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Report No: PAD5144

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 89 MILLION
(US\$120 MILLION EQUIVALENT)

AND CO-FINANCED WITH A

PROPOSED GRANT

IN THE AMOUNT OF US\$19.7 MILLION

TO

NEPAL

FOR A

SCHOOL SECTOR TRANSFORMATION PROGRAM OPERATION

March 2, 2023

Education Global Practice
South Asia Region

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CURRENCY EQUIVALENTS

Exchange Rate Effective January 31, 2023

Currency Unit = Nepalese Rupee (NPR)

NPR 132.36 = US\$1

US\$1.348 = SDR 1

FISCAL YEAR
July 16 – July 15

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
AWPB	Annual Work Plan and Budget
CDC	Curriculum Development Center
CEHRD	Center for Education and Human Resource Development
CLA	Central Level Agency
CPF	Country Partnership Framework
CRI	Corporate Results Indicator
CwD	Children with Disabilities
DACS	Development Assistance and Coordination Section
DLI	Disbursement-Linked Indicator
DLR	Disbursement-Linked Result
DP	Development Partner
DTCO	District Treasury Controller Office
ECED	Early Childhood Education and Development
EMF	Environmental Management Framework
EMIS	Education Management Information System
ERO	Education Review Office
ESMF	Environment and Social Management Framework
ESS	Environmental and Social Standards
ESSA	Environmental and Social Systems Assessment
ETC	Education Training Center
EU	European Union
FM	Financial Management
FMAP	Financial Management Action Plan
FSA	Fiduciary System Assessment
GBV	Gender-Based Violence
GCRF	Global Crises Response Framework
GESI	Gender Equality and Social Inclusion

GoN	Government of Nepal
GPE	Global Partnership for Education
GPF	Global Proficiency Framework
GRID	Green, Resilient, and Inclusive Development
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
ICT	Information and Communication Technology
INGO	International Nongovernmental Organization
IPF	Investment Project Financing
IRI	Intermediate Results Indicator
IVA	Independent Verification Agency
JFA	Joint Financial Arrangement
JFP	Joint Financing Partner
LEDPG	Local Education Development Partner Group
LG	Local Government
M&E	Monitoring and Evaluation
MEC	Minimum Enabling Conditions
MOEST	Ministry of Education, Science, and Technology
MOF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
MTR	Midterm Review
NARN	National Assessment for Reading and Numeracy
NASA	National Assessment of Student Achievement
NEB	National Examination Board
NEGRP	National Early Grade Reading Program
NER	Net Enrollment Rate
OAG	Office of the Auditor General
OHS	Occupational Health and Safety
PforR	Program-for-Results
PAP	Program Action Plan
PDO	Program Development Objective
PFM	Public Financial Management
PPA	Public Procurement Act
PPE	Pre-primary Education
PPSD	Project Procurement Strategy for Development
PRF	Program Results Framework
ReAL	Recovery and Accelerated Learning
SDGs	Sustainable Development Goals
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEE	Secondary Education Examination
SESP	School Education Sector Plan
SOE	Statement of Expenditure
SMC	School Management Committee

SMF	Social Management Framework
SOP	Standard Operating Procedures
SPA	Strategic Partnership Agreement
SSDP	School Sector Development Program
SSRP	School Sector Reform Program
SSTP	School Sector Transformation Program
STG	System Transformation Grant
SuTRA	Sub-national Treasury Regulatory Application
SWAp	Sector Wide Approach
TA	Technical Assistance
TOR	Terms of Reference
TPD	Teacher Professional Development
TTL	Task Team Leader
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAC	Violence Against Children

Regional Vice President: Martin Raiser

Regional Director: Lynne D. Sherburne-Benz

Country Director: Faris H. Hadad-Zervos

Practice Manager: Keiko Inoue

Task Team Leader(s): Karthika Radhakrishnan, Maya Sherpa, Mohan Prasad Aryal

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name		
Nepal	School Sector Transformation Program Operation		
Project ID	Financing Instrument	Does this operation have an IPF component?	Environmental and Social Risk Classification (IPF Component)
P177647	Program-for-Results Financing	Yes	Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Small State(s)	<input type="checkbox"/> Conflict
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)	
Expected Project Approval Date	Expected Closing Date
30-Mar-2023	16-Jul-2027

Bank/IFC Collaboration

No

Proposed Program Development Objective(s)

The proposed Program Development Objective (PDO) is to increase equitable access and improve the quality and governance of school education in Nepal.

Organizations

Borrower : Nepal

Implementing Agency : CEHRD under Ministry of Education, Science and Technology

Contact: The Secretary, Ministry of Education, Science and Technology



Title: Secretary
 Telephone No: 977-1-4200340
 Email: moedacs@moest.gov.np

COST & FINANCING**SUMMARY**

Government program Cost	8,362.70
Total Operation Cost	3,583.10
Total Program Cost	3,577.10
IPF Component	6.00
Total Financing	3,105.10
Financing Gap	478.00

Financing (USD Millions)

Counterpart Funding	2,688.42
Borrower/Recipient	2,688.42
International Development Association (IDA)	120.00
IDA Credit	120.00
Trust Funds	19.70
Global Partnership for Education Fund	19.70
Cofinancing - Other Sources (IFIs, Bilaterals, Foundations)	276.98
US: Agency for International Development (USAID)	6.38
Asian Development Bank	200.00
EC: European Commission	15.39
FINLAND, Govt. of (Except for Min. for Foreign Affairs)	7.51
NORWAY, Gov. of (except for Ministry of Foreign Affairs)	6.76
UN Children's Fund	0.94



Bilateral Agencies (unidentified)	40.00
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IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	SML Amount	Total Amount
Nepal	120.00	0.00	0.00	120.00
National Performance-Based Allocations (PBA)	120.00	0.00	0.00	120.00
Total	120.00	0.00	0.00	120.00

Expected Disbursements (USD Millions)

Fiscal Year	2023	2024	2025	2026	2027	2028
Absolute	5.00	14.85	43.35	35.00	26.00	15.50
Cumulative	5.00	19.85	63.20	98.20	124.20	139.70

INSTITUTIONAL DATA

Practice Area (Lead)

Education

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate



8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

Yes No

Does the program require any waivers of Bank policies?

Yes No

Legal Operational Policies

	Triggered
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant



Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Section I.A.1(a), Schedule 2: The Recipient shall establish, within two (2) months from the Effective Date, and thereafter maintain throughout the period of implementation of the Operation, a Program Management and Coordination Committee, chaired by the Secretary of MOEST, assisted by competent staff, all with experience, qualification and terms of reference satisfactory to the Association, for the overall execution and monitoring of the Operation.

Sections and Description

Section I.A.1(b), Schedule 2: The Recipient shall form, within three (3) months from the Effective Date, and thereafter maintain throughout the period of implementation of the Operation, a technical support team under CEHRD, with functions and composition satisfactory to the Association, to support the implementation of the Operation, including planning, budgeting, monitoring, and consolidating the reporting at federal, provincial and local levels.

Sections and Description

Section I.A.2, Schedule 2: The Recipient, through appropriate procedures and transaction mechanisms with Provincial Governments and LGs, shall ensure that the Provincial Governments and/or the LGs are responsible for management and basic functions of financial management, procurement and environmental and social management associated with their respective activities under the Operation. To that end, the Recipient shall: (a) include in the Operating Guidelines, appropriate provisions to ensure that the terms of this Agreement and the Implementation Manual are passed down to all Provincial Governments and LGs as special conditions for their respective Conditional Grants; and (b) ensure that all Provincial Governments and LGs receive all relevant documents describing in detail their responsibilities in relation to the implementation of their respective activities under the Operation in accordance with this Agreement.

Sections and Description

Section V(a), Schedule 2: The Recipient shall: ensure that the Operation activities involving collection, storage, usage, and/or processing of Personal Data shall be done in accordance with the best international practice, and ensure legitimate, appropriate, and proportionate treatment of such data.

Sections and Description



Section I.B, Schedule 2: The Recipient shall, by no later than sixty (60) days after the Effective Date, adopt an Implementation Manual, in form and substance satisfactory to the Association. The Recipient shall carry out the Operation, and cause the Operation to be carried out by Provincial Governments and LGs, in accordance with the Implementation Manual.

Sections and Description

Section III.B, Schedule 2: The Recipient shall appoint, within two (2) months from the Effective Date, and thereafter maintain, throughout the period of implementation of the Program, the Independent Verification Agency in accordance with the terms of the MoU between the MOEST and the Independent Verification Agency.

Sections and Description

Section V(b), Schedule 2: The Recipient shall, in the event that, during the implementation of the Operation, the approval of any new legislation regarding Personal Data protection may have an impact on the activities financed by the Operation, ensure that a technical analysis of said impact is conducted, and that the necessary recommendations and adjustments, are implemented, as appropriate

Sections and Description

Section V(c), Schedule 2: The Recipient shall, except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, ensure that such information, report or document does not include Personal Data.

Conditions

Type	Financing source	Description
Disbursement	IBRD/IDA	Section IV.B.1(a), Schedule 2: No withdrawal shall be made under Categories (1) through (6): on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 3,708,000 [US\$5,000,000.00] may be made on the basis of DLRs achieved prior to this date but on or after July 17, 2022.
Disbursement	Trust Funds, IBRD/IDA	Section IV.B.1(b), Schedule 2: No withdrawal shall be made for any DLR under Category (1) through (6), until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.
Disbursement	IBRD/IDA	Section IV.C, Schedule 2: Notwithstanding the provisions of Section IV.A of this Schedule, no withdrawal shall be made under Categories (7) and



		(8), for payments made in respect of the Project prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 370,000 [US\$500,000 equivalent] may be made for payments made prior to this date but on or after July 17, 2022 for Eligible Expenditures under Category (7).
Type Disbursement	Financing source IBRD/IDA	Description Section IV.C.2, Schedule 2: No withdrawal shall be made under Category 8, until and unless the Implementation Manual is adopted by the Recipient.



I. STRATEGIC CONTEXT

A. Country Context

- 1. Over the past decade, Nepal's economy demonstrated impressive growth and resilience when faced with a wide variety of economic shocks.** Movement restrictions and the almost complete shutdown of tourism during the COVID-19 pandemic resulted in Nepal's first economic contraction in almost 40 years in FY20 (-2.4 percent). A decisive vaccine rollout and reopening of the borders have supported the economy's recovery, with growth inching up to 4.2 percent in FY21 and accelerating further to 5.8 percent in FY22.¹
- 2. The growth momentum continued in FY22, with industries and services expanding by 10.2 and 5.9 percent, respectively.** The industrial sector benefited from higher investment rates, accompanied by a 52 percent growth in the number of new businesses registered and substantial credit expansion focused on investment. Services subsectors impacted by the pandemic, including transportation and accommodation services, started recovering as domestic and international air passenger numbers increased, and international tourists began to return. Higher demand and the availability of credit also drove a 42 percent increase in home sales, raising real estate services.²
- 3. An uneven and slow jobs recovery poses risks to poverty reduction and can exacerbate existing inequalities.** New analysis from the second round of the World Bank's SAR COVID-19 phone monitoring survey conducted at the end of 2021 suggests that the economic contraction induced by the pandemic had continued impacts on the labor market, with 22 percent of jobs lost during 2020 still not being recovered at the end of 2021.³
- 4. Under the baseline scenario, growth is expected to decelerate over the medium term as pandemic-era stimulus continues to be unwound.** The baseline scenario assumes that monetary policy continues to normalize, that COVID-19-related monetary and fiscal stimuli are unwound, and that global headwinds persist. These factors are expected to contribute to a gradual deceleration of growth to 5.1 percent in FY23, and to 4.9 percent in FY24. The growth outlook is bolstered by the assumption that international tourist arrivals will reach pre-pandemic levels by FY24, supporting the services sector. A continued expansion of hydroelectricity production capacity is expected to drive industrial sector growth over the medium term. Agricultural growth is expected to decelerate modestly in FY23 despite a good monsoon season, owing to a continued shortage of chemical fertilizers.⁴
- 5. Nepal is highly vulnerable to climate-related disasters that have major economic impacts, particularly affecting the housing, infrastructure, and agriculture sectors.** Recent studies by the Asian Development Bank (ADB) suggest that, by 2050, Nepal faces losing 2.2 percent of annual GDP due to climate change. Mean annual temperatures are projected to increase between 1.3°C and 3.8°C by the 2060s, with winters becoming drier and monsoon summers wetter. Some estimates predict a threefold increase in monsoon rainfall, likely resulting in more frequent winter droughts and summer floods, landslides, and transmission of waterborne and vector-borne diseases.

¹ Nepal Development Update October 2022. Washington D.C. World Bank

² *ibid*

³ *ibid*

⁴ *ibid*



B. Sectoral and Institutional Context

6. **In Nepal, one year of pre-primary education (PPE) and basic education (Grades 1–8) is free and compulsory, while secondary education (Grades 9–12) is free but not compulsory (2015 Constitution and 2018 Act relating to Compulsory and Free Education).** Nepal’s education sector is guided by the 2019 National Education Policy, which calls for equitable access for all to quality education. Under the new federal structure, the responsibility for basic and secondary education has shifted to the local level, with the federal and provincial governments mainly responsible for higher education. However, the federal ministry continues to play a prominent role in guiding education policy and setting standards from pre-primary to secondary education. Broadly, there are three types of schools in Nepal: community (public/government) schools (77 percent of schools), institutional (private) schools (21 percent), and traditional/religious schools (2 percent). In 2020, 75 percent of students were enrolled in community schools and about 24 percent in institutional schools.⁵

7. **In the last decade, Nepal has made impressive gains in education access and gender parity, across all levels.** Between 2010 and 2020, the gross enrolment rate at the early childhood education and development (ECED)/PPE level increased from 66.2 percent to 87.6 percent, net enrollment rate (NER) increased from 83.2 percent to 94.7 percent at the basic level, and from 24.0 percent to 50.9 percent at the secondary level. Nepal has also made commendable progress along the gender dimension and has achieved gender parity in basic and secondary education.

8. **While access has improved over the years, equity remains a critical issue.** More than 25 percent of children continue to enter Grade 1 without any PPE. NER in secondary (Grades 9–12) is low (54 percent).⁶ Education inputs and learning outcomes are unequal and vary by geographic area, gender, and ethnic group. Overall, Bagmati, Lumbini, and Gandaki Provinces fare better than Province 1, Madesh, Karnali, and Sudurpaschim.⁷ Students from institutional schools consistently outperformed students from community schools in all subjects across all assessments. Overall, boys outperform girls in all subjects except Nepali. In the 2019 Grade 10 National Assessment of Student Achievement (NASA),⁸ students from institutional schools scored 51 points more than students from community schools in math, 49 points more in science, 21 points more in Nepali, and 68 points more in English. Further, students belonging to advantaged households by caste/ethnicity perform better than students belonging to disadvantaged households.⁹ Education inputs, such as classrooms; learning materials; water, sanitation, and hygiene facilities; and teachers are also unequally distributed, with some local areas lacking the minimum enabling conditions (MEC) required for learning.

