -- with some Janajati groups like the Sherpas, Thakalis, Manangis or Gurungs doing quite well due to income from tourism, trading or army service. But the government has recognized 28 of the 59 Janajati groups as particularly disadvantaged. These disadvantaged Janajati groups as well as the Dalits are eligible for targeted scholarships for primary education and also for free secondary education -- though these scholarships are quite minimal (Rs. 250 - or around \$3 per year) and it is quite evident that not all the eligible children are receiving them.

In addition to the classification of some caste and ethnic groups as disadvantaged, HMG/N recognizes geographic disadvantage and Nepal is categorized into four categories in terms of remoteness. Eighteen districts belonging to the most remote category are severely disadvantaged economically. These districts are eligible for various types of support from the Government. The Remote Area Development Board has been established to assist communities living in these areas. Scholarships are also being awarded to children from the 18 most remote districts.

2. **Baseline Data:** The project will provide assistance to children within the project area excluded from education to mitigate social, cultural and economic barriers. The area for the project is not defined, as it will assist the schools taking over management of schools on a voluntary basis. Each of the schools selected for project support will identify the disadvantaged children eligible for project support through social and enrolment mapping. For each of the schools a community baseline will be established, which will include the percentage of out-of-school children belonging to dalits, marginalized janjatis and disadvantaged communities, and their dropout and retention rates. These indicators will be monitored periodically and a final evaluation will be carried out at the end of the project.

3. **Land Tenure:** The project or the project-supported schools will not acquire any land.

4. **Strategy for Local Participation:** The following arrangements aimed at ensuring protection of interests of indigenous peoples are in-built into the project design:

- (a) Representation of dalits/indigenous peoples/women/disadvantaged communities in the Central Steering Committee of the project.
- (b) Representation of dalits/indigenous peoples/women/disadvantaged communities in the Project Advisory Committee and Project Monitoring Committee.
- (c) Organization of dalits/indigenous peoples/women/disadvantaged communities into Community Based Organization. The Terms of Reference for the NGOs to be hired under the project specify the NGO should assist women, Dalits and IPs in the community to organize so that they can fully participate in the development of the "social contract" and can collectively influence the decisions of the SMC and monitor the SMC and the school in terms of responsiveness to their children's needs.
- (d) The Government has been providing some scholarships to such households to mitigate the economic barriers. It is also supposed to provide scholarships to mitigate social and cultural barriers,

but as noted above it is not clear how the scholarships are allocated and it is also evident that they are too small to have not had the desired impact even when the Dalit or disadvantaged Janajati child receives them. The low amount of the scholarships as well as the delayed release of scholarships and poor targeting also have made the scholarships ineffective. The project will rely heavily on social mobilization of indigenous peoples (IPs). The social mobilization will lead to a social contract, which is at the core of the CSSP design, between the excluded community and the School Management Committee (SMC) witnessed by the community benefiting from school, the local government (VDC or municipality) and the District Education Office (DEO). The social contract is intended to articulate: (i) the community's commitment to ensure inclusion of all households excluded from education; (ii) clear delineation in the roles of all parties to the contract; and (iii) the specific mutual obligations of these parties to each other. Social mobilization of various stakeholder groups in the community around the articulation and implementation of the social contract will be key to the project approach. It will be particularly critical to involve and empower the three groups who make up the bulk of the out-of-school population: females, dalits and disadvantaged ethnic or janajati groups.

(e) Another strategy for facilitating inclusion of IPs will be involvement of IP-based NGOs/SOs for social mobilization of IPs.

5. **Technical Identification of Development or Mitigation Activities:** The project aims at mainstreaming the out-of-school children, many of whom will belong to indigenous peoples, dalits and disadvantaged. Maximizing project benefits to these groups will be the focus of the project. Negative impacts on these groups are not expected.

6. **Institutional Capacity:** The Government through the DOE, the implementing agency for the project, has been providing scholarships and incentives targeted to 28 groups belonging to the disadvantaged indigenous nationalities (janjatis), dalits and economically marginalized communities. Experience has indicated that for effective implementation of such programs, more field-based staff would be required. The project envisages employment of NGOs/SOs for intensive social mobilization in the project area. Efforts will be made to mobilize dalit/indigenous nationalities-based NGOs/SOs for social mobilization of targeted groups with a view to mainstream these groups to education as well as retain them. The project has allocated reasonable funds for investment and field-based operations.

7. **Implementation Schedule:** The consultations were held on May 2, 2003 with the Nepal Federation of Nationalities and on May 3, 2003 with the Movement for Liberation of Oppressed, Dalits and Ethnic Groups. Similarly, consultations with dalits, disadvantaged and indigenous peoples were held in Srijana High Schools and Mahendra Primary Schools in Kaski district. In every school participating in the project, following social mapping, extensive social mobilization will be conducted to ensure inclusion of dalits, indigenous and disadvantaged communities.

The project focuses on mainstreaming and retaining IPs in schools. The project does have a time bound benchmarks for these indicators disaggregated by dalits and indigenous nationalities. Initially every school community, including community of IPs, will be assisted by a NGO/SO for about eight months. It is expected that by the end of this period the Community Based Organizations (CBOs) will mature to carry on activities aimed at achieving the project objectives with intermittent supervision.

8. **Monitoring and Evaluation:** The project envisages participation of janjatis, disadvantaged communities and dalits in monitoring and evaluation of the project. The first tier of monitoring will take place within the CBOs, to which every single IP household will be tied. The second tier of monitoring will take place at the level of community institutions organized as interest groups such as parents of

out-of-school children, and illiterate parents. The third level of monitoring, at the school community level, will take place through the Project Monitoring Community, in which IPs will be represented.

9. **Cost Estimates and Financing Plan:** Around 10% of the project costs will be directly spent on indigenous peoples, disadvantaged communities and dalits. The figure would be slightly higher when all indirect support to such groups are accounted for.