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PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT SDR 136.2 MILLION
(US$185 MILLION EQUIVALENT)

TO

NEPAL

FOR A

SCHOOL SECTOR DEVELOPMENT PROGRAM (SSDP)

March 3, 2017

Education Global Practice
South Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective January 31, 2017)

Currency Unit = Nepalese Rupee (NPR)
NPR 108.59 = US$1
US$1.36 = SDR 1

FISCAL YEAR
July 16–July 15

ABBREVIATIONS AND ACRONYMS

ACF	Award Confirmation Form
ACG	Anti-Corruption Guidelines
ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
AWPB	Annual Work Plan and Budget
BPEP	Basic and Primary Education Project
CAPP	Consolidated Annual Procurement Plan
CBS	Central Bureau of Statistics
CDC	Curriculum Development Center
CDEC	Curriculum Development and Evaluation Council
CGAS	Computerized Government Accounting System
CIAA	Commission for Investigation of Abuse of Authority
CLA	Central-level Agency
CPS	Country Partnership Strategy
CSSP	Community School Support Project
DEO	District Education Office
DLI	Disbursement-linked Indicator
DLR	Disbursement-linked Result
DOE	Department of Education
DP	Development Partner
DRR	Disaster Risk Resilience
DTCO	District Treasury Controller Office
EA	Executing Agency
EAEA	Education Act Eighth Amendment
ECED	Early Childhood Education and Development
EFA	Education for All Program
EGR	Early Grade Reading
EMF	Environmental Management Framework
EMIS	Education Management Information System
ERO	Education Review Office
ESSA	Environmental and Social Systems Assessment

ETC	Education Training Center
EU	European Union
FBMC	Financial and Budget Management Committee
FCGO	Financial Comptroller General Office
FCS	Foreign Coordination Section
FM	Financial Management
FMAP	Fiduciary Management Action Plan
FMC	Fiduciary Management Committee
FSA	Fiduciary Systems Assessment
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GMS	Grants Management System
GMU	Grant Management Unit
GON	Government of Nepal
GPE	Global Partnership for Education
GRC	Grievance Redress Committee
GRS	Grievance Redress Service
HT	Head Teacher
IA	Implementing Agency
IC	Implementing Committee
ICT	Information and Communication Technology
IEC	Information, Education, and Communication
IECCD	International Economic Cooperation and Coordination Division
IO	Intermediate Outcome
IRR	Internal Rate of Return
ISG	Integrated Scholarship Guidelines
IVA	Independent Verification Agency
JEMC	Janak Education Material Center
JFA	Joint Financing Arrangement
JFP	Joint Financing Partner
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicator
LC	Learning Center
LEG	Local Education Group
LMBIS	Line Ministry Budget Information System
M&E	Monitoring and Evaluation
MOCPA	Ministry of Cooperatives and Poverty Alleviation
MOE	Ministry of Education
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTEF	Medium-term Expenditure Framework
NASA	National Assessment of Student Achievement
NCED	National Center for Educational Development
NCF	National Curriculum Framework
NEB	National Examination Board

NEGRP	National Early Grade Reading Program
NER	Net Enrolment Rate
NFE	Nonformal Education
NGO	Nongovernmental Organization
NPC	National Planning Commission
NPV	Net Present Value
NRA	National Reconstruction Authority
NRB	Nepal Rastra Bank
NVC	National Vigilance Center
OAG	Office of Auditor General
OOSC	Out-of-School Children
PAP	Program Action Plan
PCF	Per Capita Financing
PDO	Program Development Objective
PEF	Program Expenditure Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PforR	Program-for-Results
PMT	Proxy Means Testing
PPA	Public Procurement Act
PPD	Private Printer-Distributer
PPE	Preprimary Education
PPMO	Public Procurement Monitoring Office
PPR	Public Procurement Regulation
PPTS	Pro-poor Targeted Scholarship
PSF	Program Support Facility
PSS	Pro-science Scholarship
PTA	Parent Teacher Association
RC	Resource Center
REACH MDTF	Results in Education for All Children Multi-Donor Trust Fund
RED	Regional Education Directorate
RF	Results Framework
RP	Resource Person
SC	Steering Committee
SDG	Sustainable Development Goal
SIP	School Improvement Plan
SLC	School Leaving Certificate
SMC	School Management Committee
SMF	Social Management Framework
SPF	School Physical Facilities
SSD	School Sector Development
SSDP	School Sector Development Program
SSRP	School Sector Reform Program
SWAp	Sectorwide Approach
TA	Technical Assistance

TOR	Terms of Reference
TRO	Teacher Records Office
TSA	Treasury Single Account
TST	Teacher Time Spent on Teaching
TSU	Technical Support Unit
TTL	Task Team Leader
TVE	Technical and Vocation Education
UNICEF	United Nations Children's Fund

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NEPAL
School Sector Development Program (SSDP)

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PAD DATA SHEET

Nepal

School Sector Development Program (P160748)

PROGRAM APPRAISAL DOCUMENT

South Asia Region
Education Global Practice

Report No.: 112198-NP

Basic Information				
Date: March 3, 2017			Sectors:	ICT Services Early Childhood Education Public Administration Education Primary Education Secondary Education
Country Director:	Qimiao Fan		Themes:	Education for All Education for the Knowledge Economy Gender Social Inclusion
Practice Manager Global Practice Vice President:	Keiko Miwa Keith E. Hansen			
Program ID:	P160748			
Team Leader(s):	Dilip Parajuli and Mohan Prasad Aryal			
Program Implementation Period: Expected Financing Effectiveness Date: Expected Financing Closing Date:	Start Date: 05/15/2017 07/15/2021	03/24/2017	End Date:	07/15/2021

Program Financing Data						
[ ] [X]	Loan Credit	[ ] Grant		[ ] Other		
For Loans/Credits/Others (US$, millions):						
Total Program Cost:	6,461		Total Bank Financing:	185		
Total Co-financing:	0.00		Financing Gap:	244		

Financing Source	Amount
BORROWER/RECIPIENT	5,739
IDA	185
Other Joint Financing Partners (JFPs)/Non-JFP	293
Financing Gap	244
Total	6,461

.

Borrower: Ministry of Finance			
Contact: Dr. Baikuntha Aryal		Title: Joint Secretary	
Telephone No.: +977 14211837		Email: baryal@mof.gov.np	
Responsible Agency: Ministry of Education			
Contact:	Mr. Baikuntha Prasad Aryal	Title:	Joint Secretary
Telephone No.:	+977 9851138744	Email:	baikunthaparyal@gmail.com
Responsible Agency: Department of Education			
Contact:	Mr. Babu Ram Poudel	Title:	Director General
Telephone No.:	+977 9851116990	Email:	poudelbabu@hotmail.com

Expected Disbursements (in US$, millions) Program-for-Results (PforR)

Fiscal Year	FY17	FY18	FY19	FY20	FY21	FY22			
Annual	29	31	20	41	29	35			
Cumulative	29	60	80	121	150	185			

Program Development Objective(s)

To improve the quality, equitable access, and efficiency of basic and secondary education in Nepal by supporting the Government's School Sector Development Program.

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Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [ ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]

Overall Risk Rating: Substantial			
Legal Covenants			
Name	**Recurrent**	**Due Date**	**Frequency**
Independent Verification Agency	X		Continuous
Description of Covenant: The recipient shall maintain, throughout the period of implementation of the Program, the Independent Verification Agency (IVA) in accordance with the terms of the Memorandum of Understanding (MOU)/any other instrument between the Ministry of Education (MOE) and the IVA.			
Name	**Recurrent**	**Due Date**	**Frequency**
Program Steering Committee	X		Continuous
Description of Covenant: The recipient shall maintain, throughout the period of implementation of the Program, the Steering Committee with membership, powers, functions and competencies acceptable to the Association, as shall be required to provide policy guidance for, and exercise general oversight of, the implementation of Program activities, including interministerial and sectoral coordination of Program activities.			
Name	**Recurrent**	**Due Date**	**Frequency**
SSDP Implementing Committee	X		Continuous
Description of Covenant: The recipient shall maintain, throughout the period of implementation of the Program, the SSDP Implementing Committee, housed within the Department of Education, under terms of reference satisfactory to the Association: (i) headed by a director general; (ii) assisted by competent staff, all with experience and qualification; and (iii) provided with such powers, financial resources, functions and competencies, appropriate to fulfill their respective functions under the Program.			
Name	**Recurrent**	**Due Date**	**Frequency**
Financial and Budget Management Support Committee	X		Continuous
Description of Covenant: The recipient shall maintain, throughout the period of implementation of the Program, the Financial and Budget Management Support Committee, housed within Ministry of Finance: (i) headed by its Joint Secretary; (ii) assisted by competent staff, all with experience and qualification; and (iii) provided with such powers, financial resources, functions and competencies, appropriate to fulfill their respective functions under the Program.			
Name	**Recurrent**	**Due Date**	**Frequency**
Program Action Plan	X		Continuous
Description of Covenant: The recipient shall carry out the Program Action Plan (PAP) in accordance with the schedule set out in the said PAP in a manner satisfactory to the Association.			
Name	**Recurrent**	**Due Date**	**Frequency**
Annual Work Plan and Budget (AWPB)	X		Continuous
Description of Covenant: The recipient shall, throughout the Program implementation, prepare and share with the Association the draft AWPB for the subsequent fiscal year, which includes activities under the PAP and the Program Support Facility.			
Conditions			
Name	**Recurrent**	**Due Date**	**Frequency**

Independent Verification Agency		Effective Date	
Description of Covenant: The recipient shall execute the MOU between the MOE and IVA, or any other instrument issued by the IVA to confirm its consent to the request made by the MOE to be the IVA, if the IVA is a government agency before effective date.			
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Jimi Oostrum	Education Consultant	European Union	

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Krishna Lamsal	Program Manager	Japan International Cooperation Agency
Elin G. Jensen	First Secretary (Education and Gender)	Embassy of Norway
Marilyn Hoar	Chief of Education	United Nations International Children's Fund

I. STRATEGIC CONTEXT

A. Country Context

1. **Nepal presents unique challenges and opportunities for development.** Situated between two of the world's fastest growing economies, India and China, with a per capita gross national income of US$762 (2015), Nepal remains among the poorest countries in the world. At the same time, the country has made significant progress in poverty reduction and human development. Nepal achieved the first Millennium Development Goal of halving extreme poverty ahead of time. The percentage of people living on less than US$1.25 per day fell from 53.0 percent of the population in 2003/04 to 25.0 percent in 2010/11. According to the National Poverty Line, the poverty headcount fell from 30.8 percent to 25.2 percent during the same period (Central Bureau of Statistics [CBS], 2003/04 and 2010/11). It has achieved gender parity in school education; a significantly larger proportion of population today has better access to water and sanitation services, electricity, and tele-connectivity; and a markedly smaller share of children are malnourished, and overall child and maternal mortality rates have declined as well. However, the twin shocks of mega earthquakes (April–May 2015) and a massive disruption of trade (September 2015–January 2016) have resulted in a huge toll on people's livelihoods, likely pushing more people into poverty across both income and non-income measures.

2. **Nepal continues to transition from a postconflict status and through a complex and challenging political landscape.** The newly promulgated constitution's emphasis on political decentralization and the development of a federal structure appear to reflect political commitment to greater inclusion. At the same time, lack of consensus over the specifics of federalism has resulted in political uncertainty and social tension. Amid all this, Nepal stands out for a relatively stable macroeconomic performance in recent years notwithstanding the recent dip in growth due to the dual shocks of earthquakes and trade disruption.

3. **The Government's Development Strategy 2030 aspires to have Nepal achieve the Sustainable Development Goals (SDGs).** The newly adopted constitution has guaranteed free and compulsory education up to basic level and free education up to secondary level. Through the fourteenth plan (FY2016/17–FY2018/19), the Government aims to elevate access to secondary education, improve quality of education and efficacy of the education system to produce skilled manpower, and create a conducive environment for transformational development by focusing on the expansion of infrastructures and power. It is within this framework that the Government has recently launched a seven-year school sector development (SSD) plan, which focuses on enhancing quality of education.

B. Sectoral and Institutional Context

4. **Nepal has made impressive gains in the school education sector in access, equity, and completion rates during the past two decades.** Administrative data from the Government's education management information system (EMIS) indicate that the Net Enrolment Rate (NER) for primary education has increased from 71.0 percent in 1998 to 96.9 percent in 2016 (the NER among the girls has increased from 61.0 percent to 96.6 percent in the same period). Primary cycle completion rate has increased from 58.0 percent in 2004 to 80.0 percent in 2016, and the percentage of out-of-school children (OOSC) among children ages 5–12 years has decreased from 21.0 percent to 14.8 percent between 2003/04 and 2010/11 (CBS,

2011). Gender parity in the NER at the primary (grades 1-5), basic (grades 1-8), and secondary (grades 9-12) levels has already been achieved. Similarly, disparities in education access across income groups and ethnic/caste groups have decreased significantly during this period.

5. **Much of this significant progress in educational indicators can be attributed to a series of national-level programs and projects in the school sector undertaken by the country.** These include the Basic and Primary Education Projects (BPEPs) (BPEP I, 1992–1998 and BPEP II, 1999–2004); Education for All Program (EFA, 2004–2009); and the recently closed School Sector Reform Program (SSRP) (2009–2016), implemented by the Ministry of Education (MOE) through a Sectorwide Approach (SWAp), with financial contributions from the Government of Nepal (GON) and a group of Development Partners (DPs), including the World Bank. The school sector has benefited from a national program harmonized across financing support and across strategic reforms and interventions at all levels of school education, along with common monitoring and reporting arrangements.

6. **The expansion of education services has been accompanied by significant increases in inputs.** Between 2002 and 2015, the number of schools in the country increased by almost 30 percent, leading to a decrease in commute time to schools. During the same period, at the primary level the number of teachers increased by 71 percent; as a result, the pupil-teacher ratio declined from 36 to 25.[1] The percentage of fully trained teachers has also increased. In particular, while only 31 percent of the primary teachers were fully trained in 2004, 95.7 percent had been trained by 2016. The progress reflects strong and continued government commitment to reforms and inclusion. Two reforms in particular have been instrumental in transforming the education landscape in Nepal: (a) decentralization of education service delivery and (b) introduction of targeted demand-side programs, both of which have been supported by the World Bank. The Seventh Amendment of the Education Act 2001 strengthened the ability of communities to establish and manage schools, provided they have a functional and accountable school management committee (SMC). The process of engaging communities in school management started in 2002, and the process of transferring the management of schools to communities began after 2003, supported partly through the World Bank's Community School Support Project (CSSP). This decentralization marked a crucial departure in the national education policy and has been a powerful force for expanding access.[2] The second reform that has been instrumental in enhancing equity and inclusion is the expansion of demand-side intervention schemes. This reform has played a crucial role in helping bring children from marginalized groups to schools, through scholarship programs for female students and children from disadvantaged caste/ethnicity groups, income groups,[3] and geographic regions; provision of free textbooks; and provision of salary and non-salary per capita financing (PCF) based grants for quality enhancement.

7. **Other key achievements under the SSRP include the following:** (a) initiation and completion of several rounds of National Assessment of Student Achievement (NASA); (b) initiation of Early Childhood Education and Development (ECED) as an important element of

[1] The pupil-teacher ratios are for community schools only and includes all types of teachers.

[2] Findings from an impact evaluation (Chaudhury, N., and D. Parajuli. 2010) suggest that community management helps reduce the share of OOSC, increase the grade progression rate, and enhance community participation and parental involvement.

[3] Also includes a pilot on financial support for meritorious and needy secondary-level students through proxy means testing (PMT) based selection of beneficiaries.

basic education and the early grade reading (EGR) program; and (c) continued implementation of the EMIS to regularly collect school-level data, which are being used for planning purposes, including for the allocation of PCF to schools and the bottom-up budgeting process of the Department of Education (DOE) whereby District Education Offices (DEOs) make budget proposals through their district-level annual work plans and budgets (AWPBs), which in turn are informed by school improvement plans (SIPs) submitted by schools.

8. **Despite the achievements, much remains to be done on learning outcomes, equitable access, and system strengthening. The most pressing challenge going forward is low and unequal quality of school education at basic and secondary education.** Low learning outcomes are evidenced in a variety of ways, most notably from the very low levels of competencies found in NASA of Grades 3, 5, and 8. Analysis of data from the 2011–14 NASA results for Grades 3, 5, and 8 in mathematics, reading, and science shows that students' capacity to solve tasks requiring higher ability is very low.[4] While students in general are able to provide correct answers to recalling facts and definitions in basic numeracy and literacy, on average, fewer than 20 percent of students can master their respective competencies in problem solving, reasoning, and other higher-order applied knowledge. It should be noted that while several rounds of NASA have been carried out in the last five years, the system is yet to mature and the next round of NASA (for 2016/17) is expected to be fully nationally representative and competency based.

9. **Furthermore, learning outcomes vary significantly by geography, school, and individual/household characteristics.** Analysis of inequality in student achievements, using NASA data, indicates that such inequality is large and is mostly associated with parental background (incomes, occupation, and social group), geographical location, and school types (lower for community schools compared to private schools).[5.] Further evidence is seen from the low pass rates in national-level board examinations in Grades 10 (School Leaving Certificate [SLC]) and 12 (Higher Secondary Education Board). These high-stake examination results, however, do not necessarily provide reliable and valid measures of learning levels, because they are volatile from year to year and are not sufficiently standardized for comparison over time. The average SLC pass rates at the end of Grade 10 have generally ranged between 30 percent and 60 percent, with only 47 percent of the students passing the exam in 2015. The pass rates for Grades 11 and 12 have remained below 40 percent and 50 percent, respectively, and the higher education (bachelor's and above) pass rate in 2014 was only 26 percent.[6] These examination results are more of an indicator of large internal inefficiencies and inequitable screening at higher grades biased against students from disadvantaged communities.

10. **Some of the underlying factors associated with low levels of learning include the following:**

- Current school education curriculum, particularly for secondary school, does not cater to the needs and aspirations of diverse student populations.

[4] Acharya, M. S. P. *What does National Assessment of Student Achievement 2012 infer to improve Education System of Nepal? An evidence from Grades 3 and 5 results.*
[5] World Bank. 2016. *Moving up the Ladder: Poverty reduction and Economic Mobility in Nepal, Synthesis Report.* World Bank, Washington, DC.
[6] EMIS, University Grants Commission, 2014/15.

- The current public examinations (Grades 8, 10, and 12) tend to encourage rote learning-based educational practices but not build students' cognitive competencies and noncognitive skills like problem solving, are not standardized for comparison over time, and are disproportionately biased against students from disadvantaged backgrounds and fail a large number of them every year.
- Nonexistent or minimal incentives have rendered otherwise good policies ineffective (that is, good policies such as the decentralization of school management to SMCs directly elected by parents have stumbled during implementation because centrally recruited government teachers have not been accountable to local SMCs in the absence of adequate incentives for compliance and/or disincentives to prevent noncompliance).
- The teacher performance management system (the current system does not monitor teacher time spent on teaching [TST]) is inadequate. Because teacher salaries are the most expensive budget item in the education sector, poor teacher management becomes the single most important factor that bleeds public resources intended for quality education.

11. **The second challenge is associated with non-negligible incidence of out-of-school status of school-age children (in basic education) and low transition to and retention in secondary school particularly for children from disadvantaged backgrounds.** While enrolment rates at the basic level have increased tremendously in general, there are close to 500,000 OOSC—14 percent of children ages 5–12 years—from mostly disadvantaged backgrounds. More than half of these OOSC are from 10 Terai districts. Of 100 children who start at Grade 1, only 17 complete Grade 10, reflecting low retention particularly at the secondary school level. Children from economically poor households and from certain geographic areas are much less likely to transition to secondary level.

12. **The third challenge is systematic constraints facing the school sector and these include the following:**
- There is considerable scope to enhance reliability and utilization of EMIS data and monitoring and evaluation (M&E) systems (self-reported EMIS data are still without independent verification process).
- There is potential to significantly improve the school grants management system (GMS) by making grants allocation based on robust funding formula, introducing performance-based component, and building a system to verify compliance on funds eligibility and utilization.
- There is evidence of weak financial management (FM) practices and weak internal control environments across all levels, as seen from recurring incidences of audit observations and declaration of ineligible expenditures, and there is an urgent need to substantially strengthen the fiduciary system including implementation capacity across all levels.

13. The proposed Program-for-Results (PforR) aims to address these challenges through a results-based operation by focusing on quality improvements and system strengthening.

C. Relationship to the CAS/CPF and Rationale for Use of Instrument

14. **The proposed PforR is well aligned with the World Bank Group's Nepal Country Partnership Strategy (CPS) 2014–2018.**[7] The CPS aims to support Nepal to increase its

[7] Report No. 83148-NP, May 1 2014.

economic growth and competitiveness (Pillar 1) and increase inclusive growth and opportunities for shared prosperity (Pillar 2) by supporting the achievement of Outcome 2.2, 'More equitable access to education and skills development of higher quality and relevance'. A cross-cutting theme of the CPS is the need to address systemic constraints to public sector governance and improve the efficiency, effectiveness, and accountability of public expenditure. This Program will contribute to the above themes through improved quality, equity, efficiency, governance, and management of the education services.

15. **The proposed Program will support the Government's School Sector Development Program (SSDP), which has set the following goals:** (a) to contribute to socioeconomic development and reduce disparities through inclusive development of its human resources and (b) to facilitate all citizens with opportunities to become functionally literate and numerate and to develop the basic life skills and knowledge required to enjoy a productive life taking into account the diversity of context and needs including the forthcoming federal structure of the country. The SSDP aims to achieve these goals through improvements in equity, quality, efficiency, governance, and management of the school education sector.

16. **The proposed PforR operation is also consistent with the World Bank's Education Strategy for Nepal[8] that is focused on improving student learning outcomes and skills attainment using the following three pillars:** (a) alignment of performance incentives at each level of service delivery—central, district, school, and classroom; (b) system strengthening for improved service delivery; and (c) consistent and cross-cutting focus on the labor market.

17. **The World Bank has been a longstanding partner in the education sector, including the school sector through a series of SWAp programs such as the EFA (2004–2009) and SSRP (2009–2016).** The World Bank's value added, in addition to the financing support, is on bringing global expertise and the learning from the best practices and lessons from interventions in countries across the world, thereby building linkages and maximizing synergies across cross-cutting solution areas and better informing the World Bank's operational and analytical work in the country. The financial support from the World Bank is a fairly small share of the overall program costs (less than 3 percent in the SSDP); however, with its collaboration with other DPs through cofinancing in the national program, the World Bank will leverage this limited resource to effectively provide support to and guide a large program because it is regarded as having a comparative advantage in supporting the Government in the design and implementation of a results-based operation, strengthening of M&E and fiduciary systems, supporting donor harmonization, and bringing about institutional changes and transformational reforms to the sector.

18. **The justification for the use of the PforR instrument for the proposed IDA financing is as follows:** (a) the Disbursement-linked Indicators (DLIs) provide stronger focus on accountability for results and outcomes (as opposed to inputs) and incentivize the Government's ownership and implementation of critical reforms and policies in the school education sector; (b) the PforR operation further strengthens the use of country systems for Program implementation, fiduciary, environmental and social systems, and monitoring arrangements that have become more mature (advanced) during the implementation of the EFA and SSRP SWAps; (c) the MOE—the executing agency (EA) for the Program—is already experienced with DLI-based

[8] Nepal Education Strategy Note (2016).

operations funded by the World Bank (Higher Education Reform Project, Enhanced Vocational Education and Training project, and Global Partnership for Education [GPE] Additional Financing); the Ministry of Finance (MOF) has a strong preference for a PforR operation; and the Asian Development Bank (ADB)—a major cofinancier in the program—is also using results-based lending (RBL), equivalent to the World Bank-supported PforR, instrumental for their financing to the program; and (d) the PforR provides several advantages over the Investment Project Financing instrument with regard to flexibility and efficiency in supporting a fairly large national program harmonized across strategic interventions, implementation arrangements, and financial and technical assistance (TA) support from a large number of DPs.

II. PROGRAM DESCRIPTION

A. Government Program

19. Building on the progress made under the country's EFA 2004–2009 and SSRP 2010–2016, the GON has prepared a seven-year SSD Plan (SSD Plan, FY2017–FY2023) in close consultation with stakeholders, including DPs. The SSD Plan is expected to contribute directly to the country's aim to graduate from least developed country by 2022 and attain middle-income country status and to meet the SDG targets for education by the year 2030.

B. Program Development Objective/s (PDO) and Key Results

20. The Program Development Objective (PDO) is to improve the quality, equitable access, and efficiency of basic and secondary education in Nepal by supporting the Government's School Sector Development Program.

21. The following Key Performance Indicators (KPIs) are proposed to measure achievements toward the PDO. These outcome indicators are part of the results chain shown in Figure 1. A detailed Results Framework (RF) is shown in annex 2.

Improved Quality of Education

- Percentage of students displaying grade-level competency on core subjects[9] in Grade 8 measured through NASA
- Share of schools tracking teacher time-spent-teaching (TST)
- Survival rate to Grade 8 and to Grade 12 (disaggregated by gender)

Increased Equitable Access

- NER in basic and secondary education in 15 most disadvantaged districts as ranked in the equity index (disaggregated by gender)

Improved Operational Efficiency

- Percentage of funds disbursed to schools in compliance with eligibility and utilization guidelines

[9] Core subjects are Nepali, mathematics, and general science.

C. PforR Program Scope

22. **The scope of the proposed World Bank PforR will be to support the time slice of the Government's seven-year SSD Plan.** The Program will annually benefit over 7 million students and over 180,000 teachers and ECED facilitators in over 30,000 community schools and centers across the country. The PforR scope is in table 1. The detailed Program description is in annex 1.

Table 1. PforR Scope

Item	Government program	Program Supported by PforR
Title	School Sector Development Plan (SSD Plan)	School Sector Development Program (SSDP)
Implementation Period	FY2016/17–FY2022/23	FY2016/17–FY2020/21
Geographic scope	Nationwide	Nationwide
Objective	**Purpose:** To improve equity, quality, efficiency, governance, and management of the education sector	**PDO:** To improve the quality, equitable access, and efficiency of basic and secondary education in Nepal by supporting the Government's School Sector Development Program.
Activities or outputs	• Covers all levels of school education: basic education (one year of ECED/preprimary–Grade 8) and secondary education (Grades 9–12). • Finances both the recurrent (salaries and remuneration of teachers and administrative staff and central- and field-level organization and management costs) and the development expenditures covering all MOE activities related to the school sector, excluding teacher pension and nonschool-based technical and vocational education (TVE). • Development expenditures include school grants, student scholarships, textbooks and learning materials, infrastructure, curriculum and material development, information and communication technology (ICT), teacher professional development, teacher qualifications upgrading, and capacity-strengthening activities.	• Same as the Government program, excluding reconstruction of schools in 31 earthquake-affected districts and with a particular focus on: ○ Enhanced teaching-learning through revision of curriculum, reforms in assessment and examination system, provision of block grants to unaided schools and performance grants to community schools, and improved teacher redeployment and TST; ○ Reduced disparity in access and participation through targeted programs including OOSC scheme at the basic level and pro-poor scholarship at the secondary level; and ○ Strengthened education system through enhanced fiduciary management system, GMS, and EMIS
Program expenditure	US$11.312 billion (FY2016/17–FY2022/23) including reconstruction of schools in 31 earthquake-affected districts implemented through NRA	US$6.461 billion (FY2016/17–FY2020/21)
Financiers	GON, World Bank, ADB, Australia, EU, Finland, GPE, REACH MDTF, JICA, Norway, UNICEF, USAID, WFP, and national and international NGOs	GON, World Bank, ADB, Australia, EU, Finland, GPE, REACH MDTF, JICA, Norway, UNICEF

Note: EU = European Union; JICA = Japan International Cooperation Agency; NGO = Nongovernmental Organization; NRA = National Reconstruction Authority; REACH MDTF = Results in Education for All Children Multi-Donor Trust Fund; UNICEF = United Nations Children's Fund; USAID = United States Agency for International Development; and WFP = World Food Programme.

23. The PforR is clustered around three SSDP results areas: (a) improved teaching-learning and student learning outcomes; (b) improved equitable access to basic and secondary education;

and (c) strengthened education system, sector planning, management, and governance. A subset of the SSDP interventions, outputs, and outcome across the three results areas is chosen as the DLIs.

Table 2. Results Areas and DLIs

Results Area	DLIs
Results Area 1: Improved teaching-learning and student learning outcomes	• National Curriculum Framework (NCF) revised and implemented (DLI 3) • Examination and assessment system reforms undertaken to improve teaching and learning (DLI 4) • Improved school management and accountability system (DLI 5) • Improved teacher management and accountability (DLI 6)
Results Area 2: Improved equitable access to basic and secondary education	• Improved equitable access to basic and retention in secondary schools (DLI 2)
Results Area 3: Strengthened education system, sector planning, management, and governance	• Strengthened governance, fiduciary management, data systems, and institutional capacity for results-based program implementation ([DLI 1)

24. **Program cost and financing.** The total cost estimate within the PforR boundary is US$6.461 billion (Table 3). The total IDA financing is expected to be US$185 million (Table 4).

Table 3. Estimated Program Cost (US$, millions)

	Seven-Year Plan	Five-Year Plan
Overall Government SSD Plan	11,312	7,176
Less: DRR under NRA[a.]	—	715
SSDP (PforR)	**—**	**6,461**

Note: a. DRR under NRA refers to Disaster Risk Resilience (DRR) related activities on reconstruction of schools in 31 earthquake-affected districts implemented by the NRA, a separate entity from the MOE, established for this specific purpose. Thus, this activity with a separate budget code is excluded from the proposed PforR.

Table 4. Estimated SSDP Financing Plan (2016−2021)

Source	Amount (US$, millions)	Share of Total (%)
Government	5,739	88.8
IDA/World Bank	185	2.9
Other JFP/Non-JFP	293	4.5
Financing gap	244	3.8
Total	**6,461**	**100.00**

Note: JFP = Joint Financing Partner; DPs' financing is estimated based on commitments indicated so far: ADB (US$120 million), EU (US$72 million), Finland (US$23 million), GPE and REACH MDTF (US$22 million), Norway (US$21 million), UNICEF (US$3 million), Australia (US$3 million), JICA (US$15 million), and non-JFPs (US$14 million).

Development Partners

25. **The DP group involved in Nepal's education sector is part of the local education group (LEG)—with representation from the GON, DPs, international NGOs, and different civil society organizations—with a longstanding history of engagement in the sector and with the Government.** Over the last decade, through three national school sector programs such as BPEP II (1999–2004), EFA (2004–2008), and SSRP (2009–2016), the World Bank jointly with other DPs has supported the school sector through SWAps. In parallel, some DPs have also financed off-budget government programs under both EFA and SSRP.

26. **The LEG meets periodically under the MOE leadership to discuss important aspects of the education strategy and coordinate joint support to the strategy, programs, and**

activities, including SSRP implementation. LEG members are key participants in all semiannual and quarterly reviews of the school sector program. They have worked closely with the Government in formulating the SSDP document. Members of the broader LEG also meet regularly with the GON officials in joint thematic groups to discuss and provide suggestions on key issues related to the program.

27. **The proposed PforR IDA financing will support the SSDP cofinanced by nine other DPs (ADB, Australia, EU, Finland, GPE, JICA, Norway, REACH MDTF, and UNICEF) and will largely follow the collaboration modality of the previous SSRP.** These JFPs will subscribe to an agreed strategic framework for harmonized implementation of the program called the Joint Financing Arrangement (JFA), which is signed by the head of the respective organization. While the World Bank and ADB will use the PforR and RBL instruments, respectively, EU and Finland financing will be a mix of DLI-based and fixed (non-DLI based on overall program progress) financing, and the remaining will disburse their funding based on fixed tranche conditional upon overall program progress. However, all DPs will subscribe to the common SSDP country systems on program implementation, fiduciary, monitoring, and reporting arrangements. In addition, the DPs will provide off-budget TA support to the SSDP.

D. Disbursement Linked Indicators and Verification Protocols

28. **The World Bank DLIs are part of the overall DLI framework adopted by the 10 JFPs supporting the SSDP in a SWAp.** The six DLIs to be financed under the World Bank-supported PforR have been selected on the basis of (a) priority results areas identified in the World Bank's Education Strategy Note (2016); (b) strategic focus on the education quality enhancement as envisaged in the Government's SSD Plan; (c) identification of a few key actions and results that will support fundamental system-level transformations; and (d) local and global evidence on what works (including lessons learned from the SSRP). The verification of the achievement of the World Bank Disbursement-linked Results (DLRs) will be carried out by an independent verification agency (IVA) commissioned by the GON. The selection of the IVA will be based on, among others, capabilities to carry out the verification processes, potential for a medium- to long-term engagement and capacity building in the government system, and the ability to act as fully independent of the implementing agency (IA). The selection and signing of a memorandum of understanding (MOU) or any other instrument[10] between the MOE and an IVA will have to be completed before Program effectiveness. The DLRs and verification protocols are detailed in annex 3. Justification for the choice of DLI is described in annex 4 (Summary Technical Assessment).