9. **Gender.** Over the past decade, Nepal has made impressive gains in gender equity in key education outcomes, while the income gap between female and male population is greater due to lower level of market relevant skills among the female work force. Progress has also been made in enrolling the most marginalized at the basic level and reducing the numbers of out-of-school children, but access to early childhood education and secondary education remains limited for the poorest students. The poorest children—especially girls and

⁵ School Level Educational Statistics of Nepal - Consolidated FLASH Report, (CEHRD,2020).

⁶ School Level Education Statistics of Nepal - Flash Report, CEHRD (2022).

⁷ Kathmandu, the nation’s capital is in Bagmati Province. Province 1 is yet to be named.

⁸ NASA carried out by the Education Review Office (ERO) measures students’ performance against the learning outcomes specified in the curriculum and is conducted in Grades 5, 8, and 10.

⁹ Radhakrishnan, K., N. Angrist, P. Bergman, C. Cullen, M. Matsheng, A. Ramakrishnan, S. Sabarwal, and U. Sharma. 2021. *Learning in the Time of COVID-19: Insights from Nepal*. Washington, DC: World Bank.



those living in rural areas—are most likely to miss out on quality education in Nepal. According to the National Living Standard Survey (2011), literacy rate is 20 percent lower for females than for males, and these gender differences are even more pronounced in rural areas. The survey shows that the gender gap in school enrollment is the widest in the poorest and second poorest wealth quintiles and is nonexistent in the richest quintile. According to Gender Equality and Social Inclusion (GESI) analysis, many households are more willing to pay for education for boys than for girls.¹⁰ The analysis also highlights that female are greatly underrepresented among upper-basic and secondary teachers, headteachers, education planners, and policy makers at all levels. In Nepal, fewer females study science subjects and join fields of science, technology, engineering, and math (STEM) education compared to boys, which translates into greater income gaps as most women work in the non-formal sector due to lack of market-relevant skills. According to UNESCO report, only 7.8 percent of the total researchers in the country are female, which is quite low compared to the rest of Asia and Africa.¹¹ Low uptake of STEM education also translates into fewer female teachers available for science subjects. At the secondary level, only 20.4 percent of the teachers are females, and at the basic level, only 47.2 percent of teachers are females.

10. Nepal has also made significant efforts on gender-responsive budgeting and in some respects is a regional leader. However, there has been limited effectiveness at provincial and local levels to address gaps and achieve widespread adoption. In addition, few budgeting actions related to social inclusion have been taken. There have been attempts to foster girls' education networks and communities of practice between nominated staff at a local level. However, there is not yet clear evidence on the effectiveness of these interventions, nor is there regional consistency.

11. **COVID-19 is threatening the gains being made in girls' education.** According to a recent World Bank report,¹² school disruptions caused by the pandemic have put girls at an increased risk of dropping out of school, being vulnerable to domestic violence and other gender-based violence (GBV) threats, facing child marriage and early pregnancy, and being exploited as child labor.¹³ Even before the pandemic, according to GESI analysis, out-of-school rates for girls in Nepal were consistently higher than for boys across different ages and the different provinces. This indicates that while there is gender parity in access to education for most of the population, there is still gender inequality among the most disadvantaged groups, especially for girls and children with disabilities (CwD).

12. **In Nepal, three modalities are provided for the education of CwD: (a) special schools, (b) integrated schools, and (c) inclusive schools with resource classes to support students.** The enrollment of children with different types of disabilities as a share of the total enrollment in ECED, basic level (Grades 1–8) and secondary level (Grades 9–12) is low (0.6 percent in PPE, 0.5 percent in the basic level, and 0.3 percent in the secondary level).¹⁴

13. **Learning levels remain low and are projected to decline because of COVID-19 and climate-induced disasters-related school closures.** Learning outcomes as measured by NASA are low across all levels and showed a declining trend in certain subjects even before the COVID-19 pandemic. In 2018, only 28 percent of Grade 5 students demonstrated grade-appropriate skills and knowledge in math, and only 45 percent

¹⁰ GESI analysis was carried out as part of the background study to inform the development of the SESP.

¹¹ <http://uis.unesco.org/sites/default/files/documents/fs51-women-in-science-2018-en.pdf>.

¹² <http://hdl.handle.net/10986/33945>.

¹³ <https://blogs.worldbank.org/education/covid-19-bringing-girls-back-school>.

¹⁴ School Level Education Statistics of Nepal - Flash Report, CEHRD, 2022.



performed at the proficient or advanced level in Nepali.¹⁵ Mean achievement in math was lower compared to the previous assessment round in 2015.¹⁶ Learning is expected to fall further because of COVID-19 shutdowns. A study conducted in 2020 shows that nearly 35 percent of Grade 5 students could not do two-digit addition with carryover.¹⁷ Data collected from another study,¹⁸ conducted in 2022 in three local governments (LGs) in Nepal, show that more than 70 percent of children in Grades 4 and 5 were not able to read a Grade 2-level story. For Nepal, the learning adjusted years of schooling (LAYS) was 7.2 years before the pandemic.¹⁹ Even conservative estimates suggests that LAYS will likely drop to 6.3 years—a 0.9-year drop.²⁰ Moving forward, low levels of learning could be further exacerbated by increased risks of climate-related hazards. Intensified risks of increased monsoon rainfall and ensuing potential floods and landslides will likely increase the frequency of normal school closures, while possible damage to school infrastructure caused by floods and landslides could lead to prolonged school closures, both of which affect access to learning, learning continuity, and learning outcomes. These risks were exemplified during the 2017 flood, which led to significant damage to school infrastructure and prolonged school closures.²¹

14. **Examinations.** Under the School Sector Development Program (SSDP: P160748) co-financed by the World Bank, the standardization of Secondary Education Examination (SEE) was supported to make it competency based and provide reliable and valid measures of learning levels. A framework to conduct the examination at the provincial level in line with the new federal structure was also approved by the Government.

15. **Limited teacher capacity along with inadequate needs-based continuous professional development for teachers is one of the key factors for the low learning levels.** In Nepal, those who have completed Grade 12 or obtained a proficiency certificate in any subject and completed a 10-month teacher training course are eligible for basic education teaching posts. In-service teacher training is extremely important as it helps undertrained teachers' needs and strengthens their knowledge and pedagogical skills. Under the SSDP, teacher training was a key focus area. Various modalities of training including short-term courses, virtual training, self-learning, formation of networks, and school-based continuous professional development were planned. Overall, about 73 percent of teachers at the basic and secondary levels in community schools have undergone some form of teacher training in Nepal.²² However, despite these efforts, teachers still employ rote methods and teacher-centric teaching, and skills learned in training programs are not applied in the classroom. This was also due to the absence of continuous support to teachers in the new federal structure. Further, in-service training delivery is focused on off-site short-term programs rather than school-based continuous support. Coordination with universities for improved pre-service teacher training is also weak. There has also been limited focus on developing information and communication technology (ICT) skills among teachers. Another challenge is the low capacity of teacher training centers. Twenty-nine former education training centers (ETCs) have been reduced to seven

¹⁵ NASA 2018 Grade 5 report.

¹⁶ The GoN changed the methodology to calculate mean achievement in 2017. Therefore, the numbers per se are not comparable over years. However, the Government reported the trend in achievement which is mentioned here.

¹⁷ Radhakrishnan, K; N. Angrist; P. Bergman; C. Cullen; M. Matsheng; A. Ramakrishnan; S. Sabarwal; U. Sharma 2021. Learning in the Time of COVID-19 : Insights from Nepal. World Bank, Washington, DC.

¹⁸ Radhakrishnan, K; U. Sharma; S. Gupta. 2022. Teaching at the Right Level: Experience from Nepal.

¹⁹ World Bank. 2018. *The Human Capital Project*. Washington, DC: World Bank

²⁰ Sharma, U., M. Sherpa, and K. Radhakrishnan. 2021. "Learning Loss as a Result of COVID-19 in Nepal." Unpublished Manuscript. Washington, DC: World Bank.

²¹ Comprehensive School Safety Master Plan, Ministry of Education, 2017.

²² School Level Educational Statistics of Nepal - Consolidated Report 2019/2020 (FLASH).



provincial ETCs, as part of the shift to a federal system, implying a shift in role from direct delivery of training toward providing technical assistance (TA) to LGs. The capacity of these provincial ETCs needs strengthening.

16. **COVID-19 has also brought to light the vulnerabilities of the education system, especially for providing remote learning and support.** The GoN implemented several alternative learning programs including radio and TV-based programs, online learning portal, short message service, and phone-based teaching support as well as small group community-based teaching to provide learning continuity during school closure. However, access to these programs remained a challenge. School closures especially affected the students from lower socioeconomic background and deprived communities as they have even more limited access to active forms of remote learning than the non-poor student population (16 percent as opposed to 24 percent) and more limited access to teachers than the non-poor student groups (21 percent as opposed to 27 percent). Building system resilience, including digitized learning programs, climate disaster awareness and preparedness, and ensuring equity in access during emergencies are therefore of critical importance and a key priority area for the GoN.

17. **While education is a priority sector, its share of budget fluctuates and the shift to the federal system of governance has necessitated increased investments in capacity development at the LG level.** Education budget share within the overall budget has seen a declining trend over the past decade, moving from over 16 percent in 2012 to over 10–11 percent in recent years.²³ The GoN has committed to increased budget allocation for the new School Education Sector Plan 2022–2032 (SESP) compared to previous years. Under the federal structure, LGs have been assigned the primary responsibility for managing school education. The Local Government Operations Act 2017, which provides details on the functions of the LGs, places 23 functions related to planning, monitoring, and management of basic and secondary education under the jurisdiction of LGs. However, formal mechanisms for communication and coordination among various government entities under the new arrangements are not fully established. The capacity of LGs to carry out their education management mandate also varies greatly, and there is a general lack of capacity in evidence-based planning, budgeting, financial management (FM), and prioritization of interventions.

18. **Global Partnership for Education (GPE).** The World Bank has served as the Grant Agent for GPE Trust Funds for several years under the School Sector Reform Program (SSRP: P113441) and SSDP. Nepal was selected as a pilot country for the GPE’s 2025 operating model. In 2021, the LEDPG commissioned the preparation of a comprehensive Education Sector Analysis, which informed extensive consultations with stakeholders to identify priority areas that have the potential to foster transformational changes in the education sector that lead to better outcomes. The results were summarized in the Nepal GPE Strategic Partnership Agreement (SPA) as required by the 2025 operating model. The SPA identifies three priority areas—quality teaching, ECED, and gender equality—to work on to foster transformational change and address key barriers to better education outcomes. The World Bank has been selected as the Grant Agent for the GPE System Transformation Grant (STG) for US\$20 million and multiplier grant,²⁴ and as a Co-grant Agent with the United Nations Children’s Fund (UNICEF) for the GPE System Capacity Grant (SCG) for US\$3.4 million. The SCG will provide the capacity building required under the SPA priority areas.²⁵ The closing date of the STG will be July 15, 2026, based on results expected to be achieved as per the proposal approved by

²³ MoF (2020) and IMF (2020).

²⁴ The GPE Board approved the STG on February 2, 2023. STG supports the priority areas identified under SPA. The multiplier grant can be accessed when Nepal crowds in new and additional external financing for education programs aligned to SPA.

²⁵ The World Bank will implement US\$1.75 million (Bank executed) under the SCG.



GPE. All activities financed under the STG and SCG will be closely consulted upon with the Local Education Development Partner Group (LEDPG).

19. **Climate.** The proposed operation will play a key role in advancing the Green, Resilient, and Inclusive Development (GRID) agenda in Nepal. Disasters affect the education sector by damaging school infrastructure, disrupting teaching and learning, forcing children to drop out of school, and shaking the resilience of local communities. Disasters have exposed the lack of safe learning environments for most children in Nepal. Slow-onset climate change such as rise in rainfalls also affect regular access to school and interrupt learning, while disruption to agriculture cycles put children at greater risk of dropouts as household livelihoods are compromised. In the last 10 years, floods and earthquakes have resulted in interrupted access to learning and severe damage to more than 5,000 schools and affected thousands of students. Research shows that children excluded from education or discriminated against—especially girls and those children who are the most disadvantaged—are often the same children who are the most affected by climate change and disasters.²⁶ In 2017, the Ministry of Education, Science, and Technology (MOEST) developed a Comprehensive School Safety Master Plan, which aims to ensure every child’s right to access quality education in safe learning environments by improving the resilience of the education system to disasters and hazards. The new sector plan, the SESP, builds on the existing school safety framework and strengthens soft components of school safety (for example, curriculum integration, teacher training, communication, school drills, and disaster risk reduction in School Improvement Plans [SIPs]) and the need-based maintenance and retrofitting of school buildings.

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

20. **The proposed operation is well aligned with the World Bank Group’s Nepal Country Partnership Framework (CPF) FY19–FY23 (Report No. 83148-NP) discussed by the Board of Executive Directors on August 7, 2018, and extended to FY24 by the corresponding Performance and Learning Review (PLR) (Report No. 168048-NP).** Improving equity in access to quality education is one of the CPF objectives (Objective 3.1) of the ‘Inclusion and Resilience’ focus area (Focus Area 3). The framework highlights the need to improve the quality of education across all levels with a specific focus on reducing the disparities in outcomes across Nepal’s regions and socioeconomic groups. The proposed operation is also aligned with Objective 1.2—strengthened institutions for public sector management and service delivery—under the ‘Public Institutions’ focus area (Focus Area 1), which supports strengthening systems and capacities of public education institutions for continued service delivery. This operation will contribute to the above themes through improved quality, equity, governance, and management of the school education services. The proposed operation is also aligned with the GoN’s Nationally Determined Contribution 2020, which commits to include climate change-related education in all secondary schools by 2025, as well as with the World Bank Nepal Country Climate and Development Report (CCDR) 2022, which highlights the importance of education and skills toward building a resilient Nepal.

21. **The proposed operation also feeds into the World Bank’s Global Crises Response Framework (GCRF, 2022–2023) and is supporting and responding to the GoN’s priorities and needs in the wake of multiple global crises.** The operation will feed into two of GCRF’s four pillars: Pillar 2 - Protecting People and Preserving Jobs to help mitigate the medium- to long-term impact of crises - through the pro-poor targeted scholarships and the implementation of the recovery and accelerated learning (ReAL) plan and Pillar 4- Strengthening Policies, Institutions, and Investments for Rebuilding Better - through the construction of

²⁶ World Bank. 2022. *Managing the Impacts of Climate Change on Poverty*.



green and resilient classrooms, performance based grants to LGs, strengthening foundational learning, strengthening the Education Management Information System (EMIS) and strengthening monitoring and reporting arrangements across the three tiers of governments. Respective disbursement-linked indicators (DLIs) are tagged to one of these two pillars as outlined in Section II (Table 3).

