PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.:PIDC0087392

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Program Name	Nepal School Sector Development Program
Region	South Asia
Country	Nepal
Sector	Education
Lending Instrument	Program for Results (PforR)
Program ID	P160748
Borrower(s)	Ministry of Finance
Implementing Agency	Ministry of Education
Date PID Prepared	August 16, 2016
Estimated Date of Appraisal Completion	December 19, 2016
Estimated Date of Board Approval	March 9, 2017
Concept Review Decision	{*Insert the following*} Following the review of the concept, the decision was taken to proceed with the preparation of the operation.

I.   Introduction and Context

A. *Country Context*

1.   Nepal presents unique challenges and opportunities for development. The country has made significant progress in poverty reduction and human development. Nepal has also attained the first Millennium Development Goal (MDG) of halving extreme poverty ahead of time. The percentage of population living on less than US$1.25 a day fell from 53.0 percent in 2003-04 to 25.0 percent in 2010-11. 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 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 to poverty across both income and non-income measures.

2.   Nepal continues to transition from a post-conflict status and through a complex and challenging political landscape. Newly promulgated constitution's emphasis on political decentralization and the development of a federal structure appears 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.

3.   The Government's Development Strategy 2030 aspires to have Nepal graduate from the status of least developed country by 2022 and achieve SDGs and become a middle income country by 2030. The newly adopted constitution has guaranteed free education up to secondary level. Through the fourteenth plan (FY2016/17–FY2019/20), the Government aims to elevate

access to secondary education, improve quality of education and efficacy of the education system to produce skilled manpower, as well create conducive environment for transformational development by focusing on expansion of infrastructures and power. It is within this framework that the government has recently launched a seven year school sector development plan, which focuses on enhancing quality.

B. Sectoral and Institutional Context of the Program

4. Nepal has made impressive gains in the school education sector in terms of 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 96.6 percent in 2015 (NER among the girls has increased from 61.0 percent to 96.3 percent in the same period). Primary cycle completion rate has increased from 58.0 percent in 2004 to 80.6 percent in 2015; and the percentage of out-of-school children among 5-12 year olds has decreased from 21.0 percent to 14.8 percent between 2004 and 2012 (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. 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 time 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, 92 percent had been trained by 2015.

6. 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: (i) decentralization of education service delivery; and (ii) 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).[1] This decentralization marked a crucial departure in 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 including per child financing and scholarships. 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[3] and geographic regions, provision of free textbooks, and provision of salary and non-salary PCF-

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[1] 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).

[2] Findings from an impact evaluation suggest that community management helped reduce the share of out-of-school children, particularly from disadvantaged population groups, increase the grade progression rate, and enhance community participation and parental involvement.

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

based grants for quality enhancement. Other key achievements under SSRP include initiation and completion of several rounds of national assessment of student achievement (NASA), initiation of ECED as an important element of basic education and early grade reading program, and continued implementation of EMIS to regularly collect school level data for planning and budgeting purposes.

Challenges

7.   Despite the achievements, much remains to be done on equitable access, retention and learning outcomes. While enrollment rates at the basic level have increased tremendously in general, there are close to 800 thousand out-of-school children (OOSC) (10-15% of 5-12 year olds) from mostly disadvantaged backgrounds. More than half of these OOSC are from 10 Terai districts. Of each 100 children who start at grade 1, only 17 complete grade 10, reflecting low retention particularly at secondary school. Children from economically poor households and from certain geographic areas are much less likely to transition to secondary schooling.

8.   And 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 including the very low levels of competencies found in Grade 3, 5 and 8 national student assessments (NASA) and the low pass rates in national level board examinations in grades 10 and 12 and high repetition rates, particularly in early grades (repetition rates for Grade 1 was 14 percent in 2015). According to NLSS 2010, the reasons most frequently cited by primary school aged children (ages 5-10) for dropping out of school are poor academic progress. Furthermore, learning outcomes vary significantly by geography, school and individual/ household characteristics. Analysis of inequality in student achievements indicate 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).

9.   The factors associated with low levels of learning achievements can be categorized into three broad issues: (i) low accountability in the service delivery chain, (ii) system-level constraints, and (iii) disconnect between education provision and labor market needs.