E. Capacity Building and Institutional Strengthening

29. **The proposed PforR operation envisages the following key capacity-building and institutional strengthening activities, as identified during Program design, technical, fiduciary, and safeguards assessments:** (a) activities included in the capacity-building component of the Government's SSD Plan; (b) complementary key TA activities that are specified in the Program support facility (PSF) also financed by the SSDP (details in annex 10); (c) TA activities directly managed by other DPs; and (d) the World Bank's technical support as indicated in the Implementation Support Plan (annex 9). These are also described in relevant

[10] The provision for any other instrument applies only if the selected IVA is another governmental agency.

sections including Program Description (annex 1), RF (annex 2), DLIs (annex 3), Program Action Plan (PAP) (annex 8), and the respective summary assessments (annexes 4, 5, and 6).

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

30. The SSDP will use the government system for Program implementation, oversight, FM, procurement, safeguards, M&E, and reporting arrangements. The MOE will serve as the EA and will have overall responsibility for policy guidance and oversight for Program implementation. A Steering Committee (SC) is established to oversee the coordination, monitoring, and implementation of the SSDP. The DOE will be the main IA with the task of preparing the annual strategic implementation plan (ASIP) and AWPB and carrying out the Program activities, with the support of other central-level agencies (CLAs). The Financial and Budget Management Committee (FBMC), under the MOF, will be responsible for monitoring Program results, including the DLRs, and ensuring that adequate resources are made available to achieve those results. The SSDP Implementing Committee (IC) under the DOE will be responsible for overall implementation and coordination of the SSDP activities across the DOE and CLAs. Regional Education Directorates (REDs) and the DEOs will execute the Program at the regional and district levels and report to the DOE. The Grant Management Unit (GMU), at each DEO office, will be responsible for administering the grants going to schools according to grant management guidelines. At the beneficiary school level, where most of the SSDP expenditures are made, the main frontline actors are the community schools themselves, where SMCs are responsible for managing all school-level activities and the Parent Teacher Associations (PTAs) are tasked with monitoring them. Education Training Centers (ETCs) and Resource Centers (RCs) at the field provide training, management, and monitoring support to schools. The implementation arrangements are expected to be revised when the provision of education delivery in the new federal structure comes into effect in due course of time. Details are provided in annex 1.

B. Results Monitoring and Evaluation

31. The MOE's Monitoring, Evaluation, and Supervision Division and the DOE's Planning and Monitoring Division are responsible for the overall M&E function of school education at the central level. The EMIS at the DOE is the main database system capturing information related to schools, students, and teachers. The data and reports generated by the EMIS are used for the annual and trimester progress reporting of school education. The trimester physical and financial reports are sent by each DEO to the DOE for further consolidation and reporting to the MOE, National Planning Commission (NPC), and DPs. The Education Review Office (ERO) has been established to undertake periodic NASA[11] and conduct performance audits of the MOE system. For the SSDP, considerable enhancement of the M&E system and processes are foreseen to effectively support the PforR modality. The MOE and DPs will undertake semiannual reviews/consultations in March and November of each year to review progress in implementation of the SSDP (including the achievement of DLRs) in accordance with the Schedule for Reporting and Review of the JFA.

[11] Nepal's participation in the Program for International Student Assessment was considered as a possibility for the next Program for International Student Assessment round in 2021. The Government and DPs jointly deemed that participation in 2021 will be too early.

C. Disbursement Arrangements

32. The SSDP will use DLIs for disbursement. Annex 3 shows the agreed list of DLIs/DLRs and the proposed annual financial allocations across DLIs/DLRs. There are a total of 26 DLRs spread over five years. DLRs associated with DLI 1 (system strengthening), DLI 2 (improving equitable access), and DLI 4 (learning assessments and examinations) are priced at SDR equivalent of US$6 million per DLR. Those associated with DLI 3 (curriculum) and DLI 5 (school management) are priced at SDR equivalent of US$8 million per DLR, and those associated with DLI 6 (teacher management) are valued at SDR equivalent of US$9 million per DLR. The higher allocation to DLRs on three of the four DLIs on education quality reflects the importance of respective reforms or initiatives. The amount allotted and achievement deadline for all DLRs are shown in annex 3.

33. The disbursement will be contingent upon the Government furnishing evidence satisfactory to IDA that it has achieved the respective DLRs and the DLRs are verified by an IVA. Applications for withdrawal from the World Bank's financing account of amounts allocated to individual DLRs will be sent to IDA any time after the World Bank has notified the GON in writing that it has accepted evidence of achievement of the DLRs. The withdrawal amount against the DLRs achieved will not exceed the amount of the financing confirmed by IDA for the specific DLRs. All withdrawals from the credit account will be made into an account in Nepalese rupee currency maintained at the Nepal Rastra Bank (NRB).

34. **Disbursement rules for each DLR.** Details of the agreed disbursement rules for each DLR are provided in annex 3. Some DLRs are scalable, with funds being disbursed in proportion to achievement of the DLR. Where DLRs are not achieved in any particular year, the allocated amount may be carried over to the subsequent year for a few DLRs. Similarly, if the achievement outperforms the targets, the corresponding World Bank financing against given DLRs may be disbursed before the deadline of each DLR.

35. **DLI verification protocols.** Verification protocols for each DLR are detailed in annex 3. DLRs will be verified by an IVA commissioned by the MOE and submitted to the World Bank as part of the supporting documentation to report achieved results. The World Bank will also review the evidence base for all DLRs during implementation.

IV. ASSESSMENT SUMMARY

A. Technical (including Program economic evaluation)

36. **The proposed PforR is strategically relevant as it supports the Government's SSDP, which is in line with the Government's Development Strategy 2030 that aspires to have Nepal graduate from the status of least developed country by 2022 and achieve its SDGs.** The SSDP aims to contribute to socioeconomic development and reduce disparities through inclusive development of its human resources and to facilitate all citizens with opportunities to become functionally literate and numerate and develop basic life skills and knowledge required to enjoy a productive life. Moreover, Nepal is going through a demographic transition where there is a youth bulge (more than 50 percent of the population is under 25 years) in the country. However, Nepal's youth bulge remains a hugely underutilized resource because of low levels of learning outcomes and skills attainment and inadequate domestic labor market opportunities. The

SSDP's focus on quality improvements through strategic interventions is expected to provide young people with relevant cognitive and noncognitive skills for further education, labor market, or other livelihoods.

37. **The PforR is technically sound because the Program design is based on the GON's reform priorities and strategy as articulated in its SSDP.** It builds on the lessons learned from EFA (2004–2009), CSSP (2004–2009), and SSRP (2009–2016); the findings of the World Bank's education sector studies in other countries; the World Bank's strategy as stated in the Nepal Education Strategy Note (2016); and the World Bank's experience with the school sector in Nepal, across the region, and the globe. Building on the SSRP interventions, the SSDP will take the quality agenda forward through an increased focus on the quality of education and equitable access, participation, and learning outcomes. The World Bank's support for the SSDP will use DLI-based (focus on results rather than inputs) reforms in school and teacher management and accountability and system strengthening in data and fiduciary arrangements. Nepal's school education sector has been based on a strong partnership between DPs and the Government and the World Bank, as in the past, will continue to play a critical role in collaborating with the partners in strengthening and using the country systems in the proposed PforR operation, which add to the technical soundness of the overall program.

38. **Program Expenditure Framework (PEF).** The Government's seven-year SSDP expenditure is estimated to be US$11,312 million (2016–2023), and the estimated expenditure for the five-year PforR Program boundary is US$6,461 million (2016–2021). The budget estimate includes both ongoing expenditures and incremental budget required for additional interventions under the SSDP. The estimated Program expenditure falls within the projected school sector fiscal space, making it a realistic Program from a financing point of view. The PEF is based on costing of prioritized quality improving interventions, adequately covers the school sector trend cost estimates, and provides for incremental investment in key strategic and innovative interventions to enhance quality of education.

39. **Financing gap.** The stated financing gap of US$244 million (3.8 percent of overall financing) is deemed to be only a moderate risk for the following reasons: (a) the GON's historical commitment to education as a priority sector is evidenced from annual budget allocations that have remained around 3 percent of gross domestic product (GDP) and more than 12 percent of total government expenditures; (b) DPs' support to the school sector is expected to continue in the future with additional funds during the Program implementation period; (c) the estimated Program cost (US$6.461 billion) falls within the estimated school sector resource envelope or fiscal space (US$6.498 billion), indicating the feasibility of the Government to allocate the necessary additional budget (internal and/or external sources). This analysis assumes there are no unforeseen circumstances such as economic or natural shocks.

40. **Results Framework.** An RF with SMART (specific, measurable, actionable, realistic, and time-bound) targets has been developed and included in the SSDP. KPIs include a mix of process, output, and outcome indicators, covering all three results areas of the Program. DLIs for the Program are a logical and balanced mix of outputs, intermediate outcomes (IOs), and outcomes. The DLIs cover three priority areas and target the most critical reforms aimed at system strengthening, equitable access, and quality enhancement.

41. **M&E.** Based on lessons learned from the SSRP, the SSDP envisages improving the overall M&E system for the generation of reliable, timely, and adequate information on results, including DLRs: (a) strengthening EMIS by operationalizing web-based EMIS for capturing real-time data on schools, students, and teachers at the DEO level; refinement of data collection processes to align with the SSDP results and indicators; and independent verification of the EMIS to increase data accuracy; (b) independent third-party verification of the achievement of DLRs; and (c) improving school GMS to enhance compliance on eligibility and utilization of school/student grants. Besides the SSDP's in-built program to support the enhancement of EMIS, the World Bank and other DPs will mobilize necessary TA to improve the EMIS and reporting requirements.

42. **Economic justification.** The cost-benefit analysis uses a 'counterfactual' identification approach, whereby the Program 'investment' is the estimated additional cost over and above the current spending. The main assumptions in the estimation are that benefits come from three sources: (a) more basic education completers who earn higher wages (relative to non-completers); (b) greater quality of education resulting in higher wage premiums for all basic education completers; and (c) less wastage of public and private resources because of fewer dropouts and repetitions and costs include additional Program costs (from the Government and JFP sources) and private costs that comprise direct household outlays as well as opportunity costs. Additional Program investment is derived from the difference between the ongoing program spending and the proposed SSDP estimates. Based on a discount rate of 12.0 percent for the benefit and cost streams described above, the present discounted value of benefits for the base-case scenario is estimated to be US$2,830 million, while the present discounted value of costs is estimated to be US$2,447 million, and therefore, the net present value (NPV) of Program benefits is US$383 million. Both costs and benefits are calculated in FY2015/16 constant prices. The estimated internal economic rate of return is 15.9 percent for the Program. The results, including the sensitivity analysis for progress in internal efficiency and external efficiency gains, suggest that the Program is expected to be a sound 'investment'. In fact, these are conservative, lower-limit estimates, given that externality benefits arising from healthier, better-educated citizens, and a more equitable, more inclusive society are not included.

B. Fiduciary

43. The integrated fiduciary systems assessment (FSA) identifies the following significant fiduciary risks:

- Given the Program nature that includes a large number of cost centers (117) and beneficiaries (some 30,000 schools and 7 million students), the fiduciary risks can be significant in the absence of robust accountability mechanisms.
- Low capacity on planning, budgeting, and monitoring across all levels—center, districts, and schools—exacerbates these risks. For example, financial record keeping at schools is inadequate. Procurement capacity at the DOE, DEOs, and at the school in monitoring and supervision of construction of physical facilities is inadequate.
- Similarly, inadequacies in the internal control framework within the MOE pose additional risks.

44. Fiduciary systems also present elements of strengths that will constitute a sound basis for the Program if complemented by measures to strengthen the fiduciary system:

- A sound government budget process with regard to timeliness, classification, and execution control by treasury
- Transparency of the budget process with daily budget execution reports published on the Financial Comptroller General Office (FCGO) website and timely production and publication of budget documents and annual financial statements
- A systematic external audit of government expenditures, including in the education sector, by the Office of the Auditor General (OAG) and increasing capacity of the OAG to conduct performance audits

45. The following risk mitigation measures are expected to improve the general performance of fiduciary systems supporting Program implementation, some of which are included as DLIs:

- Implementation of the activity-based budgeting system in the form of Line Ministry Budget Information System (LMBIS) at the district level to better link budget allocations on Program interventions (inputs) to Program outputs/outcomes
- Implementation of the computerized government accounting system (CGAS) in all cost centers up to the district level
- Fiduciary capacity building at the central level: a fiduciary unit at the DOE with adequate number of dedicated fiduciary staff and experts (FM and procurement); a technical support unit (TSU) at the MOE/DOE to provide procurement support; and an intraministerial Financial and Budget Management Committee (FBMC) chaired by the MOF, including the MOE, FCGO, and International Economic Cooperation and Coordination Division (IECCD) (MOF) to provide strategic guidance
- Establishment and operationalization of the GMU at each DEO to ensure that funds disbursed to schools comply with eligibility and utilization criteria and guidelines
- Strengthened teacher payrolls controls through validation of teacher payrolls using information from school EMIS and Teacher Records Office (TRO) and required use of bank accounts for transfer of teacher salaries
- Provision of engineering expertise/support to the DEOs to monitor and supervise the construction of physical facilities at schools
- Web-based EMIS at the school and district level for improved transparency and accountability
- Implementation of an approved Fiduciary Management Action Plan (FMAP) initiated, monitored, and updated annually to ensure that measures, including those described above, are carried out to continuously improve fiduciary management

46. The implementation progress report, including financial progress for the PforR, will be shared with the World Bank annually or periodically as requested. The audit report from the OAG will be submitted within nine months from the end of each fiscal year. At the end of the SSDP, any amount exceeded by the total DLR amount disbursed by the World Bank compared to the total expenditures incurred under the defined Program minus other DPs' contribution as per audited statements will be refunded to the World Bank. For the purpose of PforR Program expenditure reconciliation, the following eight SSDP budget heads[12] are included: 350016-3; 350017-3; 350023-3; 350023-4; 350140-3; 350140-4; 350806-3; and 350806-4.

[12] These budget heads are based on government's FY 2016/17 budget which may be subject to change during the course of implementation.

47. **Excluded expenditures from the PforR.** As mentioned earlier, the expenditure item in the Government's program that is excluded from the PforR is the school construction activities managed by the NRA in thirty-one (31) earthquake-affected Districts. Furthermore, the Program (PforR-supported activities) will exclude activities that involve procurement of (a) works, estimated to cost US$10 million equivalent or more per contract, (b) goods, estimated to cost US$5 million equivalent or more per contract, (c) non-consulting services, estimated to cost US$5 million equivalent or more per contract, or (d) consultant services, estimated to cost US$3 million equivalent or more per contract. In addition, the Program will exclude activities that are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people.

48. **Anti-Corruption Guidelines (ACG).** The World Bank's ACG will apply to the PforR boundary of the SSDP. The ACG will include: (a) the Government sharing with IDA information on fraud and corruption allegations in the Program; (b) the Government using the IDA's procurement debarment list for the Program; and (c) investigation of fraud and corruption allegations in the Program by IDA.

C. Environmental and Social Effects

49. An Environmental and Social Systems Assessment (ESSA) was undertaken to: (a) identify risks and impacts associated with the Program; (b) assess the strengths and weaknesses of the legal, institutional, and implementation frameworks; and (c) recommend measures to strengthen national systems and capacity to deliver the PforR in a sustainable manner.

50. The ESSA concludes that the environmental and social impacts of the Program are low. The Program will finance activities that focus on improving teaching-learning, equitable access, and system strengthening in basic and secondary education. The Program will also invest on minor physical infrastructures. Key environmental and social risks associated with the Program include (a) contamination of land, water, and air; (b) landslides or instability on the slopes; (c) water quality/quantity and sanitation; (d) land requirements; (e) inequities in opportunities across different population groups; and (f) lack of awareness, inadequate consultations, and citizen engagement, including with vulnerable groups. With regard to civil works, most activities are expected to be confined to the existing school premises. When additional land is required, in a few cases, there will be no involuntary land acquisition but land will be availed through a negotiated settlement (voluntary donation of land or willing seller and willing buyer approach).

51. The ESSA finds that the existing legal and regulatory frameworks governing the education sector are satisfactory for safeguarding both environmental and social systems. The MOE has prepared and implemented the Environmental Management Framework (EMF) and Social Management Framework (SMF) during the previous SSRP. The MOE also includes Gender Equality and Social Inclusion (GESI) in its program and monitoring framework as part of political commitment to gender and social inclusion. The school education sector is characterized by decentralization, community participation, and accountability. On environment, there are adequate provisions for creating a safe environment for school users and safeguarding the environment from pollution and unsustainable exploitation.

52. The ESSA also finds that there are some challenges associated with limited capacity to implement the SMF and EMF at district and school level and inadequate budget provision to

monitor school compliance with SMF and EMF guidelines. Moreover, there is further scope to strengthen social accountability and citizens' engagement. The ESSA suggests that these challenges can be addressed through (a) revision of the EMF and SMF, (b) provision of adequate budget in the AWPB for implementation of environmental and social safeguard measures, (c) strengthening beneficiary feedback and grievance redressal mechanism, and (d) enhancing institutional capacity through staffing and trainings. Some of these measures/actions are included in the PAP.

53. **Climate and disaster screening.** The SSDP PforR was screened for climate and disaster risk. Nepal is exposed to a wide range of hazards, including earthquakes, floods, landslides, droughts, and glacial lake outburst floods. DRR subresults area under the PforR aims to enhance schools' physical infrastructure and provide children a safe, secure, and conducive learning space. The SSDP builds on the existing school safety framework and strengthens soft components of school safety (for example, curriculum integration, teacher training, communication, school drills, and DRR in SIPs) and the need-based maintenance and retrofitting of school buildings. Hence, the overall risk to the intended Program outcome is low to moderate.

54. **Gender.** Nepal has achieved gender parity in basic and secondary education enrolments. However, gender-gaps exist against girls from disadvantaged facilities and regions, with regard to OOSC and secondary education completion. Despite good progress over the last decade, the share of female teachers in secondary education and in particular science subjects is still low. The SSDP PforR Program aims to address the remaining gender inequities through (a) pro-poor and pro-science scholarship (PSS) programs at secondary education, which are expected to benefit the girls disproportionately; (b) OOSC program in disadvantaged districts; and (c) the MOE's new teacher recruitment strategy to increase the share of female teachers in community schools. The Program's EMIS system collects and reports gender-disaggregated data every year.

55. **Citizen engagement.** Citizen engagement is an important part of the Program. At the central level, the Program will continue to be supported and monitored by of the LEG represented by civil society, international NGOs, DPs, and the Government. At the school level, beneficiaries (parents and other stakeholders) are directly engaged through their participation in SMCs and PTAs. Importantly, social audits and school report cards provide public information on school performance and accountability. The PforR uses an IO indicator on social audits to monitor the enhancement of feedback mechanisms to schools.

56. **Grievance Redress Committee (GRC).** The GRC at the SMC level and at the district level, as part of the Good Governance Act, facilitates processes to address grievances relating to school activities. The SMC-level GRC comprises five members including the head teacher (HT), parents, community, and vulnerable group representatives. The District Education Committee working as the district-level GRC receives complaints unresolved at the SMC level, settles these grievances in a consultative fashion, reports to the aggrieved parties about the decision or solution, and forwards the unresolved cases to higher authorities. There is a provision of a central-level GRC at the MOE and DOE levels.

57. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR Program, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in

order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of the World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org

D. Risk Assessment

58. The overall Program risk is assessed as Substantial. The main risks to achieving the intended results are political and governance risks and the risks related to the weak fiduciary environment and institutional capacity for implementation of the PforR Program. The political and governance risk is 'High' in view of uncertain political environment, frequent changes of the Government and the absence of local government, and poor enforcement of anticorruption and public sector ethics regulation. Institutional capacity for implementation and sustainability is assessed as 'Substantial' due to limited experience of the IA on PforR, challenges associated with Program implementation involving several CLAs and DEOs across the entire country, substantial staff turnover, gaps in the agencies' M&E arrangements, and gaps in existing operational guidelines and their enforcements. Fiduciary risk is rated 'Substantial' because of inadequate fiduciary management seen from persistent delays in financial reports and audit reports, inadequate internal controls as evidenced from recurring audit observations, less-than-developed complaint mechanisms, and inefficient procurement systems. While the Government's program design is technically sound as it is built on its reform priorities, coherent sector strategy, and lessons learned from past program design and implementation, the proposed PforR Program design risk can be rated 'Substantial' in view of challenging but transformational reforms and initiatives included in the DLIs and DLRs. On environmental and social aspects, the Program is not expected to have any significant negative effects; however, the experience from the SSRP suggests fairly weak monitoring capacity, and thus, this risk is rated 'Substantial'.

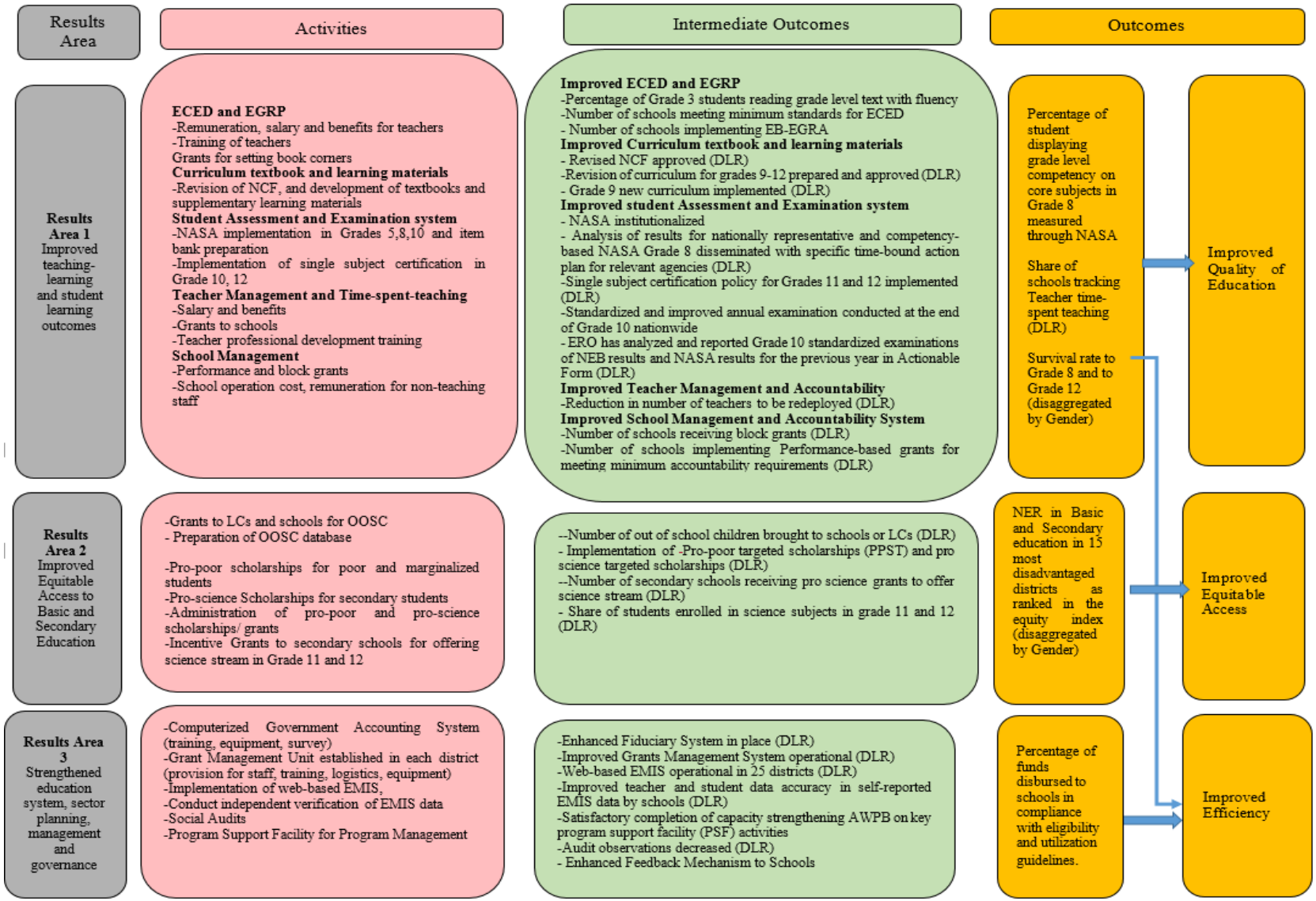
59. These risks will be mitigated through specific measures identified in the technical assessment, FSA, and ESSA. The measures include (a) DLI-based financing as incentives to bring intended results in outcomes, processes, and reforms in three strategic areas of quality, access, and governance; (b) implementation of the PAP to carry out critical actions to achieve agreed results and DLIs; (c) strengthened capacity of IAs and monitoring agencies at the center, districts, and the schools through the Program; and (d) sustained policy dialogue, provision of implementation support, and TA from the World Bank and cofinancing DPs.

E. Program Action Plan

60. The PAP was developed based on recommendations of the technical assessment, FSA, ESSA, and risk assessment. The PAP includes key activities/actions agreed with the Government to achieve Program objectives and results, in particular, the DLRs. Specifically, implementation of the agreed FMAP, operationalization of the GMS, and annual fiduciary reviews are expected to mitigate fiduciary risks. Provision of adequate budget and personnel to implement the EMF and SMF at the school level will minimize risks associated with the Program's environment and social aspects. Implementation of the PSF and approval of relevant policies, guidelines, and

manuals on strategic program interventions on teaching-learning improvement, equitable access enhancement, and system strengthening are critical elements of the PAP to achieve the DLRs. The implementation of the PAP will be monitored and reviewed during the joint semiannual review mission with the MOE and the DPs. See annex 8 for details.

Figure 1. Results-Chain for School Sector Development Program (PforR)



Annex 1: Detailed Program Description

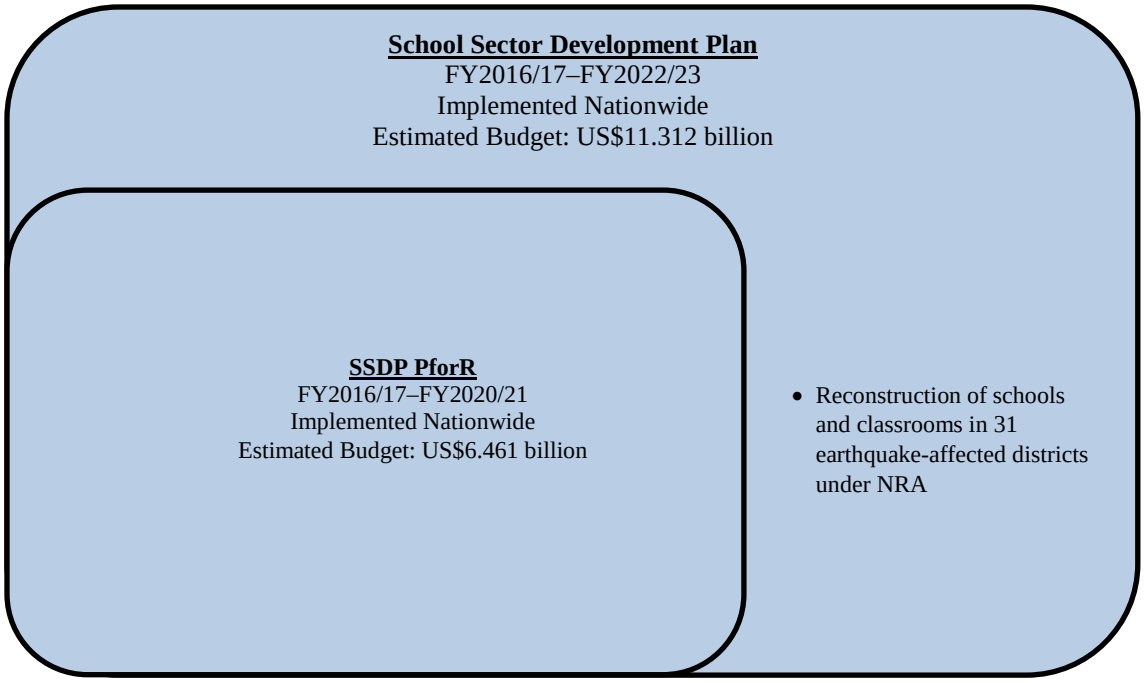
1. **The Government's SSD Plan will be implemented over the course of next seven years (2016/17–2022/23) and covers all levels of school education from basic education (one year of ECED–Grade 8) to secondary education (Grades 9–12)**. The plan will annually benefit over 7 million students and over 180,000 teachers and ECED facilitators in over 30,000 community schools and ECED centers (community school-based and community-based) across the country.

2. **The Government's SSDP finances both the recurrent and the development expenditures covering all MOE activities related to the school sector excluding teacher pension and nonschool-based TVE.** Recurrent expenditures under the SSDP consists of salaries and remuneration of teachers and administrative staff and central- and field-level organization and management costs, while development expenditures consist of remaining expenses including school grants and incentives, student grants and incentives, student scholarships, textbooks, infrastructure (construction excluding activities under the NRA), curriculum development, ICT, teacher training, teacher qualifications upgrading, and capacity-strengthening activities.

3. The PDO of the World Bank-supported Program is to improve the quality, equitable access, and efficiency of basic and secondary education in Nepal by supporting the Government's School Sector Development Program.

4. **The proposed World Bank-supported Program will utilize the PforR financing instrument and support the time slice (first five years) of the Government's seven-year SSDP.** The diagrammatic representation of the World Bank-supported Program is shown below to reflect the overlap with the Government SSDP (figure 1.1).

Figure 1.1. National SSD Plan and World Bank-supported Program Relationship



5. The PforR Program is clustered around three SSDP results areas: (a) Improved teaching-learning and student learning outcomes; (b) Improved equitable access to basic and secondary education; and (c) Strengthened education system, sector planning, management, and governance. A subset of the SSDP interventions, outputs, and outcomes across the three results areas are chosen as the DLIs with the World Bank funding linked to the achievements of these DLIs**.** This allows for a more targeted focus on the strategic and critical elements that will help improve the quality of education and enhance the overall performance of Nepal's school sector. Detailed descriptions of the DLIs are presented in annex 3.

6. The three SSDP result areas under the PforR Program are described in the following paragraphs:

Results Area 1: Improved teaching-learning and student learning outcomes (US$4,566 million)

7. To move the quality agenda forward, the SSDP aims at carrying out a number of reforms focusing on student learning and improving teaching-learning through shifting from textbook-focused and lecture-oriented process to a child-centered one fostering development of core skills and creative thinking. The key elements of the reforms are presented in the subresults areas.

Subresults Area 1.1: Investing early - Improved ECED/PPE and implementation of National Early Grade Reading Program

8. **Two subresults areas that are associated with 'investing early' are (a) improved and quality ECED services and (b) National Early Grade Reading Program (NEGRP).** According to the provision in the Education Act Eighth Amendment (EAEA), 2016, the SSDP will support strengthening the one-year ECED/preprimary class with provision of qualified and

trained ECED/preprimary education (PPE) facilitators by ensuring that all new ECED facilitators have minimum educational qualifications (Grade 10 SLC graduate) and one-month training (including on the development of Nepali and mother tongue language skills). It will support the rationalization and expansion of school-based ECED/PPE (mapping and relocation of ECED/PPE centers with a focus on marginalized communities and remote areas) with the aim of reducing disparities in school readiness. In addition, the SSDP will also support development and distribution of appropriate learning materials and strengthen parental and community engagement through parental education programs, as well as orientation programs on ECED/PPE at the local levels and to communities. To strengthen the reading skills of students in the foundation years (Grades 1–3) enabling further learning outcomes throughout the school education cycle, the SSDP will support the rollout of NEGRP, which consists of providing free textbooks and supplementary EGR materials, teacher training in EGR, and book corners, in all community schools in 38 districts. **In addition, sample-based, classroom-based EGR assessment will be carried out and the findings of the assessment will feed into further improvement of EGR materials (GPE DLI).**[13]

Subresults Area 1.2: National curriculum framework (NCF) revised and implemented (DLI 3)

9. The first NCF was adopted in 2007 based on grade-specific competencies. Under the SSDP, a revised, comprehensive NCF for school education (ECED/PPE to Grade 12) will be formulated to ensure vertical and horizontal linkages across levels and subjects and **will include a review of the curricula load—including meeting the diverse learning needs of students with diverse abilities, aptitudes, and career aspirations and diversification of courses at the secondary level—and relevance at all levels**. The existing curricula and textbooks for Grades 9–10 will be reviewed and revised to inform the diversification of curriculum, which will include reduction in the number of compulsory subjects and adjustments in compulsory science and mathematics subjects with the provision of at least two levels (with regard to subject content and difficulty) of compulsory science and mathematics subjects (students will be able to choose, based on their ability and aptitude, between the two levels of science and math courses). Over the course of the SSDP period, the textbooks will be systematically revised based on the revised curriculum framework. Other teaching and learning materials supportive to acquiring the various skills of the curriculum will be identified and promoted and teacher preparation and training on the new curriculum will be carried out. The revised curriculum that caters to the needs of secondary students with diverse learning needs will be implemented starting from Grade 9.

