

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

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Program Name	School Sector Development Program
Region	South Asia
Country	Nepal
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I. 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 (MDG) 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 2003/2004 to 25.0 percent in 2010/2011. 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], 2003/2004 and 2010/2011). 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 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 due to the dual shocks of earthquakes and trade disruption.

3. The Government's Development Strategy 2030 aspires to have Nepal achieve Sustainable Development Goals (SDGs) and become a lower middle-income country by 2030. The newly adopted constitution has guaranteed 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.

II. 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 (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 5–12-year-olds has decreased from 21.0 percent to 14.8 percent between 2004 and 2011 (CBS, 2011). Gender parity in NER at the primary, basic, and secondary 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 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 30 percent, leading to a decrease in commute time to schools. During the same period, the number of teachers increased by 76 percent; as a result, the pupil-teacher ratio (PTR) declined from 36 to 25. 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.¹ 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,² and geographic regions; provision of free textbooks; and provision of salary and non-salary per capita financing (PCF) based grants for quality enhancement.

Challenges

7. **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.³ **Furthermore, learning outcomes vary significantly by geography, school, and individual/household characteristics.**

8. **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 enrollment rates at the basic level have increased tremendously in general, there are close to 500,000 OOSC—14 percent of 5–12-year-olds—from mostly disadvantaged backgrounds. More than half of these OOSC are from 10 Tarai 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.

9. **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-

¹ Findings from an impact evaluation suggest that community management helps reduce the share of OOSC, increase the grade progression rate, and enhance community participation and parental involvement.

² Also includes a pilot on financial support for meritorious and needy secondary-level students through proxy means testing (PMT) based selection of beneficiaries.

³ 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.*

based component, and building a system to verify compliance on funds eligibility and utilization.

- There is evidence of poor financial management (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.

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

III. Program Scope

11. 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.

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	<ul style="list-style-type: none"> • Covers all levels of school education: basic education (one year of ECED/pre-primary - 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 non-school-based technical and vocational education. • 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. 	<ul style="list-style-type: none"> • 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 basic level and pro-poor scholarship at the secondary level • 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	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; 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.

12. 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	<ul style="list-style-type: none"> • National Curriculum Framework (NCF) revised and implemented [DLI 3] • Examination and assessment reforms undertaken [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	<ul style="list-style-type: none"> • Improved equitable access to basic and retention in secondary schools [DLI 2]
Results Area 3: Strengthened education system, sector planning, management, and governance	<ul style="list-style-type: none"> • Strengthened governance, fiduciary management, data systems, and institutional capacity for results-based program implementation [DLI 1]

IV. Program Development Objective(s)

13. The Program Development Objective 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 (SSDP).

V. Environmental and Social Effects

14. 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.

15. 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. In terms of 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 availed through a negotiated settlement (voluntary donation of land or willing seller and willing buyer approach).

16. The ESSA finds that the existing legal and regulatory frameworks governing the education sector are satisfactory for safeguarding both environment and social systems. The MOE has prepared and implemented the Environmental Management Framework (EMF) and

Social Management Frameworks (SMF) during the previous SSRP program. The MOE also includes Gender Equity 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.

17. The ESSA also finds that there are some challenges associated with limited capacity to implement 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 EMF and SMF, (b) provision of adequate budget in Annual Work Plan and Budget (AWPB) for implementation of environment 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 Program Action Plan.

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

VI. Financing

19. The total cost estimate within the PforR boundary is US\$6,461 billion (see below). The total IDA financing is expected to be US\$185 million.

Table 3: Estimated Program Cost (US\$, millions)

	7-Year	5-year
Overall Government School Sector Development Plan	11,312	7,176
Less: DRR under National Reconstruction Authority (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 National Reconstruction Authority (NRA), a separate entity from the MOE, established for this specific purpose. Thus, this budget/activity is excluded from the proposed PforR.

Estimated SSDP Financing Plan (2016–2021)

Source	Amount (US\$, millions)	Share of Total (%)
Government	5,739	88.82
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).

VII. Program Institutional and Implementation Arrangements

20. 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 executing agency (EA) and will have overall responsibility for policy guidance and oversight for program implementation. A Steering Committee (SC) will be established to oversee the coordination, monitoring, and implementation of the SSDP. The DOE will be the main implementing agency (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 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. 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.

VIII. Contact point

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