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REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT OF SDR 12.10 MILLION
TO THE KINGDOM OF NEPAL
FOR A
PRIMARY EDUCATION PROJECT

April 5, 1984

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CURRENCY EQUIVALENT

US\$1	=	NRs 14.90
NR 1	=	US\$0.067
NRs 100,000	=	US\$6,700
NRs 1,000,000	=	US\$67,000

FISCAL YEAR

July 16 - July 15

SCHOOL YEAR

January-December

PRINCIPAL ABBREVIATIONS AND ACRONYMS USED

ADB	-	Asian Development Bank
CTSDC	-	Curriculum, Textbook, and Supervision Development Center
DEC	-	District Education Committee
DEO	-	District Education Officer
FC	-	Field Coordinator
HMG	-	His Majesty's Government
IDA	-	International Development Association
JTA	-	Junior Technical Assistant
JEMC	-	Janek Educational Materials Center
MOEC	-	Ministry of Education and Culture
NESP	-	New Education System Plan
NPC	-	National Planning Commission
OCE	-	Office of the Controller of Examinations
PIU	-	Project Implementation Unit
PMU	-	Primary Materials Unit
PSTU	-	Primary Supervision & Training Unit
RC	-	Resource Center
RETT	-	Radio Education Teacher Training
RP	-	Resource Person
SBU	-	School Building Unit
SEDEC	-	Science Education Development Center
SLC	-	School Leaving Certificate
SMC	-	School Management Committee
SOE	-	Statements of Expenditure
TA	-	Technical Assistance
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational Scientific and Cultural Organization
UNICEF	-	United Nations Children's Fund
USAID	-	United States Agency for International Development

NEPAL

PRIMARY EDUCATION PROJECT

Credit and Project Summary

Borrower: Kingdom of Nepal

Amount: Special Drawing Rights (SDRs) 12.10 million
(US\$12.78 million equivalent)

Terms: Standard

Project

Description: The project, which represents the first intervention by IDA in primary education in Nepal, has been designed as a pilot project, which would seek to: (a) achieve low-cost qualitative improvements in primary education; and (b) strengthen the administrative and technical capacity in the education sector. The project would provide assistance to about 700 primary schools in six of Nepal's 75 districts through the provision of effective in-service teacher training systems with follow-up supervision, better school management and community support, better teaching materials, and improved physical facilities. Communication problems and economic constraints would be addressed in part through the clustering of schools around a resource center which would assume some of the educational responsibilities for teacher training and supervision. Technical assistance would be extended to the Curriculum, Textbook, and Supervision Development Center and other agencies of the Ministry of Education and Culture responsible for project planning and implementing the Government's educational policies. A reform of the examination system for the School Leaving Certificate would be undertaken.

Benefits and

Risks:

Project benefits could be considerable if ways to address difficult issues under conditions of tight financial constraints and difficult communications are successfully developed. In the long-term these developments will assist in raising Nepal's low literacy level (19%), improving agricultural productivity, and creating an effective primary education subsector, which would provide the base for improved secondary and higher education. The project is spread over six districts with poor communications and the absorptive capacity of the Ministry is limited. While the most accessible districts have been selected for the project and the strengthening of the Ministry is one of

the objectives of the project, the risks due to these limitations cannot be entirely removed. Risks will, however, be reduced by inter alia (a) a simplified delivery system for inservice teacher training and supervision; (b) the provision of technical and management assistance; (c) intensive monitoring and evaluation; and (d) the appointment of well qualified and motivated staff.

<u>Estimated Cost:</u>	<u>Item</u>	<u>US\$ Millions</u>		
		<u>Local</u>	<u>/a Foreign</u>	<u>Total /a</u>
		-----US\$ million-----		
	Primary Schools and Resource Centers	1.12	1.92	3.04
	Regional & District Offices	0.88	0.63	1.51
	Central Offices	3.56	3.85	7.41
	Studies	<u>0.50</u>	<u>0.06</u>	<u>0.56</u>
	<u>Total Base Cost</u>	6.06	6.46	12.52
	Physical Contingency	0.61	0.64	1.25
	Price Contingency	<u>1.48</u>	<u>1.42</u>	<u>2.90</u>
	<u>Total Project Cost</u>	8.15	8.52	16.67

<u>Financing Plan:</u>	<u>US\$ Millions</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ million-----		
IDA	5.45	7.33	12.78
UNICEF	0.50 /b	1.20 /b	1.70
Government	<u>2.19</u>	—	<u>2.19</u>
<u>Total</u>	8.14 /c	8.53 /c	16.67

- /a Includes duties and taxes of US\$0.77 million equivalent.
 /b Still subject to agreement between Government and UNICEF. UNICEF financing will be on a parallel basis.
 /c Totals differ from that shown in the estimated cost due to rounding.

Estimated

Disbursements:

IDA FY	US\$ Millions				
	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Annual	0.78	2.56	3.82	3.44	2.18
Cumulative	0.78	3.34	7.16	10.60	12.78

Rate of Return: Not Applicable

Staff Appraisal Report: 4785-NEP; Nepal - Primary Education Project (March 27, 1984)

Map: IBRD 17639R



INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT TO THE
KINGDOM OF NEPAL
FOR A PRIMARY EDUCATION PROJECT

1. I submit the following report and recommendation on a proposed development credit to the Kingdom of Nepal in an amount of Special Drawing Rights (SDRs) 12.10 million (US\$12.78 million equivalent) on standard IDA terms to help finance a Primary Education Project. UNICEF would provide US\$1.7 million equivalent on a parallel financing basis towards meeting the technical assistance cost of the project.

PART I - THE ECONOMY 1/

2. The most recent economic report, "Nepal: Recent Developments and Selected Issues in Trade Promotion" (Report No. 4663-NEP), was distributed to the Executive Directors on October 19, 1983. The principal features and recent performance of the economy are described below. Country data are shown in Annex I.

3. Nepal is one of the least developed countries in the world. Per capita income is estimated at US\$150 (1981) and health and education standards are below the average for South Asia: life expectancy at birth is only about 45 years; infant mortality, about 148 per thousand; and adult literacy, only 20%. The population, estimated to be 15.0 million (1981), grew at a rate of about 2.6% per year during 1971 and 1981. About 95% of the population lives in rural areas.

4. Population density with respect to arable land (356 per sq. km) has reached very high levels, and cultivation has been extended on to marginal lands and forests. Forests have been further denuded to meet the growing demand for fuelwood, on which Nepal depends for over 90% of its energy consumption, mostly for household cooking and heating. On account of deforestation and excessive grazing on the hills and mountains, with high rainfall, there is accelerated soil erosion leading to silting of rivers, downstream flooding and loss of agricultural productivity all along.

5. Agriculture, largely rainfed, still accounts for nearly 60% of Nepal's GDP and 80% of merchandise exports, and provides the main source of livelihood to over 90% of the population. Crop production accounts for about

1/ Parts I and II of this report are substantially the same as in the President's Report (Report No. P-3737-NEP) dated March 1, 1984 for the Karnali Preparation Project - Phase I in Nepal.

60% of agricultural output, livestock for 30%, and forestry for 10%. Paddy is the principal food crop (planted on about half of the total cropped area), followed by maize, wheat, millet and barley. Cash crops (oilseeds, jute, sugarcane and tobacco) are grown on about 10% of the cropped area. About 15% of total rural incomes rise from nonagricultural activities, of which cottage industries are one of the more important and engage over one million people on a part-time basis.

6. Apart from agricultural land, Nepal's only other important exploitable resources are hydropower and tourist attractions. The exploitation of the vast hydropower resources beyond that required to satisfy the country's own power demand, however, will depend crucially on Nepal's ability to enter complex financial exploitation and export agreements with neighboring countries. The tourism sector, based on Nepal's mountain environment and its rich cultural heritage, has been dynamic, though it accounts for only about 1% of GDP. Tourism now provides about 20% of the country's foreign exchange earnings. About 60% of earnings from tourism are retained in Nepal.

7. Following centuries of self-imposed isolation, efforts to develop the economy of Nepal began in the mid-1950's against extremely heavy odds. The country had virtually no physical infrastructure, an ancient administrative system, and very limited educational and health services. The resource base is relatively narrow and its development hindered by the difficult topography and landlocked position. Against this background, Nepal's primary development objective for twenty years, between 1955 and 1975, was to build basic infrastructure and lay the groundwork for future economic growth. The country has made good progress in pursuit of that objective. It now has a basic road network linking many economic centers. Kathmandu and a few other towns have basic utilities and public transport. Schools have been built for almost half of the primary school age children and there are a number of high schools and a national university. A rudimentary hospital system, including rural health posts, has been built. Some progress has also been made in establishing the institutional framework for agricultural and industrial development, including extension and research activities, financial institutions and industrial enterprises. Yet in all these areas, the country has a long way to go to achieve a level of development comparable to other developing countries: thus, for example, the public and private institutions in Nepal must continue to expand and upgrade essential physical facilities, acquire the necessary expertise in handling economic and financial affairs, build up adequate technical and managerial cadres, and establish merit-based systems of personnel management.