Subresults Area 1.3: Assessment and examination reforms undertaken (DLI 4)

10. To improve the student assessment and examination system, the SSDP will support (a) operationalization of the recently established National Examination Board (NEB), which is responsible for conducting the annual board examinations at the end of Grades 10 and 12, (b) standardization of Grade 10 annual board examination, (c) institutionalization of NASA at the ERO and strengthening and capacitation the ERO by signing partnerships with international and national agencies, (d) design and administration of competency-based NASA in Grades 5, 8 and 10, (e) development of standardized test items (item bank) for Grades 5, 8, and 10 to be used for

[13] GPE DLI refers to the DLI in the World Bank administered GPE Trust Fund cofinancing approved by the World Bank as additional financing in 2016.

NASA and board examinations, (f) analysis of results from NASA tests and standardized public examinations and use of findings to inform corrective actions, and (g) implementation of the single subject certification policy for Grades 11 and 12.

Subresults Area 1.4: Improved school management and accountability system (DLI 5)

11. To improve school management and accountability, the Program will use a two-pronged approach. First, block grants scheme to support unaided community schools (without government teacher positions or teachers under deputation) will be piloted in 500 schools during the Program period. Under the scheme, eligible unaided schools will be provided with block grants to meet teacher salaries and operating expenses provided they meet minimum accountability requirements (social audit, EMIS, monitoring TST, and functional SMC and PTA). Second, performance-based grants scheme will be made available to community schools meeting the minimum accountability requirements referred to above and to unaided schools receiving block grants to incentivize improved governance and management, and outputs/IOs/outcomes. Under this scheme, eligible schools will receive performance grants, provided they meet minimum threshold performance levels with regard to indicators on TST, student attendance rate, retention rate, textbook availability and separate toilets for girls, and so on. In addition, community secondary schools offering science stream at Grades 11 and 12 will be supported through incentives and enhanced grants. It is expected that at least 7,500 community schools (including unaided schools) will receive performance grants by the end of the SSDP. To operationalize these grants, the grants manual will be revised with provisions for these grants. These are new initiatives under the SSDP and as such will be implemented in phases.

Subresults Area 1.5: Improved teacher management and accountability (DLI 6) and professional development

12. The SSDP focuses on interventions for ensuring quality and needs-based teacher professional development and performance-based and accountable teacher management. To achieve this, two important strategies are envisaged; (a) redeployment of teachers and (b) development and implementation of school-level monitoring system of TST. Availability of adequate teachers at all levels (including subject teachers in upper basic and secondary level) will be ensured through rationalizing the supply of teachers at the school level and redeployment of teachers according to student-teacher norms. The Program will support (a) review and revision of teacher redeployment policy and guidelines and its effective implementation, (b) preparation of guidelines to improve teacher accountability (TST and teacher absenteeism), and (c) implementation of TST monitoring system. In addition, the SSDP will also support teacher professional development through provision of mandatory induction training for newly recruited teachers and in-service training to enhance teachers' competencies and skills.

Other Subresults Areas

13. An ICT-enabled teaching-learning subresults area aims to systematically assimilate ICT in school education to improve teaching and learning for science, mathematics, and English through, among others, provision of ICT infrastructure in selected schools and enhancement of teacher competencies in ICT. A TVE stream in secondary schools subcomponent provides a

TVE stream in select secondary schools with the aim of expanding TVE opportunities for students from low socioeconomic backgrounds. A model schools subcomponent supports the development of up to 540 existing secondary schools into model schools with a well-defined governance and management framework and financing modality through the provision of selected inputs such as separate school head, full set of subject teachers, disaster-resilient infrastructure, water and sanitation facilities, ICT facilities for teaching-learning, science laboratories, and libraries to improve teaching-learning, especially science and math teaching from the lower secondary level. These schools will develop as demonstration sites for whole school improvement and improved learning outcomes. Provision of residential facilities will also be ensured in selected schools to enhance equitable participation of poor and marginalized community children.

14. In addition to the abovementioned strategic interventions/reforms on quality, the SSDP also finances provision of (a) remuneration for ECED/PPE facilitators; (b) salaries and benefits for basic and secondary school teachers in government teacher positions; (c) PCF and *rahat*[14] (temporary relief) salary grants for basic and secondary school teachers; (d) free textbooks for students from Grades 1–10 financed through PCF-based grants to schools and provision of free textbooks to targeted students from Grades 11 and 12; (e) need-based establishment of libraries and science laboratories in secondary schools and grants for book corners and additional materials for schools with a library; and (f) the use of mother tongue as medium of instruction in early grades.

Results Area 2: Improved equitable access to basic and secondary education (US$965 million)

15. Despite the remarkable achievement in the access agenda under the SSRP, equitable access for the marginalized children remains a priority under the SSDP alongside strengthening the quality of education. The Program aims to increase the basic NER from the current level of 89 percent to 97 percent and the secondary (Grades 9–12) NER from 38 percent to 53 percent by the end of the Program period.

Subresults Area 2.1: Reduction in number of out of school children (DLI 2)

16. While the NER at the basic level increased significantly during the SSRP period, there continues to be a large number of OOSC. Moreover, the survival rate at Grade 8 in 2015–2016 stands at about 77 percent. In this context, the SSDP aims to provide primary education to OOSC using the flexible service delivery approach. The OOSC program covers both types of children (a) those who never attended school and (b) those who attended school but dropped out. Based on the equity index prepared recently, 10 priority districts have been selected for the OOSC program intervention. The OOSC program in the targeted districts will use a two-pronged approach—school-based approach and nonformal learning center (LC) based approach. The guidelines and manual on the OOSC will be revised and updated, including development of diverse nonformal education (NFE) packages for OOSC ages 5–12 years, special packages for children with disabilities, working youths, and bridging courses for reentry into formal

[14] By 2018, it is expected that all existing temporary '*rahat*' teachers will either leave the system by accepting the golden handshake provision provided by the Government or reenter the school system as permanent teachers by passing the Teacher Service Commission exam.

education. The school-based approach to reduce OOSC number will employ enhanced scholarships, enrolment campaigns, and other incentives. The nonformal learning-based approach will use the different types of LCs to reach out to the OOSC and implement the OOSC program. The program will also strengthen the LCs and focus on the capacity development of its staff. In addition, the OOSC's database will be established as part of the EMIS to identify and track the OOSC on an ongoing basis to inform targeted programs.

Subresults Area 2.2: Integrated pro-poor scholarship and pro-science scholarship scheme implemented (DLI 2)

17. The SSDP will support the equitable access and inclusion objective through the reforms in the scholarship schemes, introducing the pro-poor targeted scholarship (PPTS) scheme in secondary education in the beginning. The SSDP will support PPTS and PSS schemes in secondary education. A mechanism to select pro-poor students and for distribution of the scholarship amount will be developed and implemented in a phased manner.[15] The PPTS will be initiated from Grades 9 and 11 in 25 districts and will be expanded to include more districts, as well as students from Grades 10 and 12. PSS scheme for eligible economically poor students (those opting for science subjects in Grades 11 and 12) will also be implemented, in a phased manner starting from Grade 11 in 25 districts. All scholarships will be conditional on minimum level of attendance and promotion to the next grade for continued eligibility.

Other Subresults Areas

18. The DRR subresults area aims to enhance schools' physical infrastructure and provide children a safe, secure, and conducive learning space. It builds on the comprehensive school safety framework and the master plan that was developed during the SSRP. Under the SSDP, the comprehensive school safety framework and DRR will be mainstreamed in the education sector by strengthening school-level disaster management and resilience among communities. While the DRR subcomponent in 31 earthquake-affected districts is implemented by the NRA and not part of the PforR boundary, the DRR subcomponent in the 44 non-earthquake-affected districts is within the PforR scope. The software components of school safety (curriculum integration, teacher training, communication, school drills, DRR in SIPs, and so on) and the need-based maintenance and retrofitting of school buildings and construction of need-based new classrooms are part of the DRR subcomponent.

19. In addition to the abovementioned strategic interventions/reforms to improve equitable access, the SSDP also finances provision of: (a) midday meal programs in targeted districts; (b) grants to traditional/religious schools; (c) grants to integrated schools for resource classes for children with disabilities; (d) grants to special schools for disabled (mainly for children with hearing impairment); (e) provision of open schools; and (f) operating mobile schools in remote areas.

[15] The options to select the pro-poor scholarship recipients are (a) use of poverty card from the Ministry of Cooperatives and Poverty Alleviation (MOCPA to identify poor students and/or (b) use of the PMT tool used by student financial assistance fund development board (SFAFDB) to provide the PPTS in higher education.

Results Area 3: Strengthened education system, sector planning, management, and governance (US$930 million)

20. The main objective of this result area is to strengthen the education system by improving the institutional capacity and accountability at all levels and to move toward results-based operation to enhance delivery and M&E of educational services. The subresults areas include:

Subresults Area 3.1: Strengthened governance, fiduciary management, and data systems (DLI 1)

21. Under this subresults area, three subareas/activities are planned to improve the overall education system management and governance: (a) improved school GMS, (b) Improved FM, and (c) strengthened reliability and transparency of EMIS. The GMS will be improved by (a) revising the grants manual with revised school financing formula to include need-based grants, performance-based grants, block grants to unaided schools, enhanced grants to community schools offering science stream in Grades 11 and 12, in addition to PCF and non-PCF grants with an aim to increase the efficiency of public financing support to schools; (b) establishing the GMU in all DEOs which will include, among others, provision for staffs, staff training, and necessary equipment, (c) operationalizing the enhanced GMS; (d) conducting a funds flow tracking survey through REDs; and (e) training to schools on the simplified accounting and reporting format.

22. FM improvement activities include (a) establishment of FM and supervision unit at the DOE; (b) deployment and designation of adequate number of financial and procurement staffs at the DEO; (c) implementation of unified CGAS in the MOE system; (d) the FMAP provision for FM and procurement capacity support at the central and district level; (e) training of education managers in the formulation of district education plans, village education plans and SIPs and social accountability and transparency through social auditing; (f) implementation of the FMAP to ensure timely preparation of financial monitoring reports and Audit Reports (the FMAP is further described in annex 5); (g) dissemination of FM guidelines and other support mechanisms to strengthen FM at the school level; and (h) carrying out annual fiduciary review.

23. Building on the existing EMIS system, the Program will strengthen the EMIS to enhance its reliability and transparency. Improvements envisaged under this initiative include (a) integration of additional datasets such as learning outcomes of the EGR Assessment and NASA into EMIS, (b) introduction of unique student ID, (c) improving ICT infrastructure and software upgrades to make EMIS web-based, (d) rolling out web-based EMIS data collection in all 75 DEOs, (e) use of web-based EMIS data to prepare district and school report cards for social audits in all schools, and (f) three rounds of sample-based independent verification of EMIS data to gauge the reliability of the data and to implement corrective measures.

Subresults Area 3.2: Central- and field-level institutional capacity strengthened (DLI 1)

24. This subresults area aims to strengthen the institutional capacity to implement the national SSDP that has shifted its focus on quality enhancements and accountability for results and outcomes. To deliver the results-based Program, the MOE/DOE will enhance its implementation structure and staffing and TA, including those for all the CLAs and DEOs. In

addition to the overall Program capacity strengthening, this subresults area will include the PSF for Program management in key areas such as fiduciary management, GMS, EMIS, and M&E, curriculum reforms, examination reforms and national learning assessments, school management, teacher management, pro-poor student scholarships, and reaching the OOSC. TA is also required for third-party independent verification of DLRs. This subresults area will finance provision and utilization of services, skills, knowledge and technology in the form of short-term and long-term advisors and consultants, consulting firms, non-consulting agencies, workshops, seminars, research, and logistic supports to support and strengthen the capacity of SSDP implementation and help deliver the Program results. Detailed activities and arrangements under the PSF are described in annex 10.

25. In addition to the above mentioned strategic interventions/reforms to improve the overall education system management and governance, the SSDP also finances provision of: (a) remuneration for central- and field-level staffs; (b) operating costs of the CLAs and field-level agencies; and (c) capacity development and training of staffs.

Implementation Arrangements

26. The SSDP will use the government system for Program implementation, oversight, FM, procurement, safeguards, M&E, and reporting arrangements. The MOE will serve as the EA and will have overall responsibility for policy guidance and oversight for Program implementation. An SC will be established to oversee the coordination, monitoring and implementation of the SSDP. The DOE will be the main IA with task of preparing the ASIP and AWPB and carrying out the Program activities, with the support of the other CLAs. The SSDP IC under the DOE will be responsible for overall implementation and coordination of the SSDP activities across the MOE divisions, DOE, and CLAs of the MOE. The REDs and DEOs will execute the Program at the regional and district levels and report to the DOE. At the beneficiary school level, where most of the SSDP expenditures are incurred, the main frontline actors are the community schools themselves, where SMCs are responsible for managing all school-level activities and the PTAs are tasked with monitoring them. ETCs and RCs in the field provide training, management, and monitoring support to schools. The SSDP IC will coordinate the activities associated with the results-based Program. The implementation arrangements, are expected to be revised when the provision of education delivery in the new federal structure come into effect in due course of time.

27. **The MOE will serve as the EA** and will be responsible for overall coordination of the SSDP as well as provide overall leadership and guidance.

- A National Education Council, chaired by the Minister of Education will be established in line with the recent EAEA.
- The Ministerial-level Development Action Committee (chaired by the Minister of Education) meets every two months to review the overall progress of programs and projects and discuss any issues of implementation.
- An interministerial SC, chaired by the Secretary of the MOE, will be established to oversee the coordination and monitoring and to verify progress of the implementation of the SSDP. The committee will meet at least three times a year. Specifically, the SC will be responsible for (a) providing directions for program policy and reform; (b) overseeing overall program implementation and providing operational guidance; (c) providing guidance for annual

SSDP budget preparation and endorsing the TA-AWPB for government approval; (d) providing guidance for addressing constraints and bottlenecks in timely implementation; (e) reviewing progress on the fulfillment of annual DLIs for the smooth functioning of collaboration with the JFPs; (f) addressing critical interministerial policy and implementation issues; and (g) addressing any reform needs to the SSDP emerging due to changes likely from ongoing implementation of the federal system. The composition of the SC is provided in Table 1.1.

- The SSDP TSU will be established under the Foreign Coordination Section (FCS) for school education under the MOE Planning Division to function as the Secretariat to the SC. The MOE will make necessary provisions for staffing in the FCS, in line with the tasks to be undertaken, including personnel required for administrative, logistics and coordination activities, technical expertise for educational interventions, FM, and procurement-related functions, and M&E functions in the SSDP. The TSU will include dedicated staff to manage all TA requirements for the SSDP and will support (a) the M&E division for M&E the achievement of the SSDP indicators and results, including compliance with DLRs verification and (b) the planning division to coordinate the SSDP implementation, compliance with development cooperation agreements, and the management of TA.
- The FMC will be established under the MOE Planning Division to provide guidance on fiduciary issues under the SSDP.

The IVA commissioned by the MOE will carry out the verification of the achievements of the World Bank DLRs. The selection of an IVA would be based on, among others, capabilities to carry out the verification processes, potential for a medium- to long-term engagement and capacity building in the government system, and the ability to act fully independent of the IA. The selection and signing of an MOU or any other instrument[16] between the MOE and an IVA will have to be completed before Program effectiveness.

28. **The DOE will be the IA of the SSDP**. Under the leadership of the Director General, the Planning and Monitoring Division of the DOE will be responsible for overall implementation of the SSDP. The division will be staffed adequately along with program management and technical teams deputed from the program secretariat to effectively manage the program. It will (a) formulate guidelines, annual plans, and programs for the school sector interventions; (b) support program implementation at district levels; (c) coordinate with the CLAs to ensure that technical support to annual programs related to them are provided and completed on time; (d) supervise and monitor the SSDP activities to ensure that result areas and DLRs are achieved and reported on time; (e) monitor and ensure that social, environmental, procurement, and FM requirements are met; and (f) consolidate all required physical and financial reporting to effectively implement the SSDP.

- The **SSDP IC** will be established under the DOE to oversee the implementation of the SSDP. The IC will be responsible for (a) coordinating the SSDP activities across the MOE divisions, DOE, and CLAs of the MOE; (b) supporting implementation of new innovations planned within the SSDP; (c) recruiting consulting services for its own program coordination support and ensuring necessary externally hired technical and program implementation support team is provisioned to the DOE and other CLAs; (d) coordinating with JFPs for the two review missions of the SSDP, the fulfilment of DLRs and the necessary activities required for the smooth functioning of the partnerships with external

[16] The provision for any other instrument applies only if the selected IVA is another governmental agency.

agencies; and (e) coordinate with the respective division within the MOE and DOE for preparing, publishing, and disseminating the Annual School Sector Performance Report. The Planning and Monitoring division in the DOE will have subdivisions as shown in figure 1.2.

- **RED**. The RED will implement the SSDP at the regional level and will report to the DOE.
- **DEO**. The DEO will oversee all the SSDP activities at the district and school levels. A GMU will be established to support the supervision of the SSDP activities and will be chaired by District Education Officer. The committee will comprise the DEO section heads of Program/Planning, School Administration, Finance, Accounting and Engineering. A technical team will provide TA support to the DEO.
- **Schools.** At the beneficiary school level, the SMCs are responsible for managing all school-level activities and the PTAs are tasked with monitoring them. ETCs and RCs in the field provide training, management, and monitoring support to schools.

29. A FBMC, under the MOF, will be established to address issues related to budgeting, FM, and DLI achievement review, as well as track overall performance and results in the sector. The committee will serve as a guiding body to ensure necessary resources for the sector to achieve the SSDP results and track progress toward yearly results, particularly as outlined in the RF of the SSDP and the DLI matrix of the JFPs. The committee will meet at least twice a year. The meeting timings could be aligned to the joint missions of the SSDP.

30. The implementation arrangements and organogram are shown in figure 1.2 and composition of various SSDP committees in Table 1.1.

Figure 1.2. SSDP Implementation Organization Structure

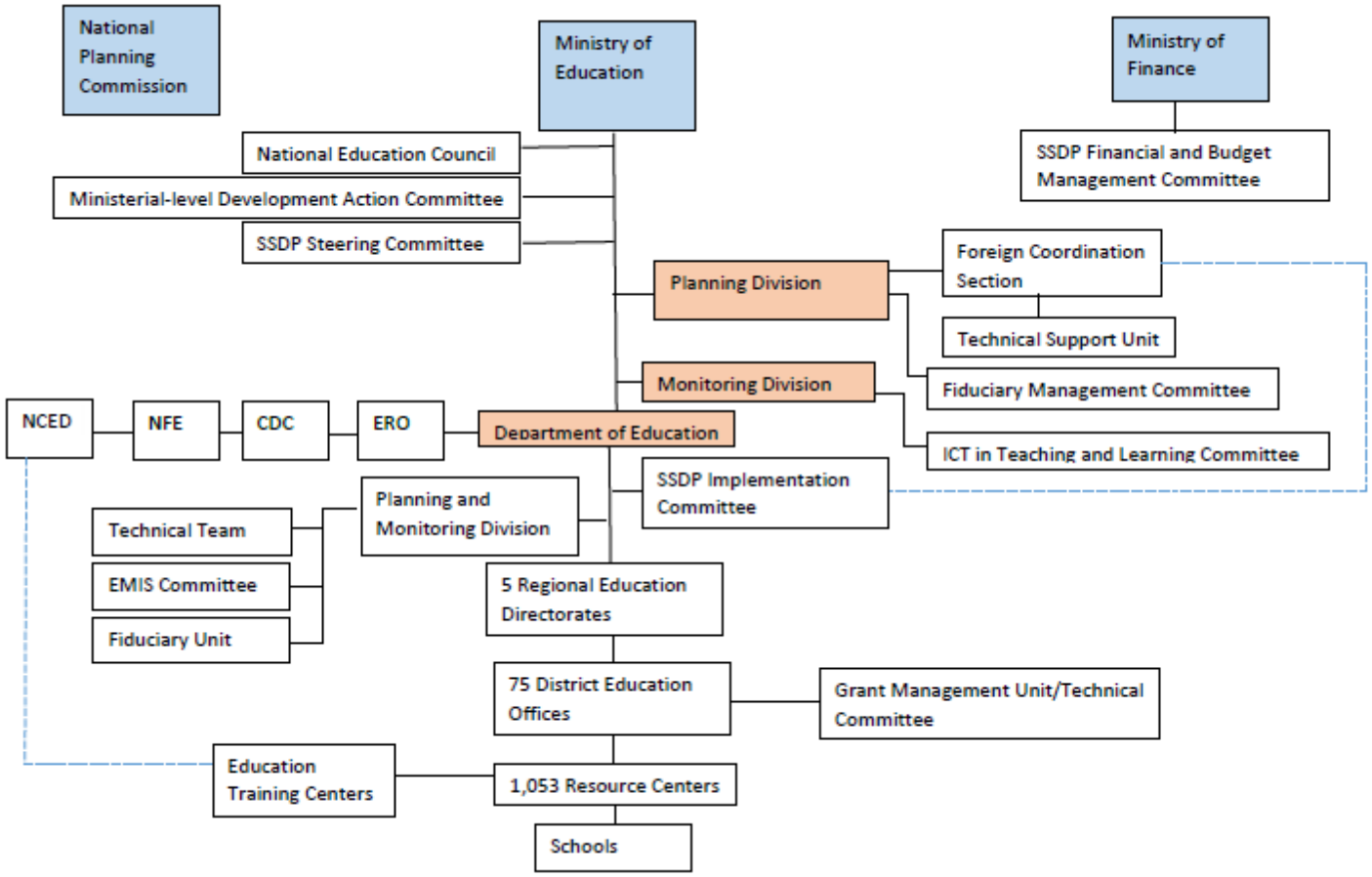


Table 1.1. Composition of Committees

SSDP SC	Secretary, MOE (chair) Joint Secretary, Monitoring Division, MOE Director General, DOE Executive Director, NCED Executive Director, CDC Representative, MOF Representative, NPC Representative, FCGO Joint Secretary, Planning Division, MOE
SSDP IC	Director General Director, NFE Center Member Secretary, NEB Executive Director, NCED Executive Director, CDC Chief, ERO Controller, Examination Controller Office Director General, TRO Deputy Director, Program and Budget Section, DOE
ICT in Teaching and Learning Committee	Joint Secretary, Monitoring Division, MOE Director, Planning and Monitoring Division, DOE Deputy Director, DOE Deputy Director, NCED Deputy Director, CDC Under Secretary, ERO Representative, Ministry of Science and Technology Representative, Nepal Telecommunication Representative, Engineering College (ICT Department) Section Chief, ICT Section, MOE
SSDP- FMC	Joint Secretary, Planning Division, MOE Section Chief, Planning and Program Section (School Education), MOE Section Chief, Financial Administration Section, DOE Section Chief, Program and Budget Section, DOE Representative, MOF Representative, FCGO Section Chief, Financial Administration Section, MOE
SSDP Technical Team	Director, DOE Deputy Director, Program, DOE Deputy Director, Finance and Administration Section, DOE Deputy Director, EMIS, DOE Deputy Director, Monitoring Deputy Director, NCED Deputy Director, CDC Engineer, Safeguards
SSDP EMIS Committee	Director, Planning, DOE (Chair) Data experts: ERO, Teacher Service Commission NEB EMIS Head Monitoring Teacher Management Information System Head, NCED Monitoring/EMIS, NFE Center EMIS: TRO Deputy Director, SSDP Budget DOE, Educational Technology Innovation Section, EMIS Deputy Director, EMIS DOE

DEO	District Education Officer Program and Grant Management Officer, GMU School Administration/Monitoring (EMIS) Officer - SSDP Accountant - SSDP Engineer or Subengineer/School Facility Improvement - SSDP Gender, Social, and Indigenous People Safeguard Officer - SSDP School Supervisors

Note: CDC = Curriculum Development Center; NCED = National Center for Educational Development

Annex 2: Results Framework and Monitoring

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
PDO Indicators									
Results Area 1 Improved teaching-learning and student learning outcomes	**PDO Indicator 1:** Percentage of students displaying grade-level competency on core subjects [a.] in Grade 8 measured through NASA		Percentage	—	First competency-based test conducted for Grade 8	Baseline established, including minimum competency score	—	Second competency-based test conducted for Grade 8, which reported 3 percentage point increase from baseline	—
	PDO Indicator 2: Share of schools tracking teacher time-spent-teaching (TST)	6	Text, Percentage	Limited teacher accountability (low levels of TST)	Policy and guidelines aimed at improving TST approved	TST enhancing monitoring system operational in 15% of all community schools	TST enhancing monitoring system operational in 50% of all community schools	TST enhancing monitoring system operational in 80% of all community schools	TST enhancing monitoring system operational in 90% of all community schools
	PDO Indicator 3: Survival rate to Grade 8 and to Grade 12 (disaggregated by gender)		Percentage	Grade 8 All: 76.6 Boys: 75.9 Girls: 77.4 Grade 12 All: 11.5	Grade 8 All: 79.5 Boys: 78.7 Girls: 80.3 Grade 12 All: 13 EMIS will start tracking disaggregated percentage by gender.	Grade 8 All: 82.4 Boys: 81.7 Girls: 83.3 Grade 12 All: 15 Boys: 2 percentage point increase from Year 1 Girls: 2 percentage point increase from Year 1	Grade 8 All: 86 Boys: 84.7 Girls: 86.4 Grade 12 All: 18 Boys: 5 percentage point increase from Year 1 Girls: 5 percentage point increase from Year 1	Grade 8 All: 88.7 Boys: 87.9 Girls: 89.6 Grade 12 All: 21 Boys: 8 percentage point increase from Year 1 Girls: 8 percentage point increase from Year 1	Grade 8 All: 92 Boys: 91.2 Girls: 93 Grade 12 All: 25 Boys: 12 percentage point increase from Year 1 Girls: 12 percentage point increase from Year 1
Results Area 2: Improved equitable access to basic and	**PDO Indicator 4:** NER in basic and secondary education in 15		Percentage	Basic All: 85.3 Boys: 86.7 Girls: 83.9	Basic All: 86.9 Boys: 88.3 Girls: 85.5	Basic All: 88.4 Boys: 89.8 Girls: 87.0	Basic All: 89.9 Boys: 91.3 Girls: 88.5	Basic All: 91.4 Boys: 92.8 Girls: 90.0	Basic All: 92.9 Boys: 94.3 Girls: 91.5

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
secondary education	most disadvantaged districts as ranked in the equity index (disaggregated by gender)			Secondary All: 31.9 Boys: 33.2 Girls: 30.7	Secondary All: 34.5 Boys: 35.8 Girls: 33.3	Secondary All: 37.3 Boys: 38.6 Girls: 36.1	Secondary All: 40.1 Boys: 41.4 Girls: 38.9	Secondary All: 44.3 Boys: 45.6 Girls: 43.1	Secondary All: 48.0 Boys: 49.3 Girls: 46.8
Results Area 3: Strengthened education system, sector planning, management, and governance	**PDO Indicator 5:** Percentage of funds disbursed to schools in compliance with eligibility and utilization guidelines		Percentage	n.a.	n.a.	80	85	90	95
IO Indicators									
Results Area 1 Improved teaching-learning and student learning outcomes	**IO Indicator 1.1:** Percentage of Grade 3 students reading grade-level text with fluency		Percentage	27.2	29.2	31.2	33.2	35.2	37.2
	IO Indicator 1.2: Improved ECED and EGRP		Text, Number of schools/ECED centers	n.a.	Classroom-based EGR Assessment carried out in 2,600 community schools	Classroom-based EGR Assessment carried out in 3,000 community schools	Number of schools meeting minimum standards for ECED is 4,000	Number of schools meeting minimum standards for ECED is 6,000	Number of schools meeting minimum standards for ECED is 8,000
	IO Indicator 1.3: National Curriculum Framework (NCF) revised and implemented	3	Text	Secondary curriculum does not adequately serve the needs of diverse student population.	The CDEC gives consent for the revision of the NCF with policy directives on articulating issues to be addressed, including, among others, catering to the needs of	Revised NCF approved	Draft for revision of curriculum for Grades 9–12 prepared	Revision of curriculum for Grades 9–12 approved	Grade 9 new curriculum implemented

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
					secondary students with diverse learning needs, and approves a plan of action for the revision of the NCF.				
	IO Indicator 1.4: Assessment and examination system reforms undertaken to improve teaching and learning	4	Text	Letter grading and single-subject certification introduced at Grade 10 Inadequate capacity to carry out high-quality competency-based assessments Public examinations (Grades 8, 10, and 12) not standardized	NASA institutionalized at the ERO with the ERO signing partnerships with international and national agencies	Analysis of results for nationally representative and competency-based NASA Grade 8 (carried out in February–March 2017) disseminated by August 2017 with specific, time-bound action plan for relevant agencies	Single subject certification policy for Grades 11 and 12 implemented	Standardized and improved annual examination conducted at the end of Grade 10 nationwide	The ERO has analyzed and reported Grade 10 standardized examinations of the NEB results and NASA results for the previous year in actionable form.
	IO Indicator 1.5: Improved teacher management and accountability	6	Text, Percentage	Number of teachers identified nationally for redeployment	Revised policy/guidelines on reallocation of teachers based on status and norms of teacher deployment approved	Number of teachers to be redeployed reduced by 10% of the baseline	Number of teachers to be redeployed reduced by 25% of the baseline	Number of teachers to be redeployed reduced by 40% of the baseline	Number of teachers to be redeployed reduced by 60% of the baseline
	IO Indicator 1.6: Number of schools	5	Text, Number of schools	Serious accountability	Revised grants manual	50	100	500	700

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
	receiving block grants			problems in the current model of community schools are hard to address.	approved for community schools including guidelines for block grants to eligible unaided (permitted) community schools				
	IO Indicator 1.7: Number of schools implementing performance-based grants for meeting minimum accountability requirements	5	Text, Number of Schools	Accountability and performance issues are hard to be addressed through a supply-based approach.	Revised grants manual approved for community schools including guidelines for performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements	3,000	5,000	6,500	7,500
Results Area 2: Improved equitable access to basic and secondary education	**IO Indicator 2.1:** Number of out-of-school children brought to schools or LCs	2	Number of students [b.]	—	100,000	150,000	200,000	250,000	280,000
	IO Indicator 2.2: Implementation of pro-poor targeted scholarships (PPTS) and pro-science targeted scholarships (PSS)	2	Text, Number of students	Scholarship schemes are not pro-poor targeted Share of science	PPTS and PSS schemes approved	(a) PPTS scheme implemented in Grades 9 and 11 in 25 districts	(a) PPTS scheme implemented in Grades 9, 10, 11, and 12 in additional 50 districts	(a) PPTS scheme implemented in Grades 9, 10, 11, and 12 in all districts	(a) PPTS scheme implemented in Grades 9, 10, 11, and 12 in all districts

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
				enrolment in Grades 11 and 12 is very low.		(b) PSS scheme implemented in Grade 11 in 25 districts	(b) PSS scheme implemented in Grades 11 and 12 in additional 50 districts	(b) PSS scheme implemented in Grades 11 and 12 in all districts	(b) PSS scheme implemented in Grades 11 and 12 in all districts
	IO Indicator 2.3: Number of secondary schools receiving pro-science grants to offer science stream	2	Number of schools [c.]	Low enrolment of students in science streams	Revised grants manual approved for community schools, including pro-science enhanced grants	100	200	400	500
	IO Indicator 2.4: Share of students enrolled in science subjects in Grades 11 and 12	2	Percentage	Low enrolment of students in science streams	—	4	6	12	15
Results Area 3: Strengthened education system, sector planning, management, and governance	**IO Indicator 3.1**: Strengthened governance, fiduciary management, data systems, and institutional capacity for results-based program implementation	1	Text, Percentage	Enhanced fiduciary system is not in place. 85% accuracy in self-reported student and teacher data (from the 2014 Public Expenditure Tracking Survey) Absence of a system to verify school funds	(a) Enhanced fiduciary system in place (b) First round of EMIS verification conducted	(a) GMS operational (b) Satisfactory completion of capacity-strengthening AWPB on key PSF activities	(a) 4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in Year 1, or 95% accuracy in the sample verification survey carried out in Year 3 (b) Web-based EMIS		(a) Audit observations decreased to 4% of total non-salary grants to schools (b) 97% accuracy in self-reported student and teacher data (from third round of EMIS verification)

Results Areas	Indicators	DLI #	Unit of Measurement	Baseline (2015–2016)	Year 1 (2016–2017)	Year 2 (2017–2018)	Year 3 (2018–2019)	Year 4 (2019–2020)	Year 5 (2020–2021)
				eligibility and utilization compliance Need for enhanced and specific institutional capacity (TA) for results-based program implementation			operational in 25 districts (c) Satisfactory completion of capacity-strengthening AWPB on key PSF activities		
	IO Indicator 3.2: Enhancing feedback mechanism to schools		Text	School profile cards not used for conducting social audits in schools	District and school profile cards piloted and used in social audits in 10% schools	District and school profile cards piloted and used in social audits in 25% schools	District and school profile cards implemented in all schools by linking with school performance grants	District and school profile cards used in social audits in all schools by linking with school performance grants	District and school profile cards used in social audits in all schools by linking with school performance grants

Note: a. Core subjects are language (Nepali/English), mathematics, and general science; b. The targets are cumulative; c. The targets are cumulative.