22. **Rationale for use of instrument.** The operation will use blended Program-for-Results (PforR) instrument with the Investment Project Financing (IPF) component. The World Bank has developed a strong partnership with the GoN in the education sector and has supported the GoN in its efforts to increase access, improve quality, and promote good governance in the sector. The World Bank has supported the GoN's school sector programs such as Education for All (2004–09), SSRP (2009–16), and SSDP (2017–22) through a sector-wide approach (SWAp). The World Bank is well placed to provide financial support to the education sector and leverage its experience in the country and internationally to inform operational and analytical work in Nepal. The justification for the use of blended instrument is as follows: (a) with the GoN's SESP in place, the DLIs provide a stronger focus on accountability for results and outcomes and incentivize Government's ownership and implementation of critical reforms and policies in the sector; (b) the PforR further strengthens the use of country systems for program implementation, fiduciary, safeguards, and monitoring arrangements in the federal context; (c) the MOEST—the executing agency for the proposed operation—is already experienced with DLI-based operations funded by the World Bank and other development partners (DPs) and the Ministry of Finance (MOF) has a strong preference for a PforR instrument. At the same time, the proposed operation will include an IPF component to provide the capacity building necessary to ensure the achievement of agreed results and strengthen the institutional capacity of the relevant federal-level agencies, PGs and LGs for sustainability of the expected outcomes.

II. PROGRAM DESCRIPTION

A. Government Program

23. The proposed operation will support the first five years of the SESP (2023–2027). The SESP and operation objectives and results areas are described in table 1. The proposed PforR will finance results associated with improvements in access to and quality of basic and secondary education through enhanced service delivery, improved local governance, and strengthened capacity on implementation, FM, and monitoring and evaluation (M&E).

24. **The LEDPG—with representation from DPs, international nongovernmental organizations (INGOs), and different civil society organizations—has a long-standing history of engagement in the school sector and with the Government.** The LEDPG meets periodically under the MOEST's leadership, including in joint thematic groups to discuss important aspects of the school education strategy and coordinate joint support for the strategy, programs, and activities. The LEDPG members are key participants in the biannual reviews of the school sector program. They have worked closely with the Government in formulating the SESP document.

25. **The proposed Program will support the SESP through SWAp modality along with other DPs²⁷ and will largely follow the collaboration modality of the previous SSDP.** The joint financing partners (JFPs) will subscribe to an agreed strategic framework for harmonized implementation of the Program called the Joint Financial Arrangement (JFA), which is signed by the heads of the respective organizations. While the World Bank and ADB will use the PforR and results-based lending instruments, respectively, other JFPs will finance

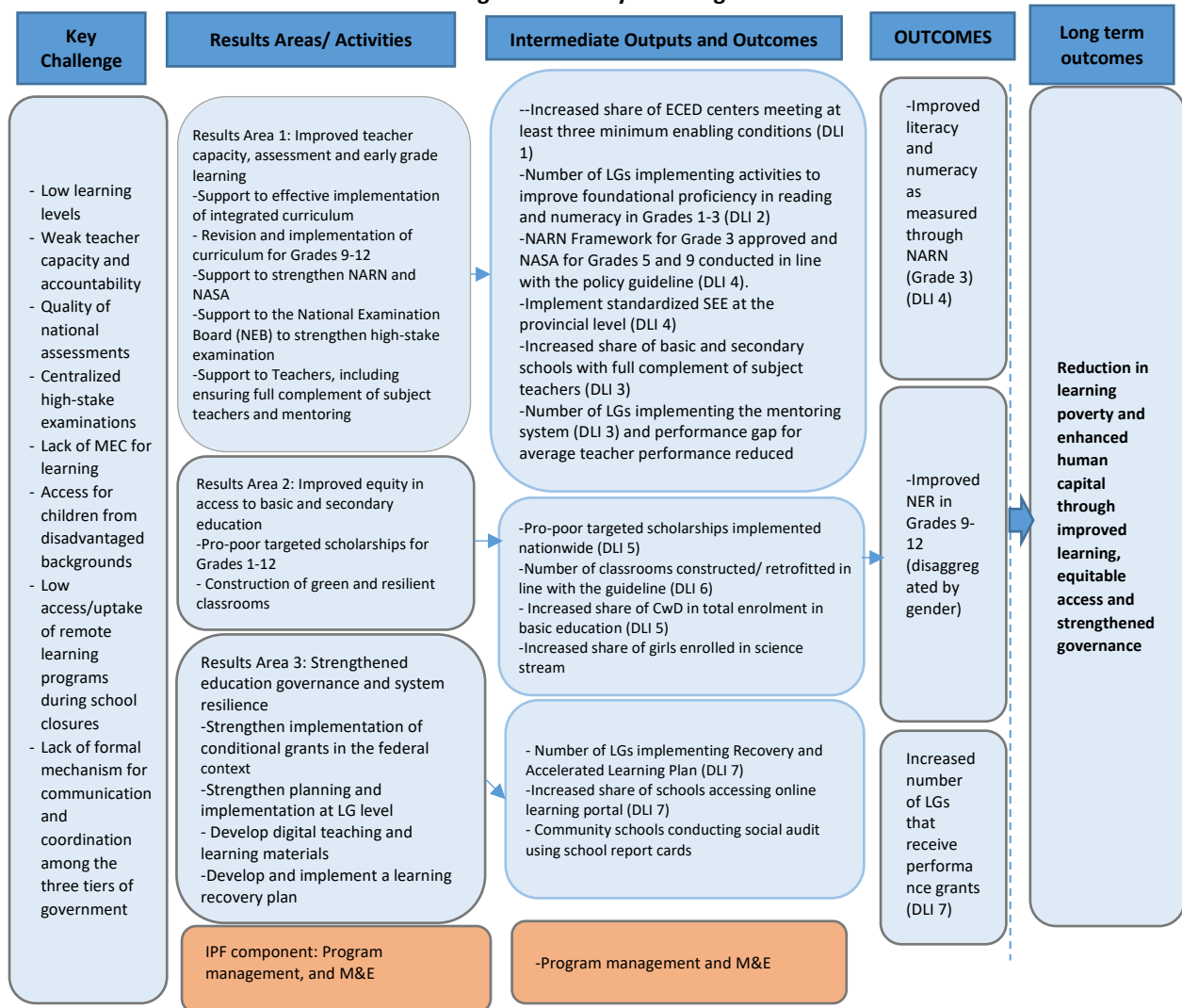
²⁷ GPE, ADB, European Union (EU), Finland, Norway, UNICEF, and United States Agency for International Development (USAID).



through a result-based and/or program-based (fixed tranche) modality with funds being released conditional upon overall program progress.

B. Theory of Change

Figure 1. Theory of Change

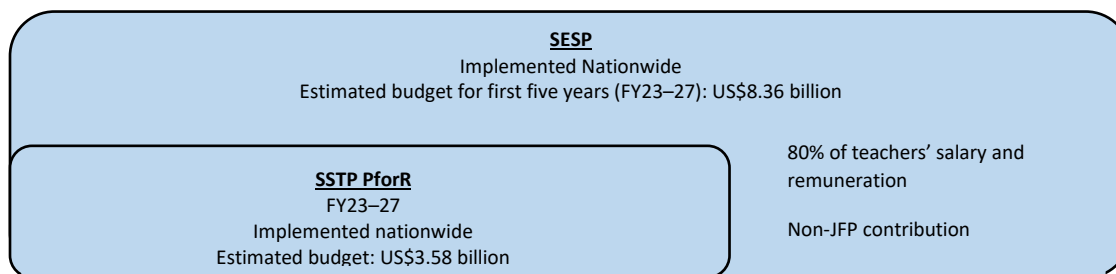


C. PforR Program Scope

26. **The proposed Program will use the PforR financing instrument and support the first five years of the Government’s SESP.** The diagrammatic representation of the World Bank-supported Program (shown in figure 2) reflects the overlap with the Government SESP.



Figure 2. SESP and World Bank-Supported Program Relationship



27. The proposed Program supports three out of four objectives under the SESP through three results areas, as described in the following paragraphs.

Result Area 1 (RA 1): Improved teacher capacity, assessments, and early grade learning

28. This results area focuses on providing quality inclusive early childhood education to improve participation and learning in ECED, improving foundational competencies of children in literacy and numeracy, supporting the implementation of Grade 10 examination at the provincial level, and strengthening the national assessments, and establishing, and implementing a teacher mentoring system at the LG level.,.

29. **Ensuring MEC in the ECED centers.** This sub-results area will focus on ensuring the MEC in the ECED centers, including (a) qualified ECED teacher (with secondary education and 90 hours of practical training); (b) child-friendly tap (for easy access to drinking water); (c) toilet (with soap and water); (d) child-friendly seating arrangement (preventing children from dirt and cold); and (e) learning materials arranged in at least six learning areas covering language, math, acting/self-reliance, creativity, construction, and science.

30. **Improving early grade learning.** Under the SSDP, a national early grade reading program (NEGRP) was piloted. As part of the program, a NEGRP minimum package was developed which included (a) teaching materials, (b) teacher training and classroom support, (c) community mobilization, (d) student assessment, and (e) M&E. Building on the implementation of the NEGRP under the SSDP, this sub-results area will focus on strengthening the implementation of the integrated curriculum in Grades 1–3 with a focus on literacy and numeracy, including through developing and distributing additional learning materials for students, developing and distributing teacher guides, and conducting teacher training. The integrated curriculum involves interconnecting subjects while teaching based on a common theme.

31. **Supporting assessments and examination.** Building on the momentum gained under the SSDP, this sub-results area will support (a) building capacity of the Education Review Office (ERO) to conduct standardized National Assessment for Reading and Numeracy (NARN) for Grade 3, NASA at Grades 5, 8 and 10,²⁸ analyze assessment data, and report actionable findings; and (b) supporting the NEB to conduct standardized examinations of Grade 8 at the local level, Grade 10 at the provincial level, and Grade 12 at the federal level. The Program will support the implementation of Grades 5 and 8 NASA in line with policy guidelines approved under the SSDP. The policy guidelines for the implementation of NASA for Grades 5 and

²⁸ This is a critical activity for the country to be able to monitor SDG 4.1., Indicator 4.1.1 on the proportion of children and young people at the end of primary and lower secondary who achieve at least a minimum proficiency level in reading and math. This can also help link the national student learning assessments with the Global Proficiency Framework (GPF) to set learning assessments benchmarks that are aligned globally across countries.



8 involves the production of proficiency descriptors and–proficiency levels aligned with the Sustainable Development Goal (SDG) 4.1 indicators and guided by the Global Proficiency Framework (GPF).

32. **Supporting teacher development.** Under this sub-results area, support will be provided through (a) developing continuous teacher support system at the local level; (b) updating teacher professional development (TPD) framework; (c) developing and implementing the standard operating procedures (SOP) for teacher mentoring system; (d) training teachers on using ICT, promoting green and clean schools, implementing safe school policy and whole school approach for resilience, emergency action plan implementation and monitoring; and (e) providing conditional grants to LGs for recruitment, deployment, and training of additional teachers at the upper basic and secondary levels. The TPD framework will be updated and SOP for implementation of teacher mentoring system at the LG level will be developed, approved, and implemented. Preparation of the SOP will involve the translation and contextualization of the TEACH tool (or a comparable observation tool), the development of modules for training of mentors, and digitization of the TEACH tool, including a dashboard. The tool will be aligned to the TPD framework. Data collected will be used to help the Government identify the skills needs of the teachers and to target TPD opportunities to address the specific needs through the mentoring system, as well as through other in-service training opportunities. Teachers will be also trained on implementing gender-responsive education policies.

Result Area 2 (RA 2): Improved equity in access to basic and secondary education

33. **Strengthening existing pro-poor targeted scholarship schemes.** Pro-poor targeted scholarships at the secondary level (Grades 9–12) were supported under the SSDP. This sub-results area will improve the efficiency of existing scholarship schemes at the basic level in a phased manner starting with Grades 6–8. The revised scholarship scheme will include an implementation arrangement which empowers LGs to implement the scheme, as well as a comprehensive and practical targeting mechanism.

34. **Constructing green and resilient classrooms.** Construction of classrooms—which are disaster risk and climate change resilient and which use climate change mitigation measures where possible—will be supported under the proposed Program to reduce the risks from climate change and natural disasters, including earthquakes. It would create the enabling environment for enhanced access to basic and secondary education. The guidelines for construction of classrooms will be revised and include the following: (a) ‘School Physical Facilities Development Guidelines’, which include at least guidance for LGs and schools to plan for school-wise infrastructure improvements based on school mapping, minimum quality and disaster risk-resilient standards for school facilities, school upgrading needs, and standards costing approaches for development and maintenance; and (b) ‘School Physical Facilities Implementation Guidelines’, which at least includes guidance to LGs and schools on construction management (including progress reporting and certification of work completion), construction requirements (climate resilient, including abiding by national building codes, green, energy-efficient, and inclusive [child, gender, and disabled friendly] designs), safeguards compliance, FM, procurement, and maintenance. Classrooms will incorporate green designs and improved insulation that allow for energy efficiency as well as use by communities as evacuation centers during climate-related disasters. In addition, the Program will support the ‘green school’ program to promote green, clean, and safe schools.

35. **Inclusion.** Under this sub-results area, support will be provided to special schools, integrated schools, and inclusive schools to enroll, retain, and ensure learning of CwD.



Result Area 3 (RA 3): Strengthened education governance and system resilience

36. **Providing conditional grants to LGs.** Under the federal structure, most of the school education budget allocated to LGs by the Federal Government is in the form of conditional grants. Under this results area, the criteria for conditional grants will be reviewed and revised. A performance-based grant element will be introduced under the conditional grants to incentivize LGs to achieve results including development and implementation of local-level education sector plan, timely reporting on physical and financial progress, and increased local budget allocation to the education sector. LGs will be incentivized based on reasonable targets achieved against their respective baseline. A detailed reporting on the progress against the indicators will be made publicly available on the CEHRD website to promote transparency. Cross-learning among the LGs will be promoted under this results area. The Program will support for capacity building of provincial and local governments for monitoring, documentation, and reporting of the SESP activities that will be implemented at their levels.²⁹ An information flow, coordination, and reporting mechanism between federal, province, and local levels will be supported in line with the SESP.