8. The Fifth Plan (1975/76-1979/80) marked a shift in development objectives, with increased emphasis being placed on acceleration of economic growth, employment creation, and raising the living standards of the population. These objectives have been reiterated in the Sixth Plan (1980/81-1984/85). Moreover, the stated strategy of the Sixth Plan quite appropriately (a) accords high priority to developing agriculture, small-scale industries and Nepal's abundant water resources; (b) stresses soil conservation and population control; and (c) emphasizes full utilization of existing infrastructure and alleviation of absorptive capacity constraints,

including human resource development. The development strategy also calls for increased involvement of the private sector in agriculture, manufacturing, trade, tourism, construction and transport operations. Investment expenditures, supported by growing foreign assistance, have increased rapidly over the last two Plans, from \$146 million (9% of GDP) in 1974/75 to about \$390 million (15% of GDP) in 1981/82, and there have been substantial shifts in the composition of spending away from transport to agriculture, power and social services. GDP growth, however, has barely kept up with that of population.

9. Part of the explanation for this stagnation lies in factors beyond Nepal's control such as, for example, the difficult topography and the poor resource base. But factors within Nepal's control have also contributed to the stagnation. Severe project implementation problems have been encountered by Government and donors alike in most sectors of the economy, thereby lowering the rate of growth of capital formation. In addition, the expected returns on those investments which took place often did not materialize largely because necessary complementary investments or current spending were lacking, and because of managerial deficiencies. A good example is the agriculture sector. In the past, insufficient attention was paid to bringing water down to the farm level and this was compounded by inadequate support services such as extension and research, by the lack of timely supplies of improved seed, fertilizer and other inputs such as credit, by the lack of farm-to-market roads, and by very low producer margins. Future development of irrigation and agriculture would therefore need to emphasize complementary investments, improvements in agricultural input supplies and adequate producer margins.

10. The shortage of funds for current spending needs to be addressed by further efforts at domestic resource mobilization. In recent years, Nepal's efforts at resource mobilization have focussed on tightening income tax assessment and collection; on discretionary measures largely in the area of indirect taxes; and on reducing subsidies to public enterprises. While there has, as a result, been a steady increase in revenues, the tax structure remains inelastic. Some scope exists for increasing Nepal's tax elasticity by shifting items on the indirect tax schedules from specific to ad valorem basis. There also seems to be scope for increasing yields from the land tax, urban property taxes and income taxes.

11. Over the past two years, several positive steps have been taken to strengthen public sector management. These steps have included increases in the traditionally very low civil service salaries, establishment of public service training facilities, simplification of budgetary procedures accompanied by stricter enforcement of expenditure accounting, and granting of more autonomy to public enterprises in matters concerning personnel and pricing policies. The implementation of these administrative reforms would have to be pursued by a high-level monitoring of important administrative issues such as appointment of competent staff, job security and decision-making authority. Also, public enterprise reform needs to be pursued by measures aimed at reducing costs and increasing efficiency. In this regard, the Government has taken initial steps, subjecting public enterprises to

increased competition from the private sector through liberalization of licensing in industry, transport and small-scale hydropower generation. At the same time, in September 1983, the Government announced its intention to involve the private sector in the ownership and control of public enterprises through the sale of some public enterprise shares to private investors.

12. Because of slow economic growth, Nepal's balance of payments has been characterized by widening trade deficits, partly offset by surpluses from invisibles. The current account deficit (averaging \$100 million annually during 1979/80-1981/82) has traditionally been more than matched by inflows of official grants and concessional loans (averaging \$128 million annually during 1979/80-1981/82), leading to surpluses in the overall balance of payments in most years. Nevertheless, foreign exchange reserves have declined from being equivalent to about one year of imports in the early 1970's to six months in 1982, and four months in mid-1983.

13. To sustain and further develop its economy, Nepal must therefore mobilize additional free foreign exchange through export promotion and efficient import substitution. Improving agricultural production, rural incomes and food distribution within the country is a major way of doing so, if only to avoid the need to import and distribute large quantities of foodgrains in the future. Agricultural development also remains the key to a gradual expansion of Nepal's traditional merchandise exports. In addition, development of energy resources is a major means to strengthening the balance of payments by reducing the need to import fuel and opening up an export potential. Recently, Nepal has legislated a wide range of fiscal and administrative incentives for industrial investors and exporters, particularly in the private sector. The implementation of these incentives, and the alleviation of the severe transport and transit constraints facing the country's trade sector, must constitute essential elements of a trade promotion strategy for Nepal.

14. Nepal is faced with highly challenging prospects and tasks in addressing its multiple long-term development problems. While it attempts to mobilize domestic resources to finance about 40-50% of development expenditures, external assistance, at concessional terms, will continue to be a vital factor in financing investment and effecting economic growth. In the last three years, aid commitments to Nepal have averaged about \$250 million per year, almost entirely in the form of grants and concessional credits with grant elements in excess of 70%. Aid disbursements have grown from about \$110 million in 1979/80 to an estimated \$175 million in 1982/83. Nearly 70% of total aid disbursements have come from members of the Nepal Aid Group, formed in 1976 and now comprising eight DAC countries and four multilateral agencies.

15. As of December 31, 1982, Nepal's official foreign debt outstanding was \$297 million, of which \$251 million was due to multilateral agencies. As virtually all loans have been concessional, debt service payments, including payments to the IMF, have remained small in relation to exports of goods and services. In 1982/83, debt service payments were about \$15 million, equivalent to 7% of exports of goods and services. Over the medium term, these

payments are projected to remain at less than 10% of Nepal's exports of goods and services.

PART II - BANK GROUP OPERATIONS IN NEPAL 1/

16. Bank Group operations in Nepal began in FY70 with an IDA credit of US\$1.7 million equivalent for a telecommunications project. Since then, 32 additional credits have been approved, bringing total IDA assistance to Nepal to US\$369.5 million equivalent, net of cancellations. In view of Nepal's many development needs, this assistance has been for projects in a wide variety of sectors. Six of these sectors account for about 86% of IDA credits by amount: irrigation/agriculture (US\$170.1 million for fourteen projects); water supply and sewerage (US\$46.8 million for three projects), power (US\$40.8 million for one project); telecommunications (US\$21.7 million for three projects); highways (US\$19.2 million for two projects); and rural development (US\$19.0 million for two projects). The proposed credit would be the third in FY84. It will bring the total amount of IDA assistance to Nepal to US\$393.3 million equivalent, net of cancellations. No Bank loans have been made to Nepal. IFC made its first investment in Nepal (US\$3.1 million) in a hotel project in Kathmandu in FY75. In addition, IFC approved a loan of US\$6.23 million equivalent to Nepal Orind Magnesite (Private) Limited (i.e. a private company) on March 16, 1982. The loan was to help finance a US\$24.9 million project to mine and process magnesite ore.

17. Bank Group lending to Nepal has so far been at a modest level compared to the country's need for external assistance. The international community has shown considerable interest in Nepal's economic development and, to date, shortage of funds has not been a major bottleneck. The main constraint on the utilization of increased aid has been Nepal's limited absorptive capacity, affecting the pace of project preparation and implementation. The Bank Group has provided assistance to the Government in project preparation through a Technical Assistance Credit (Credit No. 659-NEP) and by acting as Executing Agency for a number of technical assistance projects financed by UNDP. Furthermore, the present Resident Representative in Kathmandu has had a significant impact in improving project implementation performance. As a result, the rate of disbursements is improving; during FY82 and FY83, US\$28.5 and US\$37.4 million equivalent, respectively, was disbursed compared to an annual average disbursement of about US\$17 million during the previous five years. Project completion reports have been prepared for five projects--First Telecommunications (Credit No. 166), First Highways (Credit No. 223), Tourism (Credit No. 291), Birganj Irrigation (Credit No. 373) and Settlement Project (Credit No. 505). All five projects experienced delays in implementation, and institutional improvements were less than anticipated; however, all five generated acceptable rates of return.

1/ As of September 30, 1983.

18. The Bank Group's current lending strategy places major emphasis in assisting the Government in its efforts to contain the high level of population growth, address major constraints in the country's development of human resources and promote agricultural development. Selected infrastructure investments, mostly in transport and power, will also be undertaken to alleviate serious development constraints. In population, a project is being prepared with Government and donor interest to cofinance components has already been expressed. For the development of human resources, in addition to the proposed project in primary education, projects under preparation include an agricultural manpower project, engineering education, vocational education and a secondary education project. For agriculture, the basic strategy is to assist Nepal maintain overall foodgrain self-sufficiency, where possible promote exports of agricultural products and encourage afforestation efforts. Projects under preparation would extend the assistance provided so far in building the irrigation infrastructure in the Terai mainly to increase paddy production and help reduce the food deficits in the Hills, both through rural development projects which emphasize increasing food production and through specific Hill food projects.

PART III - THE EDUCATION SECTOR

Introduction

19. The structure of the educational system in Nepal consists of three distinct levels: primary, secondary and tertiary education. Primary (6 to 13 years of age) consists of five grades. The secondary level is divided into two components, lower secondary, which consists of grades 6 and 7 and upper secondary which consists of grades 8 to 10. A School Leaver's Certificate (SLC) is awarded by examination at the end of 10th grade. The certificate entitles entry into the tertiary level which provides for one of three possible qualifications: certificate level, diploma level and a university degree. The Ministry of Education and Culture is directly responsible for the administration of the primary and secondary levels. Administration of the tertiary level is the responsibility of the Tribhuvan University.