Indicator Description

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
PDO Indicator 1: Percentage of students displaying grade-level competency on core subjects [a.] in Grade 8 measured through NASA	Aggregate percentage is the simple average of percentages of students achieving grade-level competencies in three subjects, included in NASA in a particular year and for a particular grade level. Grade-level competency is defined and benchmarked by the ERO and will be established for Grades 5, 8, and 10 in Year 1. Competency-based NASA for Grade 8 will be conducted in 2017, which will be regarded as baseline. Improvement in the later years will be assessed by comparing with this baseline.	Every 3 years, starting from 2017	ERO reports	Conducting NASA	ERO
PDO Indicator 2: Share of schools tracking teacher time-spent-teaching (TST)	**Definition of TST:** Teacher time spent on teaching (to be described/defined in the policy and guidelines) will include basic elements of the TST monitoring system, which includes monitoring indicators, instruments, a mechanism, and a reporting system. Year 1: The policy and guidelines will be considered "approved" if the definition of the TST, suggested interventions for improvements, and monitoring systems are reviewed/recommended by an independent education expert and the document is duly approved and disseminated by the MOE. Years 2, 3, 4 and 5: TST enhancing monitoring system will be considered operational when the individual community schools implement the system (monitoring forms obtained, records kept, and information reported to higher authority) consistent with the approved policy and guidelines.	Annually	EMIS/Status Report	Classroom-based monitoring according to the guidelines	MOE
PDO Indicator 3: Survival rate to Grade 8 and to Grade 12 (disaggregated by gender)	The survival rate to Grade 8 measures the percentage of a cohort enrolled in Grade 1 that reaches Grade 8. The survival rate to Grade 12 measures the percentage of a cohort enrolled in Grade 1 that reaches Grade 12.	Annually	EMIS	Flash reporting	DOE
PDO Indicator 4: NER in basic and secondary education in 15 most	The NER in basic education is the number of children enrolled in Grades 1–8 who belong to the age group that officially corresponds to Grades 1–8, divided by the total population of the same age group.	Annually	EMIS	Flash reporting	DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
disadvantaged districts as ranked in the equity index (disaggregated by gender)	The NER in secondary education is the number of children enrolled in Grades 9–12 who belong to the age group that officially corresponds to Grades 9–12, divided by the total population of the same age group. The NER will be aggregated for 15 most disadvantaged districts ranked on the basis of the equity index on access and participation. The Equity Index developed by the DOE is based on the Human Opportunity Index. The Human Opportunity Index is based on the opportunity and equality framework, which attempts to combine the average rate of opportunity (such as schooling opportunity for primary-age children or survival rates) in a given district and how equally this opportunity is distributed in that district.				
PDO Indicator 5: Percentage of funds disbursed to schools in compliance with eligibility and utilization guidelines	Ratio of financial resources utilized on time and for the intended purposes over the total financial resources released to school by the DEO, expressed as a percentage aggregated at the national level for all community schools Guidelines prepared by the DOE/MOE outline the purposes and amount for which resources have been allocated and are to be used. District-level GMS will be set up to monitor compliance with the guideline and track the indicator at the district level.	Annually	Progress Report	Survey	DOE
IO Indicator 1.1: Percentage of Grade 3 students reading grade-level text with fluency	Reading fluency and comprehension scores will be calculated according to the NEGRP evaluation schemes for students who participate in classroom-based EGR assessment. Aggregate percentage is the simple average of percentages of Grade 3 students reading grade-level text with fluency as measured through the NEGRP evaluation method.	Annual	EMIS	Conducting assessment	DOE
IO Indicator 1.2: Improved ECED and EGRP	Increase over baseline on the number of ECED meeting minimal standards for ECED and on the number of schools implementing classroom-based EGR assessment. Minimum standards for ECED have been defined in the SSRP document.	Annually	EMIS	Flash reporting	DOE
IO Indicator 1.3: National Curriculum Framework (NCF) revised and implemented	**Definition of diversified curriculum.** Diverse learning needs are associated with enrolment of students with diverse abilities, aptitudes, and career aspirations. These needs of Grades 9–10 students will be deemed to be addressed when, among others, (a) compulsory mathematics and science subject curriculum of different levels of difficulty (at least two) is offered	Annually	CDC	Reporting	CDC

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	and (b) the number of compulsory subjects is reduced from the existing six. **In Year 1,** the CDEC gives consent for the revision of the NCF articulating issues to be addressed, including, among others, catering to the needs of secondary students with diverse learning needs, and approves a plan of action for the revision of the NCF to complete the task by Year 2. **Year 2:** The approved NCF will have all aspects of curriculum and textbook revision, teacher preparation, and implementation arrangements. **Year 3:** A complete draft for revision of curriculum for Grades 9–12 prepared. **Year 4:** Revised curriculum for Grades 9–10 will have agreed elements of diverse learning needs of students of Grades 9–10 among others. **Year 5:** The CDC issues instruction for the implementation of new Grade 9 curriculum and distributes textbooks for the same including textbooks for mathematics and science of different levels of difficulty. The report on implementation should include, among others, the number of schools offering mathematics and science subjects of each difficulty level.		CDEC CDC CDC CDC/MOE		
IO Indicator 1.4: Assessment and examination system reforms undertaken to improve teaching and learning	**Year 1:** Institutionalization of NASA at the ERO means (a) the ERO is assigned a separate budget head (budget head will appear in Year 2 MOE budget; however, the process will be completed in Year 1, indicating budget allocation to carry out NASA; (b) the ERO has positions for adequate technical staff; and (c) the process of signing of an MOU with either national or international agencies/experts to strengthen the ERO's capacity is completed. **Year 2:** The target will be considered achieved when (a) a report on the analysis of NASA Grade 8 findings and implications for different agencies to take necessary action for reform is prepared, (b) information indicated in point (a) is disseminated in the MOE and ERO websites, and (c) a plan of action for implementation is prepared and resources are provided. **Year 3:** Implementation progress report including mark sheets, the number of student beneficiaries, copies of Grades 11 and 12 examinations, and	Annually	MOE/NEB ERO NEB/CDC	Reporting	DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	summary of results by subject is prepared and disseminated. **Year 4:** Standardized examination will be carried out in the following core subjects: language (Nepali or English), science, and mathematics. The NEB will conduct Grade 10 examination at the regional level. The target will be achieved when an examination expert reviews the preparation of standardized test items and implementation of the examination and certifies that the examinations meet basic standards of standardized examinations. **Year 5:** Actionable form means that the data are analyzed, tailored, and disseminated to relevant stakeholders in a form that is useful to them in deciding what actions can be taken to improve the quality of education. This target will be achieved when (a) the ERO prepares reports in actionable form on the analysis of Grade 10 standardized examination of the NEB and the analysis of NASA with findings and recommendations for different agencies; (b) the MOE and ERO disseminate both reports in the MOE, ERO, and NEB websites; and (c) the MOE and ERO prepare a plan of action for at least the top five actions/recommendations and allocate resources for implementation in the following year's budget.		NEB ERO/NEB		
IO Indicator 1.5: Improved teacher management and accountability	**Definition of redeployment:** Number of teachers will be considered redeployed if teachers from schools with excess teachers (total and by subject) are redeployed to schools with teacher shortfall (total and by subject) based on the approved revised guidelines on reallocation of teachers. **Year 1:** The target will be achieved when the redeployment plan based on revised policy/guidelines on reallocation of teachers (including district-wise, subject-wise, level-wise, and school-wise teacher and student status; guidelines on reallocation of teachers based on status and norms of teacher deployment; and costed plan of action to complete redeployment) is approved and disseminated to all stakeholders. **Year 2:** The target will be achieved when at least 10% (of the baseline) of the excess teachers are redeployed according to the approved guideline.	Annually	Report related with the teacher and students status endorsed by the SSDP SC EMIS	Reporting	MOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	Year 3: The target will be achieved when at least 25% (of the baseline) of the excess teachers are redeployed according to the approved guideline. **Year 4:** The target will be achieved when at least 40% (of the baseline) of the excess teachers are redeployed according to the approved guideline. **Year 5:** The target will be achieved when at least 60% (of the baseline) of the excess teachers are redeployed according to the approved guideline.		Report submitted by IVA/agent EMIS Report submitted by IVA /agent		
IO Indicator 1.6: Number of schools receiving block grants	**Unaided schools:** Community schools that do not have and agree not to have, in future, government teacher positions or deputed government teachers are eligible to receive formula-based block grants adequate for normal operation of schools. **Block grants:** Grants to unaided schools, provided upon compliance with basic accountability requirements, which includes social audit, EMIS, TST monitoring, functional SMC and PTA, and so on **Year 1:** The target is achieved when the revised grants manual for community schools including guidelines for block grants to eligible unaided (permitted) community schools is disseminated to schools and disclosed publicly. **Year 2:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that 50 eligible unaided schools received block grants and (b) includes disbursement information confirming that all those schools meeting accountability criteria received block grants. **Year 3:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that 100 (cumulative) eligible unaided schools received block grants and (b) includes	Annually	EMIS	Flash reporting	DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	disbursement information confirming that all those schools meeting accountability criteria received block grants. **Year 4:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that 500 (cumulative) eligible unaided schools received block grants and (b) includes disbursement information confirming that these schools meeting accountability criteria received block grants. **Year 5:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that 700 (cumulative) eligible unaided schools received block grants and (b) includes disbursement information confirming that these schools meeting accountability criteria received block grants.				
IO Indicator 1.7: Number of schools implementing performance-based grants for meeting minimum accountability requirements	**Definition of Performance Grants:** Performance grants are grants provided to eligible community schools (unaided schools receiving block grants and other community schools) meeting basic accountability requirements (social audit, EMIS, TST monitoring, functional SMC and PTA, and so on) and performance indicators (among others, may include student attendance rate, retention rate, TST, textbooks availability, separate toilet for girls, attainments in standardized school-based assessments, adoption of school rules, issuance of student report cards, and so on) in addition to needs-based grants. **Year 1:** The target is achieved when the revised grants manual for community schools including guidelines for performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, is disseminated to schools and disclosed publicly. **Year 2:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that the performance grants scheme is implemented in 3,000 community schools and (b) includes disbursement information confirming that 3,000 schools meeting accountability criteria received performance grants. **Year 3:** The target is considered achieved when the implementation	Annually	EMIS	Flash reporting	DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	progress report generated from the GMS (a) shows that the performance grants scheme is implemented in 5,000 community schools and (b) includes disbursement information confirming that 5,000 schools meeting accountability criteria received performance grants. **Year 4:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that the performance grants scheme is implemented in 6,500 community schools and (b) includes disbursement information confirming that 6,500 schools meeting accountability criteria received performance grants. **Year 5:** The target is considered achieved when the implementation progress report generated from the GMS (a) shows that 7,500 (cumulative) eligible schools received performance grant and (b) includes disbursement information confirming that 7,500 schools meeting accountability criteria received performance grants.				
IO Indicator 2.1: Number of out-of-school children brought to schools or LCs	OOSC are defined as children ages 7–12 years who are out of school for at least 6 months. This program covers OOSC brought to schools or LCs on or after the 2017 academic session with detailed information by each school and LCs. Implementation progress report with details of students, schools/LCs, and funds disbursement to eligible LCs and students is required. Bringing all children ages 5–6 to schools and retaining them in schools is critical to reducing out of school in the medium/long term; however, this enrolment cannot be counted toward providing second-chance education.	Annually	EMIS	Flash reporting	MOE/DOE
IO Indicator 2.2: Implementation of pro-poor targeted scholarships (PPTS) and pro science targeted scholarships (PSS)	**Definition of PPTS:** PPTS is poverty targeted scholarship for secondary-level students selected based on PMT procedure or poverty cards issued by MOCPA. **Definition of PSS:** PSS is pro-poor scholarship for students opting for science subjects at Grades 11 and 12. The amount will be higher than for pro-poor-only students. Students selected for the scholarship can choose which community school to attend, regardless of geographic location. **Definition of voucher system:** Voucher system will have the following features: (a) voucher is issued by the DOE with detailed information about the eligible student and scholarship amount and disbursement procedure,	Annually	EMIS	Flash reporting	MOE/DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	(b) eligibility of schools that are eligible to accept and cash the voucher, and (c) provision of school choice and areas of restrictions. **Year 1:** The target is achieved when (a) the current secondary scholarship program is revised with the Integrated Scholarship Guidelines (ISG), satisfactory to the World Bank, to include provision of pro-poor (Grades 9, 10, 11, and 12) and pro-science (Grades 11 and 12) scholarships, including provision for voucher system; (b) the ISG include the beneficiary selection method, coverage, scholarship amount, disbursement method, verification method, and consequences for false reporting, as approved by the MOE, (c) pro-poor student selection procedure will be based on PMT or similar procedure, and (d) implementation arrangement for the selection and distribution of scholarship is well defined in the manual **Year 2:** PPTS and PSS are considered implemented if (a) the implementation progress report submitted by the implementing units specifies the number of beneficiaries by gender and poverty quintile and total amounts disbursed to students, (b) the program covers at least 90% of all community schools in the selected 25 districts (with regard to application purposes where students in Grades 8 and 10 are eligible to apply for scholarship benefits in the following academic year in Grades 9 and 11), and (c) scholarship is disbursed only to students meeting the following conditions: do not marry until finishing school; meet at least 80% attendance rate during the relevant period; and achieve at least grade 'C' on average (to be defined) or passed previous year's final exam. **Year 3:** The PPTS and PSS need to cover all community schools running Grades 8 and 10, for the application process, and Grade 9 and above for PPTS and Grades 11 and above for PSS distribution, in additional 50 districts. The same provisions on reporting format, coverage, and eligibility conditions stated in Year 2 above are applicable. **Years 4 and 5:** The PPTS and PSS need to cover all community schools running Grades 8 and 10, for the application process, and Grade 9 and above for PPTS and Grades 11 and above for PSS distribution. The same provisions on reporting format, coverage, and eligibility conditions stated in Year 2 above are applicable.				

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
IO Indicator 2.3: Number of secondary schools receiving pro-science grants to offer science stream	**Definition of pro-science enhanced grants:** These are additional grants provided to community schools for offering science streams in Grades 11–12. Grants should be given to all community schools offering science subjects, and should be based on the number of students enrolled in Grades 11 and 12 in science subjects (according to the guidelines).	Annually	EMIS	Flash reporting	MOE/DOE
IO Indicator 2.4: Share of students enrolled in science subjects in Grades 11 and 12	**Average science enrolment share:** It refers to the average share of Grades 11 and 12 enrolment in science streams in both community and institutional schools in total enrolment in the two grades as reported in EMIS.	Annually	EMIS	Flash reporting	MOE/DOE
IO Indicator 3.1: Strengthened governance, fiduciary management, data systems, and institutional capacity for results-based program implementation	**Year 1:** (a) The target is achieved when the following conditions are met (i) SC, at the recommendation of the MOF Joint Secretary chaired Budget and Finance Committee, approves the implementation plan for use of CGAS by all education cost centers up to the district level; (ii) FMAP is approved by the SSDP SC and Budget and Finance Committee headed by Joint Secretary of the MOF, including timeline of completion of activities; and (iii) FM unit in the DOE with adequate number of dedicated fiduciary staff (as estimated by the DOE) and at least 1 FM person is in place. (b) The first round of EMIS sample verification is conducted with a representative sample on all types of schools in Year 1 by an independent agency and accuracy calculated from verification of self-reported EMIS data. **Year 2:** (a) The GMS will be considered operational when (i) the GMU led by a coordinator is established in each DEO and a school focal person is assigned by all eligible schools according to an approved grants operation manual; (ii) all grants are disbursed based on the award confirmation form (ACF) prepared by the GMU, ensuring compliance with eligibility criteria; (iii) a system of compliance verification of eligibility criteria and utilization of funds by schools is in place; and (iv) a system of disbursement reconciliation and refunds of funds from those schools not meeting the eligibility criteria or utilization guidelines is introduced (this reconciliation	Annually	MOE/DOE report endorsed by interministeri al SSDP SC School-level DOE Flash and survey data MOE/DOE report endorsed by interministeri al SSDP SC	Reporting	DOE

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	is based on administrative data generated from the GMS and not from the OAG report). (b) Critical PSF areas include those supporting the achievement of all DLIs. The AWPB for the PSF means establishment and operationalization of the TSU and at least US$3 million annual allocation. Satisfactory means the above two plus at least 80% of the allocated PSF budget (based on actual contract value) spent. **Year 3:** (a) The target will be achieved if the second round of EMIS sample verification is conducted with a representative sample of all schools in Year 3 by an independent agency and discrepancy calculated from verification of self-reported EMIS data is reduced by 4 percentage points relative to first round of verification or 95% accuracy in self-reported data if accuracy is equal to or higher than 95% (student enrolment, total, female and *dalit*, and teachers). (b) Web-based EMIS is considered operational if the following conditions are met: (i) EMIS software is upgraded; (ii) schools in districts have submitted data online through web-based EMIS and individual schools are able to download school report cards, using school-based or other Internet connectivity facility; (c) interested individuals/stakeholders are able to download data in customized table forms; (d) the DOE is able to extract data, including KPIs and other important indicators relevant for reporting in Flash reports, and (e) basic EMIS data are made public on the web for transparency purposes. (c) Critical PSF areas include those supporting the achievement of all DLIs. The AWPB for the PSF means establishment and operationalization of the TSU and at least US$3 million annual allocation. Satisfactory means the above two plus at least 80% of the allocated PSF budget (based on actual contract value) spent. **Year 5:** (a) The target will be achieved if the percentage of ineligible expenses of total non-salary grants released to schools in the fiscal year 2018/19, as		MOE/DOE report endorsed by interministeri al SSDP SC School-level DOE Flash and survey data DOE Flash data plus survey data MOE/DOE report endorsed by interministeri al SSDP SC OAG		

Indicator Name (#)	Description	Frequency	Data Source	Methodology for Data Collection	Responsibility for Data Collection
	shown in the annual audit report by the OAG, is 4% or less. (b) The target will be achieved if the third round of EMIS sample verification is conducted with a representative sample on all types of schools in Year 5 by an independent agency and accuracy calculated from the verification of self-reported EMIS data shows at least 97% accuracy of self-reported EMIS data on key indicators (student enrolment, total, female and *dalit*, and teachers).		DOE Flash data plus survey data		
IO Indicator 3.2: Enhancing feedback mechanism to schools	Social audits were made mandatory in all community-managed schools with the Third Amendment to Education Regulation 2008, Article 171 (a). To facilitate communities in conducting social audits, the DOE developed social audit guidelines, which incorporated the third amendment to scale up the direct involvement of the concerned stakeholders in the operation of school activities. The school profile cards using the Flash I and II information are prepared by the DOE. However, these cards are rarely disseminated to schools and rarely used by the DOE and DEO to provide feedback and need-based support to the schools. The SSDP intends to refine the school profile cards into more performance-based cards to be used in conducting school social audits. This will be done to improve the accountability of schools as well as the engagement of concerned stakeholders for the overall performance at the school level.		DOE Flash data	Reporting	DOE

Note: CDEC = Curriculum Development and Evaluation Council;

a. Core subjects are Nepali language, mathematics, and general science;

b. Indicators include (a) number of school opening and teaching-learning days, captured from school records; (b) teacher attendance rate captured from teacher attendance register; (c) grade-wise and subject-wise class occurrence rate, captured from teacher TST register/log sheet in each classroom; and (d) grade-wise and subject-wise average class duration rate, captured from teacher TST register/log sheet in each classroom. Instruments include (a) teacher attendance register; (b) Teacher TST register/log book in each classroom; and (c) compiled summary reports on a monthly basis. The TST monitoring mechanism will include teachers, HT, students, and SMC/PTA. Reporting mechanism: The compiled report will be compiled and reported by the HT to the SMC on a monthly basis and to the resource person (RP)/DEO on a trimester basis.

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements, and Verification Protocols

Table 3.1. Disbursement-Linked Indicator Matrix

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	Year 2 (July 16, 2017–July 15, 2018)	Year 3 (July 16, 2018–July 15, 2019)	Year 4 (July 16, 2019–July 15, 2020)	Year 5 (July 16, 2020–Closing Date)
DLI 1 Strengthened governance, fiduciary management, data systems and institutional capacity for results-based program implementation			85% accuracy in self-reported student and teacher data (from the 2014 public expenditure tracking survey) Absence of a system to verify school funds eligibility and utilization compliance Need for enhanced and specific institutional capacity for results-based program implementation	**DLR 1.1** Enhanced fiduciary system in place	**DLR 1.2** GMS operational **DLR 1.3** Satisfactory completion of capacity strengthening AWPB on key PSF activities	**DLR 1.4** 4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in year one, or 95% accuracy in the sample verification survey carried out in year three **DLR 1.5** Satisfactory completion of capacity strengthening AWPB on key PSF activities		**DLR 1.6** Audit observations decreased to 4% of total non-salary grants to schools

[17] The amount will be paid in SDR equivalent of US$

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	Year 2 (July 16, 2017–July 15, 2018)	Year 3 (July 16, 2018–July 15, 2019)	Year 4 (July 16, 2019–July 15, 2020)	Year 5 (July 16, 2020–Closing Date)
Allocated amount (US$, millions)	36	20%		6	12	12	—	6
Disbursement deadline and formula				**DLR 1.1** Roll Over: No Deadline for achievement: April 30, 2017 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 1.2** Roll Over: No Deadline for achievement: July 15, 2018 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise **DLR 1.3:** Roll Over: No Deadline for achievement: July 15, 2018 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 1.4** Roll Over: No Deadline for achievement: July 15, 2019 Financing Formula: US$4 million for 2 percentage points improvement, and thereafter, US$1 million per additional percentage point; or US$6 million if 95% or more accuracy in self-reported data, with a maximum up to US$6 million **DLR 1.5:** Roll Over: No Deadline for achievement: July 15, 2019		**DLR 1.6** Roll Over: No Deadline for achievement: July 15, 2021 Financing Formula: US$4 million for audit observations decreased to 5% of total non-salary grants to schools, and thereafter, US$1 million per additional 0.5 percentage point decrease in audit observations, with a maximum up to US$6 million

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	**Year 2 (July 16, 2017–July 15, 2018)**	**Year 3 (July 16, 2018–July 15, 2019)**	**Year 4 (July 16, 2019–July 15, 2020)**	**Year 5 (July 16, 2020–Closing Date)**
						Financing Formula: US$6 million if the DLR is achieved, 0 otherwise		
DLI 2 **Improved access to basic and retention in secondary schools**			Scholarship schemes are not pro-poor targeted. Share of science enrolment in Grades 11 and 12 is very low.	**DLR 2.1** PPTS and PSS schemes approved	**DLR 2.2** PPTS in Grades 9 and 11, and PSS in Grade 11 implemented in 25 districts	**DLR 2.3** PPTS in Grades 9, 10, 11, and 12, and PSS in Grades 11 and 12 implemented in additional 50 districts	**DLR 2.4** 250,000 cumulative number of (OOSC) brought to schools or Learning Centers	**DLR 2.5** Retention rate of poor students to Grade 12 in community schools is 60%
Allocated amount (US$, millions)	30	16%		6	6	6	6	6
Disbursement deadline and formula				**DLR 2.1** Roll Over: No Deadline for achievement: April 30, 2017 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 2.2** Roll Over: Yes Deadline for achievement: July 15, 2019 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 2.3** Roll Over: Yes Deadline for achievement: July 15, 2020 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 2.4** Roll Over: No Deadline for achievement: July 15, 2020 Financing Formula: US$4 million for 150,000 OOSC brought to schools or Learning Centers, and thereafter US$1 million per	**DLR 2.5** Roll Over: No Deadline for achievement: July 15, 2021 Financing Formula: US$4 million for 50% of retention rate of poor students, and thereafter US$1 million per additional 5 percentage

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	Year 2 (July 16, 2017–July 15, 2018)	Year 3 (July 16, 2018–July 15, 2019)	Year 4 (July 16, 2019–July 15, 2020)	Year 5 (July 16, 2020–Closing Date)
							50,000 additional OOSC brought to schools or Learning Centers, with a maximum up to US$6 million	point increase in retention rate of poor students, with a maximum up to US$6 million
DLI 3 **NCF revised and implemented**			Secondary curriculum does not adequately serve the needs of diverse student population.		**DLR 3.1** Revised NCF approved		**DLR 3.2** Revision of curriculum for Grades 9–12 approved	**DLR 3.3** Grade 9 new curriculum implemented
Allocated amount (US$, millions)	24	13%			8		8	8
Disbursement deadline and formula					**DLR 3.1** Roll Over: No Deadline for achievement: July 15, 2018 Financing Formula: US$8 million if the DLR is achieved, 0 otherwise		**DLR 3.2** Roll Over: No Deadline for achievement: July 15, 2020 Financing Formula: US$8 million if the DLR is achieved, 0 otherwise	**DLR 3.3** Roll Over: No Deadline for achievement: July 15, 2021 Financing Formula: US$8 million if the DLR is achieved, 0 otherwise
DLI 4 **Assessment and examination system reforms undertaken**			Letter grading and single subject certification		**DLR 4.1** Analysis of results for nationally	**DLR 4.2** Single subject certification policy for		**DLR 4.3** ERO has analyzed and reported Grade

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	Year 2 (July 16, 2017–July 15, 2018)	Year 3 (July 16, 2018–July 15, 2019)	Year 4 (July 16, 2019–July 15, 2020)	Year 5 (July 16, 2020–Closing Date)
to improve teaching and learning			introduced at Grade 10 Inadequate capacity to carry out high quality (NASA) Public examinations (Grades 8, 10, 12) not standardized		representative and competency-based NASA Grade 8 (carried out in Feb–March 2017) disseminated by August 2017 with specific time-bound action plan for relevant agencies	Grades 11 and 12 implemented		10 standardized examinations of National Examination Board results and NASA results for the previous year in actionable form
Allocated amount (US$, millions)	18	10%			6	6		6
Disbursement deadline and formula					**DLR 4.1** Roll Over: No Deadline for achievement: July 15, 2018 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise	**DLR 4.2** Roll Over: No Deadline for achievement: July 15, 2019 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise		**DLR 4.3** Roll Over: No Deadline for achievement: July 15, 2021 Financing Formula: US$6 million if the DLR is achieved, 0 otherwise
DLI 5 Improved School Management and Accountability System			Absence of incentives mechanism to address persistent	**DLR 5.1** Revised grants manual approved for Community	**DLR 5.2** Performance-based grants for schools meeting minimum		**DLR 5.3** Number of unaided schools receiving block grant reaches	**DLR 5.4** Performance-based grants for schools meeting minimum

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	**Year 2 (July 16, 2017–July 15, 2018)**	**Year 3 (July 16, 2018–July 15, 2019)**	**Year 4 (July 16, 2019–July 15, 2020)**	**Year 5 (July 16, 2020–Closing Date)**
			accountability challenges in Community Schools	Schools, including guidelines for block grants to eligible unaided (permitted) Community Schools, performance grants to unaided schools eligible for block grants and Community Schools meeting basic accountability requirements, and pro-science enhanced grants	accountability requirements implemented in 3,000 schools		500	accountability requirements implemented in 7,500 schools
Allocated amount (US$, millions)	32	17%		8	8	—	8	8
Disbursement deadline and formula				**DLR 5.1** Roll Over: No Deadline for achievement: April 30, 2017 Financing Formula: US$8 million if the DLR is achieved, 0 otherwise	**DLR 5.2** Roll Over: Yes Deadline for achievement: July 15, 2019 Financing Formula: US$8 million if the DLR is achieved, 0 otherwise		**DLR 5.3** Roll Over: Yes Deadline for achievement: July 15, 2021 Financing Formula: US$4 million for 250 schools receiving block grant, and	**DLR 5.4** Roll Over: No Deadline for achievement: July 15, 2021 Financing Formula: US$5 million for 6,000 schools implementing the

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	**Year 2 (July 16, 2017–July 15, 2018)**	**Year 3 (July 16, 2018–July 15, 2019)**	**Year 4 (July 16, 2019–July 15, 2020)**	**Year 5 (July 16, 2020–Closing Date)**
							thereafter US$2 million per additional 125 schools receiving block grant, with a maximum up to US$8 million	performance-based grants, and thereafter US$1 million per additional 500 schools implementing the performance based grants, with a maximum up to US$8 million
DLI 6 Improved Teacher Management and Accountability			number of teachers identified nationally for redeployment Limited teacher accountability (low levels of TST)	**DLR 6.1** Revised policy and guidelines on reallocation of teachers based on status and norms of teacher deployment, and policy and guidelines aimed at improving TST approved	**DLR 6.2** TST enhancing monitoring system operational in 15% of all Community Schools	**DLR 6.3** Number of teachers to be redeployed reduced by 25% of the baseline	**DLR 6.4** TST enhancing monitoring system operational in 80% of all Community Schools	**DLR 6.5** Number of teachers to be redeployed reduced by 60% of the baseline
Allocated amount (US$, millions)	45	24%		9	9	9	9	9
Disbursement deadline and formula				**DLR 6.1** Roll Over: No Deadline for achievement: April 30, 2017	**DLR 6.2** Roll Over: Yes Deadline for achievement: July 15, 2019	**DLR 6.3** Roll Over: Yes Deadline for achievement: July 15, 2020	**DLR 6.4** Roll Over: Yes Deadline for achievement: July 15, 2021	**DLR 6.5** Roll over: No Deadline for achievement: July 15, 2021

DLI	Total Financing Allocated to DLI	As % of Total Financing Amount	DLI Baseline	Disbursement Linked Results (DLRs)[17]				
				Year 1 (date of the agreement–July 15, 2017)	**Year 2 (July 16, 2017–July 15, 2018)**	**Year 3 (July 16, 2018–July 15, 2019)**	**Year 4 (July 16, 2019–July 15, 2020)**	**Year 5 (July 16, 2020–Closing Date)**
				Financing Formula: US$4.5 million if either (i) revised policy and guideline on teacher deployment is approved, or (i) if policy and guidelines aimed at improving teacher time-spent-teaching approved; US$9 million if both (i) and (i) are achieved, 0 if neither (i) nor (ii) is achieved	Financing Formula: US$9 million if the DLR is achieved, 0 otherwise	Financing Formula: US$9 million if the DLR is achieved, 0 otherwise	Financing Formula: US$9 million if the DLR is achieved, 0 otherwise	Financing Formula: US$6 million for 40% reduction in number of teachers to be redeployed of the baseline, and thereafter US$1.5 million per additional 10 percentage points increase, with a maximum up to US$9 million
Total Financing Allocated (US$, millions)	**185**			**29**	**49**	**33**	**31**	**43**

Table 3.2. DLI Verification Protocol

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
DLI 1 Strengthened governance, fiduciary management, data systems and institutional capacity for results-based program implementation (6 DLRs)	**Year 1:** Enhanced Fiduciary System in place (**DLR 1.1**)	This DLI is considered achieved when the following conditions are met: (a) Steering Committee(SC), at the recommendation of the MOF Joint Secretary chaired Budget and Finance Committee approves the implementation plan for use of CGAS by all education cost centers[a]; (b) Approval of FMAP by the SSDP Steering Committee and Budget and Finance Committee headed by Joint Secretary of MOF, including timeline of completion of activities; and (c) FM unit in DOE with adequate number of dedicated fiduciary staff (as estimated by DOE) and at least 1 FM consultant is in place.	No	MOE/DOE report endorsed by inter-ministerial SSDP SC	IVA commissioned by MOE	World Bank/DPs review IVA report on achievement of DLR which will be based on endorsement made by SSDP SC along with any other necessary interviews or desk reviews or field visits.
	Year 2: Grants Management System (GMS) operational (**DLR 1.2**)	GMS will be considered operational when (a) GMU led by a coordinator is established in each DEO office and school focal person is assigned by all eligible schools as per approved grants operation manual, (b) all grants are disbursed based on ACF prepared by GMU, ensuring compliance with eligibility criteria, (c) a system of compliance verification of eligibility criteria and utilization of funds by schools is in place, and (d) a system of disbursement reconciliation and refunds of funds from those schools not meeting the eligibility criteria or utilization guidelines is introduced (this reconciliation is based on administrative data generated from GMS and not from OAG report).	No	MOE/DOE report endorsed by inter-ministerial SSDP SC	IVA commissioned by MOE	World Bank/DPs review IVA report on achievement of DLR which will be based on endorsement made by SSDP SC along with any other necessary interviews or desk reviews or field visits.
	Year 2:	Critical PSF areas include those supporting	No	MOE/DOE	IVA	World Bank/DPs

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
	Satisfactory completion of capacity strengthening AWPB on key program support facility (PSF) activities (**DLR 1.3**)	the achievement of all 1–6 DLIs. AWPB for PSF means establishment and operationalization of TSU, and at least $3 million annual allocation. Satisfactory means the above two plus at least 80% of the allocated PSF budget (based on the actual contract value) spent.		report endorsed by inter-ministerial SSDP SC	commissioned by MOE	review IVA report on achievement of DLR which will be based on endorsement made by SSDP SC along with any other necessary interviews or desk reviews or field visits.
	Year 3: 4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in year one, **,** or 95% accuracy in the sample verification survey carried out in year three (**DLR 1.4**) Satisfactory completion of capacity strengthening AWPB on key	This DLR will be considered achieved if the second round of EMIS sample verification is conducted with a representative sample of **all** schools in year 3 by an independent agency and discrepancy calculated from verification of self-reported EMIS data is reduced by 4 percentage points relative to first round of verification or 95% accuracy in self-reported data if in case accuracy is equal or higher than 95%. (student enrollment, total, female and dalit; and teachers) Critical PSF areas include those supporting the achievement of all 1–6 DLIs. AWPB for PSF means establishment and operationalization of TSU, and at least $3 million annual allocation. Satisfactory means the above two plus at least 80% of allocated PSF budget (based on the actual contract value) spent.	Yes No	DOE Flash data plus Survey data	IVA commissioned by MOE	World Bank/DPs review IVA report on achievement of DLR that includes survey firm's EMIS verification report (based on survey of representative sample of schools).

