

Technical Assessment - Addendum

I. Assessment of Program Strategic Relevance and Technical Soundness

A. Strategic Relevance

1. The Government's Development Strategy 2030 aspires to have Nepal achieve SDGs and become a middle-income country by 2030. The recently adopted constitution has guaranteed free education up to secondary level. 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 infrastructures and power. It is within this framework that the Government has launched a seven-year SSDP, which focuses on enhancing quality.

2. The parent IDA program, Nepal School Sector Development Program (SSDP, P160748, US\$185 million), supports a five-year time slice of the Government's SSDP. It was approved by the Board on March 24, 2017; became effective on September 19, 2017; and is scheduled to close on July 15, 2021. The proposed additional grant is in response to a request from the GON with an indicative GPE allocation for the next round of funding. The World Bank has been selected as the GA for processing the proposed grant and supervising the implementation phase of the grant through a mutual consensus of the GON and the LEG.

3. The proposed additional grant would be for a three-year operation (2018–2021) and comprise two parts: (a) a fixed part (60 percent of the total grant) based on the country's compliance with the three eligibility requirements—having a credible education sector plan, commitment to financing the sector plan, and availability of critical data for sector monitoring and analysis—and (b) a variable part (40 percent of the total grant) conditional on achieving the targets for three preidentified 'stretch' indicators associated with equity, quality, and efficiency in the education sector. The proposed GPE AF grant would maintain the LEG's support for the Government's SSDP and be used to (a) help the GON reduce its financing gap; (b) support crucial SSDP activities most aligned with the GPE strategic goals of promoting quality, equity, and efficiency, and (c) maximize the Program's development impact during the ongoing federal transition.

4. Nepal is going through a demographic transition where there is a youth bulge (more than 50 percent of population under 25) in the country and youth today are, on average, more educated than in the past. This is because Nepal has significantly expanded access to education, leading to a deepening of its human capital. This human capital presents a powerful resource to accelerate economic growth and reduce poverty. 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 (for example, school, teacher, and student-level incentives and accountability schemes) and system strengthening (for example, curriculum and examinations reforms) 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 key to successfully unleashing the true potential of Nepal's young people and the economy.

5. The GON has developed the follow-on SSDP, (2016–2023) in line with Nepal's vision to become a middle-income country by 2030. This plan aligns with Nepal's international commitment toward the SDGs, which were ratified by the United Nations General Assembly in September 2015. It covers all levels of

school education and non-formal education (NFE) programs (excluding teacher pension). The program would 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 achievement 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 Education Act Eighth Amendment (2016) provides the legal framework to carry out reforms envisaged in SSDP.

B. Technical Soundness

6. **The parent IDA program and the proposed AF are technically sound as they are underpinned by a robust results chain (see Annex 1).** The AF design covers all three results areas of the Program. Different results areas are intended to work in complementary ways to improve student learning and access, and strengthen the education system at all levels. This results chain uses both local and global evidence as well as contextual guidance derived from extensive consultations with education service providers, government stakeholders, and other DPs. Initiatives that logically tackle one problem may be undermined by other problems that are harder to address. It therefore makes sense to tackle various key problems at once and the program design does so. Additionally, the AF design draws from local evidence from a World Bank-funded scoping study that suggests a need for strengthening support in areas of equitable access, improved learning, and greater transparency in the context of the federal transition.

7. **A Program Results Framework with measurable, actionable, and realistic targets was developed based on the results chain.** The activities in the SSDP are clearly defined and are implementable in the practical sense. The parent IDA program as well as the AF activities were designed in view of the existing implementation structures and decision processes. This is particularly important given the uncertainty around LGs' capacity to plan and implement crucial education activities in the face of rapid decentralization. (See Annex 2 for detailed explanation of how proposed DLI/DLR targets are actionable) Moreover, the DLRs associated with the AF are a logical and balanced mix of process indicators, outputs, and outcomes across all three results areas.