37. **Building capacity at provincial and local levels.** According to the Nepal GPE SPA, the Government strategy is to increase the capacity of LGs to adapt, plan, implement, monitor, and enforce gender-inclusive policies. The proposed Program will work on strengthening the capacity of LGs to adapt the policy and planning frameworks that have been established at the national level. These need to be contextualized into local-level mechanisms that allow gender responsive planning, implementation and monitoring, and enforcement of gender policies to ensure that schools have gender-sensitive facilities and that they are free from GBV and harassment.

38. **Resilient and inclusive technology.** Technology has become a critical part of education delivery as a result of COVID-19. This sub-results area will support the development and implementation of digital teaching and learning materials at the classroom/school level. This will help improve remote learning delivery and will enhance data recovery and backup systems to prevent data/information loss in the event of natural disasters. Multi-modal learning platforms created as part of the COVID-19 response would be strengthened and made inclusive and integrated into mainstream education, including streamlining of the education portal. A ReAL plan will be developed and implemented under the Program to not only address learning loss due to COVID-19-related school closures but also progress beyond what was lost. In addition, this sub-results area will support the strengthening of EMIS and the scale-up of School Accounting Software (SAS) to ensure quality and reliability, including aligning with Subnational Treasury Regulatory Application (SuTRA). The Program will support implementation of EMIS policy guidelines and strategic plans which includes improved access to student and school information with geographic information system mapping including information on climate risks (such as disaster hotspots) to improve targeting of interventions for students during times of crisis.

39. A subset of the SESP activities, 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. The technical assessment describes in detail the

²⁹ The province governments will be responsible for monitoring, coordination, and reporting the provincial level SESP activities including at the LGs.



alignment of the results area with the SESP objectives. Table 1 describes the Government’s program and the program supported by the PforR.

Table 1. Scope of Government program and Program supported by the PforR

	Government program	Program Supported by the PforR	Reasons for Non-alignment
Title	School Education Sector Program (SESP)	School Sector Transformation Program (SSTP)	Government expenditures include all recurrent and capital expenditures for the program. Program expenditures of the PforR exclude 80 percent of salaries and remuneration. The program expenditures include additional teachers and hence 20 percent of teachers’ salaries and remuneration is included in the Program expenditures. The PforR also excludes non-JFP contribution.
Objective	Well-governed, capable, and accountable public school education system for relevant and quality education comparable to international standards	Increase equitable access and improve quality and governance of school education in Nepal.	
Duration	FY23–27 (first 5 years of SESP)	FY23–27	
Geographic coverage	Nationwide	Nationwide	
Results Areas	Objective 1: Ensure equitable access to and participation to quality pre-primary, basic and secondary education for all children	RA 2: Improved equity in access to basic and secondary education	
	Objective 2: Enhance the quality and relevance of overall school education, ensuring minimum learning achievements for each child	RA 1: Improved teacher capacity, assessments, and early grade learning	
	Objective 4: Ensure effectiveness of education service delivery by promoting good governance, intergovernmental coordination and capacities	RA 1 and RA 3: Strengthened education governance and system resilience	
Overall Financing	Total: US\$8.36 billion GoN: US\$7.23 billion IDA: US\$120 million JFPs: US\$358.5 million Non-JFPs: US\$175.4 million Financing gap ^a : US\$478 million	Total: US\$3.58 billion GoN: US\$2.68 billion IDA: US\$114 million JFPs: US\$296.68 million Financing gap ^a : US\$478 million	

^a. Provincial and LG’s contributions are expected to cover a major portion of the financing gap.

40. The proposed Program and the Nepal GPE SPA are very closely interrelated as described in table 2. To this end, the proposed Program addresses some of the key barriers to transformational change and better education outcomes identified in the Education Sector Analysis (2021) and selected as priority areas under the Nepal GPE SPA.

Table 2. SSTP Results Areas and Nepal GPE Strategic Partnership Agreement Priority Areas

School Sector Transformation Program (SSTP)	Nepal GPE Strategic Partnership Agreement
<p>RA 1: Improved teacher capacity, assessments, and early grade learning</p> <ul style="list-style-type: none"> • LGs’ implementing activities to improve foundational proficiency in reading and numeracy as per the integrated approach of the curriculum in Grades 1–3 • School-based teacher development through mentorship • Share of schools with full complement of subject teachers • Large-scale primary/secondary learning assessments <p>RA 2: Improved equity in access to basic and secondary education</p> <ul style="list-style-type: none"> • Pro-poor scholarships in basic and secondary level and inclusion 	<p>Priority reform 1: Quality teaching</p> <ul style="list-style-type: none"> • Attract high-performing candidates to the teaching profession (such as through revision of recruitment policies) and strengthen link with the pre-service training to ensure adequate and competent new teachers enter the teaching work force. • Strengthen competency and curricular- based in-service teacher training with adequate attention to quality learning, pedagogy for school-based teacher



<p>RA 3: Strengthened education governance and system resilience</p> <ul style="list-style-type: none"> Schools accessing online learning portal LGs receiving performance grants Implementation of ReAL Community schools conducting social audit using school report cards 	<p>support, coaching and mentoring is established and implemented.</p> <ul style="list-style-type: none"> ETCs, and their extended training facilities, have adequate capacity and are accountable to cater to all teachers by providing the required in-service training.
<p>RA 1: Improved teacher capacity, assessments, and student learning</p> <ul style="list-style-type: none"> Ensuring minimum enabling conditions (MEC) in ECED centers <p>RA 2: Improved equity in access to basic and secondary education</p> <ul style="list-style-type: none"> Construction of classrooms 	<p>Priority reform 2: Early childhood education</p> <ul style="list-style-type: none"> ECED/PPE centers/classes are distributed with adequate resources to meet the MEC for all children to have access and obtain the Early Learning Development Standards from fully trained and qualified ECED/PPE teachers.
<p>RA 2: Improved equity in access to basic and secondary education</p> <ul style="list-style-type: none"> Direct interventions to enhance learning by gender Girls in science stream at secondary level 	<p>Priority reform 3: Gender equality</p> <ul style="list-style-type: none"> LGs have the capacity to plan, implement, monitor, and enforce gender-inclusive policies to ensure that schools have gender-sensitive facilities, and they are free from GBV and harassment.

D. Program Development Objective(s) (PDO) and PDO Level Results Indicators

41. The PDO is to increase equitable access and improve the quality and governance of school education in Nepal.

PDO Indicators

- Improved literacy and numeracy as measured through National Assessment for Reading and Numeracy (Grade 3) disaggregated by gender (percent, quality)
- Improved NER in Grades 9–12 disaggregated by gender (percent, equitable access)
- Increased number of LGs that receive performance grants (number, governance)

E. Disbursement Linked Indicators and Verification Protocols

42. The Program encompasses 9 DLIS which are part of the overall DLI framework adopted by the JFPs supporting the SESP. The seven DLIs to be financed under the World Bank and GPE-supported Program have been selected on the basis of (a) priority result areas identified in the 2018 World Development Report (WDR), *Learning to Realize Education’s Promise* and the RAPID³⁰ Framework to address COVID-19 learning losses and build forward better; (b) strategic focus on the education quality enhancement as envisaged in the SESP; (c) 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 SSDP). The two DLIs to be financed under the GPE STG have been selected based on strategic priorities identified by LEG in the SPA. The verification of the achievement of the Program DLIs will be carried out by an Independent Verification Agency (IVA) commissioned by the GoN. The selection of the IVA will be based on, among other things, 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 implementing agency. The selection and signing of a memorandum of understanding or any other instrument³¹ between the MOEST and an IVA will have to be completed before the Program effectiveness. The disbursement-linked results

³⁰ RAPID = Reach, Assess, Prioritize, Increase, Develop.

³¹ The provision for any other instrument applies only if the selected IVA is another governmental agency.



(DLRs) and verification protocols are detailed in annex 2. The justification for the selection of DLIs and DLRs is presented in the technical assessment.

Table 3. Disbursement-Linked Indicators

Results Areas	IDA Allocation (US\$, millions equivalent)	GPE STG Allocation ^a (US\$, millions)	No. of DLRs	GCRF Pillar Tagging
Results Area 1: Improved teacher capacity, assessments, and early grade learning				
DLI 1: Ensuring minimum enabling conditions (MEC) in ECED centers		9.85	2	4
DLI 2: Strengthening implementation of grades 1-3 curriculum	12.0		4	4
DLI 3: Strengthened support to teachers	22.0	9.85	4	4
DLI 4: Improved assessment and examination system	12.0		5	4
Results Area 2: Improved equity in access to basic and secondary education				
DLI 5: Improved equity and inclusion (pro-poor targeted scholarship)	15.0		5	2
DLI 6: Construction of green and resilient classrooms	24.0		3	4
Results Area 3: Strengthened education governance and system resilience				
DLI 7: Strengthened governance and system resilience				
a. ReAL plan implemented to mitigate the learning loss resulting from COVID-19 pandemic	16.5		4	2
b. Performance grant scheme for LGs implemented	12.5		3	4
Total	114.0	19.7	30	

Note: a. 1.5% in Grant Agent cost is adjusted from the overall allocation of US\$20 million.

43. **IPF Component (US\$6 million; GCRF Pillar 4).** The IPF component will support capacity building, program management, and M&E. The capacity-building activities will support the MOEST/Development Assistance and Coordination Section (DACs), and central level agencies (CLAs) which include CEHRD, ERO, and Curriculum Development Center (CDC), and will also support NEB, provinces and local levels, and schools mobilizing MOEST staff/experts in strengthening the respective agencies regulatory and financing, and implementation and reporting functions, including M&E in the SESP functions. These include, among others, strengthening of EMIS, NASA, implementation of standardized high-stake examination, teacher training and mentorship, ReAL plan, good governance, fiduciary and safeguard management, performance grants, and commissioning the IVA. A separate budget head will be created for the IPF component. Further details are provided in annex 8.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

44. **The PforR will use the Government system applicable to SESP for Program implementation, oversight, FM, procurement, safeguards, M&E, and reporting arrangements.** The MOEST will be the executing agency responsible for education policy, planning, and overall coordination with different stakeholders including DPs. The CEHRD of the MOEST will be responsible for annual planning and budgeting



of the SESP in coordination with CLAs. The CEHRD will coordinate and manage the program for successful implementation, including consolidation of reporting of programs at the federal, provincial, and local levels in close coordination with and support from the MOEST. A robust program implementation arrangement for the SESP is agreed in line with the federalism to improve accountability and coordination among federal ministries, provincial and local governments, and schools. Provincial and local governments will implement the program according to their mandates. For successful implementation of the program, technical support will be provided to each of the institutions responsible for the execution and implementation of the program according to the needs in the federal structure. An implementation support team will be formed under DACS of the MOEST and CEHRD. While the MOEST/DACS support team will support the overall coordination of the program, the CEHRD support team will support the program implementation including planning, budgeting, coordination with CLAs, and monitoring and consolidation of reporting of the program at the federal, provincial, and local levels. The support teams will have designated government and technical experts according to the needs. Other agencies will also receive technical support from individual experts as needed. The overall program execution and monitoring will be steered by the Program Management Coordination Committee (PMCC) chaired by the Secretary, MOEST. The organogram for the Program implementation, especially fund flow, reporting, and coordination, and Program planning and budget approval process are presented in Annex 3.

B. Results Monitoring and Evaluation

45. **The PforR will use the SESP's M&E system, which has several components.** A key component is the web-based EMIS, which will be used to collect information on students, teachers, and schools twice a year—once at the beginning and the second at the end of the academic year. At the federal level, the CEHRD with its EMIS unit will be responsible for the preparation of the EMIS report and its dissemination. At the school level, school management committees (SMCs) and head teachers are responsible for data entry and the preparation of school-level EMIS. Most of the schools will submit EMIS data online, while others, who do not have ample online facilities, will approach neighboring schools with such facilities or respective LGs for assistance for uploading and other technical support. The ERO under the MOEST will continue to conduct NASA and other periodic assessment as needed. Financial progress reporting on utilization of the conditional grants will be captured in SuTRA. A systematic approach to report physical progress to the federal level on utilization of the conditional grants will be developed and implemented as mandated by the financing bill approved in FY2023.

46. **To monitor data not captured in the EMIS, the ERO reports, SuTRA, and MOEST/CEHRD will continue the practice of using ad hoc data collection methods, such as sample surveys and monitoring sheets for LGs.** This will be applicable for some of the key performance indicators, intermediate results indicators (IRIs), and DLIs not captured in the reporting system. In case of reporting on DLIs, additional information for data collection will be provided in the DLI verification protocols. TA in the form of a support unit or individual experts, will also be available under the IPF component at different levels (see organogram in annex 3). The Program Action Plan (PAP) includes an action to strengthen the EMIS according to the approved guideline.

C. Disbursement Arrangements

47. **The disbursement against the DLIs will be contingent upon the Government furnishing the IVA report about the achievement satisfactory to the World Bank according to the verification protocols.** The



MOEST/CEHRD will submit the DLI verification report of the IVA along with the achievement report and a letter for reimbursement to the World Bank as part of the supporting documentation. The World Bank will further review the evidence of the DLIs' achievement. Funds will be transferred in Nepalese rupees (NPR) to the GoN treasury.³² Program expenditures for the PforR will be reconciled at the end of the operation.³³ The Statement of Expenditure (SOE)-based method will be used for disbursement of the IPF component (see annex 8 for details). There are two prior results (US\$8 million) supported under the Program which are expected to be achieved on or after July 17, 2022 and before Program signing. These include (a) the approval of the School Physical Facilities Development and Implementation Guidelines, and (b) the approval of the ReAL plan. For the IPF component, retroactive financing not exceeding US\$0.5 million for eligible expenditures under Category 7 can be made for payments made before the expected date of Program signing but on or after July 17, 2022.

D. Capacity Building

48. **The key areas of support for system capacity building were identified based on the gaps identified from the technical, fiduciary (procurement and FM), and safeguard system assessments to achieve the PforR Program objectives.** In addition, result delivery and periodic progress monitoring on cross-cutting issues such as GESI, sexual exploitation and abuse/sexual harassment (SEA/SH), violence against women/violence against children (VAC), climate change and disaster risk management, grievance redress mechanism (GRM), and citizen engagement are also integral parts of Program implementation and would require capacity building. These are also included in the PAP (annex 6). Staff/expert requirement for the support units and individual experts for each implementing agency as technical support for capacity building of the overall implementation arrangement will be periodically reviewed/approved by the SC along with the individual staff/experts' terms of reference (TOR).

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

49. **Strategic relevance and technical soundness.** The proposed PforR is strategically relevant as it supports the Government's Development Strategy 2030 to have Nepal achieve SDGs and become a middle-income country by 2030. Through the 2015 Constitution and the 15th plan (FY2019/20- 2023/24), the Government aims to provide universal access to quality education and a technology-friendly, employment-oriented, and practical education system in addition to ensuring free and compulsory basic education and free secondary education. It is within this framework that the Government has launched the SESP, which focuses on addressing the remaining issues in equitable access and has an adequate mix of interventions to improve learning outcomes at all levels. Activities to mitigate learning loss from the COVID-19 pandemic will set a path for accelerated learning.