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
	program support facility (PSF) activities (**DLR 1.5**)					
	Year 5: Audit observations decreased to 4% of total non-salary grants to schools (**DLR 1.6**)	This DLR will be considered achieved if the percentage of ineligible expenses of total non-salary grants released to schools in FY2018-19 as shown in annual audit report by OAG is 4% or less.	Yes	OAG	IVA commissioned by MOE	World Bank/DPs review IVA's report on achievement of DLR which includes OAG findings, findings based on interviews with head teachers in selected sampled schools.
DLI 2 Improved access to basic and retention in secondary schools **(5 DLRs)**	**Year 1:** Pro-poor targeted scholarship (PPTS) and pro-science scholarship (PSS) schemes approved (**DLR 2.1**)	**Definition of PPTS**: PPTS is poverty targeted scholarship for secondary-level students selected based on PMT procedure or poverty cards issued by MOCPA. **Definition of PSS**: PSS is pro-poor scholarship for students opting for science subjects at Grades 11 and 12. The amount will be higher than for pro-poor- students opting for non-science field. Students selected for the scholarship can choose to attend any community schools regardless of geographic location. **Definition of voucher system**: Voucher system will have following features (a) voucher is issued by DOE detailed information about the eligible student and scholarship amount and disbursement procedure, (b) eligibility of schools which	No	MOE/DOE	IVA commissioned by MOE	World Bank/DPs review the IVA's report which includes supporting documents and interviews with parties as necessary.

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		are eligible to accept and cash the voucher, and (c) provision of school choice and areas of restrictions. This DLR is considered achieved when (a) the current secondary scholarship scheme is revised with an ISG, satisfactory to the World Bank, to include provision of pro-poor (Grades 9, 10, 11 and 12) and pro-science (Grades 11 and 12) scholarships, including provision for voucher system; (b) ISG which includes beneficiary selection method, coverage, scholarship amount, disbursement method, verification method, and consequences for false reporting, is approved by MOE, (c) pro-poor student selection procedure will be based on PMT or similar procedure, and (d) implementation arrangement for the selection and distribution of scholarship is well defined in the manual.				
	Year 2: Pro-poor targeted scholarship (PPTS) in Grades 9 and 11 and pro-science scholarship (PSS) in Grade 11 implemented in 25 districts (**DLR 2.2**)	PPTS and PSS are considered implemented if (a) the implementation progress report submitted by implementing units specifies the number of beneficiaries by gender and poverty quintile, and total amounts disbursed to students, (b) the program covers at least 90% of all community schools in the selected 25 districts (with regard to application purposes where students in Grades 8 and 10 are eligible to apply for scholarship benefits in the following academic year in Grades 9 and 11), and (c) scholarship is disbursed only to students meeting the following conditions:	No	MOE/DOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		(i) do not marry until finishing school (ii) meet at least 80% attendance rate during the relevant period; and (iii) Achieved at least grade 'C' on average (to be defined) or passed, previous year's final exam.				
	Year 3: Pro-poor targeted scholarship (PPTS) in Grades 9, 10, 11, and 12, and pro-science scholarship (PSS) in Grades 11 and 12 implemented in additional 50 districts (**DLR 2.3**)	The PPTS and PSS programs need to cover all community schools running Grades 8 and 10, for the application process, and Grades 9 and above for PPTS and Grades 11 and above for PSS scholarship distribution, in additional 50 districts. The same provisions on reporting format, coverage and eligibility conditions stated in Year 2 above are applicable.	No	MOE/DOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary
	Year 4: 250,000 cumulative number of Out of school children (OOSC) brought to schools or Learning Centers (LC) (**DLR 2.4)**	OOSC are defined as **7–12** years old children who are out of school for at least 6 months. This program covers OOSC brought to schools or LCs on or after the 2017 academic session with detail information by each school and LCs. Bringing all children aged 5–6 to schools and retaining them in schools is critical to reducing out of school in the medium/long term, however this enrolment cannot be counted toward providing second-chance education. This DLI is achieved when implementation progress report includes (a) list of schools and LCs by district covered under the program, (b) list of OOSC enrolled by	Yes	MOE/DOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		school/LC, and (c) disbursement of grants to eligible schools/LCs and scholarship to enrolled students.				
	Year 5: Retention rate of poor students to Grade 12 **in community schools** is 60% (**DLR 2.5**)	**Definition of Grade 12 retention rate of poor students in community schools**: It refers to the proportion of Grade 9 PPTS beneficiary students in year 2 (from community schools in the 25 districts where PPTS scheme was implemented in year 2, who entered Grade 9 in Year 2) reaching Grade 12 in Year 5. This DLR is achieved when PPTS implementation report for year 5 shows 60% Grade 12 retention rate of poor students in community schools.	Yes	DOE Flash Report	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary
DLI 3 National Curriculum Framework (NCF) revised and implemented **(3 DLRs)**	**Year 2**: Revised NCF approved (**DLR 3.1**)	Approved NCF will have all aspects of curriculum and textbook revision, teacher preparation, reduction in number of compulsory subjects and implementation arrangements	No	CDC	IVA commissioned by MOE	World Bank/DPs review IVA's report which includes supporting documents and interviews with parties, as necessary
	Year 4: Revision of curriculum for Grades 9–12 approved (**DLR 3.2**)	Revised curriculum for Grades 9–10 will have agreed elements of diverse learning needs of students of Grades 9–10 among others.	No	CDC	IVA commissioned by MOE	World Bank/DPs review IVA's report which includes supporting documents and interviews with parties, as necessary
	Year 5: Grade 9 new curriculum	This DLR is considered achieved when (a) the CDC issues instruction for	No	CDC/DOE	IVA commissioned	World Bank/DPs review IVA's

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
	implemented (**DLR 3.3**)	implementation of new Grade 9 curriculum and distributes textbooks for the same including textbooks for mathematics and science of different levels of difficulty, and (b) the implementation report provides detail information regarding implementation including number of schools offering mathematics and science subjects of each difficulty level.			by MOE	report which includes supporting documents and interviews with parties, as necessary. The report should include details on: a. production and distribution of textbooks for Grade 9 science and mathematics textbooks according to the revised curriculum; b. reporting on number of students enrolled for mathematics and science subjects of different difficulty levels; c. reporting on number of students enrolled for each optional subject.
DLI 4 Assessment and examination system reforms	**Year 2**: Analysis of results for nationally representative and competency-based NASA	This DLR is considered achieved when (a) a report on the analysis of NASA findings and implications for different agencies to take necessary action for reform is prepared, (b) information indicated in point (a) above is disseminated in the MOE and ERO	No	ERO	IVA commissioned by MOE	World Bank/DPs review IVA's report which includes assessing whether the action plans are relevant,

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
undertaken to improve teaching and learning **(3 DLRs)**	Grade 8 (carried out in Feb-March 2017) disseminated by August 2017 with specific time-bound action plan for relevant agencies (**DLR 4.1**)	websites, and (c) a plan of action for implementation is prepared and resources provided.				actionable and time-bound.
	Year 3: Single subject certification policy for Grades 11 and 12 implemented (**DLR 4.2)**	This DLR is considered achieved when Implementation Progress report including the number of student beneficiaries, mark sheet copies of Grades 11 and 12 examinations, and summary of results by subject is prepared and disseminated.	No	NEB/CDC	IVA commissioned by MOE	World Bank/DPs review IVA's report, including mark sheets distributed to Grades 11 and 12 students
	Year 5: ERO has analyzed and reported Grade 10 standardized examinations of NEB results and NASA results for the previous year in actionable form (**DLR 4.3**)	This DLR is achieved when (a) ERO prepares reports in actionable form on the analysis of Grade 10 standardized examination (in three subjects: language [Nepali or English], Science and Mathematics) of NEB and the analysis of NASA Grade 8 with finding and recommendations for different agencies, (b) MOE and ERO disseminate both reports in the MOE, ERO and NEB websites; and (c) MOE and ERO prepare a plan of action for at least top five actions/recommendation and allocate resources for implementation in the following year's budget. **Definition of Actionable Form**: Actionable form means that the data are analyzed,	No	ERO/NEB	IVA commissioned by MOE	World Bank/DPs review IVA's report which verifies that that at least 5 of the actions are reflected in next year's program.

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		tailored and disseminated to relevant stakeholders in a form that is useful to them in deciding what actions can be taken to improve the quality of education.				
DLI 5 Improved School Management and Accountability System **(4 DLRs)**	**Year 1**: Revised grants manual approved for community schools including guidelines for block grants to eligible unaided (permitted) community schools, performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and pro-science enhanced grants (**DLR 5.1**)	**Definition of unaided schools**: Community schools which do not have and agree not to have in future government teacher positions or deputed government teachers are eligible to receive formula-based block grants adequate for normal operation of schools. **Definition of Block Grants**: Grants to unaided schools, provided upon compliance with basic accountability requirements, which includes Social audit, EMIS, TST monitoring, functional SMC and PTA, and so on. **Definition of Performance Grants**: Performance grants are grants provided to eligible community schools (unaided schools receiving block grants and other community schools) meeting basic accountability requirements (Social audit, EMIS, TST monitoring, functional SMC and PTA, and so on). And performance indicators (among others, may include student attendance rate, retention rate, TST, textbooks availability, separate toilet for girls, attainments in standardized school-based assessments, adoption of school rules, issuance of student report cards, and so on) in addition to needs-based grants. **Definition of pro-science enhanced grants**: It is additional grants provided to community schools for offering science	No	DOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		streams in Grades 11–12 This DLR is achieved when the revised grants manual for community schools including guidelines for (a) block grants to eligible unaided (permitted) community schools, (b) performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and (c) pro-science enhanced grants to eligible schools are approved by the MOE, disseminated to schools, and disclosed publicly. Grants manual specifies the enhanced amount and eligibility of schools for the grants including offering science subjects, and number of students enrolled in Grades 11 and 12 in science subjects (as per the guidelines)				
	Year 2: Performance-based grants for schools meeting minimum accountability requirements implemented in 3,000 schools (**DLR 5.2**)	This DLR is considered achieved when the implementation progress report generated from GMS (a) shows that the performance grants scheme is implemented in 3,000 community schools, and (b) includes disbursement information confirming that 3,000 schools meeting accountability criteria received performance grants.	No	EMIS	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary
	Year 4: Number of unaided schools receiving block grant reaches 500	This DLR is considered achieved when the implementation progress report generated from GMS (a) shows that 500 eligible unaided schools received Block grant and (b) includes disbursement information	Yes	EMIS	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
	(**DLR 5.3**)	confirming that these schools meeting accountability criteria received block grants				includes interview with parties, visit to schools on random sample basis as necessary
	Year 5: Performance-based grants for schools meeting minimum accountability requirements implemented in 7500 schools (**DLR 5.4**)	This DLR is considered achieved when the implementation progress report generated from GMS (a) shows that 7500 (cumulative) eligible schools received performance grant, and (b) includes disbursement information confirming that these schools meeting accountability criteria received performance grants.	Yes	EMIS	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, visit to schools on random sample basis as necessary
DLI 6 Improved Teacher Management and Accountability **(5 DLRs)**	**Year 1**: Revised policy and guidelines on reallocation of teachers based on status and norms of teacher deployment; and policy and guidelines aimed at improving teacher time-spent-teaching (TST) approved. (**DLR 6.1**)	**Definition of redeployment**: Number of teachers will be considered redeployed if teachers from schools with excess teachers (total and/or by subject) are redeployed to schools with teacher shortfall (total and/or by subject) based on the approved revised Guidelines on reallocation of teachers. **Definition of TST:** Teacher time spent on teaching (to be described/defined in the policy and guidelines) will include basic elements of TST monitoring system, which includes monitoring indicators, instruments, mechanism and reporting system[b]. **DLR 6.1:** This DLR is achieved when the redeployment plan based on revised policy and guidelines on reallocation of teachers (including district-wise, subject-wise, level-wise, and school-wise teacher and student	No	MOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties as necessary

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
		status; guidelines on reallocation of teachers based on status and norms of teacher deployment and costed plan of action to complete redeployment) is approved and disseminated to all stakeholders. And the policy and guidelines will be considered "approved" if the definition of the TST, suggested interventions for improvements, and monitoring systems are reviewed/recommended by an independent education expert, and the document is duly approved and disseminated by MOE.				
	Year 2: TST enhancing monitoring system operational in 15% of all community schools (**DLR 6.2**)	TST enhancing monitoring system will be considered operational when the individual community schools will implement the system consistent with the approved policy and guidelines (monitoring forms obtained, records kept and information reported to higher authority). This DLR will be considered achieved if TST enhancing monitoring system is operational in at least 15% of all community schools.	No	MOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, as necessary
	Year 3: Number of teachers to be redeployed reduced by 25% of the baseline (**DLR 6.3**)	This DLR is achieved when at least 25% (of the baseline) of the excess teachers are redeployed as per the approved guideline.	No	MOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, as necessary
	Year 4: TST enhancing monitoring system operational in 80% of all	TST enhancing monitoring system will be considered operational when the individual community schools will implement the system (monitoring forms obtained, records kept and information reported to higher authority) consistent with the approved	No	MOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview

Area	DLR	Definition/Description of Achievement	Scalability of Disbursements (Yes/No)	Protocol to Evaluate Achievement of the DLI and Data/Result Verification		
				Data Source/Agency	Verification Entity	Procedure
	community schools (**DLR 6.4**)	policy and guidelines. This DLR will be considered achieved if TST enhancing monitoring system is operational in at least 80% of all community schools				with parties, as necessary
	Year 5: Number of teachers to be redeployed reduced by 60% of the baseline (**DLR 6.5**)	**DLR 6.5:** This DLR is considered achieved if at least 60% (of the baseline) of excess teachers are redeployed as per the approved guideline.	Yes	MOE	IVA commissioned by MOE	World Bank/DPs review IVA's report and supporting documents which includes interview with parties, as necessary

Note: a. Cost centers include MOE, DOE, all CLAs, DEOs, REDs, ETCs. b. Indicators include 1. number of school opening and teaching-learning days, captured from school records; 2. teacher attendance rate from teacher attendance register; 3. grade-wise and subject-wise class occurrence rate, from teacher TST register/log sheet in each classroom; 4. grade-wise and subject-wise average class duration rate, from teacher TST register/log sheet in each classroom. Instruments include: 1. Teachers attendance register; 2. Teacher TST register/log book in each classroom; 3. Compile summary reports on monthly basis. The TST monitoring mechanism will include teachers, HT, students, SMC/PTA. Reporting mechanism: the report will be compiled and reported by HT to SMC on monthly basis and to RP/DEO on trimester basis.

Table 3.3. Bank Disbursement Table

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
1	Strengthened governance, fiduciary management,	36	1.1 Enhanced fiduciary system in place	—	April 30, 2017	Enhanced fiduciary system in place	Enhanced fiduciary system in place	US$6 million if the DLR is achieved, 0 otherwise
			1.2 Grants Management System	—	July 15, 2018	GMS operational	GMS operational	US$6 million if the DLR is achieved, 0 otherwise

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
	data systems, and institutional capacity for results-based program implementation		(GMS) operational					
			1.3 Satisfactory completion of capacity-strengthening AWPB on key program support facility (PSF) activities	—	July 15, 2018	Satisfactory completion of capacity-strengthening AWPB on key PSF activities	Satisfactory completion of capacity-strengthening AWPB on key PSF activities	US$6 million if the DLR is achieved, 0 otherwise
			1.4 4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in Year 1, or 95% accuracy in the sample verification survey carried out in Year 3	—	July 15, 2019	2 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in Year 1	4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in Year 1	US$4 million for 2 percentage points improvement, and thereafter, US$1 million per additional percentage point or US$6 million if 95% or more accuracy in self-reported data, with a maximum up to US$6 million
			1.5 Satisfactory completion of capacity-strengthening AWPB on key program support facility (PSF) activities	—	July 15, 2019	Satisfactory completion of capacity-strengthening AWPB on key PSF activities	Satisfactory completion of capacity-strengthening AWPB on key PSF activities	US$6 million if the DLR is achieved, 0 otherwise
			1.6 Audit observations decreased to 4% of total non-salary grants to schools	—	July 15, 2021	Audit observations decreased to 5% of total non-salary grants to schools	Audit observations decreased to 4% of total non-salary grants to schools	US$4 million for audit observations decreased to 5% of total non-salary grants to schools, and thereafter, US$1 million for additional 0.5 percentage point decrease in audit observations, with a

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
								maximum up to US$6 million
2	Improved access to basic and retention in secondary schools	30	2.1 Pro-poor targeted scholarship (PPTS) and pro-science scholarship (PSS) schemes approved	—	April 30, 2017	PPTS and PSS schemes approved	PPTS and PSS schemes approved	US$6 million if the DLR is achieved, 0 otherwise
			2.2 Pro-poor targeted scholarship (PPTS) in Grades 9 and 11 and pro-science scholarship (PSS) in Grade 11 implemented in 25 districts	—	July 15, 2019	PPTS in Grades 9 and 11 and PSS in Grade 11 implemented in 25 districts	PPTS in Grades 9 and 11 and PSS in Grade 11 implemented in 25 districts	US$6 million if the DLR is achieved, 0 otherwise
			2.3 Pro-poor targeted scholarship (PPTS) in Grades 9, 10, 11, and 12 and pro-science scholarship (PSS) in Grades 11 and 12 implemented in additional 50 districts	—	July 15, 2020	PPTS in Grades 9, 10, 11, and 12 and PSS in Grades 11 and 12 implemented in additional 50 districts	PPTS in Grades 9, 10, 11, and 12 and PSS in Grades 11 and 12 implemented in additional 50 districts	US$6 million if the DLR is achieved, 0 otherwise
			2.4 250,000 cumulative number of Out-of-School Children (OOSC) brought to schools or Learning Centers (LCs)	—	July 15, 2020	150,000 OOSC brought to schools or LCs	250,000 OOSC brought to schools or LCs	US$4 million for 150,000 OOSC brought to schools or LC, and thereafter, US$1 million per 50,000 additional OOSC brought to schools or LCs, with a maximum up to US$6 million
			2.5 Retention rate of poor students to Grade 12 in community schools is 60%	—	July 15, 2021	Retention rate of poor students to Grade 12 in community schools	Retention rate of poor students to Grade 12 in community schools	US$4 million for 50% of retention rate of poor students, and thereafter, US$1 million per additional

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
						is 50%	is 60%	5 percentage point increase in retention rate of poor students, with a maximum up to US$6 million
3	National Curriculum Framework (NCF) revised and implemented	24	3.1 Revised NCF approved	—	July 15, 2018	Revised NCF approved	Revised NCF approved	US$8 million if the DLR is achieved, 0 otherwise
			3.2 Revision of curriculum for Grades 9–12 approved	—	July 15, 2020	Revision of curriculum for Grades 9–12 approved	Revision of curriculum for Grades 9–12 approved	US$8 million if the DLR is achieved, 0 otherwise
			3.3 Grade 9 new curriculum implemented	—	July 15, 2021	Grade 9 new curriculum implemented	Grade 9 new curriculum implemented	US$8 million if the DLR is achieved, 0 otherwise
4	Assessment and examination system reforms undertaken to improve teaching and learning	18	4.1 Analysis of results for nationally representative and competency-based NASA Grade 8 (carried out in February–March 2017) disseminated by August 2017 with specific, time-bound action plan for relevant agencies	—	July 15, 2018	Analysis of results for nationally representative and competency-based NASA Grade 8 (carried out in February–March 2017) disseminated by August 2017 with specific, time-bound action plan for relevant agencies	Analysis of results for nationally representative and competency-based NASA Grade 8 (carried out in February–March 2017) disseminated by August 2017 with specific, time-bound action plan for relevant agencies	US$6 million if the DLR is achieved, 0 otherwise
			4.2 Single-subject certification policy for Grades 11 and 12 implemented	—	July 15, 2019	Single-subject certification policy for Grades 11 and 12 implemented	Single-subject certification policy for Grades 11 and 12 implemented	US$6 million if the DLR is achieved, 0 otherwise
			4.3 ERO has analyzed and reported Grade 10 standardized	—	July 15, 2021	The ERO has analyzed and reported Grade 10	The ERO has analyzed and reported Grade 10	US$6 million if the DLR is achieved, 0 otherwise

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
			examinations of NEB results and NASA results for the previous year in actionable form			standardized examinations of the NEB results and NASA results for the previous year in actionable form	standardized examinations of the NEB results and NASA results for the previous year in actionable form	
5	Improved school management and accountability system	32	5.1 Revised grants manual approved for community schools, including guidelines for block grants to eligible unaided (permitted) community schools, performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and pro-science enhanced grants	—	April 30, 2017	Revised grants manual approved for community schools, including guidelines for block grants to eligible unaided (permitted) community schools, performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and pro-science enhanced grants	Revised grants manual approved for community schools, including guidelines for block grants to eligible unaided (permitted) community schools, performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and pro-science enhanced grants	US$8 million if the DLR is achieved, 0 otherwise
			5.2 Performance-based grants for schools meeting minimum accountability requirements implemented in 3,000 schools	—	July 15, 2019	Performance-based grants for schools meeting minimum accountability requirements implemented in 3,000 schools	Performance-based grants for schools meeting minimum accountability requirements implemented in 3,000 schools	US$8 million if the DLR is achieved, 0 otherwise
			5.3 Number of unaided	—	July 15, 2021	Number of unaided	Number of unaided	US$4 million for 250

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
			schools receiving block grant reaches 500			schools receiving block grant reaches 250	schools receiving block grant reaches 500	schools receiving block grant, and thereafter US$2 million per additional 125 schools receiving block grant, with a maximum up to US$8 million
			5.4 Performance-based grants for schools meeting minimum accountability requirements implemented in 7,500 schools	—	July 15, 2021	Performance-based grants for schools meeting minimum accountability requirements implemented in 6,000 schools	Performance-based grants for schools meeting minimum accountability requirements implemented in 7,500 schools	US$5 million for 6,000 schools implementing the performance-based grants, and thereafter, US$1 million per additional 500 schools implementing the performance-based grants, with a maximum up to US$8 million
6	Improved teacher management and accountability	45	6.1 Revised policy and guidelines on reallocation of teachers based on status and norms of teacher deployment, and policy and guidelines aimed at improving teacher time-spent-teaching (TST) approved	—	April 30, 2017	Revised policy and guidelines on reallocation of teachers based on status and norms of teacher deployment, and policy and guidelines aimed at improving TST approved	Revised policy and guidelines on reallocation of teachers based on status and norms of teacher deployment, and policy and guidelines aimed at improving TST approved	US$4.5 million if either (i) revised policy and guideline on teacher deployment are approved or (ii) policy and guidelines aimed at improving TST are approved; US$9 million if both (i) and (ii) are achieved; 0 if neither (i) or (ii) is achieved
			6.2 TST enhancing monitoring system operational in 15% of all community schools	—	July 15, 2019	TST enhancing monitoring system operational in 15% of all community schools	TST enhancing monitoring system operational in 15% of all community schools	US$9 million if the DLR is achieved, 0 otherwise
			6.3 Number of teachers to be	—	July 15, 2020	Number of teachers to be redeployed	Number of teachers to be redeployed	US$9 million if the DLR is achieved, 0 otherwise

DLI#	*DLI*	*Bank financing allocated to the DLI (US$ million)*	*DLR*	*Of which Financing available for Prior results*	*Deadline for DLR Achievement* [1]	*Minimum DLR value to be achieved to trigger disbursements of Bank Financing* [2]	*Maximum DLR value(s) expected to be achieved for Bank disbursements purposes* [3]	*Determination of Financing Amount to be disbursed against achieved and verified DLR value(s)* [4]
			redeployed reduced by 25% of the baseline			reduced by 25% of the baseline	reduced by 25% of the baseline	
			6.4 TST enhancing monitoring system operational in 80% of all community schools	—	July 15, 2021	TST enhancing monitoring system operational in 80% of all community schools	TST enhancing monitoring system operational in 80% of all community schools	US$9 million if the DLR is achieved, 0 otherwise
			6.5 Number of teachers to be redeployed reduced by 60% of the baseline	—	July 15, 2021	Number of teachers to be redeployed reduced by 40% of the baseline	Number of teachers to be redeployed reduced by 60% of the baseline	US$6 million for 40% reduction in number of teachers to be redeployed of the baseline, and thereafter, US$1.5 million per additional 10 percentage points increase, with a maximum up to US$9 million

Note:

[1] The deadline for achieving the DLR.

[2] The DLR has to remain at or above a minimum level to trigger World Bank disbursements

[3] The maximum DLR value(s) above which no additional World Bank financing will be disbursed.

[4] Formula for determining the level of World Bank financing to be disbursed on the basis of level of progress in achieving the DLR, once the level of DLR achievement has been verified by the World Bank. The amount will be paid in SDR equivalent of US$.

Annex 4: Summary Technical Assessment

I. Program Strategic Relevance and Technical Soundness

A. Strategic Relevance

1. The Government's Development Strategy 2030 aspires to have Nepal achieve the SDGs**.** Through the 14th plan (FY2016/17–FY2018/19), the Government aims to elevate access to secondary education, improve quality of education and efficacy of the education system to produce skilled manpower, and create a conducive environment for transformational development by focusing on expansion of infrastructure and power. Moreover, Nepal is going through a demographic transition where there is a youth bulge (more than 50 percent of the population is under 25 years) in the country. However, Nepal's youth bulge remains a hugely underutilized resource because of low levels of learning outcomes and skills attainment and inadequate domestic labor market opportunities. It is within this framework that the Government has recently launched a seven-year SSD Plan (2016–2023), whose focus on quality improvements through strategic interventions is expected to provide young people with relevant cognitive and noncognitive skills for further education, labor market, or other livelihoods. Therefore, investment in quality education is strategically important to successfully unleashing the true potential of Nepal's youth and the economy.

2. The SSD Plan aligns with Nepal's international commitment toward the SDGs, which were ratified by the United Nations General Assembly in September 2015. The program will be supported by a number of DPs, including the World Bank, through SWAp modality. Building on the lessons learned and the gains made in the sector under the earlier EFA and SSRP programs, the SSDP is designed to enable the school education sector to consolidate the achievements made during the last 12 years, achieve the unfinished agenda items, and introduce new initiatives to address the emerging needs of the country and people's aspirations. The Constitution of Nepal (2015) demands a thorough reorientation of the education system through structural and functional reforms, including the policy and regulatory frameworks. The approval of the EAEA, 2016 provides a legal framework to carry out reforms envisaged in the SSDP. The proposed PforR Program will finance the outcomes/results associated with improvements in quality and relevance of basic and secondary education for all through enhanced service delivery and governance and strengthened capacity on implementation, fiduciary management, and M&E.

B. Technical Soundness

3. The technical design of the proposed PforR Program is based on the GON's reform priorities and strategy as articulated in its SSD Plan. It builds on the lessons learned from the EFA (2004–2009), CSSP (2004–2009), and SSRP (2009–2016); the findings of the World Bank's education sector studies in other countries; the World Bank's strategy as stated in the Nepal Education Strategy (2016); and the World Bank's experience with the school sector in Nepal, across the region, and the globe. Building on the SSRP interventions, the SSD Plan will take the quality agenda forward through an increased focus on the quality of education and learning outcomes.

4. The design of the SSD Plan is based on the recognition that provision of quality education needs robust and effective accountability arrangements for program delivery. School education programs need to focus on school-level activities where actual education delivery takes place. For this, it requires the active involvement of and appropriate incentives for the community, parents and school HT, teachers, and other staff. It acknowledges, as shown by research and global evidence, that focusing on outcomes (student learning) rather than on outputs (for example, number of students enrolled) and linking incentives (monetary or otherwise) to those outcomes is essential to ensure an efficient use of funds and the achievement of desired results. It further recognizes that the program's ambitious goals are unlikely to be met without innovative financing arrangement that allows schools to mobilize additional funding from the local level and fill the financing gap. In addition, the proposed Program also strengthens system-wide foundations by supporting examinations and learning assessment reforms, revision of curriculum frameworks, adoption of a more transparent and performance-based grants system, enhanced EMIS for more accurate database decision making, and a strengthened fiduciary system for a results-based Program.

5. **Lessons learned from past operations.** Nepal has a good policy (and tradition) of involving communities in the management of schools and higher education institutions. This decentralization policy, started in 2001 and supported by the World Bank, has been a powerful instrument in expanding access in school and higher education. In addition, demand-side interventions, including PCF-based financing and targeted scholarships, have helped unserved children, particularly from marginalized communities. However, the same policies have not had any meaningful impact on quality improvements largely due to the inability of community-elected SMCs to effectively manage centrally recruited teachers and the shortcomings of the PCF design (absence of a performance-based component) and scholarships (not sufficiently poverty-targeted). Based on these lessons and analytical work, the World Bank's support for the SSD Plan will use DLI-based (focus on results rather than inputs) reforms in teacher management and accountability across all education subsectors, thus moving toward a funding formula that includes a performance-based component; scaling up of the PPTSs; and system strengthening, including enhancement of data reliability and transparency, fiduciary arrangements, and phased implementation of innovative quality enhancing interventions. It should be noted that focus on accountability and incentives for schools and teachers is based on global evidence on the use of performance-based incentives to promote student outcomes.

6. **Partnerships.** Nepal's school education sector has been based on a strong partnership between DPs and the Government. The World Bank, as in the past, will continue to play a critical role in collaborating with the partners in strengthening and using the country systems. The proposed PforR operation, will be an important engagement in this context.

7. Given that many of the strategic interventions incentivized through the World Bank's DLIs are being designed and implemented for the first time in Nepal, it is critical to keep the design flexible with good monitoring systems and implementation support to maximize the achievement of agreed results or DLIs. The PSF within the PforR Program is expected to provide necessary support and assistance in the design and implementation of these strategic interventions and achievement of agreed results.