<u>**Low accountability in service delivery**</u>
10. Lack of adequate teacher management and accountability is one of the biggest issues in the education service delivery system. While decentralization of school management to SMCs was successful in expanding access and equity, it has not been so successful in the area of governance largely because SMCs have been unable to manage government teachers effectively. Since 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.

<u>**Systemic Constraints**</u>
11. Over the past two decades, a concerted effort has been made to improve the functioning of the education system. Considerable effort has been made to reduce fragmentation and improve consolidation of development activities through harmonization of donor support in terms of

financing and implementation arrangements. World Bank has been an important agent of change in these efforts. However, some crucial system-level problems continue to negatively impact learning outcomes are as follows: (i) Public financing support to schools remains inefficient and there is potential to further strengthen school funding modality including that for per child funding (PCF) for quality enhancements; (ii) There is considerable scope to enhance reliability and transparency of school level Education Management Information System (EMIS) data to use for improved decision-making and to demand social accountability; (iii) Financial management (FM) challenges in the sector remain substantial, where school level financial record keeping and the audit system need further strengthening.

Disconnect between education provision and labor market needs
12. There is urgent need to revise curriculum and reform high-stakes examinations to address school-to-work transition. There are a number of issues with the current school curriculum, particularly that of secondary education: it is not fully integrated across different grades/levels (from grade 10 to 11 or from grade 12 to college education), it does not respond adequately to labor market needs, and it does not cater to the needs of diverse student populations. At the same time, a large number of students perform poorly in the curriculum-driven grade-10 SLC exams and Grade 12 secondary completion exams. For individual students, this means low economic and life prospects, despite spending several years in the education system.

13. The proposed program aims to address these challenges through a results-based PforR operation by aligning incentives at all levels of service delivery, strengthening the country system to implement the sector programs and improving the education quality and making it more labor-market relevant.

C. Relationship to CAS/CPF

14. **The proposed Program-for-Results (PforR) is well aligned with the World Bank Group's Nepal Country Partnership Strategy (CPS) 2014–2018. The CPS aims to support Nepal increase its 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 would contribute to the above themes through improved quality, equity, efficiency, governance and management of the education services.

D. Rationale for Bank Engagement and Choice of Financing Instrument

15. The 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 inform our operational and analytical work in the country. The financial support from the Bank is a fairly small share of the overall program costs (less than 3% in SSDP), however, with its collaboration with other development partners through co-financing in the Government-led SWAp program, the Bank would leverage this limited resource to effectively provide support to and guide a large program.

16. The justification for the use of PforR instrument for the proposed IDA financing is as follows: (i) the Disbursement Linked Indicators (DLIs) provide stronger focus on accountability for results and outcomes (as opposed to inputs) and incentivize government's ownership and implementation of critical reforms and policies in the school sector; (ii) the PforR operation further strengthens the use of country systems for program implementation, fiduciary, safeguards and monitoring arrangements that have become more mature during the implementation of EFA and SSRP SWAps; (iii) the Ministry of Finance has a strong preference for a PforR operation, and ADB – a major co-financier in the program is also using results-based lending (RBL) equivalent to the World Bank's PforR) instrument; and (iv) PforR provides several advantages over IPF instrument in terms of flexibility and efficiency in supporting a nationally harmonized program.

II.   Program Development Objective(s)

A. *Program Development Objective(s)*
17. The PDO is to improve the quality of education, equitable access to and efficiency in basic and secondary schools in Nepal by supporting the Government's SSDP program.

B. *Key Program Results*
18. The following preliminary KPIs proposed to measure achievements towards PDO:

- Improved learning outcomes in basic and secondary education
- Improved examinations system for Grades 8, 10 and 12
- Increased school participation at basic and secondary levels – disaggregated by gender, social and income groups, and geography
- Increased completion rates at basic and secondary
- Improved teacher time-on-task measure
- Improved school governance measure

III.   Program Description

19. SSDP covers all levels of school education from ECED/pre-primary education, basic education (grades 1-8) and secondary education (grades 9-12). The program will annually benefit over 7 million students and over 180,000 teachers and ECED facilitators in over 34,000 community schools and centers across the country. The SSDP finances both the recurrent and the development expenditures covering all MOE activities related to the school sector excluding teacher pension. The scope of the proposed Bank Operation would be to support the national SSDP program given that Bank is the part of the SSDP SWAp whereby the Government and eight other development partners jointly finance the entire program.