50. **Nepal is going through a demographic transition where there is a youth bulge (more than 50 percent of the population is under 25 years of age) in the country.** Literacy levels have also improved in the recent past since Nepal has made impressive progress in expanding access to education. However, Nepal's youth bulge remains a hugely underutilized resource because of the low levels of learning outcomes and

³² Amount for each withdrawal application is expected to be above US\$10,000 equivalent.

³³ Excluding contribution from Joint Financing Partners.



skills attainment and inadequate domestic labor market opportunities. The Program uses a prioritized approach to focus on quality improvements through strategic interventions (for example, ensuring full complement of subject teachers, teacher mentoring, effective implementation of integrated approach to curriculum, MEC, and implementation of the ReAL plan) and system strengthening (for example, assessment and examinations reforms and performance grants), which are expected to provide young people with relevant cognitive and noncognitive skills for further education, labor market, or other livelihoods.

51. **The activities in the Program are clearly defined and were designed considering the existing implementation structures and decision-making processes.** 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.

52. **Program Expenditure Framework and financing plan.** The total cost estimate for the first five years of the SESP (2022/23–2026/27) is US\$8.36 billion, and the estimated expenditure for the PforR Program boundary is US\$3.58 billion. The Program Expenditure Framework is based on the 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. The budget estimate includes both ongoing recurrent expenditure and incremental budget required for additional interventions under the SESP. Of the total program expenditures, salaries and remuneration comprise 32.1 percent while the program interventions comprise 55.3 percent. A summary of the expenditure framework is provided in annex 3.

53. **The Federal Government is expected to finance 75 percent of the total PforR Program cost.** A high share of counterpart funding will help ensure the sustainability of initiatives. The JFP will support the Program with a tentative commitment of US\$390.68 million in financing. The stated financing gap is about 13.9 percent of the estimated cost. While deemed substantial, this risk will be mitigated through (a) additional funds from DPs during the Program implementation period³⁴ and (b) contributions from PGs and LGs. The Program expects increasing allocation from PGs and LGs equalization grants and internal revenue to finance a substantial portion of the financing gap (table 4).³⁵ In addition, JFPs, the non-JFPs and INGOs are expected to provide substantial off-budget support to the Program.

Table 4. Estimated Program Financing Plan (2022/23–2026/27)

Source	Amount (US\$, millions)	Share of Total (percent)
Government	2,688.42	75.15
IDA/World Bank	114.00	3.19
Other JFPs (ADB, EU, GPE, Finland, Norway, UNICEF, and USAID)	296.68	8.30
Financing gap/provincial and local governments (estimated) ^b	478.00	13.36
Total	3,577.10	100.00

Note: a. Other JFPs’ financing is estimated based on commitments indicated so far. Non-JFP contribution is excluded from the PforR.

b. Local and provincial government contribution is estimated based on contribution of internal revenue and federal equalization grants.

³⁴ Norway and the EU’s current commitment is for the first three years of the Program. Additional support will be mobilized based on Program progress. Similarly, additional support is also planned from ADB.

³⁵ Investment from LGs was on average around 5 percent of LG’s discretionary budget (equalization grants and internal revenue) in earlier years, based on a sample survey.



54. **Economic rationale.** The economic 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) increased access to education leading to more students completing basic and secondary education who earn higher wages (relative to non-completers), (b) improved quality of education resulting in higher wage premiums for all basic and secondary education completers, and (c) enhanced education internal efficiency leading to less wastage of public and private resources because of fewer dropouts and repetitions. The main costs include (a) additional Program costs (from the Government and JFP sources) and (b) private costs that comprise direct household outlays and opportunity costs for additional enrollment. Using a discount rate of 12 percent, the cost-benefit analysis shows that the present value of net benefit is positive, and the program’s estimated internal economic rate of return is 21 percent, substantially higher than the discount rate, suggesting that the Program is expected to be a sound investment.

B. Fiduciary

55. The overall fiduciary risk of the Program is assessed as Substantial. The Fiduciary Systems Assessment (FSA) describes (a) the key fiduciary risks and mitigation measures; and (b) confirms that there are no high-value contracts under the Program. Details are included in the Fiduciary Systems Assessment. Annex 4 describes the strengths and weaknesses of the country’s fiduciary system. The agreed mitigation measures are incorporated in the Financial Management Action Plan (FMAP), which includes: (a) preparation of medium term expenditure frameworks (MTEF) by the local governments in line with SESP; (b) required flexibility built into activity-wise budget of SESP and SSTP; (c) compliance of internal control and internal audit mechanisms ensured through implementation support and monitoring by the dedicated support units of MOEST and CEHRD; (d) follow-up of audit observations ensured through Accounts Committee of all levels of government and through School Management Committee at the school level, which in turn will be monitored by dedicated support units of MOEST and CEHRD; (e) capacity building of schools by the respective local governments for accounting and reporting based on the manual and software developed for the purpose; (f) capacity building at all levels of government by dedicated supports units MOEST and CEHRD; and (g) ensure that physical progress will be timely entered into EMIS by LGs.

56. The following mitigation measures have been proposed under the Sector Procurement Risk Assessment undertaken as part of the FSA: (a) CEHRD to hire a procurement consultant for providing procurement support and training to schools and LGs; (b) CEHRD to make necessary arrangement to provide training on procurement management and e-Government Procurement (e-GP) implementation for LGs and schools; and (c) encourage CEHRD, and LGs and schools to use e-GP system for all procurement even below the threshold.

57. Procurement for the Program under the IPF component will be done according to the World Bank Procurement Regulations for IPF Borrowers, dated July 2016, revised November 2020, and the Financing Agreement provisions. However, the procurement of goods, non-consulting services, and works may be carried out as per the PPA and PPR using national procurement procedures with caveats as indicated in the Project Procurement Strategy for Development (PPSD) and the Procurement Plan in Systematic Tracking of Exchanges in Procurement (STEP) based on model bidding documents agreed with the World Bank. An initial



Procurement Plan covering the operation's first 18 months and procurement strategy using a simplified form of the PPSD has been prepared by the CEHRD.

58. **Fraud and corruption risks and mitigation.** The Assessment concluded that the Fraud and Corruption risks will remain Substantial. There are potential risks associated with the Program expenditures that cover capital and recurrent costs, as well as costs for the local governments which have limited capacity. Despite ongoing reforms to promote transparency and accountability, the education sector remains vulnerable to corruption. According to the Commission for the Investigation of Abuse of Authority Annual Report, FY 2021/2022, around 15 percent of the corruption cases are related to the education sector. The 59th annual audit report of the Office of the Auditor General (OAG) of Nepal has also highlighted several audit issues, including issues related to salary payments to teachers by the local government.

C. Environmental and Social

59. The environmental and social (E&S) risks of the Program are rated Moderate. The priority activities and eligible results areas for the Program present moderate and largely reversible E&S risks. The PforR is not expected to have significant adverse E&S footprint as the Program supports small/minor civil works such as construction of GRID classrooms which will induce localized impacts such as soil erosion, spoil disposal, solid and liquid waste, occupational health and safety (OHS), and air pollution and will require a moderate flow of workers within school areas. This could lead to interactions between workers, students, and faculty members, triggering potential risks associated with SEA/SH, including inadequate and/or ineffective screening of vulnerable communities and indigenous people. On the social risk, main concerns are mismatch of learning materials in relation to content/language; poor access to distance learning facilities/media; lack of child-friendly environment and facilities; socioeconomic conditions, norms, and values that exacerbate discrimination; and risks of SEA/SH and VAC resulting in exclusion among children of indigenous people/vulnerable communities' groups, mainly girls, CwD, and Dalits. The sector has existing mechanisms and policies such as the Consolidated Equity Strategy, GRM guideline, the code of conduct on GBV for teachers and students and referral protocols, and a dedicated gender unit at the CEHRD and gender focal point at schools. These will be strengthened through the Program support. The Program's SEA/SH risk is assessed as 'Moderate'. The Environmental and Social Systems Assessment (ESSA) identified key measures to strengthen system performance for E&S management and key actions are included in the PAP.

60. The E&S risks of the activities under the IPF component are rated low and includes the potential of generation of minimal electronic waste (e-waste) which may materialize from the life-end of ICT equipment for the Program and OHS of project workers. The relevant Environmental and Social Standards (ESS) applicable are ESS1, ESS2, ESS3, ESS4, ESS7, and ESS 10. Based on the current COVID-19 case trends, the risk of a major COVID-19 outbreak is also low. Capacity limitations of the client to effectively consult and engage with stakeholders may also limit stakeholders from fully benefiting from the Program interventions. According to the nature of proposed activities under the IPF component, activities will be screened and, where relevant, an environmental and social risk assessment and management will be integrated into the TORs of various activities. TORs, work plans, or other documents defining the scope and outputs of proposed activities will be prepared to be consistent with the Environmental and Social Framework. A Stakeholder Engagement Plan has been prepared and disclosed in-country on October 23, 2022, and on the World Bank's website on November 18, 2022, to allow meaningful stakeholder consultation during the preparation and



implementation of the project.³⁶ Appropriate and enabling space to facilitate awareness, reporting and response measures related to SEA/SH grievances, and VAC will be considered by the project.

61. **Grievance redress.** Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance mechanism or the 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 Bank's independent Accountability Mechanism. The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

D. Corporate Commitments

62. **Climate.** The Program supports the GRID agenda to safeguard children's right to education, including during climate-induced disasters, natural disasters, and pandemics and ensure that the poor and vulnerable particularly benefit from the Program interventions. The Program will address climate/disaster-related issues through (a) adaptation measures, such as constructing or retrofitting climate-resilient classrooms in preparedness for future disasters, increasing climate awareness among students and teachers by incorporating these issues in the national curriculum, and facilitating learning mechanisms that minimize teaching interruptions during disasters and (b) mitigation interventions, such as adopting green design features when refurbishing physical infrastructure. The Program will support low-performing LGs in improving equity along gender, disability, socioeconomic status, language, caste, and ethnicity dimensions in access, participation, and learning.

63. **Gender.** Several interventions are supported under the Program to support girls' access and retention in education. The Program has a strong gender and social inclusion focus, with attention to the girl students, students from disadvantaged groups, and CwDs. The Program will ensure access to free and compulsory education for all children by providing equitable access and quality teaching-learning with improved education systems and strengthening LGs' institutional capacity to effectively govern/manage school education in the federal context. The Program includes proactive measures in the Results Framework, DLIs, and PAP to ensure Program benefits to women, disadvantaged groups, and CwDs. They include ensuring (a) increased enrollment of CwD in basic education; (b) all new school infrastructure is climate and disaster resilient, and child, gender, and disabled friendly (functional toilet/sanitation facilities, science labs, and ICT facilities); (c) pro-poor scholarships for Grades 6–12 (girls pursuing STEM subjects in Grades 11–12 get higher weightage in the pro-poor scholarship scheme); (d) increased number of girls are enrolled in the science stream in Grades 11–12; and (e) all data in the EMIS on students and teachers are disaggregated for gender/disadvantaged groups, and progress is reported accordingly.

³⁶ https://cehrd.gov.np/file_data/mediacenter_files/media_file-1-538296594.docx



64. **Citizen engagement.** The Program will be supported and monitored by the Local Education Group represented by civil society, INGOs, DPs, and the Government. At the school level, beneficiaries (parents and other stakeholders) are directly engaged through their participation in SMCs and parent-teacher associations (PTAs). The operation uses an intermediate outcome indicator on social audits to monitor the enhancement of feedback mechanisms to schools, which directly provides stakeholder inputs under the IRI - Community schools conducting social audit using school report cards. The Program aims to strengthen the EMIS through the implementation of EMIS policy guidelines which incentivize stakeholders, LGs, and implementers to access and use the data in the federal context to ensure evidence- and needs-based planning and transparency. The integrated EMIS policy guideline clarifies the roles and responsibilities of different stakeholders and includes a feedback mechanism to engage public discourse on the issues and progress in education. This will help both LGs and schools be more accountable. The operation will also support strengthening of NASA, which will enable the Government and other stakeholders to understand areas of low learning and target interventions through a more focused approach. The SESP also includes the rollout of a performance incentive scheme for LGs. These results will be publicly available at the LG level enabling the community to be more aware of the performance of their regions and create positive competition between the LGs to improve education outcomes. The Program also includes a grievance redress system that is tracked by the PAP.

V. RISK

65. The overall residual Program risk is assessed as Substantial. The main risks to achieving the intended results are political and governance and macroeconomic risks and the risks related to the weak fiduciary environment and institutional capacity for implementation of the PforR Program in the federal structure.

66. **The residual political and governance risks are rated Substantial.** While the new coalition government can provide stability to drive the federalism and the reform program for the next five years, the coalition may remain fragile in the short-term. The federal system provides opportunities to decentralize development benefits and make service delivery more effective and accountable. Nevertheless, the risks of political uncertainty, jurisdictional overlap between the three tiers of government, and need for more clarity and coherence between policies and devolved powers will remain in the coming period. While the extent to which political risks can be mitigated through program-specific measures is limited, the World Bank will maintain continuity in policy dialogue with the new government, and program design includes specific actions to build public support through broader stakeholder participation, strategic communication, and outreach.

67. **The residual macroeconomic risks are Substantial.** While most import restrictions imposed in FY22 were removed in early FY23, some requirements for importers to obtain letters of credit as a condition for importing remain in place. The uncertainty associated with trade restrictions may dampen investment and affect fiscal revenues and growth. A second major risk derives from Russia's invasion of Ukraine, which could lower travel demand and extend higher global commodity prices in the medium term. While the downside risk is significant, Nepal's strong record of sustained macroeconomic stability during periods of large exogenous shocks demonstrates a growing capacity to navigate future macroeconomic risks.

68. **The residual risk for institutional capacity for implementation and sustainability is assessed as Substantial.** This is due to the ongoing transitional arrangement of the federal structure and insufficient human resources at the local level, where major implementation of the Program takes place, and the



Program also requires coordination across various agencies within the MOEST system and beyond including planning, fund flow, and progress reporting. There are frequent staff turnover, gaps in the agencies' M&E arrangements especially in the province and local levels, and gaps in some roles and responsibilities due to the absence of a Federal Education Act. The mitigation 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 implementation agencies and the frontline service providers in the federal structure and monitoring agencies at the center, provinces, local levels, and the schools through the Program; and (d) sustained policy dialogue, provision of implementation support, and TA from the World Bank through an IPF component, and also the support of other DPs through joint TA in the SWAp.