II. Program Expenditure Framework

8. The GON's high priority to invest in education is evident in the current periodic plan (FY2014–FY2016), forthcoming periodic plan (FY2016–FY2020), and other policy documents and supported by annual allocations of the government budget to education which has remained around 3.0 percent of GDP and more than 12.0 percent of total government expenditure in recent years. External DPs have been providing support to ensure continued priority for education sector investments, particularly in the recent SSRP implemented from FY2009 to FY2016 through a SWAp. The Government's SSD Plan is a continuation of this partnership.

9. **School sector budget.** The budget of the MOE for FY2017 (the first year of the SSD Plan), is NPR 116.4 billion (US$1,109 million). This is an increase of 32 percent in nominal terms and 24 percent in real terms. The school sector budget is equivalent to the MOE budget excluding teacher pensions, tertiary education, and nonschool-based TVE and training. It accounts for 80 percent (US$886 million) of the total MOE budget, constituting an overwhelming majority of government investments in education and includes the entire school sector from ECED to Grade 12.

10. **SSDP.** Based on the seven-year SSD Plan (SSD Plan, FY2017–FY2023), the Government has also developed a five-year program (SSDP, FY2017–FY2021) covering all levels of school education and the NFE. The World Bank-supported PforR will finance the first five years of the SSD Plan. The SSDP cost estimate is based on a medium-term[18] planning process to achieve planned targets. The Government will support the expenditure framework through annual budgets executed by the MOE. Ten JFPs—ADB, Australia, EU, Finland, GPE, JICA, Norway, REACH MDTF, UNICEF, and the World Bank—will cooperate through a JFA and SWAp to harmonize support for the SSDP.

11. **Estimation of the SSDP resource envelope.** The resource envelope for the SSDP[19] was estimated by assuming a plausible scenario of future allocations based on current trends of real GDP growth, inflation rate, share of education in GDP, and share of the school sector in the education budget.[20] The school sector resource envelope (macro fiscal space) for seven years (2016–2023) is estimated at US$11,390 million and for five years (2016–2021) at US$7,213 million. For the purpose of the PforR, this PEF excludes US$735 million (2016–2023) and US$715 million (2016–2021) estimated envelope and expenditures since this portion is directly managed by the NRA and not through the MOE. Therefore, the school sector resource envelope for the MOE for seven years (2016–2023) is estimated at US$10,655 million and for five years (2016–2021) at US$6,498 million (table 4.1).

[18] The NPC develops annual development program documents based on the previous year's expenditure adjusted for inflation, rather than through a medium-term planning process.

[19] Resource envelope refers to the fiscal space that can be provided for the school sector as a whole and is estimated based on past trends in resource allocations; the program cost estimate represents the required costs to implement the SSDP activities.

[20] The plausible scenario assumes average annual real GDP growth of 4.4 percent, an annual inflation rate of 8 percent, share of education in GDP of 5.2 percent, and share of the SSDP at 80 percent of the total education budget during the seven-year plan period and is used to arrive at the projected resource envelope for the education sector.

Table 4.1. SSDP - Resource Envelope and Expenditure Estimate (Plausible scenario, current prices)

Item	SSD Plan (2016–2023)		SSDP (2016–2021)	
	(NPR, billions)	(US$, billions)	(NPR, billions)	(US$, billions)
School sector resource envelope projection	1,119.0	10.7	682.0	6.5
SSDP expenditure estimate[a]	1,111.0	10.6	678.0	6.5
Recurrent	1,013.0	9.7	616.0	5.9
Capital[c]	97.0	0.9	62.0	0.6
Regular expenditure[b]	754.0	7.2	471.0	4.5
Development expenditure[c]	357.0	3.4	208.0	2.0

Source: MOE estimates.

Note: a. Includes all school-related expenditure (government and external DPs) except teacher pensions. Excludes US$735 million (2016–2023) and US$715 million (2016–2021) for estimated disaster risk reduction expenditure for the school sector implemented directly by the NRA. Although the disaster risk reduction budget to be implemented through the NRA contributes to program results, it is not included in the resource envelope because the resources are channeled directly through the NRA and not through the MOE's resource envelope.

b. Salaries and remuneration as well as regular organization and management expenditure.

c. For SSDP (2016-2021), Capital expenditure and Development expenditures, as percentage of total expenditure, are estimated to be 9.1 percent and 30.6 percent respectively.

12. **SSDP expenditures.** The SSD Plan expenditures, including reconstruction and retrofitting activities implemented by the NRA, are estimated to be US$11,312 million for seven years (2016–2023) and US$7,176 million for five years (2016–2021). The SSD Plan expenditures, excluding reconstruction and retrofitting activities implemented by the NRA, are estimated to be US$10,577 million for seven years (2016–2023) and US$6,461 million for five years (2016–2021). For the purpose of the PforR, the overall Program expenditure, five years (2016–2021) is estimated at US$6,461 million. The budget estimate includes both ongoing expenditures and incremental budget required for additional interventions under the SSDP. Capital costs account for 6.7 percent in the first five years and decline afterward. The estimated Program expenditure falls within the projected school sector fiscal space, making it a realistic Program from the financing point of view. Tables 4.2 and 4.3 summarize the Program's support for the first five years of the SSDP expenditures, from 2016 to 2021.

Table 4.2. SSDP - Expenditure Framework, 2016–2021 by Component (current prices)

Component	Amount (NPR, millions)	Amount (US$, millions)	Share of Total (%)
1. ECED/PPE	25,800	246	3.8
2. Basic education (Grades 1−8)	371,289	3,536	54.7
3. Secondary education (Grades 9−12)	172,314	1,641	25.4
4. Technical education under the DOE	9,071	86	1.3
5. NFE and lifelong learning	8,011	76	1.2
6. Teacher management and professional development	13,219	126	1.9
7. Disaster risk reduction[a]	31,364	299	4.6
8. Governance and management (district)	5,216	50	0.8
9. M&E	3,508	33	0.5
10. Capacity development	7,249	69	1.1
11. Organization and management[b]	31,321	298	4.6
Total	**678,361**	**6,461**	**100.0**

Source: MOE estimates.

Note: a. Excludes disaster risk reduction allocation to the NRA. b. Regular expenditure of the MOE institutions (central line agencies, DEOs, REDs) including staff salaries and utilities.

13. Over 80 percent of Program expenditures will be for basic education (ECED/PPE to Grade 8) and secondary education (Grades 9−12). The share of secondary education in the SSDP has increased to 25.4 percent, compared to 15 percent under the SSRP, due to new interventions such as separate HT positions; trained subject teachers for mathematics, science, and English; promotion of science education; model school program; and ICT. The share of the SSDP capital budget is 9.1 percent (higher than the SSRP's 2.3 percent) and includes infrastructure support and ICT.

Table 4.3. SSDP - Expenditure Framework, 2016–2021 by Cost Category (current prices)

Item	Amount (NPR, millions)	Amount (US$, millions)	Share of Total (%)
A. Salaries and remuneration	**443,144**	**4,220**	**65.3**
B. Program intervention costs	**184,684**	**1,760**	**27.2**
1. ICT	14,364	137	2.1
2. Textbooks and learning materials	45,283	432	6.7
3. Scholarship and incentives	40,516	386	6.0
4. Civil works[a]	36,131	344	5.3
5. Equipment and fixtures	7,325	70	1.1
6. Training and capacity development	18,149	173	2.7
7. All other items[b]	22,915	218	3.4
C. Management and administration costs	**50,525**	**481**	**7.4**
Total	**678,361**	**6,461**	**100.0**

Source: MOE estimates.
Note: a. Excludes civil work activities for disaster risk reduction in the school sector to be implemented through the NRA. b. Includes costs for inclusive education, monitoring, other program costs, program/school operation cost, review and development of policy guidelines.

A. Assessment of the Expenditure Framework

14. **Effectiveness.** The SSDP attempts to enhance effectiveness through (a) costing of prioritized quality-improving interventions; (b) plans to introduce a more robust medium-term expenditure framework (MTEF) in line with the SSDP expenditure framework, to ensure appropriate annual budget allocations; (c) revision of the school grant system to support performance-based financing and improvements to the EMIS to make it more reliable and to boost the effectiveness of PCF grants; (d) a proposal to create additional teacher positions in secondary education and rationalization of teacher management; and (e) allocation of about 25.0 percent of the SSDP expenditure to secondary education. Expenditure on teacher pensions, which constitute 10.0 percent of the school sector budget, is excluded from the SSDP expenditure framework to increase the share of the SSDP resources for quality-enhancing activities.

15. **Efficiency and economy.** The SSRP sector planning and budgeting was hampered by suboptimal allocation and delayed fund utilization, particularly for school grants. The allocated funds have historically been efficiently spent (more than 90 percent every year). The SSDP aims to address the shortcomings and further enhance efficiency by (a) improving the FM system for

bottom-up planning and budgeting process and timely fund release to schools; (b) revising the school grant mechanism to make it both need-based and performance-based and increasing flexibility with fewer earmarked grants; and (c) using results-based funding.

16. **Adequacy.** The overall expenditure framework can be deemed adequate for the following reasons: (a) it covers the school sector trend cost estimates (US$4.77 billion) and (b) provides for incremental investment (US$1.69 billion) in key strategic and innovative interventions to enhance the quality of education. In addition to the required resources for the recurrent expenditure items across Program components/activities, the additional investment will fund transformational areas, including those to achieve the DLIs on governance and EMIS, pro-poor targeting, bringing OOSC, reforming curriculum and examinations, enhancing school management and teacher accountability, and rationalization. The Program expenditure framework is based on detailed SSDP cost estimates by the MOE for achieving the intended results. To mitigate any remaining risks, it is important that the Government reflects this framework in the education MTEF in education, which currently does not exist (but is under preparation by the NPC), and the annual budgeting and execution cycle for the MOE (being strengthened under the SSDP).

B. Financing Plan

17. **Program financing.** It is expected that the GON, from its internal resources, will finance 88.8 percent of the overall Program expenditures (table 4.4). Based on the commitments indicated so far, DPs, including IDA, will finance US$478 million (or 7.4 percent). There is a current financing gap of US$244 million (3.8 percent), for the part of the Program period from 2019 through 2021, and the gap is expected to be covered by additional financing from internal and/or external resources based on satisfactory implementation in the first three years (2017–2019).

Table 4.4. Estimated SSDP Financing Plan (2016−2021)

Source	Amount (US$, millions)	Share of total (%)
Government	5,739	88.8
IDA/World Bank	185	2.9
Other JFP/Non-JFP	293	4.5
Financing gap	244	3.8
Total	**6,461**	**100**

Note: The DPs' financing is estimated based on commitments indicated so far by the ADB (US$120 million), EU (US$72 million), Finland (US$23 million), GPE and REACH MDTF (US$22 million), Norway (US$21 million), UNICEF (US$3 million), Australia (US$3 million), JICA (US$15 million), and Non-JFPs (US$14 million).

18. **Fiscal affordability and sustainability.** The SSDP expenditure (US$6.461 billion) falls within the estimated school sector resource envelope, indicating the feasibility of the required budget allocation (internal and external sources combined). This analysis assumes that the economy grows at an average annual rate of 4.1 percent until 2020/2021 at constant prices and that the MOF provides on average about 5.2 percent of GDP as education expenditure. Since the Government is committed to implementing the constitutional provision of free and compulsory education up to Grade 8 and free education up to Grade 12, it is anticipated that the education sector would receive adequate budget allocations to meet the cost required to achieve the Program objectives.

19. **Financing gap.** The stated financing gap of US$244 million (3.8 percent of overall financing) is deemed to be only a moderate risk for the following reasons: (a) the GON's historical commitment to education as a priority sector is evidenced from annual budget allocation that has remained around 3 percent of GDP and more than 12 percent of total Government expenditures; (b) DPs' support to the school sector is expected to continue in the future with additional funds during the Program implementation period; (c) estimated Program cost (US$6.461 billion) falls within the estimated school sector resource envelope or fiscal space (US$6.498 billion), indicating the feasibility of the Government to allocate the necessary additional budget (internal and/or external sources). This analysis assumes there are no unforeseen circumstances such as economic or natural shocks.

III. Program and Results Framework and M&E

20. An RF with SMART (specific, measurable, actionable, realistic, and time-bound) targets has been developed and included in the SSDP. KPIs include a mix of process, output, and outcome indicators, covering all three results areas of the Program. The RF is fully aligned with the objectives of the MOE's seven-year education sector plan. Results and subresults areas with key interventions and targets are included in the Program and RF. These results are expected to be achieved through a comprehensive and interlinked set of interventions, by (a) incentivizing better performance at each level of service delivery; (b) pivoting the system to put greater emphasis on results; and (c) better leveraging education for economic development. Required costs are also estimated to achieve the identified results. Based on the PRF, a common DLI framework has been identified for disbursement of JFPs' funds.

A. Disbursement Linked Indicators

21. DLIs for the Program are a logical and balanced mix of outputs, IOs, and outcomes. The DLIs to be financed under the World Bank-supported Program have been selected on the basis of (a) priority results areas identified in the World Bank's Education Strategy Note (2016; (b) strategic focus on the education quality enhancement as envisaged in the Government's SSDP; (c) identification of a few key actions and results that would support fundamental system-level transformations; and (d) local and global evidence on what works (including lessons learned from the SSRP). The World Bank's six DLIs over the five-year period focus on governance and data systems (DLI 1); equitable access (DLI 2); and improving quality and relevance (DLI 3–DLI 6) of school education.

22. The proposed DLIs are all transformational in nature: without the results-based incentives, they are unlikely to be initiated and implemented to the fullest; if successfully implemented, they have the potential to bring significant positive impacts on the school education system and on the lives and prospects of young generation that is the building block for nation building. Justification for each of the DLIs is presented in Table 4.5.

23. A JFA by the 10 JFPs will be the main document guiding DPs' financing to the SSDP and includes a strong emphasis on M&E to meet the needs of results-based financing. The DPs signing the JFA will be financing the SSDP through results-based financing with amounts to be disbursed contingent on achievement of DLIs. A common RF and a common DLI framework has

been agreed among the JFPs and the Government, which increases harmonization and unified approach and a focus on achieving results.

Table 4.5. Nepal SSDP PforR: Justification for DLI Selection

DLIs and DLRs	Justification
DLI 1: Strengthened governance, fiduciary management, data systems, and institutional capacity for results-based Program implementation • Enhanced fiduciary system in place • GMS operational • Satisfactory completion of capacity-strengthening AWPB on key PSF activities • 4 percentage points improvement in teacher and student data accuracy compared to discrepancy in the sample verification survey carried out in Year 1 or 95% accuracy in the sample verification survey carried out in Year 3 • Audit observations decreased to 4% of total non-salary grants to schools	• The SSRP experience suggests that there is evidence of poor FM practices and weak internal control environment across all levels, as seen from recurring incidence of audit observations and declaration of ineligible expenditures, and there is an urgent need to substantially strengthen the fiduciary system including implementation capacity across all levels. • There is potential to significantly improve the school GMS by making grants allocation based on a robust funding formula, introducing performance-based components, building a system to verify compliance on funds eligibility and utilizations. • There is considerable scope to enhance reliability/utilization of EMIS data and M&E systems by introducing independent verification for self-reported EMIS data and by making it web-based. • There is need for the specific PSF/TA to deliver the PforR Program. • Without the DLI triggers, the proposed targets on improved fiduciary, grant management, data systems, and completion of critical TA activities are unlikely to be achieved. For example, independent verification was envisaged in the SSRP but never carried out in the absence of clear incentives. It is the same with fiduciary capacity (manpower) and efficiency (CGAS) building. • The GMS is a necessary innovation because about 90% of program resources go directly to schools and once the GMS is operational it would provide significant credibility to the system that funds are in fact going to eligible beneficiaries (schools, teachers, or students) and are used for intended purposes. • Importantly, these are foundational priorities for a results-based Program to succeed.
DLI 2: Improved access to basic schools and retention in secondary schools • PPTS and PSS schemes approved • PPTS in Grades 9 and 11 and PSS in Grade 11 implemented in 25 districts (Year 2) and scaled up in all 75 districts in Year 3 • 250,000 cumulative number of OOSC brought to schools or LCs by Year 4 • Retention rate of poor students to Grade 12 in community schools is 60%	• OOSC: There are more than 500,000 OOSC ages 6–12 years. Currently, there are no targeted approaches to bring OOSC to the education system. Both the Government and DPs have realized that the currently operational schemes/incentives are not adequate to bring the last 10 percent of primary-age children to the formal education system and that the several OOSC interventions—both school-based and LC-based—may need to be developed and implemented to addressing the OOSC challenge. The agreed result (bringing 250,000 OOSC to schools/LCs) can be considered substantive. • Transition to and retention in secondary school is low, particularly for children from disadvantaged backgrounds. • In secondary school, scholarship incentives are there but are spread too thin and not pro-poor targeted and per student amounts are small. The MOE recognizes that current category-based scholarships are neither sufficient (in amount) nor suitably targeted (not pro-poor). On its own, the scheme is unlikely to be revised because it is politically sensitive to take away scholarships from certain groups (*Janajatis, Dalits*, or girls) even if they are not need-based. This DLI provides incentives to the GON to initiate the pro-poor program from Grades 9 to 12 and strengthens capacity to extend the program also at the basic level.
DLI 3: National Curriculum Framework (NCF) revised and implemented • Curriculum development and Year 2: revised NCF approved • Revision of curriculum for Grades 9–12 approved • Grade 9 new curriculum implemented	• The current school education curriculum, particularly in secondary, does not respond adequately to labor market needs, and it does not cater to the needs of diverse student populations (with regard to academic abilities but also with regard to aptitude and career aspirations). The current curriculum (6 compulsory subjects and 2 optional subjects) does not provide enough space for addressing this need. Similarly, the current content of mathematics and science core subjects is too heavy compared to that of other subjects offered at the Grade 10 SLC level and geared toward bright students who would pursue further education in areas like science, engineering, and so on, thus the need for differentiated curriculum (at least two levels) in mathematics and science.

DLIs and DLRs	Justification
	• This DLI will bring transformational change in the medium to long term and provide opportunities to students to choose subjects according to their ability and interest, contributing to system efficiency (retention) and ultimately to nation building. • Stakeholder consensus for implementing subjects of different levels of difficulties is not likely to be too challenging; however, limiting the number of compulsory subjects to fewer than six is likely to be more challenging. Thus the DLI trigger is critical to introduce and implement this reform.
DLI 4: Assessment and examination system reforms undertaken to improve teaching and learning • Analysis of results for nationally representative and competency-based NASA Grade 8 (carried out in Feb–March 2017) disseminated by August 2017 with specific time-bound action plan for relevant agencies • Single subject certification policy for Grades 11 and 12 implemented • ERO has analyzed and reported Grade 10 standardized examinations of NEB results and NASA results for the previous year in actionable form	• The current public examinations (Grades 8, 10, and 12) tend to encourage rote learning-based educational practices but not build students' cognitive competencies and noncognitive skills such as problem solving. • National student learning assessment has been initiated but needs further strengthening, particularly on design and analysis, and feedback to policy makers and quality improvements. • Single subject certification has already started in Grade 10 SLC and Grades 11 and 12; policy/implementation would maximize efficiency and equity gains for the system and at the same time dramatically improve the lives of many individuals by giving them a chance to continue pursuing their learning and career goals. • Standardizing examinations would help the system by making it competency-based, that is, measuring students' relevant skills. • A more advanced and credible national learning assessment system is an ultimate goal for any good education system. • Thus, this DLI achieves three complementary objectives.
DLI 5: Improved school management and accountability system • Revised grants manual approved for community schools, including guidelines for block grants to eligible unaided (permitted) community schools, performance grants to unaided schools eligible for block grants and community schools meeting basic accountability requirements, and pro-science enhanced grants. • Performance-based grants for schools meeting minimum accountability requirements implemented in 3,000 schools in Year 2 and 7,500 schools in Year 5 • Number of unaided schools receiving block grant reaches 500	• Nonexistent or minimal incentives and accountability mechanisms have rendered otherwise good policies ineffective (that is, good policies on decentralization of school management to SMCs directly elected by parents have stumbled during implementation because centrally recruited government teachers have not been accountable to local SMCs in the absence of compliance mechanism). • Use of block grants and performance-based grants to school based on meeting accountability and performance indicators is expected to strengthen school management and sustain community schools as autonomous institutions. • The results in this DLI are unlikely to be achieved in the default scenario, given that this requires a fundamental shift in funding formula: changes the school governance dynamics by linking a portion of school financing to accountability and performance. • Despite a relatively small innovation with the block grants to unaided community schools, if successful, they would bring about transformation change in how the Government may want to stay away from centrally appointing and allowing the community schools themselves contract their teachers as needed. It would bolster government community partnership and commitment from both sides to deliver quality education to all children. • Given Nepal's experience with community-focused approaches to achieving education goals, the risks of achieving the proposed targets are low to moderate. The numerical targets are also kept modest.
DLI 6: Improved teacher management and accountability • Revised policy/guidelines on reallocation of teachers based on status and norms of teacher deployment approved and policy and guidelines aimed at improving teacher TST approved • TST enhancing monitoring system operational in 15% of all community schools • Number of teachers to be redeployed reduced by 25% of the baseline • TST enhancing monitoring system operational in 80% of all community schools • Number of teachers to be redeployed reduced by 60% of the baseline	• Teachers are the most important actors in teaching-learning. Teachers (salaries) are the most expensive budget item (more than 75% of the MOE budget goes to salaries). However, the existing tools have not been effective in ensuring that schools receive adequate number of teachers based on norms and teachers actually spend time in classrooms teaching according to prescribed curriculum norms. Poor teacher management becomes the single most important factor that bleeds public resources intended for quality education • This DLI provides incentives to the Government, schools, and their teachers to address this long-standing problem of teacher imbalance (some have surplus and some deficit) and TST monitoring. • Both of these DLI triggers are challenging but achievable as proposed: designed based on local context (for example, teacher TST monitoring to be done locally by students or communities/SMCs, with support from HTs). Phased implementation plan should mitigate potential risks and provide opportunities for in-program modifications. • The impact from improved TST is expected to be large.

DLIs and DLRs	Justification
	• Teacher redeployment is also challenging; thus; the targets are kept modest. The important element here is commitment to implementing the reform even at a smaller scale.

B. Managing Risks and Improving Capacity

24. The SSDP is being implemented at a time when Nepal is undergoing historic sociopolitical changes, including the transition to a federal structure with the promulgation of a new constitution in September 2015. In education, federalism entails a reduced central role and a greater role for local governments in the management of school education. The transition to a federal structure will require significant prior planning with transitional arrangements and a road map, as well as institutionalized mechanisms to enhance the capacity of local government to manage school education. Lack of timely measures may impede sustained efforts in the education sector. At the same time, the reforms envisaged in the EAEA (2016) may not be fully implemented with due speed. Insufficient Government allocation for the SSDP budget heads may affect the full implementation of the key SSDP reforms, including those aimed at increasing the quality and accountability of teachers and schools.

25. Key measures to mitigate potential risk includes adequate provision of resources (staff, TA, and logistics) and implementation arrangements at all levels of the MOE system to ensure effective implementation, M&E, and reporting of the program. The Program would provide support and assistance, including the PSF, in various forms, to ensure that it is implemented as scheduled and that the anticipated results are achieved on time.

IV. Monitoring and Evaluation System

26. The M&E system of the MOE is guided by the national M&E framework and guidelines issued by the NPC. The National Development Action Committee (chaired by the Prime Minister) and the Ministerial-level Development Action Committee (chaired by the Minister of Education) meet every trimester to review the overall progress of programs and projects and discuss any issues of implementation. These committees are entrusted with the overall M&E of policies, programs, and projects on a regular basis, including for the MOE.

27. Institutional arrangement for the SSDP M&E at the national, regional, district, and school level is in place. The MOE's Monitoring, Evaluation, and Supervision Division and the DOE Planning and Monitoring Division are responsible for the overall M&E function of school education at the central level. The EMIS at the DOE is the main database system capturing information related to schools, students, and teachers. It collects data from all schools twice a year—one at the beginning of the academic year in May and second, at the end of the academic year in March—that are in turn collated in the form of Flash I and Flash II and annual consolidated reports. The data and reports generated by the EMIS are used for the annual and trimester progress reporting of school education.[21] At the school level, SMCs and HTs are

[21] The Flash I report is based on the school census data at the beginning of the school year and the Flash II report at the end of the school year. The consolidated report analyzes trends on key indicators from both Flash I and II reports.

responsible for the preparation of the school-level EMIS report and its submission to the RCs[22] and for conducting annual financial and social audits. At the RC level, RPs collect and report school-level EMIS and social audit to the DEOs and the DEOs further compile district-level data and submit to the DOE. The trimester physical and financial reports are sent by each DEO to the DOE for further consolidation and reporting to the MOE, NPC, and DPs. The ERO has been established to undertake periodic national learning assessments and conduct performance audits of the MOE system.

28. For the SSDP, considerable enhancement of the M&E system and processes are foreseen to effectively support the PforR modality. The Program will include trimester FM reports by the DOE and annual external audit of financial statements by the OAG. For improving FM and managing fiduciary risk, a joint FMAP will be agreed between the DPs and the Government and closely monitored. This includes an annual fiduciary review to diagnose bottlenecks and provide support to address them. The Program will have a common RF and a DLI framework. For the verification of the achievement of the DLIs, a rigorous verification protocol, including independent party verification, will be in place. A midterm evaluation and joint evaluation of the SSDP are foreseen with external TA mobilized by JFPs.

29. As a part of the JFA, MOE and DPs will undertake semiannual reviews/consultations in March and November of each year to review progress in implementation of the SSDP (including the achievement of DLIs) in accordance with the Schedule for Reporting and Review of the JFA. The Joint Review Meeting in November each year will assess overall Program performance and implementation progress, based on the reports and confirm the achievement of annual DLI targets for which evidence has been submitted.

A. Assessment of the Monitoring and Evaluation System

30. The SSDP has incorporated lessons learned from the SSRP to improve the overall M&E system for generation of reliable, timely, and adequate information on results, including DLIs. Envisaged critical reforms and actions to improve the M&E system and related capacity development during the Program include (a) strengthening of the EMIS through operationalization of a web-based EMIS for capturing real-time data on schools, students, and teachers at the DEO level; refinement of data collection forms and processes to align with the SSDP results and indicators; and additional analytical reports and profile cards for schools and districts and completion of third-party verification to increase the accuracy of data; (b) enhancing feedback mechanism to schools through the refinement of the school profile cards into more performance-based cards to be used in conducting school social audits; (c) using independent third-party verification on the achievements of the yearly DLI targets, which will increase the level of assurance on results and progress; (d) improving FM, school GMS, and financing system through the use of a web-based CGAS developed by the FCGO in all 75 DEOs to strengthen district-level accounts keeping and ensure timely preparation of the financial reports, revising the school grant financing formula that also includes provision of need and performance-based block grants to ensure transparency and timely reporting of financial and physical progress at school level and strengthening the GMS to ensure the compliance on grant eligibility and utilization;

[22] The RCs are centrally located secondary schools (Grades 1−10 or 1−12) that provide professional and administrative support to a cluster of around 34 satellite schools. There are 1,053 RCs. Each RC is staffed by a full-time RP who is deputed from a teacher position.

and (e) enhancing the SSDP's Program Management Arrangement, including the establishment of the Program Steering Committee along with the TSU at the MOE, to monitor the SSDP progress as well as the DLIs and GMU and adequate qualified accountant and engineering staff at the district level.

B. Managing Risks and Improving Capacity

31. The major risk of the SSDP in M&E that is identified is whether the DOE can generate timely and reliable data required for DLI reporting. This is further exacerbated by the fragmentation of M&E activities within the MOE and DOE and limited human resources and technical capacity. Mitigation measures include strengthening of M&E activities through development and implementation of a comprehensive M&E plan as described in the PAP and supported by the PSF and TA from the World Bank and other DPs.

V. Economic Justification of the Program

32. The Program aims to provide quality basic and secondary education to all students and better prepare them for higher education and employment. Education increases the employability and future income of individuals by enhancing their productive capacities. The internal rate of return (IRR) was calculated using an elaborate method to measure the benefit and effectiveness of the Program and its viability. This method derives the rate of return after calculating the discount rate that equates the NPV of the benefit stream arising from additional investment in schooling with the NPV of the cost stream. The cost-benefit analysis presents an assessment of benefits and costs associated with the Program using a 'counterfactual' identification approach whereby the Program 'investment' is the estimated additional cost over and above the current spending.

33. **Benefits and costs.** The SSDP benefits are taken to be those changes in the quantity, quality, and reduction in internal inefficiency of education that the SSDP will produce over the Program period. Benefits come from three sources: (a) more basic education completers who earn higher wages (relative to noncompleters), (b) greater quality of education resulting in higher wage premiums for all basic education completers, and (c) less wastage of public and private resources as a result of fewer dropouts and repetitions. The SSDP will enhance internal efficiency and will result in low 'wastage', that is, fewer school dropouts and repeaters, and lower unit costs. Since 2009, internal efficiency has improved through lowering repetition rates and improving survival and completion rates, and the SSDP interventions are expected to further contribute to improving internal efficiency. The SSDP costs include additional Program costs (from the Government and JFP sources) and private costs that comprise direct household outlays as well as opportunity costs. Additional Program investment is derived from the difference between the ongoing program spending and the proposed SSDP estimates.

34. **IRR.** Based on a discount rate of 12.0 percent for the benefit and cost streams described above, the present discounted value of benefits for the base-case scenario is estimated to be US$2,830 million, while the present discounted value of costs is estimated to be US$2,447 million, and therefore, the NPV of Program benefits is US$383 million (table 4.6). Both costs and benefit are calculated in FY2015/16 constant prices. The economic analysis results in a

sound internal economic rate of return of 15.9 percent for the Program (12.6 percent for basic education and 23.9 percent for secondary education).

Table 4.6. IRR Estimates

	Wage Premium (%)	Basic Education (%)	Secondary Education (%)	SSDP (%)	NPV (US$, millions)
Basic education	5.5%	12.63	23.91	15.85	383
Secondary education	5.5%				

Source: World Bank and ADB staff estimates.

35. **Sensitivity analysis.** The key source for school sector education benefits was earnings from improved education quality (59.0 percent for basic and 48.0 percent for secondary education). The IRR was estimated to be 9.83 percent for the downside scenario (decrease in market-determined wage rate, a decrease in the quantity of additional completers, a decrease in internal efficiency, and an increase in public investment costs). The results show that the most sensitive factors are the public investment costs, as well as the combination of quality premium and internal efficiency. In addition, the results are conservative lower-bound estimates, given that the externality benefits have not yet been accounted for, arising from healthier, more educated citizens, and more equitable/inclusive society that may result from the interventions.

Annex 5: Summary Fiduciary Systems Assessment

I. Introduction

1. An integrated FSA of the Nepal SSDP, carried out as part of PforR Program preparation, is based on the analysis of available documents and working sessions with the key stakeholders. The FSA considers whether the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. It covers the Program's institutional arrangements, FM and procurement systems, and governance systems.

2. The FSA was conducted based on current knowledge of Nepal's public procurement and FM systems, previous diagnostics, and reports. The World Bank fiduciary team was involved from the preparation stage and met with the country's control bodies, including the OAG, as well as the FCGO and the Directorate of Budget, the PPMO, the Commission for Investigation of Abuse of Authority (CIAA), the National Vigilance Center (NVC), the MOE and, the DOE. The FSA concludes that the Program's fiduciary systems provide reasonable assurance that the financing proceeds will be used for intended purposes, provided an agreed fiduciary mitigation plan is implemented during implementation.

II. Program Description, Institutional arrangements and Expenditure Framework

A. Program Description

3. The development objective of the operation is to improve the quality, equitable access, and efficiency of basic and secondary education in Nepal by supporting the Government's School Sector Development Program. The proposed US$185 million World Bank PforR Program would support the five-year time slice of the Government's seven-year SSD Plan. Along with the World Bank, the Government and nine other DPs jointly finance the entire program (table 5.1). The PforR Program is clustered around three SSDP result areas: (a) improved teaching-learning and student learning outcomes; (b) improved equitable access to basic and secondary education; and (c) strengthened education system, management, and governance. A subset of the SSDP interventions, outputs, and outcomes is chosen as the DLIs. The World Bank financing would finance the achievement of DLRs associated with these DLIs.