20. Nepal's low literacy level (19%) and acute skilled manpower shortages reflect the historic neglect of education in the country. At the end of the Rana regime (1951), which opposed schooling of the general population, less than one percent of the school age population (only 10,000 children) were in school. Since then, however, enrollments have expanded rapidly. By 1980, the end of the Fifth Plan period, about one million children (equivalent to a gross enrollment ratio of 80%) were enrolled in primary schools; during the Fifth Plan period (1975-80) enrollments at lower and upper secondary schools increased 97 percent and 58 percent, respectively, reaching about 340,000 at lower and about 110,000 at upper secondary levels. About 37,000 students are now enrolled at tertiary level at Tribhuvan University. Present enrollment figures (1982) indicate that the demand for education is being sustained. This significant growth in enrollments was achieved under the New Education

System Plan (NESP) which the Government adopted in 1971 to help overcome deficiencies in the education system. Under the NESP, the Government assumed greater responsibility for financing of education, providing free textbooks to all primary school children and paying nearly all the teachers' salaries.

21. The growth in enrollments achieved under the NESP, however, was not matched by qualitative progress in the education system. In fact, educational standards have declined. Primary education now suffers from excessive dropout and repeater rates, with the result that only about 30% of entrants complete the three year primary cycle and completion of the cycle takes an average of about 6.5 student years. Furthermore, the three year primary cycle has been found to be inadequate to achieve permanent literacy and numeracy, and poorly prepares students for further schooling. In recognition of these problems, the primary cycle has recently been extended to five years. Only about 60 percent of entrants to the secondary cycle complete the course, and even these students are generally deficient in mathematics, science, and English. In recent years, the average success rate in the School Leaving Certificate has been around 30 percent. Significant disparities also exist in access to education opportunities based on sex and region. In 1979/80, females accounted for only about 27 percent of total primary enrollments, though this represents significant progress over the situation in 1974/75 when females represented only about 17 percent of primary enrollments.

22. The high growth rate in enrollments has not been matched by comparable increases in budget allocations and this has contributed greatly to low quality of education. Compounding this difficulty is the problem of communications, which increases costs at district level and inhibits the dissemination of ideas and educational reform. From experiences gained over the previous decade the Government has decided to encourage decentralization of certain responsibilities for sector development including financing, managing and improving the education system. Many of these responsibilities hitherto borne by the central government will soon be undertaken by district offices and village communities. Educational policies will still be promulgated centrally and support will be provided in areas where local technical competence does not exist, or where tasks can be better undertaken at lower cost centrally (e.g. textbook production). Decentralization of responsibilities to district and village levels will permit greater scrutiny and economy in expenditures (e.g. teachers who are continually absent can now be fired by School Management Committees with the approval of the District Office). The project would support the decentralization concept and encourage greater community participation in education, as well as strengthen district and regional offices.

Education Issues

23. Because of declining quality of primary education, recent increases in enrollments have meant little in terms of improvement in literacy levels and skill training. It is estimated that no more than 20-30% of those children who now attend primary school learn anything of lasting value. Under such extreme conditions the demand for education, which has been very

great in the recent past, could diminish as disillusionment sets in. Also, with possibly only 20-30% of the school leavers retaining any knowledge of lasting benefit, the cost effectiveness of the education system is poor. Poorly motivated teachers, inadequate teacher training, the lack of educational materials and satisfactory school buildings are major causes of poor educational quality at primary level.

24. The culture emphasizes absolute recognition of authority; arguing with superiors and asking them questions is not encouraged. Therefore, teachers find it difficult to encourage students to express their curiosity and child-centered methods of teaching are difficult to introduce. Traditionally teaching in Nepal involves the transmission of knowledge from teacher to pupil and learning is considered to mean memorization. In the absence of enhanced training, adequate reward, recognition or encouragement teachers are unlikely to try different classroom teaching methods.

25. The manifestations of an absence of adequate training penetrates the entire structure of school administration. Thus few superiors understand or can carry out their designated role and few can gain the respect of teachers or headmasters. In addition, primary supervisors are expected to cover far too many schools (40 schools in the Terai, 30 schools elsewhere) when walking is the principal means of travel. Exacerbating the problem is the inability of the supervisor's superior, the District Education Officer (DEO), to provide professional advice, because he is usually an administrator belonging to the general cadre of civil servants and has no experience or professional qualifications in education. The impact of the supervision system in the schools is consequently very slight.

26. The quality of school management by headmasters is equally poor. Virtually no headmasters have had any special training in school management and have little appreciation of their proper role. They provide no guidance or encouragement to their staff, they do not schedule training, take steps to get substitute teachers, maintain contact with parents, or seek help from their School Management Committees (SMCs). While SMCs have a wide responsibility requiring their involvement in all aspects of the school's affairs including curriculum matters, their impact so far has been slight. After providing school buildings from community resources and getting children enrolled thereby qualifying the school for one or more government paid teachers, the SMCs leave the educational aspects of schooling to the teachers. Consequently potential community effort is not mobilized effectively and lacks a sense of direction on educational issues, although there is plenty of evidence of parental and community interest.

27. School buildings and facilities in Nepal are of poor quality lacking basic requirements such as adequate lighting, furniture, heating, and water. Raising these low standards for local school facilities will prove extremely difficult because: (a) the central government cannot afford to erect or upgrade about 11,000 primary schools throughout the country; and (b) most local communities possess limited financial resources and no building design skills to produce more suitable buildings.

Administrative Issues

28. A number of problems beset the Government's policy to decentralize responsibilities to district and community levels. The strongly hierarchical civil service system does not encourage delegation of decision making nor the exercise of individual initiative. This problem is compounded by the lack of trained manpower and rapid staff turnover in the education sector.^{1/} Furthermore, regional and district office functions are not clearly delineated and to a considerable extent overlap each other. The planning and budgeting systems are not adequate to the task of predicting and allocating resources to meet objectives of the Ministry of Education and Culture (MOEC). While some of this is caused by deficiencies in the overall Government planning and budgeting system, much improvement is needed in the Ministry's process of defining needs and resource requirements, allocating resources and evaluating results. The Ministry lacks a coordinated system of data collection and analysis appropriate to the needs of planning and national development. Data collected are often inaccurate and inappropriately chosen. Data collection activities are poorly supervised.

The Examination System

29. A reform of the examination system is long overdue. The level of examinations vary from year to year and from subject to subject. Furthermore, the questions set in most subjects place heavy emphasis on the recall of material and relatively little on the application of knowledge to new situations, or on the use of thinking skills. Examination papers are not always delivered at the appointed place on time, leakages and cheating occur, answer scripts get lost and it takes between 6 and 7 months before the results are announced. Every year several hundred candidates have their examination results "withheld" due to missing marks or scripts. The candidates which suffer this misfortune find themselves unable to apply for university entry at the appointed time. The pressures in meeting deadlines have tended to preoccupy all the staff of the Office of the Controller of Examinations (OCE) and therefore there has been little professional input aimed at improving quality aspects of the examination system. The OCE is understaffed, no research staff exist and few staff have had appropriate training. Also, the OCE is housed in unsuitable accommodation.

Education Policies

30. The Government's Sixth Plan (1981-86) attaches considerable importance to the development of the education sector as part of its strategy to meet minimum basic needs of the population and to support developments in other sectors. Greatest priority is attached to primary education, work

^{1/} Only those civil servants who belong to the small educational cadre are likely to remain within Ministry of Education and Culture. Other general cadre civil servants frequently get transferred between ministries.

oriented adult education, and vocational and skills training. More specifically, the Government will concentrate on: (a) improving educational quality and reducing wastage; (b) imparting relevant skills and scientific knowledge; (c) curricula and textbook revision to make them more relevant to existing conditions of life as well as national and social values; and (d) increasing educational opportunities in backward areas and to disadvantaged groups, such as females. The Government's strategy aimed at achieving these objectives will be to: (a) contain, within reasonable expansion targets, enrollments at primary, secondary and particularly tertiary levels, so as to permit greater emphasis on quality; (b) give priority to new physical facilities for primary education, non-formal work oriented education, and vocational and technical education; (c) encourage community involvement for the expansion of general education; and (d) continue the policy that all physical facilities (buildings and furniture), excluding technical schools, shall be provided by the local community.

Sector Lending Strategy

31. The project supports the Government's Sixth Plan strategy for primary education and thereby addresses many of the quality issues inherent in the present education system. While earlier lending in the sector was focused upon shortages of technical manpower at technical and trade levels (urgently needed for development of the infrastructure of Nepal) it is now of paramount importance to create an adequate educational base at primary and secondary level so as to feed higher levels in the education system. Other donors are assisting in this process. ADB has financed a project which aims to improve science education in secondary schools. UNICEF has financed primary school textbooks for grades I through III and has provided limited support for the improvement of school buildings (roofs, latrines and water supplies). Also with assistance from UNDP and UNESCO, UNICEF has pioneered a small primary project in the Seti zone of Nepal. The present project complements the activities of these other donors at secondary level (with the reform of the examination system) and at primary level with the extension of low-cost quality improvements beyond the Seti zone. Because of its already extensive experience in the primary sub-sector UNICEF will cofinance the present project (para 45). The Bank also has developed a comparative advantage, over the years, in primary education and our intervention in Nepal will benefit from previous field experience. In supporting primary education due regard will be paid to improving management of the education system and raising efficiency generally to reduce the inordinate waste of educational resources which the country currently experiences.