20. The World Bank Operation is clustered around three results areas under the PforR component and a separate TA component using the Investment Project Financing (IPF) instrument for Program management, monitoring and evaluation support. The three result areas are (i) Improved teaching-learning and student learning outcomes; (ii) Improved equitable access to Basic and Secondary Education; and (iii) Strengthened education system, sector planning,

management and governance. A subset of the SSDP Program interventions, outputs, and outcomes would be chosen as the Disbursement Linked Indicators (DLIs). These result areas are described below.

Result Area 1: Improved teaching-learning and equitable student learning outcomes

Results area 1 consists of the following sub-results area:

21. Two sub-results areas that are associated with "investing early" to enhance and equalize foundational learning opportunities for all children are: (i) *Improved ECED/PPE Program* to better prepare children and to reduce disparities in school readiness through provision of qualified and trained ECED facilitators/teachers, appropriate learning materials and parental engagement; and (ii) *National Early Grade Reading Program* (NGRP) to strengthen the reading skills of students in the foundation years (grades 1–3) enabling further learning outcomes throughout the school education cycle. NEGRP would include provision of free textbooks and supplementary early grade reading materials, a book corner, and teacher training in EGR.

22. The following three sub-results areas have been proposed to *address low teacher accountability* issue: (a) *Strengthened teacher professional development* through provision of pre-service training, mandatory induction training and in-service training to enhance teacher competencies and skills; (b) *Enhanced teacher management* through district incentives linked to implementation of teacher rationalization and re-deployment plans and through teacher incentives linked to their time-on-task and student achievement; and (c) *Improved school management* through piloting of different school governance models (described further under Results Area 3 "Strengthened Education Governance").

23. To reduce the *disconnect between education provision and labor market needs,* the following two sub-results areas would be included: (i) *Improved curriculum* through systematic review and revision of the national curriculum framework and phased implementation of reforms on simplification (reducing unnecessary course/textbook load), diversification (providing differentiated courses at same grade based on interest and ability), and relevance (providing soft-skills for school-to-work transiting students); and (ii) *Improved student assessment and examination* system through establishment of a National Examination Board to oversee and quality-assure exams and standardization of exams at grade 8, 10 and 12; institutionalization of NASA to carry out sample-based assessments at grades 5, 8 and 10 and disseminate results in actionable form; and implementation of the single subject certificate policy for the School Leaving Certificate (SLC) at grad 10 and grades 11 and 12.

24. Other strategic quality enhancing initiatives that are part of SSDP program but not likely to be part of the proposed DLIs include (i) *Enhancing ICT* enabled teaching-learning in schools in a phase wise manner; on (ii) *Improving teaching-learning* in selected schools (two to three per district) through provision of additional inputs such as separate head teacher, full set of subject teachers, ICT, science lab, library and remedial classes; and (iii) *Strengthening TVE* stream in secondary schools.

Result Area 2: Improved equitable access to Basic and Secondary Education:

Key sub-results area supported by the Program are:

25. *Reduction in number of out of school children:* To address the issue of out-of-school children (OOSC), OOSC Program would be implemented in a phase-wise manner starting with

the most disadvantaged districts as identified based on the Equity Index measuring out-of-school status. The OOSCP strategies would mostly include demand-side interventions in the form of scholarships for the children and/or incentives for regular schools or alternative schools/centers to bring them to school.

26. Poverty Targeted Scholarship program*:* Under this initiative, existing scholarship schemes would be revised and integrated to make them need-based and increase the amount to meet the needs of the most vulnerable and disadvantaged children. Mechanism to select eligible student and distribution of scholarship amount will be developed and implemented.

27. Disaster Risk Resilience (DRR) and Enhanced Physical Infrastructure: The objective of this sub-results area is to enhance schools' physical infrastructure and provide children a safe, secure and conducive learning space. This would be done through strengthening the school level disaster management and resilience among communities, reconstructing classrooms and schools in earthquake affected districts and maintaining and retrofitting schools in non-affected districts.

Result Area 3: Strengthened education system management and governance
Results area 3 consists of the following sub-results area:

28. Central and Field level institutional capacity strengthened*:* To strengthen the institutional capacity to implement a national SSDP program and deliver the results-based operation, MOE/DOE would enhance its implementation structure and staffing, including those for all the central level agencies (CLAs) and district education offices.