Table 5.1. Tentative SSDP Cost and Financing Plan (2017−2021)

Source	Amount (US$, millions)	Share of Total (%)
Government	5,739	88.8
IDA/World Bank	185	2.9
Other JFP/Non-JFP	293	4.5
Financing gap	244	3.8
Total	**6,461**	**100.0**

B. Institutional Arrangements

4. The SSDP will use the government system for Program implementation, oversight, FM, procurement, environmental and social systems, M&E, and reporting arrangements. The MOE will serve as the EA and will have overall responsibility for policy guidance and oversight for Program implementation. The DOE will be the main IA with the task of preparing the ASIP and AWPB and carrying out the Program activities, with the support of the other CLAs. Additional information is provided in the 'Implementation Arrangements' section of Detailed Program Description annex 1.

Role of Various Stakeholders

5. **Ministry of Education and Department of Education.** The FMC under the Planning Division at the MOE will be responsible for overall coordination of fiduciary management at the ministry level. Fiduciary unit under the Planning and Monitoring Division of the DOE will support the DOE for the implementation of fiduciary management of the programs, including timely release of the approved program and budget to individual DEOs as well as monitoring and reporting. The GMUs at each DEO will support for improved grant management and effective implementation of the SSDP at the district level.

6. **Ministry of Finance.** The MOF, through the IECCD, is responsible for mobilization of resources through foreign aid, including that for the SSDP. The Budget and Program Division prepares public expenditure plans. The Public Expenditure and Financial Accountability (PEFA) secretariat coordinates PFM reform activities. For the SSDP, the role of the PEFA secretariat is important as a number of fiduciary improvement actions will require coordination between the MOE/DOE and the MOF.

7. **National Planning Commission.** The NPC formulates development policies and prepares periodic development plans within the framework of a long-term development perspective. The role of the NPC will also be in finalizing the ceiling of annual budget for the Program.

8. **Office of the Auditor General.** The OAG is mandated to conduct the audit of all levels of government offices, including that of the MOE/DOE as specified by law, following established standards and procedures considering regularity, economy, efficiency, effectiveness, and propriety. The OAG reports to the President. The OAG certifies and provides opinion on the financial statements of state-owned enterprises and DP-assisted projects/programs and follows up of previous audit observations and recommendations of audit reports.

9. **The Commission for Investigation of Abuse of Authority.** The CIAA is a constitutional body created by the Interim Constitution of Nepal 2007 and is one of two main anticorruption agencies with the legal authority to take action against corruption. The CIAA can present cases it has investigated to a special court, and outcomes from here can address corrupt acts of the types described in various anticorruption laws and other legislation. As mandated by the law, the CIAA presents an annual report to the President, who then presents the report to the legislature.

10. **Public Accounts Committee.** The Public Accounts Committee is an all-party parliamentary committee of the House of Representatives tasked to examine the GON accounts and discuss the OAG's report.

11. **Financial Comptroller General Office.** The major responsibility of the FCGO is Treasury management, overseeing all government expenditures against the budget, centrally recording revenue collection and other receipts, and preparing consolidated financial statements. With 4 divisions and 14 sections, the FCGO's field offices are spread across all 75 districts of the country. Each district has a District Treasury Controller Office (DTCO) that is involved in making payments based on request of the spending units within the approved budgets of government offices, budgetary controls, and reporting.

12. **Public Procurement Monitoring Office.** The PPMO prepares a public procurement policy; coordinates procurement, including debarment proceedings; and supports capacity building through professional development plans and training for public officials. It also monitors public procurement through site visits.

13. The GON has implemented an ambitious Public Financial Management (PFM) reform (Phase 1) leading to improved alignment of Nepal's public procurement and FM systems with international practices. Overall, these systems have experienced a positive development over the past decade, which has been documented and evidenced in the 2015 PEFA assessment. Budgeting has now been computerized and budget execution is generally predictable and does not deviate substantially from planned and voted budget. The Treasury system has also been consolidated and computerized. A second phase of the National PFM Strategy has been endorsed in March 2016 by the PEFA SC and is aiming at the consolidation and improvement of PFM and procurement country systems.

C. Expenditure Framework

14. The PEF[23] will be entirely funded through the GON's National Budget, and it will be implemented through the use of the GON's systems with regard to budget preparation and execution, cash management, accounting, financial reporting, internal controls, and external audits. The GON's budget is a credible predictor of actual expenditures since the difference between actual and original budgeted expenditure is generally below 5 percent. While the overall SSDP has been costed, it is not possible to directly correlate budget line items with the SSDP outcomes covered by the Program since the GON's budget does not yet present a program-based classification that could link inputs to outcomes. Nevertheless, the budget execution reporting mechanisms (cash management, financial reporting, and external audit) allow for sufficient monitoring of budget proceeds, as indicated in this assessment. Also, activity-based budgeting has commenced with the LMBIS. Because it has been agreed that the CGAS developed by the FCGO is to be installed in all cost centers of the MOE/DOE for the SSDP implementation, the activity-based expenditure accounting and reporting will also be done in CGAS.

15. The World Bank proceeds will be transferred to the GON's consolidated fund (the General Fund) at the NRB and will fund the execution of the GON's budget. The International

[23] A more complete description of the PEF is found in annex 4 and is not repeated here.

Monetary Fund safeguards assessment mission of September 2015, while making important recommendations to improve the internal control framework of the NRB, has not indicated that specific safeguards measures would be required.

16. At the end of the SSDP, any amount exceeding the total DLI disbursed amount by the World Bank compared to the total expenditures incurred under the defined Program minus other donors' contribution will need to be refunded to the World Bank. The following eight SSDP budget heads will be used for the purpose of Program expenditure reconciliation: 350016-3, 350017-3, 350023-3, 350023-4, 350140-3, 350140-4, 350806-3, and 350806-4.

III. Program's Fiduciary Performance and Significant Fiduciary Risks

A. Financial Management Systems

17. The Program's FM implementation arrangements have been assessed to evaluate the capacity of the IA to record, control, and manage all Program resources and produce timely, understandable, relevant, and reliable financial information for stakeholders.

Program Planning, Budgeting, and Transparency

18. Nepal's education budget is based on an item-based administrative classification complemented with an economic classification. With the recent introduction of the LMBIS for budget preparation, efforts for function/program/activity-based budgeting have been initiated. This will be particularly enforced in the SSDP with program budget heads and activity codes to segregate spending by the SSDP results-based interventions. This will better link budget allocations to policy targets and will improve monitoring of expenditures in relation to budget/cost effectiveness and efficiency.

19. Nepal's education budget spread among 117 entities (central MOE and district-level offices) and approximately 30,000 schools at primary and secondary levels is a significant challenge during the planning and budget preparation phase. While the LMBIS is currently being used at the ministry level, the progressive introduction of the LMBIS at the district level has the potential to halve the budget preparation time and reduce the scope for error, abuse, and loss of spending control. Because the MOF's MTEF is yet to be used in the MOE's annual budget preparation process, there is limited consideration for education sector strategies and results reflected in the MTEF. The SSDP will aim to address this by supporting the AWPB process based on Program results/policy targets and over time bringing the MTEF for the SSDP annual budgeting. School-level EMIS data are already used in the AWPB; introducing measures to improve data reliability (through independent verification) will greatly enhance quality of budgeting and planning.

20. The largest share of the SSDP expenditure will be for salaries and remuneration (estimated 65.3 percent), followed by Program costs (27.2 percent) and management and administrative cost (7.4 percent). Under Program costs, the main costs include civil works (5.3 percent), textbooks and learning materials (6.7 percent), and scholarship and incentives (6.0

percent) accounting for an estimated 18 percent of total SSDP costs.[24] The SMC is involved in planning, management, and raising additional resources (not reflected in the government budget and execution report) from the community as the GON resources are not sufficient for school development. While the OAG audit at the DEOs covers all the expenditures under the GON funds to individual schools, provision of school-level social and financial audits cover the audit of all funds/expenses at schools. The GMS that will be established at the DEOs and social and financial audits, as required by law, will be strengthened further.

Program Accounting and Financial Reporting

21. The FSA identifies weaknesses with regard to timely recording and reporting of expenditures because of the difficulty in collecting financial reports from cost centers on time. The MOE has access to the Treasury Single Account (TSA) data, but these do not provide activity-based information. There are challenges with reconciliation between the FCGO and MOE accounts mostly due to the manual accounting at the DEOs. At the school level, most school accounts are prepared manually with a simple consolidated income and expenditure statement produced at the end of the year for submission to the DEOs. During the SSDP, this challenge will be addressed in coordination with the FCGO by rolling out the web-based CGAS to all DEOs as well as the MOE and DOE (CGAS is part of fiduciary enhancement DLI). The GMS, also a DLI, will be operational at each DEO by July 2018 and will contribute to reducing the delay in financial reporting, reconciliation, and consolidation while also strengthening financial monitoring and control. The FCGO also plans to develop the interface of CGAS with the TSA and LMBIS. Upon development of such an interface, the issues around budget controls and account reconciliation will also be significantly mitigated.

22. The FCGO manages the consolidated fund of the Government at the NRB (central bank of Nepal) through a network of DTCOs. The DTCOs make the payments based on the government entities' payment instructions and maintain accounts thereof in the TSA system computerized throughout the country. The accounting information is centralized at the FCGO, which produces consolidated annual financial statements of the state. These annual financial statements are published on the FCGO website. Although activity-based expenditure information is not yet produced by the TSA, budget and accounting information has become more transparent after the implementation of Government Finance Statistics classification and the TSA. Progress has also been made in piloting the Nepal Public Sector Accounting Standards in some of the ministries, which are compliant with international financial reporting standard (cash-based International Public Sector Accounting Standards). The rollout of the Nepal Public Sector Accounting Standards in the MOE will be supported under the SSDP.

Treasury Management and Funds Flow

23. Line ministries are provided reliable information on commitment ceilings at least one quarter in advance. The MOE, like other ministries, sends to the DOE and offices similar authorization letters, approved programs, sources of expenditure, and detailed line items within 15 days of receipt of the MOF authorization. Priority 1 projects, such as the SSDP, would be

[24] Table 4.3 in annex 4, Summary Technical Assessment, has the SSDP Expenditure Framework by expenditure category.

assured one-third of funds from the approved budget on the first day of the fiscal year and expenditure funds are replenished on the day the statement of expenditure is submitted to the DTCOs. The Red Book, with statement of programs and projects with the ceiling of the budgeted amounts, provides ministries with reliable indication of actual resources available for commitment more than one and a half months in advance.

24. Substantial progress has been achieved in the last few years with regard to Treasury management and funds flow in Nepal with the implementation of the TSA system. This system has reduced the number of bank accounts controlled by the Government (from 14,000 accounts for 4,500 cost centers to around 400, controlled by DTCOs) and integrated them into a TSA. This allows for real-time monitoring of budget expenditures and the daily publication of budget execution reports on www.fcgo.gov.np/publications. All budgeted public expenditures are captured across all 75 districts. The TSA comprises a revenue collection module Revenue Management Information System (RMIS) now covering more than 80 percent of government-budgeted revenues and a commitment recording system is being implemented, starting in 2016. This system is IT-based and has strengthened ex ante budget controls, the credibility of budget execution data, and the knowledge of Treasury cash position and forecast. The introduction of commitment recording will further strengthen cash forecasting, planning, and budgeting.

25. Fiscal reports are publicly available; however, the fiscal reports are not comprehensive, and many autonomous government agencies and donor projects operate outside the government budget and accounting framework. This is also the case for the education sector where some portion of donor funding for government projects are not captured by the government budget and disbursed outside the government Treasury system, that is, disbursements made directly to project accounts operated by the government agencies directly without passing through the TSA revenue accounts.

26. For budget execution, the flow of funds is entirely under the control of the FCGO. Line ministries, like the MOE send payment orders to the DTCO which processes payments through its network. In the case of schools, the DTCO executes the payment to the school bank account on receipt of the request from the DEO. The DEO maintains the payroll of teachers while schools submit trimester requests to the DEOs for payment to their bank account for the total amount to be distributed to the teachers and other expenses. The total amount for salaries is paid by the DTCO on request of the DEO to the school bank account. The HT then makes transfers from the school bank account to the teachers' bank accounts or withdraws cash for direct payments to teachers who do not have bank accounts.[25]

27. Teacher salaries as well as most other payments to schools are executed as earmarked grants.[26] However, as observed by the OAG audits, schools in some cases do not follow the rules or purpose for which they received the grant. Unspent balances of a grant from one year to

[25] During the time of this assessment, it was estimated that more than 80 percent of teachers have bank accounts and the target is to have all teachers receiving their salaries through bank transfers.

[26] Most of the revenue for a school is in the form of conditional grants. Schools have very limited discretionary authority over their funding, which is typically only 5–10 percent of the total grants received. However, some schools receive community and other donations for which they may implement school improvement and the grant received for construction and rehabilitation is often based on submission of an SIP endorsed by the SMC for approval by the DEO.

another appear to be treated as unconditional for purposes of expenditure. To address this, a GMS/GMU will be established at each DEO with additional technical support to regulate, monitor, and supervise school-level spending in compliance with the purpose of the grants transferred to schools. For releasing payment to schools, the DEO/GMU will also verify/reconcile data with the EMIS and Teachers Record Office. In addition, the FM unit within the DOE will be strengthened for overall financial monitoring of the SSDP and ensuring timely implementation of recommendations from the OAG and other agreed actions. Possibility of establishing/strengthening regional monitoring units will also be explored to ensure robust monitoring system. This may be based on the federal system to ensure alignment with and supporting to operationalizing of the federal structure/system.

Program's Internal Controls, including Internal and External Audit

28. While there is no national framework for internal controls in the public sector in Nepal, there is a comprehensive set of financial regulations guiding budget execution. However, weaknesses in enforcement of these rules, largely due to lack of accountability as well as capacity constraints (for example, inadequate qualifications of Chief Financial and Administrative Officers at the DEOs) have created challenges in maintaining fiscal discipline and compliance with these regulations. The inadequacy in enforcing the compliance with criteria-based grant allocation from the DEOs to schools and reconciling teachers' information (field to central) present further challenges. The expenditure management does not provide for sufficient ex ante controls to prevent expenses from being incurred in contradiction with the legal and regulatory framework. The DTCO internal audit function is an ex post sample testing of the existence of supporting documentation (invoices, and so on) available at cost centers in support of the payment requests processed by the DTCO. This 'inspection' takes place infrequently due to capacity constraints of the DTCO. In addition to frequency and quality of internal controls, the institutional arrangement with limited segregation of duties for internal audit under the DTCO, which also functions as payment processor, presents challenges on integrity of control function of the internal audit.

29. The Government's budget outturns compared to originally approved budget are broadly within initial budget ceilings, indicating an acceptable level of budget credibility and fiscal discipline. Given the various challenges in the sector and the nature of Program interventions that disbursement funds and resources to a large number of beneficiaries, some of the MOE expenditures at the field level are reported as questionable by the OAG in its annual audit reports. The recurring observations from the past OAG audit reports include the following:

(a) Excess salary payment to teachers—for teachers who have already retired and in excess of entitlements
(b) Significantly delayed work completion certification for construction and repairs/maintenance of schools
(c) Noncompliance of procedures for distribution and monitoring of scholarships
(d) Receipt of grants by 'ghost-schools' in the past
(e) Excess disbursement for free textbooks
(f) Conditional or earmarked grants to schools not used for the intended purpose
(g) Expenses incurred without adequate supporting documentation often related to travel, workshops, and training as well as stationery and other inputs at school level

(h) Expenditure incurred from contingency budget without attribution to specific head
(i) Expenses of the previous year paid from the current year's budget without approvals

30. On the positive side, the latest available audit report of FY2014/15 shows significant progress. For example, the audit opinion is not qualified unlike in the previous years; the number and nature of audit observations have decreased from the previous years (for example, there are no audit observations on nonexistent schools and per capita funding); and a large portion of the audit observations raised in the previous fiscal years has now been settled (these include settlement of excess salary payment to teachers, textbooks, and other per capita grants). While this reflects efforts made toward improving fiduciary systems, much remains to be done to address identified challenges as well as recurring audit observations on excess salary payments, excess payment for textbooks, and nonavailability of work completion reports. Capacity constraints at the district and central level, particularly for monitoring and supervision identified as a major weak area, will be addressed in the SSDP to overcome the above challenges.

31. The SSDP has made special arrangements to address the above challenges on fiduciary management at the center, district, and school levels through a capacity development program at the MOE, DOE, DEOs, and schools. While the TSU with dedicated experts at the center will provide technical support at the MOE and DOE, the GMU in the DEOs under senior officers other than the District Education Officer will (a) identify eligible school, teacher, and student beneficiaries for the SSDP grants; (b) prepare the ACFs based on compliance with eligibility criteria including verification/reconciliation with EMIS and TRO data; (c) support the DEO accounts units to disburse funds through the banking system according to the ACFs; (d) collect information and supporting documentation on school grant use; (e) reconcile expenditures (between information from the banking system and information provided by schools); and (f) prepare grant eligibility compliance and grant use reports and perform monitoring functions as required. A dedicated focal person will also be assigned by SMC to coordinate the school reporting.

32. The IT system will also be strengthened for enhanced internal controls, for example, EMIS data for both students and teachers should be used for internal controls. As the EMIS has a section to input the bank account number, this information should be the basis to ensure payment to the right teacher. CGAS should thus be linked to the EMIS to ensure the same. Mechanisms for timely reconciliation of teachers' data with the Teachers Record Office will also be developed for verifying and reconciling EMIS data. Possibilities for similar system strengthening with regard to student data and payments will be explored in the SSDP.

33. For effective internal controls at the school level, measures such as releasing the next tranche to respective schools, based on verification/reconciliation of EMIS/TRO data and acceptable social and financial audits, could be enforced. The GMU in the DEOs will help ensure such enforcement.

34. The MOE is also in the process of finalizing FMAP which is intended to be the internal controls framework for the education sector. This will be finalized and implemented under the SSDP to mitigate the potential risk identified above.

Program Audit

35. Each year, the OAG conducts a final audit of all MOE cost centers. The experience from the SSRP indicates that the OAG produces the report usually by nine to ten months while the SSRP requirement was by six months from the end of the fiscal year. The delay is caused by various factors related to audit programming, dispersion of cost centers, late submission of accounts, and supporting documents by the MOE. The World Bank is reinforcing its dialogue with the OAG to find adequate solutions to improve the situation. The OAG capacity-building initiatives financed by a Multi-Donor Trust Fund are also expected to reduce audit time in the long term. Nevertheless, considering the spread of cost centers and the country's usual timeline of consolidation of accounts and audit programming, it has been agreed that the financial audit for the SSDP will be submitted by nine months from the end of each fiscal year. The audit will also cover the eligibility of expenditures incurred as defined in the Program. The audit report of the SSRP for FY2015/16 which is due on January 15, 2017, is expected to be received only by April 15, 2017, because of the factors specified above.

B. Procurement Systems

Arrangements for Procurement under the Program

36. **Legal framework.** The DOE is responsible for overall procurement management under the SSDP, including procurement planning, implementation, supervision, reporting, and database management. The DOE's procurement is governed by Nepal's Public Procurement Act (PPA, 2007) and Public Procurement Regulations (PPR, 2007). The PPMO is responsible for procurement policies and oversight of all procurement agencies including the DOE/MOE. According to legal provisions, open tender is mandatory for any procurement above NPR 2 million, whereas sealed quotations are required for procurement between NPR 0.5 million and NPR 2 million. The DOE follows International Competitive Bidding for complex bids or if there is no assurance of competition among national bidders. All other bids follow National Competitive Bidding procedures.

37. **Procurement planning.** Under the Program, the DOE would prepare a medium-term Master Procurement Plan and an annual Consolidated Annual Procurement Plan (CAPP). The Procurement Unit (under the General Administration Section) at the DOE coordinates the preparation of the CAPP, based on procurement needs of the DOE and other CLAs. The Program and Budget Section and Financial Management Section of the DOE and respective CLAs play a key role in preparing the program's AWPB and once the AWPB is finalized, necessary changes are made in the CAPP. The final CAPP is then submitted to the PPMO which publishes it on its website. The DOE also publishes the CAPP on its website.

38. **PforR exclusions.** The Program (PforR-supported activities) will exclude activities that involve procurement of (a) works, estimated to cost US$10 million equivalent or more per contract; (b) goods, estimated to cost US$5 million equivalent or more per contract; (c) non-consulting services, estimated to cost US$5 million equivalent or more per contract; or (d) consultant services, estimated to cost US$3 million equivalent or more per contract. In addition, the Program will exclude activities that are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people, and that involve

reconstruction of schools in thirty-one (31) earthquake-affected Districts by the National Reconstruction Authority.

Major Observations on the DOE's Procurement Management

39. **Structural weakness, delays in procurement decisions.** The Procurement Unit within the DOE is led by a Deputy Director of the General Administration Section, who is an administration professional. The SSRP experience suggests that officers working for the PU do not have adequate procurement knowledge, experience, and skills. Though the SSRP and the proposed SSDP are not procurement-intensive projects, timely preparation of the CAPP has been a challenge. Finalization of the CAPP takes considerable time; procurement decisions are delayed at every level; there is no procurement monitoring system; and as a result, there is bunching of procurement in the last quarter. To mitigate these risks, the SSDP proposes to deploy a dedicated procurement professional to provide continuous procurement support to the DOE/PU.

40. **Management of school physical facilities (SPF).** The DOE uses EMIS data to allocate budget, in the AWPB, for construction of school physical facilities (classrooms and toilets), supply of classroom furniture, and repair and maintenance of these facilities. Based on the allocation, each DEO releases budget to eligible schools selected according to criteria and procedure in the centrally prepared Program Implementation Manual. Experience from the SSRP indicates several issues: (a) delays in budget release and school selection process; SMCs face difficulties in completing construction works within the same fiscal year, resulting in audit observations from the OAG; (b) inadequately managed information on the status of school-wise allocation of physical facilities and their completion status; and (c) inadequate DEO-based engineers and subengineers manpower to provide technical supervision and monitoring support to beneficiary schools/SMCs to manage SPF based on community procurement modality within the framework of the PPA/PPR. To address these concerns, the SSDP proposes to strengthen manpower at the DEOs, accounting for remoteness and geographic variation. This will help reduce delays in certification of school construction activities and also release of subsequent installments.

41. **Completion reports.** In light of the SSRP experience, the SSDP proposes to allow two fiscal years for completing the SPF project. Except for some special cases of multiyear construction, if any SPF is not completed within the two consecutive fiscal years, it will not be considered as a completed facility under the PforR Program and thus can be raised as audit observation.

42. **EMIS for SPF.** To improve operational efficiency, the current Excel-based EMIS will be upgraded to an online web-based system. This will facilitate the proposed use of the EMIS to upload data on school-wise SPF facilities, budget release, and completion status.

Management of SPF Implemented by the NRA in 31 Earthquake-affected Districts (Outside the World Bank-supported Program)

43. All SPF, except repair and maintenance as described above under the DOE implementation, will be planned, implemented, and reported according to the procedure agreed

with the NRA for the ADB- and JICA-financed components. The MOE/Central Level Project Implementation Unit is responsible for overall coordination and implementation management to ensure timeliness and quality of the implementation. Repair and maintenance of SPF in schools outside of these districts will, however, be carried out by the DOE, as mentioned above under the DOE implementation.

44. **Construction of office buildings for the REDs, DEOs, and RCs.** Construction of these office buildings will follow standard procurement procedure under the PPA and PPR, including adequate arrangements for design and construction supervision. Procurement of construction works for RED buildings is carried out by the respective REDs and the DEO and RC buildings by the respective DEOs. Bidding is done using PPMO's e-Government Procurement portal. The Physical Services Section of the DOE, in coordination with the TSU at the MOE, is responsible for providing procurement support and training for the RED and DEO engineering manpower for construction works. As part of due diligence on quality of the construction works, the DOE will carry out technical audit on a sample of such buildings.

45. **Value of procurement done by the DOE.** The value of procurement administered by the DOE during FY2015/16 and FY2016/17 is as indicated below (NPR, millions):

Table 5.2. Budget Allocation by Procurement Activities (NPR, millions)

S. No.	Description of Procurement Activities	FY2015/16	FY2016/17
1	Procurement of goods (furniture and fixture, office equipment computers, printers, photocopiers and so on; software and vehicles) done at the DOE level	111	149
2	Procurement of works for the RED, DEO, and RC building construction done at respective levels	31	51
3	Procurement under consulting services	12	25
	Total value of procurement	154	225

Source: DOE.
Note: Value of procurement done by the other CLAs is small.

Table 5.3. Value of Grants for School Physical Facilities and Textbooks (NPR, millions)

S. No.	Description of Procurement Activities	Budget Allocated	
		FY2015/16	FY2016/17
1	School Building and Infrastructure Support Grants (Grants for SPF)	10,729	7,414
2	Grants for Textbooks	1,860	1,860
3	Total Grants	12,589	9,274

46. The volume of procurement (in table 5.2) is less than 3 percent of the total school grants for SPF and textbooks (in table 5.3).

47. **Arrangement of textbook supply to schools.** There is a unique arrangement for supply of textbooks to community schools. Textbooks are not procured through competitive bidding procedure. A Government-owned printing house—Janak Education Material Center (JEMC)—and selected private printers-distributers (PPDs) are allowed to print and distribute textbooks on the prices fixed by the Government. While the JEMC is free to print and distribute textbooks for all grades and in all regions, the PPDs have been allowed to print and distribute Grades 1–5 textbooks across the country. This arrangement has created a competitive environment among the Government and private sectors to quickly print and distribute textbooks. Though there were

several issues in the past, textbook outreach to students has considerably increased in recent years (more than 85 percent of students receiving textbooks within two weeks of the start of the academic session compared to around 50 percent during EFA). To forecast the need of textbooks for every year, there is a special mechanism at the DOE-CDC which prepares a plan for printing textbooks and prepares a list of qualified private sector printing houses for this job. Then the CDC enters into an agreement with each of the selected PPDs, while JEMC's responsibilities (as a Government agency) are defined in a separate document. The DOE, in coordination with the CDC, carries out regular monitoring of printing and distribution progress of textbooks. A 12-member monitoring team has been constituted for this monitoring. A list of PPDs is updated every year depending upon their performance. Similarly, there is a mechanism under the MOE, which is responsible for fixing the retail price of each textbook for each grade.

48. Community schools obtain grants for textbooks from the respective DEOs based on the number of students and the schools purchase textbooks from nearby authorized book stores.

C. Fraud, Corruption, and Debarment of Contractors

49. The main objective of the integrity review, as part of the FSA, was to confirm whether the legal framework and institutional mechanisms enable the MOE to abide by the 'Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing'. While there are weaknesses in accountability, the review of the status of integrity systems in the sector found that there is increasing recognition within the GON of challenges posed by fraud and corruption to development outcomes. This is seen particularly in the fact that the budget for the financial year 2016–2017, presented by the Finance Minister in late May 2016, acknowledged the challenges and committed to strengthen monitoring and allocate required resources to combat "improper and corrupted activities between beneficiaries and service providers."

50. The FSA notes that a number of cases in the school sector were investigated by the CIAA. Receipt of grants by 'ghost schools' was under primary attention as it was flagged by the OAG in their annual audit reports. More recent AG reports, however, do not raise this as a problem. It is noted that the complaints are reported in a variety of ways, including, but not limited to, in person at the CIAA main office or district offices, by mail, by phone, by e-mail, or through the web link on to the CIAA website (http://ciaa.gov.np). The NVC is another agency that provides vigilance on governance matters. For example, the NVC carries out a periodic technical audit of bridges financed under the World Bank-supported Bridges Improvement and Maintenance Program (P125495) PforR. It should be noted that the CIAA is present, or is invited at the least, whenever the NVC presents findings of its technical audit, as agreed under arrangements for the Bridges PforR. The FSA further notes that while the MOE/DOE does not currently have specific preventive mechanisms in place to identify and prevent all types of misconduct defined in the ACG, the SSDP envisages improvements in this area over the course of PforR implementation, given its emphasis on improving internal controls and fiduciary systems for FM and procurement as DLIs or PAP.

51. **Ethics, code of conduct, and whistle-blowers.** The SSDP will strengthen the system that continuously supports and monitors a code of conduct, complaints handling, and grievances at all levels. The cases of fraud and corruption in the Program will be reported to the CIAA, as is the practice in other ministries and government agencies. The Government will share with the

World Bank complaints of material nature received under the Program regarding fraud and corruption.

Summary of Significant Fiduciary Risks

52. Based on the assessment of fiduciary systems conducted in the above section, the following significant fiduciary risks have been identified for the Program:

(a) There is a weak link between policy intent and the budgeting of resources. This leads to the question of how IDA proceeds that would be used to achieve the objectives of the Program will be reflected in the budget and used toward achieving the objectives of the Program.
(b) The implementation capacity at the MOE for Program assessment and M&E needs to be strengthened.
(c) Weakness in the internal control framework within the MOE pose a risk that World Bank proceeds might be expensed in contradiction with the Legal and Regulatory Framework and therefore be subjected to external audit queries.
(d) Low capacity of the unit in charge of the MOE procurement.
(e) In particular, the complexity of the MOE expenditure framework, with 117 cost centers and 30,000 schools and the lack of sufficient accountability mechanisms is a risk.
(f) Inadequate capacity of the DEOs in providing engineering support to schools.

53. Fiduciary systems also present elements of strengths that include the following:

(a) Sound GON budget process on timeliness, classification, and execution control by Treasury
(b) Transparency of the budget process with daily budget execution reports published on the FCGO's website and timely production and publication of budget documents and annual financial statements
(c) A systematic external audit of government expenditures, including in the education sector, by an independent OAG and increasing capacity of the OAG to conduct a performance audit, including in the education sector

IV. Mitigation Measures and Monitoring of Fiduciary Performance

54. The Program fiduciary systems are generally in line with international standards with regard to budget process and transparency. The SSDP PforR addresses the fiduciary risks descried above in two main ways: (a) through DLI-based financing (monetary incentives) by including the DLI on strengthening governance, fiduciary, data and capacity and (b) through the PAP by integrating key fiduciary measures. Review of the FMAP on a semiannual basis will further help strengthen the fiduciary management system. Nevertheless, considering the existing weaknesses in Program fiduciary systems and the time and effort required to implement the FMAP and the capacity-building initiatives, the residual fiduciary risk rating for the Program is rated as Substantial.

Mitigation Measures

55. The assessment suggests the following mitigation measures that could form the basis of an FMAP for improving the general performance of fiduciary systems:

- Implementation of the activity-based budgeting system in the form of the LMBIS at the district level to better link budget allocations on Program interventions (inputs) to Program outputs/outcomes
- Implementation of CGAS in all cost centers up to the district level
- Fiduciary capacity building at the central level: a fiduciary unit at the DOE with adequate number of dedicated fiduciary staff and experts (FM and procurement); a TSU at the MOE/DOE to provide procurement support; and intraministerial FMC chaired by the MOF, including the MOE, FCGO, and IECCD (MOF) to provide strategic guidance
- Establishment and operationalization of the GMU at each DEO to ensure that funds disbursed to schools comply with eligibility and utilization guidelines
- Strengthened teacher payrolls controls through validation of teacher payrolls using information from school EMIS and TRO and required use of bank accounts for transfer of teacher salaries
- Provision of engineering expertise/support to the DEOs to monitor and supervise construction of physical facilities at schools
- Web-based EMIS at the school and district level for improved transparency and accountability
- Implementation of the approved FMAP initiated, monitored, and updated annually to ensure that measures, including those described above, are carried out to continuously improve fiduciary management.

Annex 6: Summary Environmental and Social Systems Assessment

1. In accordance with the World Bank's policy/directive on 'Program-for-Results Financing', the World Bank has conducted an ESSA of Nepal's existing environmental and social management systems for the education sector. The ESSA describes the extent to which the applicable government environmental and social policies, legislations, program procedures, and institutional systems are consistent with the six 'core principles' of OP/BP 9.00 (Program-for-Results Financing) and recommends actions to address the gaps and to enhance performance during Program implementation. The ESSA was undertaken to (a) identify risks and impacts associated with the Program; (b) assess the strengths and weaknesses of the legal, institutional, and implementation frameworks; and (c) recommend measures to strengthen national systems and capacity to deliver the PforR in a sustainable manner.

2. The ESSA assessed authority and organizational capacity of the key IA, that is, the DOE, to achieve environmental and social objectives against the range of environmental and social impacts that may be associated with the Program. The analysis was conducted using the strengths, weaknesses, opportunities, and threats (SWOT) approach. The 'weaknesses' or gaps, are considered on two levels: (a) the system as written in laws, regulations, procedures, and applied in practice and (b) the capacity of Program institutions to effectively implement the system as demonstrated by performance thus far. The analysis focused on the strengths and gaps associated with the systems in place in the education sector to address the potential environmental and social impacts commensurate with the nature, scale, and scope of operations. The methodology for conducting this ESSA was (a) baseline information collection, (b) field reviews, (c) consultations, (d) public disclosure, and (e) analysis for preparation of the ESSA.