PART IV - THE PROJECT

32. The proposed project was identified and defined in outline by an IDA identification mission, which visited Nepal during November 1981. The project request was prepared on behalf of the Government in March 1982 by UNESCO under the cooperative program. An extensive survey of schools in the six project districts, agreed at the time of identification, was financed under an IDA technical assistance credit and conducted by the Institute of

Education of MOEC during June and July 1982. The project was pre-appraised by an IDA mission in November 1982 and appraised in July-August 1983. A timetable of key events relating to the project and special conditions are given in Annex III. Negotiations were held in Washington, D.C. from March 16 to March 21, 1984. The Nepalese delegation was headed by Dr. N.N. Singh, Acting Secretary, Ministry of Education and Culture.

33. The project would be implemented in only six (out of 75) districts in Nepal and would adopt an experimental approach to find acceptable solutions to some of the more serious issues in the sub-sector. The project aims to:

- (a) achieve a low-cost qualitative improvement in primary education; and
- (b) strengthen the administrative and technical capacity in the education sector.

Quality improvements in primary education would be sought through the intermediate objective of teacher effectiveness in the classroom. This would be achieved through (a) increased teacher knowledge and motivation, and (b) external support in the form of better management, instructional materials and physical facilities. Teachers' knowledge would be improved through the provision of: (i) integrated in-service teacher training and supportive supervision; and (ii) teachers' guides, teaching guidelines and other supportive reading materials. Teacher motivation would be aided by: (i) improved school management; (ii) greater community interest and support; and (iii) the development of peer group support within the profession.

34. A strengthening of the administrative and technical capacity of the sector would be achieved primarily through: (a) administrative and technical support services for improving primary and secondary education; and (b) support for the Government's policy to decentralize administrative and technical responsibility to district and community levels. It would also be achieved through extensive support for the OCE with the prime objective of improving the efficiency and effectiveness of secondary school leaving examinations. This latter component would help to provide better qualified entrants to higher education and better qualified manpower for development.

School Clustering and Resource Centers

35. Central to the design of the project is the concept of primary school clustering into groups of 8-12 schools with a Resource Center (RC) school 1/ centrally located to provide on-going teacher training and supportive supervision. The RC would constitute the main delivery venue for teacher

1/ The Resource Center concept is already in use in the Seti project, a UNICEF/UNDP/UNESCO project in one district in the Fifth Development Region. After an experimental period in the Seti Zone and the six project districts, the RC concept will be considered for adoption in the remaining districts.

training under the project and for the supply of education materials to the cluster schools. Each RC school would have its physical plant augmented by one room which would serve both as a classroom (of larger size than usual) and as a location for RC activities. RC staff would be augmented by one additional person, who would receive special training to act as a resource person (RP). The staff of the RC would: (a) provide in-service training to all cluster school teachers on a number of special topics; (b) bring the supervision system close to schools through regular classroom visits of RPs; (c) assist teachers in making simple instructional materials; and (d) build community support for schools through work with School Management Committees (SMCs) and parents. To assist RC staff in their work, a special RC management committee with representation from the SMCs for each of the schools in the proposed cluster would be established. At negotiations, the Government provided assurances that such committees would be established, prior to inclusion in the project of the school cluster concerned, and assigned such powers, functions, responsibilities and representation to enable them to manage their respective RCs. To provide a link between the RCs and DEOs, who are responsible for primary schools, selected primary school supervisors in the DEO's office would be designated as Field Coordinators (FCs) and given special training. Each FC would supervise up to six school clusters.

36. School buildings and other school facilities would be improved employing mostly local labor and materials; they would be built to new standards and designs supplied by the Ministry's School Building Unit (SBU). School construction would be supervised by overseers and/or tradesmen employed in the DEO's offices. Limited supplies of school building materials would be financed centrally under the project, such as roofing materials and waterpipe. Only materials that are not available locally would be supplied under the project, thus preserving community responsibility for the provision and maintenance of schools.

Training

37. An integrated training program to involve primary teachers, supervisory staff, headmasters, DEOs, school managers, the community and parents would be introduced at District Offices and at RCs (as appropriate) in the six project districts so as to: (a) instill greater teaching and management skills in the primary subsector; and (b) bring about changes of attitude among the whole range of persons who can, and do, influence the success of primary education. Thereby, the training program and the development, in parallel, of educational materials would begin to:

- (a) increase the knowledge and skills of classroom teachers by teaching new content and techniques, and supervising the practice of these in the classroom;
- (b) increase the effective use of teaching materials in the classroom through teacher training and supervision, and by ensuring the availability of textbooks, teachers' guides, guidelines, supplementary reading materials and teaching kits, which would be financed by the project;

- (c) improve the motivation of teachers to perform well by: (i) increasing their knowledge and skills; (ii) enhancing the leadership skills of headmasters and other supervisory personnel; (iii) improving peer-group relations and professionalism among teachers; and (iv) building community support for improved education for children;
- (d) improve the capacity of school managers to support improved teaching practices and to maintain effectively functioning school facilities;
- (e) increase the interest of the community in its schools and its willingness to support the effective functioning of schools by community action programs to encourage direct contributions to the improvement of facilities and increase parental demands for high quality education for their children; and
- (f) increase the management capacity of administrators at the district and central levels.

38. The project would finance additional staff salaries (including central trainers, FCs, RPs and teachers), all training costs (e.g., travel and subsistence), the production of all teaching and training material, and teaching and training equipment.

Technical Support Services

39. While the focus of activity to improve the quality of primary education is at district and school level, technical support services would be required, especially during start-up from the central government. These would consist of: (a) training of district staff such as administrators, school managers, field coordinators and resource persons; (b) the production and distribution of training materials and equipment for the RCs and schools; and (c) advisory services for the construction of school buildings. Prime responsibility for the first two of these technical services would rest with the Curriculum Textbook and Supervision Development Center (CTSDC) of the MOEC in Kathmandu. Additional staff would be appointed to two new primary education units, which would be established within CTSDC: (a) the Primary Supervision and Training Unit (PSTU) in the Supervision and Training Section of CTSDC; and (b) the Primary Materials Unit (PMU) in the Curriculum and Textbook Section. These staff would take prime responsibility for educational experimentation under the project particularly in relation to the training program and educational materials development. To ensure their continuity of service within MOEC, where possible, suitably qualified candidates for these positions would be selected from the education cadre of MOEC (para 28).

40. The present Engineering Unit in the MOEC would be upgraded to become a School Building Unit (SBU) and would handle: (a) design changes to the available standard UNESCO primary school design drawings and construction

guidelines; (b) the design of DEO and Regional Directorate facilities and the modifications of central ministry premises; and (c) the supervision of related construction operations. The project would finance some refurbishing of the Ministry of Education and Culture building. CTSDC is housed in part of an old government building with poor lighting, crowded and inadequate accommodation and leaking roofs. The project would finance new buildings, furniture and equipment and the production of all training materials, textbooks, supplementary reading materials, teaching equipment, teachers' guides, additional staff salaries, training and travel costs and additional recurrent costs for the CTSDC.

Strengthening the Ministry and its Agencies

41. The second project objective, to strengthen administrative and technical capacity of the educational system, would require additional skilled staff and technical assistance if future development of the sector is to be successful. The MOEC would need a staff training capability and assistance in the redefinition and reorganization of its administrative system. These changes would aim to: (a) refocus staff effort on priority tasks; (b) remove unnecessary duplication; (c) eliminate unnecessary complexity; and (d) improve general operational efficiency. Particular functions such as data collection, planning, management, budgeting, monitoring and evaluation would be strengthened in the Ministry. Specific management sub-components to be provided under the proposed project would:

- (a) strengthen the capacity of the Ministry and the National Education Committee (NEC) to provide well analyzed policy alternatives to NEC, the highest policy-making body of the Ministry;
- (b) provide capacity within the Office of the Secretary of Education by staffing a Project Implementation Unit, which would assist the Secretary in organizing and administering all special educational projects;
- (c) strengthen the Ministry in the development of a more effective planning, budgeting and human resource management system by providing appropriate technical assistance to develop: (i) an administrative plan; (ii) a data collection system; and (iii) an in-house training capacity; and
- (d) strengthen the capacity of the CTSDC to provide support for the primary education system.

To provide stable district and regional support services for both the project and non-project activities (e.g. training), IDA would finance new buildings for four out of the six project districts offices (which are presently in rented accommodation) and for two of the five regional offices (Pokhara and Dhankuta). Regional and district offices would be given assistance in the revision of their organization structures so as to accommodate their new responsibilities under the Government's decentralization policy especially in regard to primary education.

The Office of the Controller of Examinations (OCE)

42. Support would be provided for the OCE in order to address issues of efficiency and quality in the examination system especially at secondary level. To assist the OCE in achieving this objective, technical assistance including foreign advisers and overseas training at similar examination centers would be financed by the project. The project would also finance additional professional staff and a specially designed building with necessary furnishings and equipment for the specialized needs of the OCE including a library, secure storage areas for about 3 million examination scripts, secret data processing and printing rooms, training space, hostels, cafeteria, etc. Preliminary designs of the building have been prepared as a condition of negotiations.

Experimentation and Evaluation

43. Because the issues in this project are more than usually intractable (paras 23-28) and because of the severe economic and communication constraints in Nepal the odds against successful achievement of the project objectives are more than usually great. For this reason an experimental approach to achieving the project objectives has been adopted for the primary education component. Flexibility has been built into the project design, so that adaptive evolutionary change can be made during implementation. These changes would be based on the results of continuous monitoring of field activities, which would produce an accumulation of acquired insights. But the best solutions to all the problems will not be found in the life of one project. There will remain some unexplored potential solutions as well as issues that have proved to be totally intractable during the limited experimental life of one project. The process of experimentation and evolution must be viewed as spanning the life of several projects. Only in this way will the full scope of experiments be explored. It is anticipated that over a series of such experimental projects a gradual approach to more optimal solutions will be obtained.