8. **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 per capita financing (PCF) and targeted scholarships have helped un-served children particularly from marginalized communities. However, the same policies have not had any meaningful impact on quality improvements in large part due to the inability of community-elected SMCs to effectively manage centrally recruited teachers and the shortcomings of the PCF design (absence of performance-based component) and scholarships (not sufficiently poverty-targeted). Based on these lessons and analytical work, the World Bank's support for the SSDP continues to use DLI-based (focus on results rather than inputs) reforms in key areas including teacher management and accountability across all education subsectors, system strengthening including enhancement of data reliability and transparency, fiduciary arrangements, and phased implementation of innovative quality enhancing interventions under transition of federalism. 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. Given that many of the strategic interventions incentivized through the World Bank's DLIs are still new to the country, it is

critical to keep the design flexible with good monitoring systems and implementation support to maximize the achievement of agreed results or DLIs.

9. **Partnerships.** Nepal’s school education sector has been based on a strong partnership between the Government and DPs. 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 World Bank will work as the GA for processing the proposed grant and supervising the implementation phase of the grant through a mutual consensus of the GON and the LEG.

II. Assessment of Program Expenditure Framework

10. **Funding predictability and program financing.** The GON’s continuing commitment to the education sector is reflected in its budget. Annual budget allocations to education has remained around 4 percent of GDP in the past couple of years. The commitment to education as share of the total federal government budget in recent years has been around 10 percent.¹ While this is a slight decline from the 12 percent allocated in previous years, the decline is attributed mainly to two sources: (a) significant but temporary increase in the national budget to address recovery needs from the 2015 earthquakes and (b) budget increase to facilitate transition to the federal structure.

11. Under the federal structure, LGs are also entitled to raise their own budgets and determine allocation to the education sector in addition to the federal allocation. The federal government plans to offer four types of grants to provincial and local governments including fiscal equalization grants on the basis of fund requirements and ability to generate revenue. In addition, the MOF is also expected to extend special grants to provide basic services such as education and health in marginalized communities. However, the budget share that LGs allocate to education remains uncertain.

12. External DPs have been providing support to ensure continued priority for education sector investments. Nine JFPs—ADB, EU, Finland, GPE, JICA, Norway, REACH MDTF, UNICEF, and the World Bank—continue to cooperate in a SWAp under a JFA, an overarching document to harmonize support for the SSDP, including during the federal transition. Australia’s departure from SSDP support as a JFP increased the SSDP financing gap, albeit a small amount. The proposed GPE AF of US\$24.2 million would compensate the resulting decrease in committed funds as well as help the GON meet its financing gap. DPs’ share in the SSDP financing plan is 7.4 percent (accounting for Australia’s departure) (see table 4.1).

Table 4.1. School Sector Development Program (2016–2021) - Estimated Financing Plan

| Source | Amount (US\$, millions) | Share of Total (%) |
|-------------------|-------------------------|--------------------|
| Government | 5,739 | 88.8 |
| IDA/World Bank | 185 | 2.9 |
| Other JFP/Non-JFP | 290 | 4.5 |
| Financing gap | 247 | 3.8 |
| Total | 6,461 | 100.0 |

Source: SSDP PAD

Note: 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), JICA (US\$15 million), and non-JFPs (US\$14 million).

¹ For FY 2018, the education sector budget makes 10.2 percent of the overall federal budget.

13. The SSDP's proposed share in the total education sector budget is 69.09 percent for FY2018/19. The total education sector budget ceiling for FY2018 is NPR 134.50 billion (US\$1,281 million)² of which NPR 93.13 billion (US\$887.0 million) is proposed for the SSDP.³ For FY2018/19, 91.6 percent of the proposed SSDP budget will go to LGs while 0.3 percent will be transferred to provincial governments (see table 4.2). Recurrent expenditures are transferred to LGs through conditional grants.

Table 4.2. Proposed SSDP Budget for FY2018–19, by Government level

| Level of Government | Proposed SSDP budget (NPR, millions) | Percent |
|---------------------|--------------------------------------|---------|
| Federal | 7,555.60 | 8.11 |
| Province | 269.15 | 0.29 |
| Local | 85,309.47 | 91.60 |
| Total | 93,134.22 | 100.00 |

Source: MOEST.