69. **The residual fiduciary risk after mitigation measures is rated Substantial.** Weak fiduciary management at the local levels, delays in financial reports with no link to physical reporting and audit reports, inadequate internal controls as evidenced from recurring audit observations, less-than-developed complaint mechanisms, and inefficient procurement systems are the risk areas. The implementation of the agreed FMAP, financial and physical progress reporting, annual fiduciary reviews, training on procurement for LGs and schools, are expected to mitigate fiduciary risks.



ANNEX 1. RESULTS FRAMEWORK MATRIX

Results Framework

COUNTRY: Nepal

School Sector Transformation Program Operation

Program Development Objective(s)

The proposed Program Development Objective (PDO) is to increase equitable access and improve the quality and governance of school education in Nepal.

Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Improve Quality							
Improved literacy and numeracy as measured through NARN (Grade 3) disaggregated by gender (Text)	DLI 4	Baseline to be established in Year 2 (disaggregated by gender TBD)	NARN framework approved	NARN implemented and baseline in reading and numeracy established (disaggregated by gender TBD)	NA	NA	3 percentage point improvement over Year 2 in reading and numeracy (disaggregated by gender TBD)
Improve equitable access							
Improved NER in Grades 9-12 (disaggregated by gender) (Text)		T:54 (G: 54.3, B: 53.7)	T:55.8 (G: 56.1, B: 55.5)	T:57.6 (G: 58, B: 57.3)	T:59.6 (G: 60, B: 59.2)	NA	T:61.6 (G: 62, B: 61.1)
Governance							



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Increased number of LGs that receive performance grants (Text)		NA	NA	Performance grant scheme for LGs approved and baseline established for 753 LGs	50 LGs receiving performance grants	100 LGs receiving performance grants	150 LGs (cumulative) receiving performance grants



Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Improved teacher capacity, assessments and early grade learning							
Ensuring minimum enabling conditions (MEC) in ECED centers (Text)	DLI 1	NA	NA	Baseline and reporting arrangements established.	Share of ECED centers meeting at least three MEC increased by 6 percentage	NA	Share of ECED centers meeting at least three MEC increased by 6 percentage from baseline
Number of LGs implementing activities to improve foundational proficiency in reading and numeracy as per the integrated approach of the curriculum in grades 1-3 (Text)	DLI 2	NA	100 LGs implement activities in at least 80% of the schools	Additional 200 LGs implement activities in at least 80% of the schools (with LG in Year 1 continuing to implement)	Additional 200 LGs implement activities in at least 80% of the schools (with LG in Years 1 and 2 continuing to implement)	Additional 100 LGs implement activities in at least 80% of the schools (with LG in Years 1, 2, and 3 continuing to implement)	600.00
School-based teacher development through mentorship (Text)		NA	NA	50 LGs implementing mentoring system in 80% of the basic education schools.	Additional 100 LGs implementing mentoring system in 80% of basic education schools.	NA	150 LGs (cumulative) implementing mentoring system in 80% of basic education schools.
Share of schools with full complement of subject teachers (English, Math and Science) (Text)		Basic schools, grades 6-8: 25.8% Secondary schools, grades 9-10: 21%	NA	Basic schools, grades 6-8 : 31.0% Secondary schools, grades 9-10: 27.0%	NA	Basic schools, grades 6-8: 37.0% Secondary schools, grades 9-10: 34.0%	Basic schools, grades 6-8: 37.0% Secondary schools, grades 9-10: 34.0%
Large-scale primary/secondary learning assessments completed (CRI, Number)		0.00	1.00	1.00	1.00	1.00	4.00
Improved equity in access to basic and secondary education							
Pro-poor scholarships	DLI 5	Scholarship to grades 9-	NA	Revised IS for pro-poor	Pro-poor scholarships	Pro-poor scholarships	Pro-poor scholarship in



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
implemented in basic and secondary level and inclusion (Text)		12 distributed; enrollment of CWD in basic education: 0.52% (G:0.45%; B: 0:59%)		scholarship covering Grades 6-12 approved by MOEST.	for Grades 8-12 distributed; CWD enrollment in basic education increased to 0.71 % (G: 0.62%; B:0.80%)	for Grades 7-12 distributed	grades 6–12 distributed.
Number of students receiving pro-poor scholarships in basic and secondary levels (of which % girls) (Text)		Pro-poor scholarship at the secondary level approved and implemented.	N/A	N/A	120,874 (Girls at least 50%)	136,684 (Girls at least 50%)	154,562 (Girls at least 50%)
Construction of classrooms (Text)	DLI 6	NA	School Physical Facilities Development and Implementation Guideline’ approved	500 classrooms constructed/retrofitted in line with new guideline	Additional 500 classrooms constructed/retrofitted in line with new guideline	Additional 500 classrooms constructed/retrofitted in line with new guideline	1,500 (cumulative) classrooms constructed/retrofitted in line with new guideline.
Students benefiting from direct interventions to enhance learning (CRI, Number)		8,000,000.00	8,050,000.00	8,100,000.00	8,200,000.00	8,300,000.00	8,400,000.00
Students benefiting from direct interventions to enhance learning - Female (CRI, Number)		4,000,000.00	4,025,000.00	4,050,000.00	4,100,000.00	4,150,000.00	4,200,000.00
Share of girls in science stream at secondary level (Grade 11-12) (Percentage)		13.60	14.60		16.70		18.00
Strengthened education governance and system resilience							
Increased share of schools accessing online learning portal (Text)		NA	NA	NA	NA	15,000 schools are accessing the online learning portal ‘Sikai Chautari’	15,000 schools are accessing the online learning portal ‘Sikai Chautari’



Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Implementation of a structured recovery and accelerated learning (ReAL) plan to mitigate impact of COVID-19 learning losses (Text)		NA	(i) ReAL approved by MOEST; and (ii) 50 LGs implementing ReAL in at least 80% of schools	Additional 100 LGs implementing ReAL in at least 80% of the schools (provided LGs in Year1 continue implementation)		NA	150 LGs (cumulative) have implemented ReAL in at least 80% of the schools
Share of community schools conducting social audit using school report cards (Percentage)		42.00	80.00	85.00	90.00	95.00	95.00



Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Improved literacy and numeracy as measured through NARN (Grade 3) disaggregated by gender	NARN refers to assessment of reading and numeracy proficiencies of grade 3 students conducted by ERO on a nationally representative sample basis.	2023, 2024, 2027	ERO	ERO report	ERO, CEHRD/ MoEST
Improved NER in Grades 9-12 (disaggregated by gender)	NER is number of students enrolled who belong to age group that officially corresponds to Grades 9–12, divided by total population of the same age group.	Annual	EMIS/ Flash report	MoEST/ CEHRD Flash report	MoEST/ CEHRD
Increased number of LGs that receive performance grants	The performance grant scheme for LGs needs to be established using a list of indicators. Monitoring data will be made available through a CEHRD dashboard publicly.	Annual	MoEST/ CEHRD dashboard	MoEST/ CEHRD dashboard	MoEST/ CEHRD



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Ensuring minimum enabling conditions (MEC) in ECED centers	The minimum enabling conditions include: (a) qualified ECED teacher (with secondary education and 90 hours of practical training); (b) child friendly tap (for easy access to drinking water); (c) toilet (with soap and water); (d) child friendly seating arrangement (preventing children from dirt and cold); and (e) six learning areas.	Annual	EMIS/ flash report	EMIS/ flash report	MOEST/ CEHRD
Number of LGs implementing activities to improve foundational proficiency in reading and numeracy as per the integrated approach of the curriculum in grades 1-3	Activities include: (i) provide hard copies of the additional learning materials (in addition to the student textbooks cum workbooks for grades 1–3) and upload digital copies in the CDC website; (ii) make teacher guides accessible to teach the student textbooks; and (iii) 5-days training on the use of additional materials, include one teacher per	Annual	MoEST/ CEHRD Progress report	MoEST/ CEHRD Progress Report	MoEST/ CEHRD



	school, and require trained teacher to conduct sharing session in his/her school to other teachers.				
School-based teacher development through mentorship	The SOP will be a handbook for the implementation of the Teacher Professional Development framework. This will include the adaptation of TEACH (or a comparable observation tool), development of training modules, and digitization of results to disseminate through a dashboard.	Annual	EMIS/ MOEST/ CEHRD	EMIS/ MOEST/ CEHRD	MOEST/ CEHRD
Share of schools with full complement of subject teachers (English, Math and Science)	Schools with full complement teachers means they are deployed in accordance with the existing education regulations and student teacher ratio norms. If teacher teaches both at basic and secondary levels in the same school, he/she is counted for both levels.	Annual	EMIS	EMIS	MOEST/ CEHRD
Large-scale primary/secondary learning assessments completed	The indicator measures the number of Bank-supported completed large-scale assessment rounds at the primary or secondary				



	<p>levels. "Completed large-scale assessment rounds" refers to rounds of a large-scale assessment, for which the results are made publicly available within 2 years of the assessment administration. The supported activities could include capacity building, design, administration, analysis, reporting, use, publication, and/or dissemination of an assessment. "Large-scale assessment" includes both national large-scale assessments (NLSA) and international large-scale assessments (ILSA). Report for the following education levels: Primary (ISCED 1) and Secondary (ISCED 2 & 3)</p>				
<p>Pro-poor scholarships implemented in basic and secondary level and inclusion</p>	<p>Number of children receiving pro-poor scholarships. CWD means students in basic education who have a disability based on Schedule to the Act Relating to Rights of Persons with Disabilities,</p>	<p>Annual</p>	<p>EMIS/ CEHRD/ MOEST</p>	<p>EMIS/ CEHRD/ MOEST</p>	<p>CEHRD/ MOEST</p>



	2074 (2017).				
Number of students receiving pro-poor scholarships in basic and secondary levels (of which % girls)	Number of pro-poor scholarship beneficiaries (of which % girls)	Annual	EMIS/MOEST/CEHRD	EMIS	MOEST/CEHRD/LG
Construction of classrooms	School Physical Facilities Development and Implementation Guideline includes guidance for LGs and schools to plan for school-wise infrastructure improvement (minimum standards, school upgrading needs, standard costing) and management (reporting, certification, construction requirements, inclusive requirements, safeguards compliance, FM, procurement, and maintenance).	Annual	MOEST/CEHRD	MOEST/CEHRD	MOEST/CEHRD
Students benefiting from direct interventions to enhance learning		Annual	EMIS	EMIS	MOEST/CEHRD
Students benefiting from direct interventions to enhance learning - Female		Annual	EMIS	EMIS	MOEST/CEHRD
Share of girls in science stream at secondary level (Grade 11-12)	The indicator measure the share of girls enrolled in science stream in Grade 11-12	Annual	EMIS/NEB	EMIS/NEB	MOEST/CEHRD
Increased share of schools accessing online learning portal	Sikai Chautari refers to portal established by	Annual	EMIS/MOEST/	EMIS/MOEST/CEHRD	MOEST/CEHRD/LGs



	MOEST to support in learning continuity during COVID-19 pandemic.		CEHRD		
Implementation of a structured recovery and accelerated learning (ReAL) plan to mitigate impact of COVID-19 learning losses	ReAL will focus both on recovery and accelerated learning. Implementation of ReAL will have two phases, with phase 1 focusing on recovery and phase 2 focusing at accelerated learning.	Annual	MOEST/ CEHRD	MOEST/ CEHRD	MOEST/ CEHRD
Share of community schools conducting social audit using school report cards	Social audit will be carried out in accordance with the MOEST guidelines.	Annual	EMIS/ MOEST/ CEHRD	EMIS/ CEHRD/ MOEST	MOEST/ CEHRD



ANNEX 2. DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

Disbursement Linked Indicators Matrix				
DLI 1	Ensuring minimum enabling conditions (MEC) in ECED centers			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	9,850,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	Baseline will be established in Year 2			
FY22-23	NA		0.00	NA
FY23-24	Baseline and reporting arrangements established for MEC for ECED centers		6,850,000.00	NA
FY24-25	Share of ECED centers meeting at least three MECs increased by 6 percentage point over baseline		3,000,000.00	scalability and roll-over reflected in the GA
FY25-26	NA		0.00	NA
FY26-27	NA		0.00	NA



DLI 2		Strengthening implementation of grades 1-3 curriculum		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	12,000,000.00	
Period	Value	Allocated Amount (USD)		Formula
Baseline	Integrated curriculum launched			
FY22-23	At least 100 LGs implement activities to improve foundational proficiency in literacy and numeracy as per the integrated approach of the curriculum basic level 1-3 in at least 80% of the schools		2,000,000.00	Scalability and roll-over reflected in FA
FY23-24	At least additional 200 LGs implement activities to improve foundational proficiency in literacy and numeracy as per the integrated approach of the curriculum basic level 1-3 in at least 80% of the schools		4,000,000.00	Scalability and roll-over reflected in FA
FY24-25	At least additional 200 LGs implement activities to improve foundational proficiency in literacy and numeracy as per the integrated approach of the curriculum basic level 1-3 in at least 80% of the schools		4,000,000.00	Scalability and roll-over reflected in FA
FY25-26	At least additional 100 LGs implement activities to improve foundational proficiency in literacy and numeracy as per the integrated approach of the curriculum basic level 1-3 in at least 80% of the schools		2,000,000.00	Scalability and roll-over reflected in FA



FY26-27	NA		0.00	NA
DLI 3	Strengthened support to teachers			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	31,850,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	No school based teacher development support exists in the federal structure Basic schools that have full complement of Math, Science and English subject teachers in grades 6-8: 25.8% Secondary schools that have full complement of Math, Science and English subject teachers in grades 9-10: 21%			
FY22-23	Standard Operating Procedures (SOP) for implementation of teacher mentoring system at LG level approved by MOEST		6,850,000.00	NA
FY23-24	50 LGs implementing the mentoring system at basic education in at least 80% of the schools		6,000,000.00	Scalability and roll-over reflected in the FA/GA
FY24-25	Additional 100 LGs implementing the mentoring system at basic education in at least 80% of the schools		6,000,000.00	Scalability and roll-over reflected in the FA
FY25-26	Proportion of basic schools that have full complement of math, science and English subject teachers in grades 6-8 in total number of basic schools increased to at least 37.0% and		9,000,000.00	Scalability and roll-over reflected in the FA



	proportion of secondary schools that have full complement of math, science and English subject teachers in grades 9-10 in total number of secondary schools increased to at least 34.0%			
FY26-27	Performance gap for average teacher performance on the observation tool reduced by 5 percent for the 50 LGs implementing mentoring program in Year 2.		4,000,000.00	Scalability and roll-over reflected in the FA
DLI 4	Improved assessment and examination system			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	Yes	Text	12,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	NASA policy guidelines approved			
FY22-23	NARN framework approved		1,000,000.00	Scalability and roll-over reflected in the FA
FY23-24	SEE Implemented at provincial level		2,000,000.00	Scalability and roll-over reflected in the FA
FY24-25	NA		0.00	NA
FY25-26	NASA conducted for Grade 8 in line with policy guidelines		2,000,000.00	Scalability and roll-over reflected in the FA
FY26-27	(i) NARN conducted and three percentage point improvement over Year 2 in literacy and numeracy ; (ii) NASA conducted for Grade 5 in		7,000,000.00	Scalability and roll-over reflected in the FA



	line with policy guidelines			
DLI 5	Improved equity and inclusion			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	15,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	Pro-poor scholarships at secondary level approved. Enrollment of CWD in basic education: 0.52% (G:0.45%; B: 0:59%)			
FY22-23	NA		0.00	NA
FY23-24	Revised Implementation Standards (IS) for pro-poor scholarship, at least covering Grades 6-12, approved by MOEST.		2,000,000.00	Scalability and roll-over reflected in the FA
FY24-25	(i) Nationwide implementation of pro-poor scholarships for grade 8 (provided that nationwide implementation of pro-poor scholarships is continued for grades 9-12); (ii) Proportion (share) of students with disabilities in total enrolment in basic education increased from 0.52% to at least 0.71 %		6,000,000.00	Scalability and roll-over reflected in the FA
FY25-26	Nationwide implementation of pro-poor scholarships for grade 7 (provided that nationwide implementation of pro-poor scholarships is continued for grades 8-12)		3,500,000.00	Scalability and roll-over reflected in the FA