Education Project Studies and Evaluation

44. The project would provide financing for studies to prepare possible future education projects and to evaluate the project. Provision would be made for a survey of primary schools in another twenty districts during the first three years of project implementation. A study on teacher education at primary and secondary levels would also be undertaken to provide recommendations on the consolidation, improvement and tailoring of current teaching programs of the Institute of Education so as to meet future demands for teachers. Financing would be provided for the preparation of annual evaluation reports, which would analyze field data and make recommendations for design changes or experimental interventions to be introduced in the primary education component in subsequent years. Experimental design changes would be based upon insights gained during earlier years of implementation and may consist of removing or changing inputs, which are shown to be unsuccessful and adding new inputs, which it is thought would be beneficial. Evaluation

reports on the primary education component and similar reports, on the education administration component, would be discussed and decisions taken on suitable adaptive process changes at annual tripartite reviews by the Government, UNICEF and IDA. Before July 1, 1987, the Government would, based upon accumulated evaluation results of previous years, draft a comprehensive proposal for the Improvement of Primary Education and its Administration in Nepal (Section 3.08 of draft DCA). This document would constitute the basis of a subsequent Government proposal for possible IDA assistance to primary education in the future. Before July 1, 1987, with the assistance of the Project Implementation Unit (PIU) consultants and UNICEF, the MOEC would evaluate the adequacy of regional office structures, staffing and budgets to provide cost effective implementation of the Ministry's goals and objectives (Section 3.08 of draft DCA). After evaluation, the Ministry would, with the assistance of the PIU consultants, establish more appropriate organizational structures, staffing and budgets for the Regional Headquarters. Similarly, District Offices would be assisted in the redesign of their organizational structures to accommodate their new responsibilities in the primary sub-sector.

Technical Assistance

45. UNICEF's knowledge of the education sector in Nepal and its previous experience with the Seti project uniquely equips it to provide essential educational services in support of the project. As the cofinancing agency it has agreed to provide technical assistance in support of the project and provide continuing institutional support on a day-to-day basis from its Kathmandu office. In particular UNICEF would assist specially appointed CTSDC staff and the PIU, during the early stages of project implementation, to refine the training program to suit the perceived needs of each district, to develop training materials and revise the training content if necessary. Furthermore, a monitoring and evaluation plan would be developed to monitor this experimental project throughout all aspects of its implementation and eventually lead to an improved project design for subsequent financing. By maintaining a continuing relationship with the Ministry of Education and Culture and the CTSDC, UNICEF would assist and strengthen the CTSDC so as to achieve a major reform in the quality of primary education throughout the project districts. UNICEF would also assist the PIU in establishing an effective system of project management. In addition, there would be one half staff-year of foreign consultancy services for the OCE, as well as local consultancy services and overseas short-term training financed by IDA. These services would be used at the discretion of the PIU, according to Bank guidelines, and would help to strengthen the administrative service at central and district levels. The Government would sign a Project Agreement with UNICEF for educational services amounting to about US\$1.7 million. The provision of evidence that all effectiveness conditions in that Agreement have been fulfilled would be a condition of effectiveness of the IDA Credit (Section 6.01(a) of draft DCA).

Civil Service Expansion

46. Because of the need to contain the expansion in civil service appointments under the severe economic constraints which are being experienced in Nepal, local employees would be appointed on short term contracts for the life of the project pending the successful outcome of the project. Subsequently, after it is known which of these appointees need to be given permanent positions to ensure the continuity and replicability of the project, more permanent arrangements for their employment would be made. The Government agreed that it would use its best endeavors to provide permanent government positions at adequate levels of seniority for contracted staff upon successful completion of the project (Section 3.09 of draft DCA).

Project Management

47. The project would be implemented over a period of five years. To ensure effective implementation a small Project Implementation Unit (PIU) would be formally established in the MOEC and an architect, an examination specialist from OCE and an educator from CTSDC would be appointed to it as a condition of Credit effectiveness (Section 6.01(c) of draft DCA). Because of the high priority and importance given by HMG to this comprehensive intervention in primary education, the PIU would operate under the immediate direction of the Secretary of Education. The PIU has been designed to be the future administrative unit for all education projects. Also, as a condition of Credit effectiveness, a Project Implementation Board would be established (Sections 3.04 and 6.01(b) of draft DCA) and have representation from the Ministry of Finance and the National Planning Commission (NPC). One of its main functions would be to help expedite matters (such as civil works contracting) requiring the clearance of other ministries.

Implementation Requirements

48. Budget allocations would be made available to the project on an annual basis, in accordance with the Forecast of Expenditures and Disbursements. The Government agreed that the necessary funds would be made available so as to ensure prompt project implementation during the life of the project.

49. The CTSDC and OCE buildings are to be constructed on an area of about 10 acres at Sano Thimi near Kathmandu. Working drawings, bidding documents and specifications for the buildings for the CTSDC and OCE would be furnished to the Association as a condition of Credit effectiveness (Section 6.01(d) of draft DCA). The site is already owned by the MOEC. It is the location for the Janek Educational Materials Center (JEMC) which is a parastatal organization. Also to be built on this site will be the Science Education Development Center (SEDEC) to be financed by ADB. Because of the need to develop the site in an orderly fashion, the Government has prepared, as a condition of negotiations, a Master Plan for the Sano Thimi site and topographical surveys for all other major sites. The Government agreed that it would carry out future developments on the Sano Thimi campus in accordance with the Master Plan (Section 3.11 of draft DCA). Sites have been acquired

for the regional offices and some district offices; evidence of acquisition of all major sites has been provided to the Association as a condition of negotiations.

Cost Estimates

50. The total project cost, based upon January 1984 prices, is estimated at US\$16.67 million equivalent, including contingencies and US\$0.77 million in taxes and duties. Foreign exchange costs are estimated at US\$8.53 million or about 51% of the total project cost. The proposed IDA credit of US\$12.78 million equivalent would finance US\$7.33 million in foreign exchange and US\$5.45 million of local costs, or about 80% of the total project costs net of taxes and duties. UNICEF would finance US\$1.7 million equivalent for technical assistance and other miscellaneous supporting costs. The cost of individual foreign consultant services is about US\$8500 per month and local consultant services average at under US\$600/month, both of which are reasonable.

51. To assist the Government in setting up and operating the project institutions, IDA would finance recurrent incremental expenditures on a declining basis (para 54) to cover: (a) salaries of additional professional and support staff for the Ministry of Education and Culture, CTSDC and the project districts; (b) project training and travel costs; (c) local consultancy costs; (d) costs of consumable training materials; and (e) operating costs during the project period from the estimated date of Credit effectiveness (July 1984) to June 1989. The incremental recurrent costs (mainly salaries of additional staff and allowances, consumable training materials and maintenance of physical facilities) generated by this project when fully operational would amount to N. Rupees 10 million per annum in 1983 prices which is equivalent to less than 2% of the total estimated public sector expenditures for education in fiscal year 1982/83. Given the increasing importance of human resources in the development process in Nepal the Government will make additional budget allocations to meet these costs. Site development, technical assistance and salary costs incurred between January 1984 and the date of Credit signing would amount to US\$350,000. At the Government's request these costs would be financed retroactively through the project.

Procurement

52. ICB and LCB for Civil Works, Building Materials and Equipment. Contracts exceeding US\$800,000 equivalent for civil works and US\$50,000 equivalent for equipment would be awarded on the basis of international competitive bidding (totalling about US\$4.85 million) in accordance with Bank Group guidelines. Local manufacturers or contractors would receive a margin of preference in bid evaluation of 15% of the c.i.f. price of competing imports or the actual customs duty, whichever is lower for building materials and equipment and a margin of preference of 7.5% in bid evaluation against competing foreign contractors for civil works construction. Past experience in Nepal has shown that contracts for civil works (below US\$800,000) and furniture (below US\$250,000) do not attract foreign bidders if they cannot be

consolidated into large packages. Therefore, these contracts, some building materials, some educational materials and all furniture (totalling about US\$3.69 million) would be awarded on the basis of local competitive bidding following procedures, which are satisfactory to the Association and do not exclude foreign bidders. Construction would be carried out under one integrated contract per building by private contractors. Only prequalified contractors would be allowed to bid for civil works contracts in excess of US\$200,000 under this project. Because a large variety of small items of building materials and equipment will be needed for school construction and teaching purposes and because there will be an immediate need for start-up vehicles, which cannot be met through ICB, the Government will procure some building materials, equipment and vehicles locally (totalling about US\$0.30 million). Contracts which cannot be grouped into packages for bulk procurement of at least US\$50,000 not exceeding in aggregate US\$300,000 (equivalent to about 13% of the estimated total cost of equipment) would be procured in accordance with local competitive bidding procedures satisfactory to the Association.