14. **Fiscal affordability and sustainability.** The SSDP expenditure framework falls within the estimated school sector resource envelope. Despite changes in the federal budget structure, the MOF has committed to continue funding the SSDP in line with the projected fiscal envelope. The five-year SSDP expenditure framework (2016–2021) is estimated at US\$6.461 million and was constructed based on detailed cost estimates by the MOEST for achieving Program results. Given that there is no Program restructuring associated with the proposed AF, the expenditure framework is unlikely to change.

15. The resource envelope for the SSDP⁴ 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 total education budget.⁵ The school sector resource envelope for 5 years (2016–2021) is estimated at US\$7,213 million. For the IDA program, this framework excludes US\$715 million (2016–2021) estimated envelope and expenditures because this portion is directly managed by the National Reconstruction Authority and not by the MOEST. Therefore, the school sector resource envelope 5 years (2016–2021) is estimated at US\$6,498 million (table 4.3).

Table 4.3. SSDP - Resource Envelope and Expenditure Estimate (Plausible Scenario, Current Prices)

| Item | SSDP (2016–2021) | |
|--|------------------|------------------|
| | (NPR, billions) | (US\$, billions) |
| School sector resource envelope projection | 682.0 | 6.5 |
| SSDP expenditure estimate ^a | 678.0 | 6.5 |
| Recurrent | 616.0 | 5.9 |
| Capital | 62.0 | 0.6 |
| Capital expenditure as percentage of total expenditure | 9.1 | 9.1 |
| Regular expenditure ^b | 471.0 | 4.5 |
| Development expenditure | 208.0 | 2.0 |
| Development expenditure as percentage of total expenditure | 30.6 | 30.6 |

Source: Ministry of Education estimates.

² Using exchange rate of NPR 105 to US\$1.

³ MOEST. *Annual Strategic Implementation Plan draft*. September 2018.

⁴ 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 SSDP activities.

⁵ 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 7-year plan period and is used to arrive at the projected resource envelope for the education sector.

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 National Reconstruction Authority. Although the disaster risk reduction budget to be implemented through the National Reconstruction Authority contributes to program results, it is not included in the resource envelope because the resources are channeled directly through the National Reconstruction Authority and not through the MOEST’s resource envelope.

b. Salaries and remuneration plus regular organization and management expenditure.

16. Because the GON 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. Long-term sustainability considerations are built into the SSDP design by (a) using country systems for budgeting, accounting, reporting, and auditing; (b) strengthening institutions in school education to sustain the school sector improvements; (c) using DLIs to trigger results; and (d) strengthening governance and management. GON has developed a web-based budgeting, accounting and reporting system for LGs (SuTRA). Around 400 LGs are using this system thus far. Unless all LGs implement the system, it will be challenging for the federal government to obtain timely accounting information. To continue efficient accounting systems under the new federal structure, further efforts for full implementation of the system by other LGs are needed. DPs supported Technical Assistance Team is working closely with the Government to facilitate reporting.

17. **Tracking budget execution.** A key risk in ensuring budget execution could arise from lack of proper reporting mechanisms from LGs to the federal government. While the federal budget framework includes provisions for activity-based classification, procedures for LGs’ reporting on the conditions and activities implemented under the specific conditional grants are not yet established. Most of the SSDP activities will be implemented at the local level and majority of the SSDP budget is being transferred to LGs through conditional grants from the MOF unlike in the pre-federal system when the MOEST had direct control over budget transfer and reporting. These conditional grants include key program costs such as salaries, textbooks, and scholarship grants. While the Appropriation Bill for FY2018–19 includes provisions for LGs to report back on detailed incurred expenditures for conditional grants, the MOEST is yet to establish any such reporting procedure. Therefore, the MOEST cannot effectively track expenditures related to specific SSDP budget heads in all 753 LGs. Mitigation measures have been agreed upon to ensure reporting.

18. **Adherence of program expenditure to the GON priorities.** The SSDP expenditure framework is in line with the GON priorities in education. 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 percent of SSDP expenditure to secondary education. Teacher pensions, which constitute 10 percent of the school sector budget, are excluded from the SSDP expenditure framework, and the exclusion of pensions is expected to increase the share of SSDP resources for quality-enhancing activities.