3. The proposed SSDP will use the government system for Program implementation, oversight, FM, procurement, safeguards, M&E, and reporting arrangements. The MOE will serve as the EA and will have overall responsibility for policy guidance and oversight for Program implementation. The DOE will be the main IA, with the task of preparing the ASIP and AWPB and carrying out the Program activities, with the support of the other CLAs.

4. The SSDP will support activities that focuses on improving teaching-learning and equitable student learning outcomes and equitable access to basic and secondary education, among others. Additionally, to support the Program objectives, the Program will also invest on minor physical infrastructure works such as establishment of ICT labs, establishment of new TVE facilities in 300 secondary schools, grants for establishment of library and science lab, reconstruction of classroom and schools in earthquake-affected areas, maintenance and retrofitting schools in non-affected areas, and construction of need-based classrooms and water, sanitation and hygiene facilities. The Government's interventions will have the following environmental and social risks associated with (a) contamination of land, water, and air through haphazard disposal; (b) landslide or other forms of mass instability on the slopes; (c) water logging and poor drainage; (d) pollution, disturbance, and danger from quarry operations; (e) water quality/quantity and sanitation; (f) unlicensed quarries and borrow pits for obtaining construction materials; (g) continued equity gap and wide variations across different population groups; and (h) lack of awareness, inadequate consultations, and citizen engagement, including with vulnerable groups. Under this Program, most of the civil works activities are expected to be confined to the existing premise of the schools. However, there may be few exceptional cases

where additional land may be required. In such cases, the Program will adhere to best practice to mitigate any losses or risks. First, priority will be given to use available government land, and in case of unavailability of government land, a negotiated settlement (voluntary donation of land or willing seller and willing buyer approach) will be adopted to manage the required land.

5. The main government institutions with responsibilities for environmental and social management in the education sector include the following:

- **MOE.** This ministry is the main agency responsible for overall development of education in the country, including formulating education policies and plans and implementing them through its departments, divisions, and centers. Under the ministry, there are five divisions: (a) Administrative; (b) Higher Education and Educational Management; (c) Planning; (d) Monitoring, Evaluation and Inspection; and (e) Education Management. The MOE has issued and is implementing the GESI Strategy. It is one of the few sectoral ministries which has established a special unit to implement the GESI Strategy.
- **DOE.** This department holds the responsibility for implementing and monitoring education programs in the country through 5 REDs and 75 DEOs. There are two key sections in the DOE that deal with environment and social issues. The Physical Improvement Section conducts planning, construction, maintenance, and monitoring of the physical infrastructure. This same section deals with environmental issues as well. This section has an exclusive Environment Specialist appointed for this purpose. This section reports to the Director, Planning Division. The officers at the Gender Equity Development Section and the Inclusive Education Section in the Educational Management Division handle activities pertaining to social issues and look after the scholarships as well. The officers from these sections monitor the implementation of gender- and equity-related programs in the department. This section reports to the Director, Education Management Division. Matters related to land and other school properties are handled by the School Health, Nutrition, and School Property Management Section within the Administrative Division of the DOE.
- **The Ministry of Population and Environment.** This ministry has a mandate to implement Environment Protection Act 2053 and Environment Protection Regulation 2054, Environmental Guidelines, Standards, and Directives issued by the GON. The Ministry of Population and Environment, one of the leading departments, is responsible for harmonizing the environmental activities that complies with international obligations. It is primarily responsible for the formulation and implementation of policies, plans, and programs; preparing acts, regulations, and guidelines; conducting surveys, studies, and research; disseminating information and carrying out publicity; M&E of programs; developing human resources, and acting as a national and international focal point for environmental issues. The scope of work on environment involves current environmental issues, National Conservation Strategy, Nepal Environmental Policy and Action Plan and functions relating to promote sustainable development and preserve the quality of environment—including air, water, and soil.

- **The Ministry of Federal Affairs and Local Development.** This ministry plays the role of coordination, cooperation, facilitation, and M&E of activities undertaken by local bodies and contributes to poverty reduction by mobilizing local means and resources, using skill and technology to the optimum level and creating employment opportunity. Besides this, it enables the capacity building of local government through local self-governance and contributes to promoting local good governance. According to the GON (Allocation of Business) Rules, 2012, the Ministry of Federal Affairs and Local Development is responsible for formulation, implementation, and M&E of policy, plans, and programs relating to sewerage and sanitation.
- **DEO.** This office consists of the District Education Officer, Deputy Education Officers, engineers, subengineers, technicians, and support staff. Together they plan for school improvement, coordinate the implementation with SMCs, supervise implementation and monitor progress, and report to the DOE.
- **SMCs.** There is provision of SMC in the EAEA to manage and mobilize physical, financial and human resources, operate, monitor, and supervise the school. A parent chairs the SMC. The chairperson and two members are elected from among the parents. Participation of more than 50 percent members from the community has tried to ensure community ownership for managing conducive learning environment and utilization of local expertise and resources. The SMC has the authority to develop and implement the school development plan.

6. The Environment Protection Act (1997); National Environmental Guidelines for School Improvement and Facility Management in Nepal, 2004; The Building Act, 2055 (1998), revised 2007; Local Self-Governance Act, 1999 and Regulations 1999; Solid Waste Management Act (2011); Gender Equality Act, 2006; National Foundation for Upliftment of Adivasi/Janjati Act, 2002; and National Legal and Policy Framework Relating to GESI; Land Acquisition Act 1977; and so on are the primary legislations that support environmental and social management in the education sector in Nepal.

7. The ESSA found that the Legal and Regulatory Framework governing the education sector is satisfactory with regard to the provisions enlisted for creating a safe environment for school users and safeguarding the environment from pollution and unsustainable exploitation. However, the implementation of the existing legal and regulatory provisions faces some challenges because of (a) an absence of budget for environmental improvements, (b) lack of environmental and social management at the district level, and (c) need for environmental and social resources at the district level.

8. The ESSA concludes that the environmental and social impacts are low. Overall, the analysis indicated that three of the six core principles were applicable to this Program and the assessment of the Program system clearly brings out the gaps and the opportunities to strengthen the system. The findings are discussed below:

Core Principle # 1: Promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts; and promote informed decision making relating to the Program's environmental and social impacts.

Findings:

- Informed decision making relating to the environmental issues in the education sector is evident in the GON's policies and programs. The country's Education Act (2001) and National Environmental Guidelines for School Improvement and Facility Management in Nepal (2004) focuses on safe and sustainable school development and management.
- The country has well-defined legal/regulatory systems for safeguarding environment and ecologically significant areas from pollution, for excluding activities that are likely to have significant adverse impacts on ecosensitive areas, forest and hilly areas, and wetlands.
- The sector has a well-developed EMF and SMF, introduced for the previous SSRP; these are in use.
- The SMCs are functioning well and are taking up the responsibility of school development.
- The country has experience of integrating rules and procedures for environmental and social management in the previous SSRP projects. Strengthened environmental and social management rules and procedures have been developed by the GON to be rolled out through the Program.
- Addressing the environmental management depends on capacity building of the key sector organizations both with regard to human resources and training, and strong monitoring.
- There is a need to strengthen the existing environment and social monitoring system.

Core Principle # 3: Protect public and worker safety against the potential risks associated with (a) construction and/or operations of facilities or other operational practices under the Program; (b) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (c) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.

Findings:

- The country has also issued guidelines/regulations on aspects concerning public and worker safety risks from construction/operation of facilities from time to time.
- The legal/regulatory system in the country includes provisions for safeguarding ecologically significant areas from pollution and is thus applicable to regulating the disposal of toxic chemicals, hazardous wastes, and so on. As such, these materials will not be used in the program works.
- Implementation capacities need to be strengthened for better monitoring quality and environmental and social compliance.

Core Principle # 5: Give due consideration to the cultural appropriateness of, and equitable access to, Program benefits, giving special attention to the rights and interests of the indigenous peoples and to the needs or concerns of vulnerable groups.

Findings:

- The legal/regulatory system is satisfactory to promote decentralized planning, implementation and social accountability. In addition, special provisions exist to safeguard the interest of the vulnerable including *Janjatis.*
- A comprehensive communication program is developed for dissemination of information which covers strategy; Information, Education, and Communication (IEC) material (print, electronic, and local tools); and an operation manual that details step-by-step activities to be implemented, roles, and responsibilities of all implementing partners. To deepen the decentralized decision-making process—social mobilization and mobilization of women, facilitate preparation, implementation, and postimplementation of investment plans.
- Strengthened transparency and accountability includes displaying information of all activities including cost, at prominent and public places in the wards; forming a social audit committee that is representative of all wards and women; and developing simple formats for reporting findings at planning, implementation, and postimplementation. A grievance redress system will be established and support provided for conflict management at village level. Capacity building will include hiring staff and conducting training according to the annual plans.

9. The Program provides an opportunity to strengthen systems and at the same time, the Program is expected to deliver a number of environmental benefits. Overall, the risk assessment and screening suggests that the environmental and social impact of the Program is likely to be low. While the existing system includes codes/norms for building design and construction, there is a need and scope for mainstreaming and strengthening requirements and practices on the ground. The implementation of existing provisions, particularly those related to creating and maintaining sustainable and safe building infrastructure, faces some challenges. It also identifies the capacity-building needs of the key sector institutions with respect to environmental and social management.

10. Overall, the ESSA shows that the state's environmental and social systems are relatively satisfactory for the Program implementation. However, these systemic outcomes will be achieved through establishing institutional mechanisms and arrangements for implementation, allocating budgets, coordination, and monitoring; enhancing institutional capacity through training and better guidelines.

11. Monitoring and supervision of due diligence measures related to environmental and social issues will be a part of World Bank supervision. Discussions and consultations carried out as part of the ESSA analysis indicate a commitment, agreement, and willingness by the GON, donor partners, and NGOs to address issues that are a threat to the environment. The findings of the ESSA and the recommended measures and action plans were discussed with a wide range of stakeholders. The identified actions for environmental and social management have been provided below.

Proposed Action Plan

12. The proposed action plan will assist in strengthening the MOE's procedures and capacity for managing the environmental and social issues with regard to implementation of the Program. The identified action is "Implement strengthened environmental and social management rules and procedures for the Program, supported by necessary capacity-building measures to the sector institutions."

13. Based on the analysis, the ESSA identified the following main areas for action to ensure that the Program interventions are aligned with the Core Principles 1, 3, and 5 of the Policy for improved environmental and social due diligence. The main two critical actions have also been included the PAP.

Table 6.1. Main Areas for Action Identified by the ESSA

Subaction Description	Deadline	Responsible Party	Completion Measurement

Subaction Description	Deadline	Responsible Party	Completion Measurement
(a) Revising the EMF and SMF (Land acquisition framework and vulnerable community development framework), duly including (i) An Environmental Social Due Diligence Procedure; (ii) Environmental and Social Screening Formats; (iii) Grievance Redressal Mechanism; (iv) Monitoring, evaluation, and audit arrangements with indicators: annual environmental and social performance reporting by the DOE and biannual external environmental audit by third-party consultants; (v) Guidelines and formats for land donation and purchase; and (vi) Technical guidelines on good environment management practices concerning siting, design, operation and maintenance, and so on of schemes/interventions.	Approval of revised EMF and SMF by March 2017; Implementation starting in first year	MOE, DOE	Formal endorsement of strengthened EMF and SMF by the MOE. Environmental and social management rules and procedures and technical guidelines included in the Program Implementation Guidelines
(b) Provision of Environment and Social Budget in the SIPs for water supply, sanitation, solid waste management, IEC, and so on	Formal endorsement by the MOE and DOE by March every year; Implementation starting in Year 1	MOE, DOE	Formal endorsement of Environment and Social Budget in Program Implementation Guidelines
(c) Systems to promote social accountability (i) Strengthened SMCs and forming social audit committees to audit SIPs (ii) Strengthening Communication Program and IEC for dissemination of information.	Formal endorsement by the MOE completed; Implementation starting in Year 1	MOE, DOE	Formal endorsement of systems to promote social accountability and strengthened Communication Program and IEC in the Program Implementation Guidelines

Subaction Description	Deadline	Responsible Party	Completion Measurement
(d) Capacity building as part of TA (i) Strengthening of staffing. Environment and Social Development Specialists at the district level at the DEOs (ii) Training, as a part of the overall training program of the SSDP under the TA	Confirmation of the staffing recruitment by the MOE by June 2017; Staff to continue till Program lasts.	MOE, DOE	Formal communication from the MOE confirming staffing of specialists to facilitate implementation of environmental and social management rules and procedures. Formal endorsement of Capacity-Building and Training Plan in the Program Implementation Guidelines. Training implemented on the basis of a detailed training calendar.

Annex 7: Systematic Operations Risk Rating (SORT)
NEPAL: School Sector Development Program
Stage: Negotiations

Risk Category	Rating (H, S, M, L)
1. Political and Governance	H
2. Macroeconomic	M
3. Sector Strategies and Policies	M
4. Technical Design of Project or Program	S
5. Institutional Capacity for Implementation and Sustainability	S
6. Fiduciary	S
7. Environment and Social	S
8. Stakeholders	M
9. Other	—
OVERALL	**S**

Note: H = High; S = Substantial; M = Moderate; and L = Low.

1. **The overall operation risk is assessed as Substantial.** The key risks affecting the overall risk rating are political and governance risks and risks related to the weak fiduciary environment and institutional capacity for implementation of the PforR Program. The political and governance risk is High in view of uncertain political environment, frequent changes of the Government and the absence of local government, poor enforcement of anti-corruption laws, and public sector ethic regulation. Institutional capacity for implementation and sustainability is assessed as Substantial due to the limited experience of the IA on PforR, challenges associated with Program implementation involving several CLAs and DEOs across the entire country, substantial staff turnover, gaps in the agencies' M&E arrangements, and gaps in existing operational guidelines and their enforcements. Fiduciary risk is rated as Substantial because of inadequate fiduciary management seen from persistent delays in financial reports and audit reports, inadequate internal controls as evidenced from recurring audit observations, less-than-developed complaint mechanisms, and an inefficient procurement system. While the Government's program design is technically sound as it is built on its reform priorities, coherent sector strategy, and lessons learned from past program design and implementation, the proposed PforR Program design risk can be rated as Substantial in view of challenging but transformational reforms and initiatives included in the DLIs and DLRs. On environmental and social aspects, the Program is not expected to have any significant negative effects; however, the experience from the SSRP suggests fairly weak monitoring capacity, and thus, this risk is rated as Substantial.

2. **These risks will be mitigated through** (a) sustained policy dialogue to direct the focus on results and incentives to bring critical changes/reforms; (b) use of DLIs (monetary incentives) to bring intended results in outcomes, processes, and reforms; (c) clarity of roles and responsibilities for implementation, coordination, and M&E arrangements of the ministries, departments, and CLAs and districts; (d) monitoring of key PAP to enhance the implementation

and M&E capacity of the IAs at the center, districts, and the schools; and (e) specific measures identified in the appraisal process to address any potential fiduciary weaknesses. Detailed risks assessment has been conducted, and based on the findings of technical and fiduciary assessment and the ESSA, the proposed mitigation measures have been integrated into the design of the operation.

Annex 8: Program Action Plan

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement
1. Technical	☐	☐			
1.1 Web-based EMIS software upgraded and implemented by DOE	DLI 1		July 15, 2019	DOE	Web-based EMIS operational in all districts
1.2 EMIS verification survey carried out on a regular basis	DLI 1		1st round by July 2017 2nd round by March 2019 3rd round by March 2021	DOE	Final report of each round of verification survey
1.3 OAG Audit Report analyzed to calculate the share of audit observations on three heads: (i) total budget release; (ii) budget release on construction; and (iii) budget release on salary	DLI 1		July 15 every year	MOE/DOE	Analysis report published
1.4 Selection of pro-poor targeted (PPTS) and pro-science scholarship (PSS) students following the 'approved scholarship scheme' completed	DLI2		September 30 of each year starting from 2017	MOE/DOE	List of grade 9 and grade 11 students selected for the scholarship using MOCPA data base published.
1.5 Annual monitoring on enrollment of poor students, and students enrolled in science stream, including feedback mechanism for necessary improvements in subsequent years, carried out	DLI 2		July 15 every year	MOE/DOE	Report published on retention of poor students and enrollment share of science students, and rectification of previous year's inconsistencies
1.6 Curriculum Development and Evaluation Council (CDEC) gives consent for revision of NCF with policy directives on articulating issues to be addressed including, among others, catering to the needs of secondary students with diverse learning needs, and approves a plan of action for revision of the NCF	DLI 3		July 15, 2017	MOE/CDC	Decision published in the MOE/CDC website
1.1 NCF concept paper with all aspects of curriculum and textbook revision, teacher preparation, reduction in number of compulsory subjects and implementation arrangement approved	DLI 3		February 2018	MOE/CDC	Approved NCF concept paper

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement
1.2 Single-subject certification policy approved and implemented for Grades 11 and 12	DLI 4		Approval: December 2017; Implementation: starting 2018 academic sessions	MOE/CDC/ NEB	Approved document
1.3 International expertise (individual or agency) and national partners mobilized to support ERO on competency-based NASA (design and analysis)	DLI 4		February 2017	MOE/ERO/ DPs	MOU signed with international and national partners
1.4 A separate budget code is established for ERO to be effective starting FY 2017/18	DLI 4		March/April 2017	MOE/MOF	A separate budget head established in GON Budget document
1.5 Standardized and improved annual examination conducted in core subjects (language: Nepali or English, Science, Math) at the end of Grade 10 nationwide	DLI 4		February 2020	NEB/ERO	NEB publishes the results of standardized examinations
1.6 Grade 10 standardized examination results analyzed	DLI 4		February 2021		ERO Report published
1.7 Monitoring plan for the implementation of Teacher Redeployment plan (across-district, intra-district, intra-VDC) as per the approved Policy and Guidelines prepared/updated and implemented	DLI 6		Preparation /updating: June every year; Implementation every year	DOE	Monitoring Plan prepared/ updated, implemented, and annual progress submitted
1.8 Implementation mechanism (logistics, staffing, operational modality) for monitoring TST approved and monitoring of TST Program implementation	DLI 6		Implementation mechanism May, 2017: Monitoring: every year	DOE/NCED	SSDP Steering Committee approves the implementation mechanism Number of schools implementing TST program
1.9 Communication and information dissemination program designed and implemented at field level			Designed: March 2017 Implemented: every year		Number of dissemination program at field level
1.10 Develop and implement a comprehensive M&E plan to strengthen the M&E system			July 15 every year		M&E plan and implementation report
2 Fiduciary Systems					
2.1 Implementation and monitoring of Key elements of Grant Management System (GMS) at the district level	DLI 1		GMS operational: April 2017; Implementation and monitoring every year	DOE	Approved Manual and discussion of monitoring report by Steering committee

Action Description	DLI	Covenant	Due Date	Responsible Party	Completion Measurement
2.2 Implementation of approved FMAP initiated, monitored, and updated annually	DLI 1		July 15 every year	MOE/DOE	Approval of FMAP by Steering Committee and budget and finance committee and discussion of monitoring report by Budget and Finance committee and Steering committee
2.3. Adequate budget for Program activities, including DLI related activities, PAP and PSF, reflected in ASIP and AWPB every year	DLI 1		March/April every year		Approved ASIP and AWPB AWPB includes PAP and PSF line item with adequate budget, TSU is operational
2.4 Annual Fiduciary review completed			November every year	MOE/DPs	Completed Review
3 Environmental Social Systems					
3.1 Approval of revised EMF and SMF for SSDP			March 2017	MOE/DOE	Approved EMF and SMF by the Steering Committee and published on MOE/DOE website
3.2 Central and district level capacity building plan with budget allocation prepared to address environmental and social system issues including school safety and sanitation, citizen engagement, beneficiary feedback, grievance redressal mechanism and gender issues, and updated annually			February/ March every year		Formal endorsement of annual plan and budget allocation in the ASIP/AWPB

Annex 9: Implementation Support Plan

1. The proposed implementation support plan is consistent with the Government sector program and its operational guidelines that the IDA PforR operation will be supporting. The implementation support plan also considers the Program-specific challenges and risks as defined in the SORT, and the lessons learned from the implementation of the SSDP predecessor—the SSRP. Program implementation rests under the responsibility of the DOE under the MOE's overall responsibility for policy guidance and oversight with targeted and continuous implementation support and technical advice from the World Bank and DPs.

2. The implementation support strategy is based on several mechanisms that will enable enhanced implementation support to the Government and on-time and effective monitoring of the overall results-based financing with the PforR approach and guidance to the IA on technical, fiduciary, social, and environmental aspects as necessary. The implementation support thus comprises (a) joint review missions; (b) regular technical meetings and field visits; (c) progress reporting on DLI achievement; (d) M&E; and (e) harmonization among key stakeholders including the DPs.

3. The World Bank's implementation support will broadly consist of the following:

- Capacity-building activities to strengthen the ability to implement the Program, covering the technical, fiduciary, and social and environmental dimensions
- Provision of technical advice and implementation support geared to the attainment of the PDOs, DLIs, and intermediate results indicators
- Ongoing monitoring of implementation progress, including regularly reviewing key outcome and intermediate indicators, and identification of bottlenecks
- Review and verification of DLI progress following agreed protocols
- Monitoring risks and identification of corresponding mitigation measures
- Close coordination with other donors and DPs to leverage resources, ensure coordination of efforts, and avoid duplication

4. The World Bank's implementation support team will be composed of a headquarters-based Task Team Leader (TTL) and country office based co-TTL, and both HQ-based and country office-based operations and specialist staff, who will be closely working with the client on a regular basis on implementation monitoring. Consultants will also be engaged for additional support in policy dialogue in the key areas of reforms including governance, fiduciary, and safeguard management.

5. The role of the DPs will be critical in the implementation support of the SSDP, continuation of the SWAp, similar to the SSRP, predecessor of the SSDP. DPs will have shared responsibilities for M&E including carrying out the review missions. The JFA agreed upon among the signatories (pool DPs and the Government) will be followed for harmonization among the key players. Non-pool DPs will also, to the extent possible, align their support with

the Program. DPs monthly meetings will be helpful to bring all DPs (pool and non-pool) to a common platform for the SSDP implementation support. DP focal point and co-focal point will play a key role for joint coordination among DPs and with the Government. DPs will also align the TA/direct funding to facilitate improved implementation support and capacity building.

Table 9.1. Main Focus of Implementation Support

Time	Focus	Skills Needed	Resource Estimate
First 12 months	• Technical review/support • Procurement training and supervision • FM training and supervision • Environmental and social monitoring and reporting • Institutional arrangement and Program supervision coordination	Reform areas: ECED; curriculum revision, textbooks, and learning materials; strengthening teacher management, professional development, and accountability; student assessment and examinations; reduction of OOSC in targeted districts; poverty targeted scholarship program; improving school grant management program/GMS; improving fiduciary and safeguard management; and strengthening EMIS system and strengthening monitoring and reporting Technical; M&E; procurement; FM; institutional; and environmental and social	• Specialist on EGR assessment: 4 weeks • Curriculum specialist: 10 weeks • Specialist for governance, management, reforms and policy dialogue: 10 weeks • Operations specialist: 5 weeks • M&E specialist: 12 weeks • Procurement specialist: 4 weeks • FM specialist: 6 weeks • Environmental specialist: 4 weeks • Social safeguard specialist: 3 weeks • Economist: 12 weeks • TTL (DC based): 12 weeks • Co-TTL (Kathmandu based): 15 weeks • Specialist for overall coordination, operations, and support in the country office: 10 weeks
12–48 months	• Technical review/support • Procurement management • FM and disbursement • Environmental and social monitoring and reporting • Institutional arrangement and Program supervision, coordination, and team leadership	Technical; M&E; procurement; FM; institutional; and environmental and social	• Specialist on EGR assessment: 6 weeks • Curriculum specialist: 15 weeks • Specialist for governance, management, reforms, and policy dialogue: 15 week • Operations specialist: 7 weeks • M&E specialist: 20 weeks • Procurement specialist: 10 weeks • FM specialist: 18 weeks • Environmental specialist: 12 weeks • Social safeguard specialist: 9 weeks • Economist: 12 weeks • TTL (DC based): 32 weeks • Specialist for overall coordination, operations, and support in the country office: 24 weeks

Table 9.2. Task Team Skills Mix Requirements for Implementation Support

Skills Needed	Number of Staff Weeks per Fiscal Year
Program Management (TTL and Co-TTL)	30
Education Specialists	9
M&E	9
Reform, Governance, and Management	6
FM Specialist	6
Procurement Specialist	4
Operations Officer	3
Environmental Specialist	4
Social Safeguard Specialist	3
Administrative Support	10

Table 9.3. Role of Partners in Program Implementation

Name	Institution/Country	Role
EU	SSDP Pool Partner (until June 2017; new DP will take over thereafter)	DP focal point: Coordination among DPs and with the Government; JFA and TOR for focal point to be followed
Embassy of Finland	Finland: SSDP Pool Partner (until June 2017; new DP will take over thereafter)	DP co-focal point: Work as a focal point in the absence of focal point; JFA and the TOR for the co-focal point to be followed
Interested and individual DPs join thematic working group meetings	Individual/interested DPs	Participate in thematic working group meetings and contribute for effective implementation

Note: TOR = Terms of Reference.

Annex 10: Program Support Facility

1. **Introduction.** The PSF is part of the subresults area 'Central- and Field-level institutional capacity strengthened' and Results Area 3 'Strengthened Education System, Sector Planning, Management, and Governance' of the SSDP PforR. It aims to strengthen the capacity of the MOE/DOE, its participating CLAs, and field-level units and provide support facility for achieving the results in the priority areas. The PSF arrangement will ensure that the DOE/MOE provides adequate focus on the achievement of the results areas by minimizing technical and fiduciary risks.

2. **Description.** The PSF will support TA activities, Program management, and M&E including third-party independent verification under the three results areas. This component will include the provision and utilization of services, skills, knowledge, and technology in the form of short-term and long-term consultants, consulting firms, non-consulting agencies, contract staff, workshops, research, and logistics support to strengthen the capacity of the SSDP implementation and help deliver the Program results.

PSF Areas

3. **Operationalization of the TSU for Program support, coordination, and monitoring (DLI 1).** The PSF will support the TSU, which facilitates (through the timely procurement of goods and services, FM, and M&E) the DOE and CLAs in carrying out the Program activities. More specifically, the TSU through the PSF will (a) support the MOE M&E Division for M&E of the achievement of the SSDP indicators and results, including third-party DLI verification, (b) support the MOE Planning Division to coordinate the SSDP implementation, compliance with development cooperation agreements, and the management of TA (under the SSDP, parallel DP-managed TA, and implementation support through DPs); and (c) support the DOE and CLAs to carry out the PSF activities.

4. **Improved governance (fiduciary system and strengthening EMIS and GMS [DLI 1]).** The SSRP implementation revealed considerable capacity constraints in the management of grants and fiduciary aspects, including verification of EMIS data. To enhance the fiduciary system, the PSF will support CGAS piloting, deployment, and designation of financial and procurement staff at the DEO and sample verification of EMIS data. The PSF technical support will be provided for establishing web-based EMIS (updating of EMIS will be funded through the SSDP) by the third year of the Program. On grant management, the PSF will focus on establishing and operationalizing the GMU at all 75 DEOs by providing logistics support.

5. **Support to pro-poor scholarship program (DLI 2).** Experience from the SSRP revealed that the effectiveness of the scholarship program can be enhanced through (a) better targeting based on poverty and (b) reducing fragmentation. The DOE will need substantial support to introduce pro-poor targeting scheme based on household poverty data. The MOCPA has already collected household data and is preparing to issue poverty cards in a phased manner to eligible households. The PSF will support the task force formed for designing the pro-poor scholarship schemes starting from Grade 9. The PSF will also facilitate mobilizing student financial assistance fund development board (SFAFDB) to introduce pro-poor targeting scheme for Grades 11 and 12 for the first few years.

6. **OOSC program (DLI 2).** To establish and operationalize the LC approach to bring OOSC to LCs, the PSF will support the DOE and NFE Center to mobilize the community and identify pocket areas as well as potential teachers in bringing and retaining the children in the LCs.

7. **Curriculum, examination, and assessment (DLIs 3 and 4).** The PSF will provide logistics support and expert services to introduce diversified curriculum and single-certification system in Grades 11 and 12. The PSF will provide support in hiring international and national consultants to enhance the quality of NASA survey, including analysis of data.

8. **Teacher management and accountability (DLI 6).** Major constraints in teacher management include (a) availability of the required number of qualified and trained teachers in some schools/surplus teachers in other schools and (b) no effective mechanism to monitor TST. The PSF will support in analyzing data on teacher availability and monitor the effectiveness of teacher deployment plan implementation. The PSF will provide national and international experience to support the DOE and NCED to effectively design the teacher monitoring mechanism.

9. **School management and accountability system (DLI 5).** Introduction of performance-based grants to community schools meeting minimum accountability requirements and performance criteria and block grants to SMCs of unaided schools requires expert support for policy dialogue as well as logistics support. The PSF will support the DOE team to introduce these new elements in the revised GMS and monitor the effectiveness of the Program implementation.

Table 10.1. SSDP and PSF Activities by Area

Area	SSDP	PSF
Operationalization of TSU for Program support, coordination, and monitoring	TSU established	• Consultants for technical and fiduciary monitoring and implementation • Consultant/firm for impact evaluations • Consultant/firm for the IVA • Contract staff • Workshops/trainings/meetings • Equipment/goods
Improved governance	• All Program-related expenditure, excluding initial launching of the CGAS • All grants payments	• Consultant for feasibility study and needs assessment for EMIS upgradation • Software and consultant support and training to accountants • Temporary hiring of accountants in vacant positions in the DEOs • Consultants/workshop/task force meeting on updated software and web-based EMIS • Contract staff, equipment, logistics support, per diem, travel costs, workshops, and trainings for the GMU

Area	SSDP	PSF
Support to pro-poor scholarship program	• Dissemination of pro-poor targeting schemes • Piloting of voucher scheme • Funds for scholarships	• Consultants for design of pro-poor targeting scheme • Consultants for design of voucher scheme • Consultants/workshop/task force meeting for experience sharing and advocacy
OOSC program	• Grants to LCs and scholarships to students	• Consultants for revising the design of OOSC program • Contract staff for mobilization in the district and communities • Consultants, workshop, task force meeting, logistics support, and training
Curriculum, examination, and assessment	• NCF preparation • Revision of textbooks • Printing and distribution of new textbooks • Administration of NASA survey	• International consultants to enhance the quality of curriculum revision • Design of NASA and analysis of results • Workshops/meetings/logistics support for single-grade certification
Teacher management and accountability	• Teacher salaries and benefits • Costs associated with deployment and teacher TST monitoring	• Consultants for analyzing data on teacher availability and monitoring the effectiveness of teacher deployment plan implementation • Consultants to support the DOE and NCED to effectively design the teacher monitoring mechanism • Workshops, meetings, and logistics support
School Management and Accountability System	• Funds for performance and block grants and implementation	• Consultants for the preparation of guidelines for performance and block grants • Workshop, task force meeting, and logistics support to enhance quality of the two new schemes

Note: The Government is currently estimating the cost requirements for each PSF area.

Implementation Arrangements

10. **The DOE will be the designated IA for the PSF.** Implementation arrangements will follow the SSDP implementation structure. The TSU under the FCS will be responsible for coordinating and monitoring the PSF activities. The DOE with support from the TSU, MOE, CLA, and DEOs will manage/implement the PSF activities. The PSF budget will be reflected in the AWPB, with provisions for the main activities and subactivities to be prepared and implemented by the DOE/respective agencies with approval from the SSDP SC. The roles and responsibilities of the agencies are given in Table 10.2:

Table 10.2. Roles and Responsibilities

Area	TSU	DOE	CLA	DEOs

Area	TSU	DOE	CLA	DEOs
Preparation of annual plan	The TSU will review the annual plan and forward to the SC for endorsement.	Prepare annual plan and forward to TSU.	The CLAs will submit their requirements to the DOE.	The DEOs will submit their requirements to the DOE.
Procurement of services	Prepare request for proposal documents based on TOR prepared by the DOE and CLAs.	The DOE will procure services according to government rules and deploy to concerned agencies.	Consultants report to and are paid by the CLAs.	Contract staff report to and are paid by the DEOs.
Procurement of goods	—	The DOE will procure goods according to government rules.	The CLAs will procure goods according to government rules.	The DEOs will procure goods according to government rules.
FM	—	The DOE will maintain accounts.	—	—