53. Other Procurement Methods including Direct Purchase and Off-the Shelf Shopping (Local and International) (US\$5.89 million). Off-the-shelf items of building materials, furniture, equipment, and educational/consumable materials, not exceeding US\$30,000 equivalent for each contract and aggregating to a maximum of US\$0.55 million (equivalent to about 11% of the estimated total cost of building materials, equipment, vehicles and furniture) would be purchased on the basis of a minimum of three competitive price quotations. Books and instructional printed matter (US\$0.71 million) would be purchased directly from publishers or authorized distributors at the lowest possible prices on the basis of at least three competitive price quotations, if applicable. Professional services and other consultancy services (US\$0.88 million) and technical assistance (US\$2.03 million) would generally be obtained according to Bank Group guidelines; in addition UNICEF would finance about US\$1.7 million (of which about US\$1.2 million in foreign exchange costs and US\$0.5 million in local costs) towards the cost of technical assistance; for these services, UNICEF procedures would be followed. UNICEF could act as an agent in handling overseas training. There will be only six staff months of foreign consultants under IDA financing for which direct hire by the Government would be practiced according to Bank guidelines.

Disbursements

54. The proposed Credit of US\$12.78 million would finance 90% of total project costs net of customs duties and taxes and US\$1.7 million contributed by UNICEF. The disbursement profile is based upon the average profile of education projects Bankwide but adjusted to allow for early implementation, already underway, including civil works, which reached the preliminary design stage by the date of negotiations. The proceeds of the proposed IDA Credit would finance the various categories as follows: (i) Civil works--100% of foreign expenditures, 80% of local expenditures; (ii) Building materials, equipment, furniture, vehicles, books and journals--100% of foreign expenditures, 80% of local expenditures (ex-factory), 65% of other local expenditures (off-the-shelf purchases); (iii) Expert services for technical

assistance for evaluation and improvement of the examination system, professional services for architectural design and supervision, and studies--100% of expenditures; (iv) Technical assistance for other components of the project--100% of local expenditures; (v) Educational materials (including consumable materials)--80% of local expenditures (ex-factory cost), off-the-shelf purchases--65% of local expenditures; and (vi) incremental staff salaries and allowances, training costs, and operating costs--on a declining basis (FY 84/85 - 100%; FY 85/86 - 100%; FY 86/87 - 85%; FY 87/88 - 20%; FY 88/89 - 0%) but averaging at 50% over five years.

Documentation of Expenditures, Accounts and Audits

55. With the exception of recurrent costs [para 54 (vi)], all withdrawal applications for contracts equal to, or in excess of US\$10,000 will be supported by full documentation. Withdrawals to meet recurrent costs and for contracts below US\$10,000 in value would be made against statements of expenditure (SOE) certified by the Project Director. Documentation in support of SOEs would not be submitted to the Association but would be retained by the PIU for review by IDA's supervision missions. In addition, this documentation would be subject to independent auditors reports which would be submitted no more than nine months after the end of the Borrower's fiscal year in which the expenditures covered by the SOEs were paid (Section 4.01 of draft DCA). To the extent practicable, withdrawal applications under SOEs would be aggregated in amounts equivalent to US\$50,000 or more (and not less than US\$20,000) prior to submission to IDA for reimbursement.

56. Project accounts would be recorded in accordance with sound accounting practices. The Government agreed that: (a) accounts and financial statements for each fiscal year would be prepared and audited by independent auditors acceptable to the Association; (b) certified copies of the audited accounts and financial statements, for each fiscal year, together with the auditors' report would be furnished to the Association as soon as available, but not later than nine months after the end of each fiscal year (Section 4.01 of draft DCA).

Benefits and Risks

57. Because the project objectives and scope are narrowly focused, the project's probability of success is increased and evaluation of its direct short-term benefits is also simplified. Successful evaluation of the project would indicate ways of achieving more cost-effective project designs for the future. The possible benefits of this first project in the primary sub-sector, therefore, must be viewed over the long-term when a second or even third project is nearing its completion. Over the long-term, through improved teacher performance, school management, technical backup support, and administration at the Ministry level a gradual quality improvement would be achieved at relatively low cost. This in turn would raise literacy levels, which would facilitate agricultural extension work and improve farm productivity. Similarly improved primary education would contribute to improvements in health and hygiene, all of which are necessary for long-term national development. In addition, the project, and subsequent primary

projects, would accelerate the Government's decentralization policy in education by creating a greater awareness and self-dependence at district and village level and by strengthening district and regional office responsibilities. An equally important long-term benefit would be to create adequately qualified entrants to secondary schools and this quality improvement would filter upward to higher education. A reform of the examination system would serve to reinforce this benefit particularly at secondary level, thereby enabling qualified manpower to be trained in sufficient numbers to meet the demands of a developing society.

58. The project is spread over six districts with poor communications, the absorptive capacity of the Ministry is limited and a weak civil service administration exists throughout Nepal. While the most accessible districts have been selected for the project and strengthening the Ministry is one of the project objectives, the risks due to these limitations cannot be entirely removed. They will be reduced by: simplifying the delivery system for inservice teacher training and supervision; by employing UNICEF throughout as the anchor institution for technical assistance; by introducing project management procedures which will institutionalize change in key divisions of the Ministry; and by the appointment of well qualified and motivated project staff.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

59. The draft Development Credit Agreement between the Kingdom of Nepal and the Association, and the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement are being distributed to the Executive Directors separately.

60. Special conditions of the project are listed in Section III of Annex III.

61. I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

62. I recommend that the Executive Directors approve the proposed Credit.

A. W. Clausen
President

Attachments

April 5, 1984
Washington, D.C.

T A B L E 3A

NEPAL	- SOCIAL INDICATORS DATA SHEET				
	NEPAL			REFERENCE GROUPS (WEIGHTED AVERAGES) /a	
	1960/ ^b	1970/ ^b	MOST RECENT ESTIMATE/ ^b	LOW INCOME ASIA & PACIFIC	MIDDLE INCOME ASIA & PACIFIC
AREA (THOUSAND SQ. KM)					
TOTAL	140.8	140.8	140.8	.	.
AGRICULTURAL	35.3	36.8	41.2	.	.
GNP PER CAPITA (US\$)	60.0	80.0	150.0	276.7	1028.6
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	3.0	15.0	13.0	398.4	792.8
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	9447.0	11355.0	15029.0	.	.
URBAN POPULATION (% OF TOTAL)	3.1	4.9	6.4	21.5	32.9
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILL)			24.2	.	.
STATIONARY POPULATION (MILL)			73.3	.	.
YEAR STATIONARY POP. REACHED			2155	.	.
POPULATION DENSITY					
PER SQ. KM.	67.1	80.6	104.0	161.7	260.7
PER SQ. KM. AGRI. LAND	267.4	308.6	355.7	363.1	1696.5
POPULATION AGE STRUCTURE (%)					
0-14 YRS	39.1	42.0	42.4	36.6	39.4
15-64 YRS	57.4	55.0	54.6	59.2	57.2
65 AND ABOVE	3.5	3.0	3.0	4.2	3.3
POPULATION GROWTH RATE (%)					
TOTAL	1.3	1.8	2.5/ ^c	1.9	2.3
URBAN	4.4	6.3	5.0	4.0	3.9
CRUDE BIRTH RATE (PER THOUS)	43.6	45.5	43.6	29.3	31.3
CRUDE DEATH RATE (PER THOUS)	26.5	23.7	19.8	10.9	9.6
GROSS REPRODUCTION RATE	2.7	3.0	3.1	2.0	2.0
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUS)	..	37.4	146.0/ ^d	.	.
USERS (% OF MARRIED WOMEN)	..	0.7/ ^f	4.3/ ^{e, f}	48.1	46.6
FOOD AND NUTRITION					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	106.0	101.0	82.0	111.4	125.2
PER CAPITA SUPPLY OF					
CALORIES (% OF REQUIREMENTS)	94.0	94.0	86.0	98.1	114.2
PROTEINS (GRAMS PER DAY)	51.0	51.0	45.0	56.7	57.9
OF WHICH ANIMAL AND PULSE	9.0	9.0	8.0/ ^e	13.9	14.1
CHILD (AGES 1-4) DEATH RATE	32.6	27.8	22.5	12.2	7.6
HEALTH					
LIFE EXPECT. AT BIRTH (YEARS)	37.6	40.5	44.6	59.6	60.2
INFANT MORT. RATE (PER THOUS)	194.5	172.5	147.7	96.6	68.1
ACCESS TO SAFE WATER (%POP)					
TOTAL	..	2.0	8.0/ ^g	32.9	37.1
URBAN	47.7	53.0	81.0/ ^g	70.8	54.8
RURAL	..	..	5.0/ ^g	22.2	26.4
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)					
TOTAL	..	1.0	1.0/ ^h	18.1	41.4
URBAN	..	14.0	14.0/ ^h	72.7	47.5
RURAL	..	..	..	4.7	33.4
POPULATION PER PHYSICIAN	73800.0	51380.0/ ⁱ	30060.0/ ^e	3506.0	7771.9
POP. PER NURSING PERSON	..	70530.0/ ⁱ	33420.0/ ^e	4797.9	2462.6
POP. PER HOSPITAL BED					
TOTAL	8290.0	6940.0	6390.0	1100.6	1047.2
URBAN	290.0	390.0	450.0	298.4	651.1
RURAL	..	..	..	5941.6	2591.9
ADMISSIONS PER HOSPITAL BED	..	..	..	..	27.0
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	5.5	..	..	..
URBAN	5.4	..	..	..	..
RURAL	..	..	..	..	..
AVERAGE NO. OF PERSONS/ROOM					
TOTAL	..	..	..	..	..
URBAN	2.0	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECT. (% OF DWELLINGS)					
TOTAL	..	..	..	..	..
URBAN	30.2	..	..	..	..
RURAL	..	..	..	..	..