19. Over 80 percent of program expenditures will be for basic education (ECED/PPE to Grade 8) and secondary education (Grades 9–12), as shown in table 4.4. The share of secondary education in the SSDP has increased to 25.4 percent, compared to 15.0 percent under the SSRP, due to new interventions such as separate head teacher positions; trained subject teachers for math, 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 ICT and infrastructure support other than the disaster risk reduction activities implemented by the National Reconstruction Authority.

Table 4.4. SSDP - Expenditure Framework, 2016–2021 by Component (Current Prices)

| Component | Amount (NPR, millions) | Amount (US\$, millions) | Share of Total (%) |
|--|------------------------|-------------------------|--------------------|
| 1. ECED/preprimary education | 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 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. Monitoring and evaluation | 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: MOEST estimates.

Note:

a. Excludes disaster risk reduction allocation to National Reconstruction Authority.

b. Regular expenditure of MOEST institutions (central line agencies, district education offices, and REDs) including staff salaries and utilities.

III. Assessment of Results Framework and M&E arrangements

A. Updated DLRs

20. The AF does not entail changes in the PRF. It follows the parent IDA program's approach in tying disbursement to SMART (specific, measurable, actionable, realistic, and time-bound) targets. The parent IDA program and the proposed AF subscribe to a PRF that is fully aligned with the objectives of MOEST's seven-year education sector plan with respect to equity, efficiency, governance, and management.

21. Moreover, the DLRs associated with the AF include a mix of process, outputs, and outcomes covering all three results areas of the Program. The AF design is also with the World Bank policy on PforR financing which recommends a balance in disbursement conditions across achievement of key results and strengthening capacity necessary for achieving PDO targets. Out of the 10 proposed DLRs, 3 DLRs representing 10 percent of the AF support foundational activities designed to strengthen institutional capacity to achieve outcomes during the federal transition. Two DLRs, representing 10 percent of the AF, directly reward improvements in key desired Program outcomes of improving equitable access. The remaining DLRs, comprising 80 percent of the AF, incentivize implementation of Program activities that are critical to achieving targeted outcomes in the results areas during the federal transition (see table 4.5).

Table 4.5. AF DLRs by Funding and Category

| DLR | AF funding (US\$) | Type |
|--|-------------------|------------------|
| DLR 1.7: 75 LGs have integrated SSDP activities in their annual work plan and budget (AWPB) | 14,200,000 | Program activity |

| DLR | AF funding (US\$) | Type |
|---|-------------------|---------------------|
| DLR 1.9: 65 additional LGs have integrated SSDP activities in their AWPB (Provided that that the LGs under DLR 1.7 have continued to integrate SSDP activities in their AWPB) | | Program activity |
| DLR 1.8: 200 LGs have made data on conditional grants released to individual schools, consistent with the Grant Management Guideline, public on user-friendly websites (or accessible spaces) | 2,400,000 | System-level reform |
| DLR 1.10: 100 additional LGs have made data on conditional grants released to individual schools, consistent with the Grant Management Guideline, public on user-friendly websites (or accessible spaces) (provided that the LGs under DLR 1.8 have continued to make such data public on user-friendly websites (or accessible spaces)) | | System-level reform |
| DLR 1.11: 100 additional LGs have made data on conditional grants released to individual schools, consistent with the Grant Management Guideline, public on user-friendly websites (or accessible spaces) (provided that the LGs under DLRs 1.8 and 1.10 have continued to make such data public on user-friendly websites (or accessible spaces)) | | System-level reform |
| DLR 2.6: OOSC have been reduced by 30% in 15 Targeted Districts | 2,400,000 | Outcome |
| DLR 2.7: OOSC have been reduced by 5.6% nationwide | | Outcome |
| DLR 7.1: All LGs in 20 Districts have implemented the NEGRP minimum package in at least 80% of community schools | 4,958,000 | Program activity |
| DLR 7.2: All LGs in 9 additional districts have implemented the NEGRP minimum package in at least 80% of community schools. (provided that all LGs under DLR 7.1 have continued to implement the NEGRP minimum package in at least 80% of community schools) | | Program activity |
| DLR 7.3: All LGs in 9 additional districts have implemented the NEGRP minimum package in at least 80% of community schools. (provided that all LGs under DLRs 7.1 and 7.2 have continued to implement the NEGRP minimum package in at least 80% of community schools. | | Program activity |
| Total AF | 23,958,000 | |