29. *School Grants Management System improved* : Under this sub-results area, activities aimed at improving school grants management include: i) refining school financing formula to include performance based block grant in addition to per capita financing (PCF) and non-PCF grants with an aim to increase the efficiency of public financing support to schools; and (ii) improving grants management system at the district level to ensure that school and students grants eligibility criteria are complied with.

30. *Financial management improved*: To improve financial management, the following activities would be carried out: i) implementation of unified computerized accounting software (CGAS) in the MOE system; ii) provision for FM and procurement capacity support at the central and district level; iii) training of education managers in formulation of district education plans (DEPs), SIPs, social accountability and transparency through social auditing; iv) implementation of financial management action plan (FMAP) to ensure timely preparation of FMRs and Audit Reports; and v) dissemination of financial management guidelines and other support mechanisms to strengthen financial management at the school level.

31. School level governance and management improved*: To improve school governance and management including teacher accountability*, the Program would use a three-pronged approach to address the challenges associated with the existing governance framework of community schools. One would be to provide performance-based incentives to community schools. *Second* would promote autonomy of *permitted schools* (with no government teachers) through PCF grants. *Third, institutional/private schools* (not-for-profit) that agree to provide free education and meet specified good governance criteria will be eligible for PCF funding.

32. Strengthening and improving EMIS: Improvements envisaged under this initiative include: data collection method would be improved by making the EMIS web-based, EMIS data would be used to prepare district and school report cards and used for social audits in all schools, and sample-based independent verification of EMIS data.

TA Component (IPF): Program management, monitoring and evaluation
33. Technical Assistance would include provision and utilization of services, skills, knowledge and technology in the form of short-term and long-term advisors and consultants, consulting firms and non-consulting agencies to support and strengthen the capacity of SSDP program implementation and deliver results.

34. Implementation Arrangements: SSDP Program will use the government system for program implementation, oversight, financial management, procurement, safeguards, monitoring and evaluation, and reporting arrangements. MOE will serve as the executing agency (EA) and will have overall responsibility for policy guidance and oversight for program implementation. Department of Education (DOE) will be the main implementing agency (IA) with task of preparing annual strategic implementation plan (ASIP) and annual work plan and budget (AWPB) and carrying out the program activities, with support of other central level agencies (CLAs). Regional Education Directorates (REDs) and District Education Offices (DEOs) will execute the program at the regional and district level. At the main frontline, School Management Committees (SMCs) are responsible for managing all school-level activities and the Parent Teacher Associations (PTAs) are tasked with monitoring them.

IV.   Initial Environmental and Social Screening
35. The proposed SSDP Program is not expected to have significant adverse environmental or social impacts. Based on safeguard team's evaluation and findings from the program document which will be supporting typical small-scale civil works such as toilets, classrooms, annexes, science and ICT labs and other maintenance and rehabilitation works for creating enabling environment, some adverse impact on the environment is envisaged. On the social front, the program will support gender and social inclusiveness by taking forward the government's Gender Empowerment and Social Inclusion strategy and putting more emphasis on equitable access to overcome the disparities suffered by children from disadvantaged groups, children with disabilities and children from remote areas. Therefore, on the social side the impacts are considered to be positive in nature given the fact that the program does not entail any land acquisition. These risks will not pose unprecedented or unusual operational challenges.

36. In accordance with the Bank policies, an Environmental and Social Systems Assessment (ESSA) will be undertaken during preparation, which will: (i) examine Nepal's existing legal, regulatory, and institutional framework for environment and social management systems; (ii) determine any areas related to the proposed Program where measures need to be adopted to offset any environmental and social impacts; (iii) evaluate the Ministry of Education's (MoE) capacity to implement social and environmental issues related to the Program; and (iv) define measures to strengthen the system, and integrate those measures into the Program. The ESSA will also review the proposed Program activities to evaluate its effects on the environment and potentially affected people and identify opportunities to improve systemic implementation of environmental practices and positive inclusion of disadvantaged populations and come out with

an action plan to strengthen institutional capacity to minimize identified environmental and social risks to the program.

37. The ESSA document will be prepared by the Bank task team with the environmental and social specialists taking the lead. The Bank will consult with Program stakeholders and agree on the action plan prior to appraisal and disclose the results and recommendations of its assessment.

V.   Tentative financing

Source:		($m.)
Borrower/Recipient		5,761
IDA		100
Others (JFPs)		279
	Total	6,461

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