T A B L E 3A

NEPAL		- SOCIAL INDICATORS DATA SHEET				
NEPAL		REFERENCE GROUPS (WEIGHTED AVERAGES) /a				
		MOST RECENT ESTIMATE /b			(MOST RECENT ESTIMATE) /b	
		1960/b	1970/b	ESTIMATE /b	LOW INCOME ASIA & PACIFIC	MIDDLE INCOME ASIA & PACIFIC
EDUCATION						
ADJUSTED ENROLLMENT RATIOS						
PRIMARY: TOTAL		10.0	26.0	91.0	96.1	101.2
MALE		19.0	43.0	126.0	107.8	106.0
FEMALE		1.0	8.0	53.0	82.9	97.5
SECONDARY: TOTAL		6.0	10.0	21.0	30.2	44.9
MALE		11.0	16.0	33.0	37.3	50.0
FEMALE		2.0	3.0	9.0	22.2	44.6
VOCATIONAL (% OF SECONDARY)		0.2	5.8	6.8/e	2.3	18.5
PUPIL-TEACHER RATIO						
PRIMARY		33.0	22.0	38.0	34.4	32.7
SECONDARY		32.0	..	31.0	18.4	23.4
ADULT LITERACY RATE (%)		8.8	14.3	19.0	53.5	72.9
CONSUMPTION						
PASSENGER CARS/THOUSAND POP		0.1	0.4	..	1.6	9.7
RADIO RECEIVERS/THOUSAND POP		3.0/j	4.8	20.5	96.8	113.7
TV RECEIVERS/THOUSAND POP		..	..	..	9.9	50.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION		0.7	2.4	7.3/g	16.4	54.0
CINEMA ANNUAL ATTENDANCE/CAPITA		..	..	..	3.6	3.4
LABOR FORCE						
TOTAL LABOR FORCE (THOUS)		4875.0	5537.0	7140.0	..	..
FEMALE (PERCENT)		40.5	39.2	39.0	33.3	33.6
AGRICULTURE (PERCENT)		95.0	94.0	93.0	69.0	50.9
INDUSTRY (PERCENT)		2.0	2.0	2.0	15.8	19.2
PARTICIPATION RATE (PERCENT)						
TOTAL		51.6	48.8	47.5	42.5	38.6
MALE		61.5	58.8	57.6	54.4	50.7
FEMALE		41.8	38.6	37.3	29.8	26.6
ECONOMIC DEPENDENCY RATIO		0.8	0.9	1.0	1.0	1.1
INCOME DISTRIBUTION						
PERCENT OF PRIVATE INCOME RECEIVED BY						
HIGHEST 5% OF HOUSEHOLDS		..	..	35.3/g	16.5	22.2
HIGHEST 20% OF HOUSEHOLDS		..	..	59.2/g	43.5	48.0
LOWEST 20% OF HOUSEHOLDS		..	..	4.6/g	6.9	6.4
LOWEST 40% OF HOUSEHOLDS		..	..	12.6/g	17.5	15.5
POVERTY TARGET GROUPS						
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	95.0	133.9	194.5
RURAL		..	..	45.0	111.6	155.0
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)						
URBAN		..	..	..	..	178.0
RURAL		..	..	41.0	..	164.8
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)						
URBAN		..	..	55.0/e	43.8	24.4
RURAL		..	..	61.0/e	51.7	41.1

.. NOT AVAILABLE						
. NOT APPLICABLE						

N O T E S

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1979 and 1981.

/c Estimated annual growth rate for 1972-79 is 2.6%; /d 1978; /e 1977; /f Government program only; /g 1976; /h 1975; /i Personnel in government services only; /j 1963.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (the "High Income" group or "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the subject country weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters; 1960, 1970 and 1980 data.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1960, 1970 and 1980 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1979-81 basis); 1960, 1970, and 1981 data.

ENERGY CONSUMPTION PER CAPITA - Annual apparent consumption of commercial primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1980 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1981 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1981 data.

Population Projections

Population in Year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size will be reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1980 data.

Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1980 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1981 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-81.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-81.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1981 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1981 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period and if an even sex ratio at birth and the same fertility rates; usually five-year averages ending in 1960, 1970, and 1981.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1964=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1981 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1980 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Death Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1981 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1981 data.

Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes rural hospitals include WHO's principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Spediatric hospitals are included under rural.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally included.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1981 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentage of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

ECONOMIC INDICATORS - NEPAL
GNP PER CAPITA IN 1981: US\$150

	<u>GROSS DOMESTIC PRODUCT IN 1981/82</u>		<u>ANNUAL RATE OF GROWTH, 1970-1981 a/</u> (%, constant prices)
	US\$ Mln.	%	
GDP at Market Prices	2,514	100.0	2.1
Gross Domestic Investment	389	15.5	
Gross Domestic Saving	216	8.6	
Current Account Balance (exc. official grants)	-120	-4.8	
Exports of Goods, NFS	277	11.0	
Imports of Goods, NFS	450	17.9	

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1979/80

	<u>Value Added</u>		<u>Labor Force b/</u>		<u>Value Added Per Worker</u>
	US\$ Mln.	%	Mln.	%	US\$
Agriculture	1,065	57	6.9	93	155
Industry c/	251	14	0.1	2	1,696
Services	543	29	0.4	5	1,468
Total/Average	1,859	100	7.4	100	251

GOVERNMENT FINANCECENTRAL GOVERNMENT

	<u>Rs. Mln.</u>				<u>% of GDP</u>
	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1982/83</u>
Current Receipts	1,853	2,403	2,866	3,001	8.3
Regular Expenditures	1,055	1,264	1,589	2,025	5.6
Current Surplus	798	1,139	1,277	976	2.7
Development Expenditure	2,309	2,731	4,034	4,808	13.2
External Assistance (Net)	1,318	1,374	1,953	2,607	7.8

MONEY, CREDIT AND PRICES

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
	(Million Rs outstanding mid-July)				
Money and Quasi Money	4,512	5,285	6,308	7,459	8,780
Bank Credit to Government	1,176	1,362	1,357	2,132	3,185
Bank Credit to Public Enterprises	436	501	668	618	981
Bank Credit to Private Sector	1,976	2,547	3,231	3,363	3,717
Money and Quasi Money as % of GDP	20.3	22.6	21.7	22.9	24.2
General Price Index (1974/75 = 100)	116.6	125.5	148.0	159.7	180.5
Annual Percentage Changes in:					
General Price Index	10.0	7.6	17.9	7.9	13.0
Bank Credit to Government	21.8	15.8	-0.4	57.1	49.4
Bank Credit to Public Enterprises	24.3	14.9	33.3	-7.5	58.7
Bank Credit to Private Sector	24.3	28.9	26.9	4.1	10.5

Note: All conversions to US dollars in this table are at the average exchange rate prevailing during the period covered.

a/ World Development Report 1983.

b/ Total labor force; unemployed are allocated to sector of their normal occupation.

c/ Includes mining, manufacturing, construction and utilities.

.. not available

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83 a/</u>
	(Millions US\$)		
Exports, f.o.b. c/	134.4	115.4	67.3
Imports, f.o.b. c/	352.6	363.6	408.3
<u>Trade Balance</u>	-218.2	-248.2	-341.0
Services, net	75.4	87.3	78.1
of which: Tourism	64.5	51.4	61.4
Transfers, net	46.4	40.5	37.6
of which: Private Remit.	38.9	34.5	..
Indian Excise Refund	4.7	3.1	2.5
<u>Current Account Balance</u> (exc. grants)	-96.4	-120.4	-225.3
Official Grants	71.7	89.3	102.5
Official Capital, net	52.8	59.3	72.1
Private Capital, net	-12.0	10.8	14.6
<u>Change in Reserves</u> (- = Increase)	-16.1	-39.0	36.1
Gross Official Reserves (mid-July)	195.8	232.6	159.7

MERCHANDISE EXPORTS 1981/82 b/

	<u>US\$ Mln.</u>	<u>%</u>
Agricultural products	92.0	80.0
Manufactures	<u>23.0</u>	<u>20.0</u>
Total	115.0	100.0

EXTERNAL DEBT, DECEMBER 31, 1982

	<u>US\$ Mln.</u>
Public Debt, inc. guaranteed	296.6
Non-Guaranteed Private Debt	-
Total Outstanding & Disbursed	296.6

DEBT SERVICE RATIO for 1982/83 d/

	<u>%</u>
Public Debt, inc. guaranteed	7.0

IBRD/IDA LENDING, September 30, 1983 (Millions US\$)

	<u>US\$ Mln.</u>	
	<u>IBRD</u>	<u>IDA</u>
Outstanding & Disbursed	-	175.1
Undisbursed	-	<u>194.4</u>
Outstanding, incl. undisbursed	-	369.5

RATE OF EXCHANGE

<u>Through October 1975</u>	<u>From October 1975 to March 20, 1978</u>	<u>From March 20, 1978 to September 18, 1981</u>	<u>From September 19, 1981 to December 16, 1982</u>	<u>From December 17, 1982 to May 31, 1983</u>
US\$1.00 = NRs 10.56	US\$1.00 = NRs 12.5	US\$1.00 = NRs 12.00	US\$1.00 = NRs 13.2	US\$1.00 = NRs 14.3
NR 1.00 = US\$ 0.095	NR 1.00 = US\$ 0.08	NR 1.00 = US\$ 0.083	NR 1.00 = US\$ 0.076	NR 1.00 = US\$ 0.070

- a/ Estimate
b/ Customs basis.
c/ Payments basis.
d/ Ratio of Debt Service to Exports of Goods and Services.