B. Institutional Arrangements

22. **The MOEST has revised implementation arrangements to accommodate the new governance structure under the federal transition process.** Under federalism, the education governance structure has changed from a centrally managed deconcentrated system to a three-tier governance structure at the federal, provincial, and local levels. The MOEST will continue to lead the SSDP implementation as the executing agency. Following the dissolution of the DOE, the newly established CEHRD will serve as the main implementing agency. In addition to preparing ASIPs and AWPBs, the CEHRD will provide oversight and technical support to LG units in carrying out program activities. School education sections at the provincial level under the Ministry of Social Development will take over the SSDP responsibilities previously assigned to REDs.

23. **SSDP implementation responsibilities at the LG level will be divided between education officials in the LG office and newly established district level EDCUs.** Functions that were previously executed by the DEOs have been transferred to the LG offices. In addition, EDCUs have been established within the

chief district offices in all 77 districts to facilitate program implementation during the transition process and provide any technical reinforcement at the local level. According to the GON's directive,⁶ all the previous DEOs' responsibilities, barring those under the LGs' mandate per the Local Government Operations Act 2017, will be assumed by EDCUs. The MOEST has placed responsibility for 21 education functions on EDCUs, including compiling school-level EMIS data. In addition, the roles and responsibilities of the EDCU will include liaising between the federal and local governments and providing technical support to LGs and schools in implementing the SSDP activities.

24. Implementation arrangements for activities at the school level will remain unchanged. SMCs and head teachers will be tasked with managing all school-level activities while PTAs are tasked with monitoring them.

25. The SSDP SC chaired by the MOEST Secretary will oversee the coordination, monitoring and verification of implementation progress of SSDP activities. The SSDP PIC established under CEHRD will take over the main functions of supporting program implementation previously assumed by the SSDP Implementing Committee. Roles and responsibilities finalized for the PIC are (a) program implementation support, and (b) support aligned and efficient utilization of technical assistance to the SC. The PIC will be headed by the Director General of the CEHRD. While transitional arrangements for a FBMSC are not yet finalized, financial management, budgeting, audit reports and reporting on DLI achievement will be handled by the MOEST's DACS previously known as the Foreign Coordination Section (FCS).

26. There are several implementation risks during the federal transition period arising largely from the fact that federalism entails a reduced central role and a greater role for LGs in managing school education. Key transitional risks and corresponding mitigating measures are summarized as follows:

- (a) **LG capacity in implementing SSDP.** The SSDP was designed during a system of centrally managed governance structure. Under federalism, majority of SSDP activities are to be implemented by decentralized LGs. However, most LGs lack capacity as well as basic tools for education sector planning and budgeting.⁷ Furthermore, several LGs lack sufficient human resources to implement program activities. Several staff from the previous DEOs, including resource persons, have been transferred to LG offices. Yet, shortfalls remain in about 350 LGs.
- (b) To mitigate risks from insufficient and varying levels of LG capacity, a dedicated SSDP TSU housed within the MOEST's Planning Division will continue to manage technical assistance requirements as well as provide M&E support. At the local level, the EDCUs will provide technical backstopping. The MOEST is developing a Program Implementation Manual that provides implementation guidance to LG offices. The MOEST has also conducted a series of SSDP induction workshops for LGs. The MOEST should ensure that technical assistance effectively covers all LGs and should develop plans to fill human resource needs in all LGs.
- (c) **Risks of accountability and coordination issues due to lack of clear responsibilities.** While LGs and EDCUs share SSDP responsibilities at the local level, a clear demarcation of responsibilities have not yet been provided. A risk assessment by JFPs documents varied interpretations of roles of LGs and EDCUs among local education officials. Lack of clarity on responsibilities could lead to duplicated activities as well as poor accountability.