FY26-27	Nationwide implementation of pro-poor scholarship in grade 6 (provided that nationwide implementation of pro-poor scholarships is continued for grades 7-12)		3,500,000.00	Scalability and roll-over reflected in the FA
DLI 6	Construction of green and resilient classrooms			
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	24,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	NA			
FY22-23	School Physical Facilities Development and Implementation Guideline' approved		3,000,000.00	Scalability and roll-over reflected in the FA
FY23-24	500 number of classrooms constructed/ retrofitted in line with the guideline		10,500,000.00	Scalability and roll-over reflected in the FA
FY24-25	Additional 500 number of classrooms constructed/ retrofitted in line with the guideline		10,500,000.00	Scalability and roll-over reflected in the FA
FY25-26	NA		0.00	NA
FY26-27	NA		0.00	NA



DLI 7		Strengthened governance and system resilience		
Type of DLI	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Intermediate Outcome	Yes	Text	29,000,000.00	
Period	Value		Allocated Amount (USD)	Formula
Baseline	NA			
FY22-23	(i) ReAL plan approved by MOEST; (ii) 50 LGs implementing activities as per ReAL plan in at least 80% of the schools		6,000,000.00	Scalability and roll-over reflected in the FA
FY23-24	(i) Additional 100 LGs implementing activities as per the ReAL plan in at least 80% of the schools; (ii) Performance grant scheme approved and baseline established for 753 LGs on performance indicators		11,000,000.00	Scalability and roll-over reflected in the FA
FY24-25	50 LGs receiving performance grants		3,500,000.00	Scalability and roll-over reflected in the FA
FY25-26	(i) Additional 100 LGs receiving performance grants; (ii) At least 15,000 schools are accessing the online learning portal 'Sikai Chautari'		8,500,000.00	Scalability and roll-over reflected in the FA
FY26-27	NA		0.00	NA

**Verification Protocol Table: Disbursement Linked Indicators**

Verification Protocol Table: Disbursement Linked Indicators	
DLI 1	Ensuring minimum enabling conditions (MEC) in ECED centers
Description	The MECs include (i) Qualified ECED teacher (with secondary education and 90 hours of practical training); (ii) child friendly tap (for easy access to drinking water); (iii) toilet (with soap and water); (iv) child friendly seating arrangement (preventing children from dirt and cold); and (v) six learning areas.
Data source/ Agency	EMIS/ MOEST/CEHRD
Verification Entity	IVA
Procedure	The achievement report for Year 2 and 3 will include the list of ECED centers by local governments that meet at least three MECs. The achievement report for Year 2 will also provide details on the reporting arrangements to track the indicator. IVA will conduct verification on a sample basis.
DLI 2	Strengthening implementation of grades 1-3 curriculum
Description	The activities to improve foundational proficiency in literacy and numeracy as per the integrated approach of the curriculum basic level 1-3 means: (i) to provide hard copies of the additional learning materials (in addition to the student textbooks cum workbooks for grades 1–3) in the areas of reading and numeracy prescribed by the CDC to the schools of the respective LGs and upload in the CDC website (ii) to make at least accessible to teachers during training period teacher guides to teach the student textbooks cum workbooks to implement the curriculum basic level 1-3, and (iii) to conduct at least 5-days training on the use of additional learning materials, covering at least one teacher per school and conducting a sharing session in his/her own school to other teachers.
Data source/ Agency	MOEST/ CEHRD
Verification Entity	IVA
Procedure	This DLI is achieved when the target number of LGs have implemented the activities defined above in at least 80% of schools within the jurisdiction of the respective LGs. The DLI achievement report will include: (i) list of LGs and names of at least 80% of the schools with grades where the three components are implemented. (For LG’s who started implementation in earlier year(s) a sample based confirmation that implementation is continuing is to be added); (ii) details/data as evidence of implementation of each of the three components. IVA will verify the achievement by i) desk review of achievement report/data submitted by MOEST and relevant secondary documents/reports ii) interviews with relevant



	stakeholders (MOEST/CEHRD, CDC) iii) field visits/survey on sample basis of LGs (randomly selected by IVA).
DLI 3	Strengthened support to teachers
Description	<p>Year 1: The updated TPD framework will describe the mentoring system including the (i) roles and responsibilities of three tiers of government; (ii) required capacity building and selection criteria for mentors and mentees/teachers; and (iii) LG teacher professional support system, for this mentoring system. The SOP will be a handbook for the implementation of the mentoring system at least comprising of: (i) the structured mentor process (including mentor mentee/teacher ratio), (ii) mentor and mentee/teacher selection, including qualification criteria for both mentee/teacher and mentor, (iii) expected mentoring time per mentee/teacher per month, (iv) mentoring tools and their manuals (including a mechanism for classroom observation and protocol for mentoring sessions), (v) mentor training and mentee orientation process; and (vi) reference material (including to trainings). Preparation of SOP will involve the translation and contextualization of the TEACH tool (or a comparable observation tool), the development and contextualization of modules for training of mentors and mentee orientation, and digitization of the TEACH tool, including a dashboard. The SOP will establish the baseline on teaching practices in Grade 1-5 in selected 50 LGs, which will implement mentoring system from year 2 onwards, utilizing data from classroom observation tool. CEHRD will collect baseline data from a randomly selected 10 percent of grade 1-5 teachers in 10 percent of the 50 LGs implementing the mentoring program from year 2 onwards. Year 2: (i) 50 LGs implementing the mentoring system at basic education in at least 80% of the schools. Year 3: Additional 100 LGs implement the mentoring system at basic education in at least 80% of schools Year 4: This DLI is achieved when both the proportion of basic schools and the proportion of secondary schools that have full complement of math, science, and english teachers for grades 6-8 and grades 9-10 respectively in the total number of basic and secondary schools reach the target percentages. MOEST submits an annual achievement report confirming achievement of the DLI targets, specifying achievements for grades 6-8 and grades 9-10 achievements. Year 5: The DLI tracks improvement in classroom practices through periodic classroom observation of teachers using the TEACH tool (or a comparable observation tool). Performance gap = maximum score - baseline score. The observers from the IVA will receive training to use the observation tool.</p>
Data source/ Agency	EMIS (teacher data); CEHRD Progress Report, IVA for mentoring system
Verification Entity	IVA
Procedure	Year 1: The DLI achievement report will include i) the description of SOP for mentoring: ii) approved updated TPD framework and SOP for mentoring as annex/supporting document; iii) baseline for the 50 LGs. The IVA will verify the achievement by i) desk review of achievement report/data submitted by MOEST and framework/SOP/relevant documents



	ii) interviews with MoEST/CEHRD. Years 2 and 3: The DLI achievement report will include the list of LGs and corresponding schools implementing the mentoring system, mentioning the mentors, the mentees/teachers, the trainings participated by the mentors, and implementation of mentoring process. IVA will verify achievement by i) desk review of achievement report/data submitted by MOEST and relevant documents ii) interviews with relevant stakeholders (as needed) iii) field visits in representative samples (randomly selected) of enlisted LGs, schools and teachers who received support. Year 4: MOEST submits an annual achievement report confirming achievement of the DLI targets, specifying achievements for grades 6-8 and grades 9-10. The IVA will verify the achievement by a desk review of the report based on the data received from EMIS and NEB and have a sample basis field verification to assess quality of data entered. Year 5: IVA report on achievement.
DLI 4	Improved assessment and examination system
Description	NARN refers to assessment of reading and numeracy proficiencies of grade 3 students conducted by the ERO on a nationally representative sample basis. Year 1: The NARN framework will define the processes to be undertaken, including development of test items, pretesting of items, establishment of proficiency benchmarks etc. Year 2: SEE will be implemented at the provincial level in line with the framework approved in 2022. Year 4 and Year 5 (ii): NASA policy guidelines approved in 2022 describe the processes to be undertaken to align the Grade 8 and Grade 5 assessment to the GPF.
Data source/ Agency	MOEST/ CEHRD, NEB, ERO
Verification Entity	IVA
Procedure	Year 1 (i): This DLI is achieved when MOEST submits the approved NARN framework. IVA will verify the achievement based on desk review and interviews with ERO and MOEST/ CEHRD; (ii) This DLI is achieved when National Assessment Framework for Grade 12 is approved by MOEST and MOEST submits a report that includes the details of the approval of the framework (including endorsement by NEB). IVA will verify the achievement by desk review and interviews with NEB and MOEST/ CEHRD. Year 2 MOEST will prepare an achievement report to include provinces that implemented SEE in line with the framework. IVA will verify achievement by desk review and interviews with NEB, provinces and MOEST/ CEHRD. Years 4 and 5: The achievement report will confirm the result and define the details of the steps undertaken to align Grade 8 NASA to the GPF. IVA will verify achievement by desk review and interviews with ERO. Year 5: This result is achieved when MOEST’s report confirming achievement of the target has been verified by IVA based on desk review and interviews with ERO and MOEST/CEHRD.



DLI 5	Improved equity and inclusion
Description	The Revised IS on pro-poor scholarships refers to the MOEST Guideline that includes, at a minimum, revised and updated criteria for student eligibility to the scholarship scheme including the provision of eligibility for students from grades 6–12, in place of the current grades 9-12. The revised criteria for the scholarship scheme will be widely consulted and the scheme will at least include (i) an implementation arrangement which empowers the LGs to implement the scheme for grades 6-12 and (ii) a comprehensive and practical targeting mechanism, which does justice to the different needs of different groups, so equal opportunity is provided to all. Students with disabilities means students in basic education who have (i) physical disability, (ii) disability related to vision, (iii) disability related to hearing, (iv) deaf-blind, (v) disability related to voice and speech, (vi) mental or psycho-social disability, (vii) intellectual disability, (viii) disability associated with hemophilia, (ix) disability associated with autism, or (x) multiple disability, as defined in Schedule to the Act Relating to Rights of Persons with Disabilities, 2074 (2017).
Data source/ Agency	CEHRD
Verification Entity	IVA
Procedure	Year 2: This DLI is achieved when the MOEST submits the achievement report including the approved IS with the revised provisions and a short overview of the consultation process attached. The IVA will verify the achievement through desk review and interviews with MOEST, CEHRD, and select representatives of stakeholders consulted. Years 3 (i), 4, and 5: This DLI is achieved when MOEST submits an achievement report with details on nationwide Implementation or pro-poor scholarships roll-out. The IVA will verify the achievement based on desk review and interviews with MOEST/ CEHRD, a subset of LGs, and beneficiaries selected by IVA. Year 3 (ii): This DLI is achieved when the proportion of students with disabilities in the total number of enrolled students in basic education reaches the target percentage. The MOEST submits evidence of the achievement as reported in the annual progress report derived from the EMIS. The IVA will verify the achievement based on the report generated from EMIS with data disaggregated for boys and girls and have a spot-check in the field with interviews with LG’s and schools, to assess the quality of data collection.
DLI 6	Construction of green and resilient classrooms
Description	School Physical Facilities Development and Implementation Guideline refers to a document which includes at least guidance for LGs and schools to plan for school-wise infrastructure improvement based on school mapping, minimum standards for school facilities, school upgrading needs, and standard costing approaches for development and maintenance; and construction management (including progress reporting and certification of work completion), construction requirements



	(resilient, green, and inclusive [child, gender and disable friendly] designs), safeguards compliance, financial management, procurement, and maintenance.
Data source/ Agency	CEHRD Progress Report
Verification Entity	IVA
Procedure	Year 1: The DLI is achieved when MOEST submits a cover letter confirming that the School Physical Facilities Development and Implementation Guideline was approved by MOEST and disseminated to the LGs, with a copy of the actual guideline. IVA will verify the achievement by (i) Desk review, (ii) interviews with key stakeholders in CEHRD, MOEST, and (iii) sample interviews with LGs if guidelines were received. Years 2 and 3: The achievement reports for years 2 and 3 will provide the list of schools with number of classrooms constructed in the specific year. 500 classrooms completed in year 2 and 500 in year 3. The verification report will include (i) desk review, (ii) interviews with a subset of LGs/ schools to describe how the LGs/ schools used the guidelines for the classroom construction/ retrofitting; and (iii) sample based verification of classrooms constructed.
DLI 7	Strengthened governance and system resilience
Description	The ReAL plan will focus both on recovery and accelerated learning. Implementation of ReAL will have two phases, with phase 1 focusing on recovery and phase 2 focusing at accelerated learning. The ReAL plan will include Standard Operating Procedures and Guidelines (SOPG) for LGs and schools on implementation of the recovery activities (phase 1). Funds for implementation of recovery activities can be used to engage NGO’s and or volunteers. A performance grant scheme for LGs will be established which includes a list of three-five indicators, including, development and implementation of local level education sector plan, timely reporting on physical and financial progress, increased local budget allocation to education sector, and internal control. Data on the baseline and achievement will made available through a CEHRD dashboard publicly. Online learning portal Sikai Chautari refers to the portal that was established by the MOEST to support in learning continuity during COVID-19 pandemic and available online at: https://learning.cehrd.edu.np/home
Data source/ Agency	CEHRD Progress Report
Verification Entity	IVA
Procedure	Year 1 (i): The ReAL plan refers to the MOEST’s plan to implement ReAL in two phases, and will include at least (i) prioritization of LGs and schools, (ii) a national awareness campaign on the importance of parent and community support to recovery of learning loss, (iii) a plan and material for LG based teacher training on assessing students and implementing



recovery of learning loss learning activities; (iv) establishment of an on-line platform where LG's, teachers, parents and students can share experiences and ask questions; and (v) a SOPG for LGs on implementing the recovery of learning losses activities which shall contain at least (a) specific suggestions for the LG's on implementing recovery activities for grades 3-8, like best practices, assessment tools, formats of agreements with NGO's and other stakeholders to jointly implement activities, and print-ready digital teaching learning materials, (b) conducting the training for teachers (and possible volunteers or otherwise engaged people) on assessing students and implementing learning recovery activities, (c) specific suggestions on availability and utilization of financial provisions to implement the recovery activities. The prior result is achieved when (i) the ReAL plan is approved by MOEST, and (ii) evidence of consultation is added. **Years 1 (ii) and 2 (i):** The DLI achievement report will at least include the list of LGs and corresponding schools implementing the activities specified in the ReAL plan and the participants in the trainings. (For LG's who started implementation in year 1, a sample based confirmation that implementation is continuing is to be added in Year 2 achievement); IVA will verify achievement by i) desk review of achievement report/data submitted by MOEST ii) interviews with relevant stakeholders (as needed) iii) field visits in representative samples (randomly selected) of LGs and schools listed in the DLI achievement report. **Year 2 (ii):** The DLI achievement report will provide details of the performance grant scheme for LGs, including the performance indicators and baseline for 753 LGs. IVA will verify achievement by i) desk review of achievement report/data submitted by MOEST ii) interviews with relevant stakeholders (as needed) iii) field visits in representative samples (randomly selected) of LGs in the DLI achievement report. **Years 3 and 4 (i):** The DLI achievement report will provide details of the LGs receiving performance grants, including achievement of LGs against performance indicators. IVA will verify achievement by i) desk review of achievement report/data submitted by MOEST ii) interviews with relevant stakeholders (as needed) iii) field visits in representative samples (randomly selected) of LGs in the DLI achievement report. **Year 4 (ii):** This DLI is achieved when the MOEST's report confirming achievement of the target (including list of schools accessing the on-line portal) has been verified by IVA by desk-review and sample survey of schools.