. not applicable
.. not available

STATUS OF BANK GROUP OPERATIONS IN NEPALA. STATEMENT OF IDA CREDITS (as of September 30, 1983) 1/ /a

<u>No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	US\$ million	
				<u>IDA</u>	<u>Undisbursed</u>
Eight credits fully disbursed				71.3	
470	1974	Kingdom of Nepal	Water Supply and Sewerage	11.8	1.3
617	1976	Kingdom of Nepal	Rural Development	8.0	1.6
659	1976	Kingdom of Nepal	Technical Assistance	3.0	0.1
704	1977	Kingdom of Nepal	Second Water Supply & Sewerage	8.0	2.5
705	1977	Kingdom of Nepal	Industrial Dev. Corporation	4.0	0.8
730	1977	Kingdom of Nepal	Second Highway	17.0	2.7
772	1978	Kingdom of Nepal	Technical Education	5.7	3.0
799	1978	Kingdom of Nepal	Telecommunications III	14.5	7.6
812	1978	Kingdom of Nepal	Irrigation (Sunsari-Morang)	30.0	18.2
856	1978	Kingdom of Nepal	Irrigation (Narayani Zone)	14.0	8.1
939	1979	Kingdom of Nepal	Second Rural Development	11.0	10.0
1008	1980	Kingdom of Nepal	Community Forestry	17.0	15.8
1055	1980	Kingdom of Nepal	Irrigation (Mahakali)	16.0	14.6
1059	1980	Kingdom of Nepal	Third Water Supply & Sewerage	27.0	17.5
1062/c	1980	Kingdom of Nepal	Grain Storage	6.2	4.6
1093/c	1981	Kingdom of Nepal	Irrigation (Babai)	3.5	0.6
1100/c	1981	Kingdom of Nepal	Agricultural Extension & Res.	17.5	8.8
1101/c	1981	Kingdom of Nepal	Hill Food Production	8.0	5.2
1191/c	1982	Kingdom of Nepal	Cottage & Small Industries	6.5	5.5
1198/c	1982	Kingdom of Nepal	Second Education	14.3	13.1
1260/c	1982	Kingdom of Nepal	Petroleum Exploration Promotion	9.2	7.5
1316/c	1983	Kingdom of Nepal	Irrigation VII-Bhairawa-Lumbini	16.0	15.3
1339/c	1983	Kingdom of Nepal	Cash Crop Development Project	6.0	6.0
1379/c	1983	Kingdom of Nepal	Second Technical Assistance Project	6.0	6.0
1400/c /d		Kingdom of Nepal	Second Forestry Project	18.0	18.0
Total,				<u>369.5</u>	<u>194.4</u>
of which has been repaid				<u>0.2</u>	
Total now outstanding /b				<u>369.3</u>	
Total now held by IDA				<u>369.3</u>	
Total Undisbursed					<u>194.4</u>

/a No Bank loans have been made to Nepal.

/b Prior to exchange adjustments.

/c IDA 6th Replenishment Credits, principal amounts shown in U.S. dollar equivalent at date of negotiations, as shown in President Reports, and Disbursed amounts shown in US dollar equivalent at the rate of exchange for the SDR on September 30, 1983.

/d Not yet effective.

1/ The status of the projects listed in Part A is described in a separate report on all Bank/IDA projects in execution, which is updated twice yearly and circulated to the Executive Directors on April 30, and October 31.

B. STATEMENT OF IFC INVESTMENT (as of September 30, 1983)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount (\$ millions)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1975	Soaltee Hotel (Pvt) Ltd.	Hotel	2.7	0.4	3.1
1982	Nepal Orind Magnesite (Private) Limited	Mine and process	<u>6.2</u>	-	<u>6.2</u>
		magnesite ore	8.9	0.4	9.3
	Total commitments now held by IFC		8.5	0.4	8.9

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NEPAL

PRIMARY EDUCATION PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I Timetable of Key Events

(a) Time taken by Country to prepare the Project

one year

(b) The Agency which has prepared the project

Ministry of Education and Culture with the assistance of UNESCO, the Institute of Education and various independent consultants

(c) Date of First Presentation to Bank Group

May 1982

(d) Date of Departure of Appraisal Mission

July 6, 1983

(e) Date of Completion of Negotiations

March 1984

(f) Planned Date of Effectiveness

July 1984

Section II Special IDA Implementation Action

None

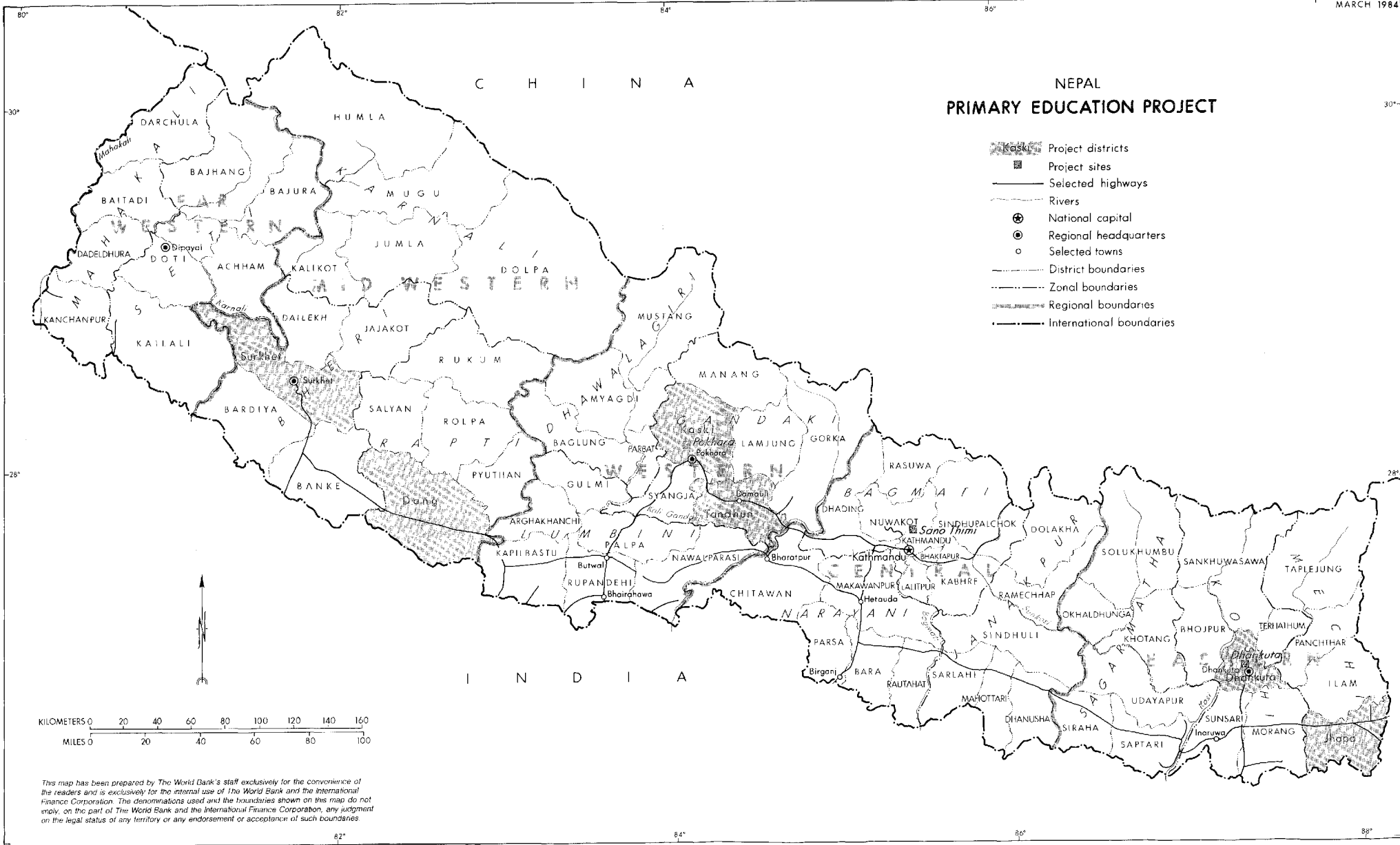
Section III Special Conditions

Conditions of Effectiveness

- (a) Provide evidence to the Association that all conditions of effectiveness of the UNICEF Project Agreement have been fulfilled (para 45).
- (b) Establishment of the Project Implementation Board (para 47).
- (c) Establishment of the Project Implementation Unit and the appointment of additional staff of this Unit (para 47).
- (d) Furnish to the Association the working drawings, bidding documents and specifications for the buildings for the CTSDC and OCE (para 49).

Other Conditions

- (a) Prepare by July 1, 1987 a draft comprehensive plan for the Improvement of Primary Education and its Administration in Nepal and thereafter seek to implement such plan in a suitable manner (para 44).
- (b) By July 1, 1987, with the assistance of consultants and UNICEF: (i) evaluate the adequacy of the organizational structures of regional and district offices, staffing and budgets to provide cost effective implementation of the Ministry's policy to decentralize its education system; (ii) furnish to the Association, for its review and comments, the results and recommendations of such evaluation; and (iii) thereafter, taking into account the Association's comments, implement such recommendations (para 44).
- (c) Carry out future development of the Sano Thimi Campus to conform to the approved Master Plan (para 49).



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