⁶ MOEST, Letter no. 2.1.16/074/075.

⁷ Claussen and others. 2018. *Federal System and Changes in Risk Assessment for the School Sector Development Plan*.

Uncertainties around teacher deployment and management responsibilities could also affect implementation of key teacher-related activities under the SSDP. The JFP assessment also found that several LGs and EDCUs had conflicting interpretations regarding their roles in teacher transfers, appointment, and promotion. Finalizing detailed responsibilities and effectively communicating them would be crucial for efficient SSDP implementation.

27. While the GON SSDP is partly supported by a pool of DPs through a DLI framework, some DP funds support selected DLIs. This could potentially carry some risk of fragmentation in terms of DP focus across different DLIs and results areas. However, this risk is unlikely to be substantial because the SSDP is being implemented using a SWaP modality in close coordination with all DPs. DP coordination and external partnerships will be handled by the DACS⁸ MOEST's Planning Division.

C. Assessment of Monitoring and Evaluation System

28. **At the central level, monitoring functions are shared by the MOEST and CEHRD.** The Development Action Committee chaired by the Minister of Education will meet every four months to review SSDP progress. The TSU, housed under the MOEST's Planning Division along with the M&E divisions, is responsible for monitoring achievement of SSDP indicators and results, including DLI verification. The MOEST's Planning Division will share M&E reports with JFPs. In addition, the MOEST has established thematic working groups for different SSDP results areas to review protocols and arrangements relevant to their result area. Furthermore, the CEHRD will prepare progress reports against DLI targets. According to the arrangements in the parent operation, DLI achievement will be verified by an independent verification agent.

29. **At the provincial level and local levels, monitoring will largely be supported by dedicated M&E units at provincial governments and M&E officials within LGs.** The M&E units within provincial governments will be tasked with SSDP reporting requirements including financial reporting per SSDP requirements. Newly established EDCUs will also provide monitoring support to LGs. EDCUs will be responsible for compiling EMIS data used for monitoring. The restructured Education Training Centers and resource centers at the field level will provide training, management, and monitoring support to schools.

30. EMIS data collected at the beginning and end of each academic year will continue to be the main database system for school-level information. However, EMIS will be strengthened to be adapted to be fully aligned with the new federal structure. The MOEST is also in the process of upgrading the EMIS to a web-based system with provisions for offline data entry for schools without internet access. These schools would upload the data by visiting their resource center. Contingent upon coordination between LGs and EDCUs, the quality of school-level data compiled is likely to be higher under the new structure because LGs are responsible for a smaller number of schools. M&E activities will be conducted through site visits, trimester, and annual reviews as well as baseline, midterm, and end-line evaluations to assess program implementation. To track learning, the ERO will continue to conduct NASA and EGRA assessments. The restructured education training centers and resource centers at the field will provide training, management, and monitoring support to schools. Monitoring at the local level will also be strengthened through improved education data transparency (new DLRs 1.7b, 1.8b, and 1.9b).

⁸ Formerly called the Foreign Coordination Section.

IV. Economic Justification of the Program

31. The SSDP would remain economically viable with the proposed AF. The costs and benefits assumptions in the original economic analysis hold under the AF. The cost-benefit analysis presents an assessment of benefits and costs associated with the program using a 'counterfactual' identification approach in the absence of SSDP whereby the program 'investment' is the estimated additional cost over and above the current spending.

32. **Benefits.** The 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 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 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.

33. **Costs.** 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. The SSDP cost estimates remain unchanged since the parent IDA program because the Program has not been restructured under the AF.

34. Based on a discount rate of 12 percent for the benefit and cost streams described above, the net present value of SSDP benefits is estimated to be US\$383 million and the estimated IRR is 15.9 percent. Since our cost and benefit assumptions hold under the proposed AF, the IRR suggests that the SSDP continues to be economically justified. Indeed, these estimates are likely to be conservative. The AF would help mitigate risk of disruptions in service delivery during the federal transition and hence help maintain the program's efficiency gains from reduced dropouts relative to the counterfactual scenario without the AF.