ANNEX 3. (SUMMARY) TECHNICAL ASSESSMENT

1. **The technical design of the SSTP is based on the GoN's reform priorities and strategy as articulated in its SESP.** It builds on the lessons learned from past operations—the Education for All (2004–2009), Community School Support Project (2004–2009), SSRP (2009–2016), and SSDP (2017–2022); the findings of the World Bank's education sector studies in other countries; the CPF (2018); and the experience with the school sector in Nepal, across the region, and across the globe. Building on the SSDP interventions, the SSTP will strengthen the focus on the quality of education, with specific focus on foundational learning.

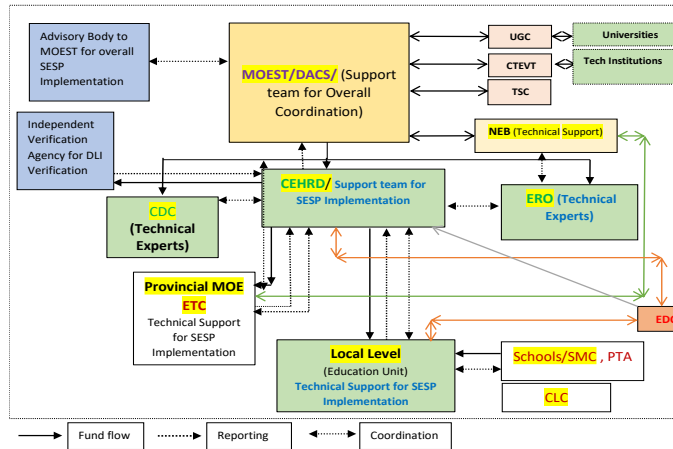
2. **The design of the SSTP is also aligned with the recommendations from WDR 2018, including ensuring foundational learning, teacher effectiveness, structured pedagogy, and teaching at the right level; ensuring safe and inclusive spaces; and strengthening the education system for service delivery.** The Program is also well aligned with the World Bank's Human Capital and Learning Poverty Projects through its focus on equitable education access and learning. For this, it requires effective implementation of the integrated curriculum in the early grades, teacher support system at the local level, including teacher mentoring, strengthening of the effectiveness of the scholarship schemes, ensuring of safe and inclusive spaces, strengthening of assessment and examination systems, and implementation of ReAL plan to address learning losses due to school closures. It further recognizes that the Program's ambitious goals are unlikely to be met without adequate financing arrangements from provincial and local governments and schools to fill the financing gap. For this, the proposed Program supports the adoption of a more transparent and performance-based grants system to incentivize LGs to increase the share of allocation for education through their own resources. The Program also supports strengthening the EMIS for more accurate decision-making, and a strengthened fiduciary system for a results-based Program.

3. **Lessons learned from past operations.** Nepal has a good policy (and tradition) of involving communities in the management of school education. This decentralization policy, started in 2001 and supported by the World Bank, has been a powerful instrument in expanding access to school. In addition, demand-side interventions, including per capita 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 the LGs to effectively manage centrally recruited teachers and scholarships (not sufficiently poverty-targeted at the basic level). The transition to federalism slowed down the SSDP implementation because several new institutional arrangements were in the process of being solidified. Because the federal system is in its formative stage, clarifying roles and responsibilities across agencies and deputation/recruitment of education officials to the provincial and local levels are still ongoing. The Federal Education Bill which would define the roles and responsibilities across the various levels of government has not yet been passed. Based on these lessons and analytical work, the World Bank's support for the SESP uses DLI-based financing (focus on results rather than inputs). Focus on specific areas is based on global evidence, lessons learned from previous programs in Nepal, and pilots supported by the World Bank in Nepal on what works.



4. **Implementation arrangement.** The SESP will use the government system for Program implementation, oversight, FM, procurement, safeguards, M&E, and reporting arrangements. The MOEST will serve as the executing agency and will have overall responsibility for policy guidance and oversight for Program implementation. A PMCC will be established to oversee the coordination, monitoring, and implementation of the SESP. The CEHRD will be the main implementing agency tasked with preparing the Annual Strategic Implementation Plan (ASIP) and Annual Work Plan and Budget (AWPB) and carrying out the Program activities, with the support of the other federal-level agencies. The SESP implementation committee under the CEHRD will be responsible for overall implementation and coordination of the SESP activities across the MOEST divisions, CEHRD, and CLAs of the MOEST. The LGs and provincial governments will execute the Program at the provincial and local levels and report to the CEHRD. At the beneficiary school level, where most of the SESP 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. The SESP implementation committee will coordinate the activities associated with the results-based Program.

Figure 3.1. Implementation Organizational Structure



5. **SESP expenditure framework is detailed in paragraph 52.** The table below describes the cost categories.

Table 3.1. Estimated Operation Cost (2022/23–2026/27), by Cost Category (US\$ million)

Budget Heads	Item	2023	2024	2025	2026	2027	5-year Total	Share of Total (%)
35000014 and 35000015	A. Salary and Remuneration ^a	188.48	208.32	238.22	251.70	264.17	1,150.90	32.12
	B. Program Cost ^b							
35001801	<i>Textbook and Learning Materials</i>	37.30	38.30	39.21	40.96	41.58	197.35	5.51
35001801	<i>Scholarships</i>	41.81	43.22	44.33	45.27	46.09	220.72	6.16
35001801	<i>Incentive and support^c</i>	88.09	90.47	92.81	95.12	98.08	464.58	12.97
35001801	<i>Information and communication technology</i>	27.60	27.48	27.60	28.68	28.68	140.03	3.91
35000109	<i>Infrastructure, including Disaster Risk Management</i>	81.79	139.06	163.41	148.88	148.88	682.03	19.03



Budget Heads	Item	2023	2024	2025	2026	2027	5-year Total	Share of Total (%)
35001101, 35001801, and IPF budget code	<i>Training and Capacity Building</i>	9.84	9.85	10.34	7.14	7.10	44.26	1.24
35001801 and IPF budget code	<i>Other Program Cost^d</i>	39.82	49.51	47.04	47.02	47.45	230.85	6.44
35001101	C. Management and Admin cost	84.83	88.26	91.84	92.99	94.46	452.38	12.63
	Total	599.57	694.47	754.79	757.78	776.49	3,583.1	100.00

Source: Estimates from the MOEST and the World Bank.

Note: a. This represents 20 percent of total salaries and remuneration under the broad government program.

b. Program Costs exclude contribution from non-JFPs.

c. Includes mid-day meal for students, sanitary pad program for female students.

d. Includes costs for inclusive education, monitoring, program and/or school operation costs, costs of review and development of policy guidelines, and other program costs.

6. The following SESP budget heads will be used for Program expenditure: 35001101 and 35000109 and LMBIS Codes: 35001801 (province code 701 and local level code 801), 35000014, and 35000015. These expenditures include payment for goods, works, services, training, conditional grants, scholarships, program/monitoring expenses, and 20 percent teachers’ salaries and allowances of teaching staff to cover the salaries and allowances of new teaching staff made under the abovementioned budget items of the MOEST (and/or any other additional budget items agreed in writing by the World Bank).

7. **Program Results Framework (PRF) and M&E.** A comprehensive Results Framework with (specific, measurable, actionable, realistic, and time-bound [SMART]) targets has been developed and included in the SSTP. The PRF includes a mix of process, output, and outcome indicators, covering all three results areas of the Program and is fully aligned with the objectives of the GoN’s SESP. Based on the PRF, a common DLI matrix has been identified for disbursement of JFPs’ funds. Program results are expected to be achieved through a targeted set of key interventions included as DLIs or as PAP. In addition to the DLIs and PAP, remedial actions will also be taken to facilitate implementation.



ANNEX 4. (SUMMARY) FIDUCIARY SYSTEMS ASSESSMENT

- 1. A Fiduciary Systems Assessment (FSA) was conducted per the Bank's PforR Policy and Directive for the PforR component.** The assessment reviewed the fiduciary (financial management, procurement, and anti-corruption) arrangements relevant to the Program to determine whether they give reasonable assurance that Program funds will be used for their intended purpose. Based on the assessment, and subject to the implementation of the FMAP the Program's overall fiduciary framework and systems provide reasonable assurance that the financing proceeds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability, and appear able to support implementation and achieve the desired results.
- 2. The overall fiduciary risk of the Program is assessed as Substantial.** The ensuing paragraphs provide a summary of the FSA, including (a) the key fiduciary risks to the development outcomes of the Program, (b) an explanation of how these risks will be mitigated, and (c) confirm that there are no high-value contracts under the Program. Details are included in the Fiduciary Systems Assessment.
- 3. The Government of Nepal has been undertaking Public Financial Management (PFM) reforms for many years. These reforms have been driven by periodic PEFA assessments undertaken and led by the Government and assisted by the Development Partners.** The Program FSA highlights the core PFM system issues at the federal PGs and LGs, and school level. The FSA notes the following strengths in the fiduciary system, including economic and administrative classification, budgeting, accounting, and reporting is now activity-based in the three tiers of government, Treasury Single Account system in the federal, provincial, and local level respectively, Computerized Government Accounting System in federal and provincial governments, operationalization of SuTRA in all local governments, operationalization of Public Assets Management System in federal, provincial, and local levels, and the introduction of e-Government procurement system for PGs and LGs governments.
- 4. Despite these strengths, the FSA also highlights several financial management weaknesses.** These include (a) large number of local governments are yet to develop MTEF that incorporates education sectoral requirements; (b) the highly restrictive activity-breakdown for annual budgeting at the federal level for the conditional grants to PGs and LGs is posing challenge for the subnational governments to spend with required flexibility; (c) non-compliance with the applicable internal control and internal audit requirements at the federal, sub-national and school levels; (d) follow-up on audit observations are weak at all levels; (e) accounting at the school level is weak due to which reporting to local level is also weak; and (f) the overall financial management capacity at the LG and school level is weak, especially considering that large extent of SSTP (around 90 percent of the total government program and 80 percent of SSTP) will be implemented by schools. Furthermore, the FY23 Finance Act requires physical progress report in addition to the financial report for subsequent budget release of conditional grants which the PGs and LGs are unable to produce on time.
- 5. To mitigate the above identified major risks,** the agreed mitigation measures are incorporated in the FMAP, which are detailed in paragraph 56. There are no overdue audit reports. The Bank on November 7, 2022, declared amounts for NPR 2,816,265.96 under TFOA0779-NP (GPE Grant) and NPR



632,926.89 under TFOA0915-NP (REACH Grant) as ineligible expenditures with a request for refund. The MOEST has refunded the ineligible expenditures to the World Bank.

6. To operationalize the Program's FM, a dedicated Accounts Officer and adequate FM staff, including an FM consultant, will be hired at the CEHRD. The annual Program Implementation Manual prepared by the CEHRD will also include an FM Manual. The fund flow will be based upon the achievement of DLIs for the PforR component and SOE for the IPF component. The interim unaudited financial reports (IUFs) will be submitted by the client within 60 days from the end of each quarter for the operation. The audit report will be submitted within nine months from the end of the fiscal year for the operation. The audit report for both the PforR and the IPF components shall be the same but will be identifiable separately.

7. The Program Expenditure will include goods, consultancies, works, salaries, and operational expenditure related to the program which are described in Table 3.1 of Annex 3. Of the total program costs for SESP, SSTP will cover 20 percent of teachers' salaries and remuneration on proportional basis. SSTP also excludes program expenditures from non-Joint Financing Partners, which will not be included in the government budget (Red Book) and thus not going through the government treasury. Therefore, the Program Boundary of SSTP excludes (i) 80% of teacher's salaries and remuneration; and (ii) non-JFP contribution from Program Cost. Program expenditures would be tracked using the budget codes included in the PAD and Financing Agreement. For Management Costs, SSTP will cover 100 percent of that of SESP. A detailed table is provided the FSA.

8. **Procurement.** Nepal's public procurement system is governed by the Public Procurement Act (PPA), 2007 (with 1st Amendment, 2016) and Public Procurement Regulations (PPR), 2007 (with 12th Amendment, 2022), which are comprehensive and well defined. The recent achievement of Nepal in its procurement reform efforts has been the introduction of e-GP managed by the Public Procurement Monitoring Office (PPMO), an electronic bidding system for publicly financed contracts that enhances and strengthens security, fair competition, transparency, accountability, and efficiency in the procurement process.

9. **The Sector Procurement Risk Assessment undertaken as part of the FSA shows the following risks:** (a) CEHRD, as the main implementing agency for IPF component and main coordinating agency of the Program, is mainly staffed with education and administration professionals who do not have adequate knowledge and experience to manage procurement, (b) schools are managing construction of classrooms, toilets and other school physical facilities, but they have limited technical and procurement capacity, (3) Nepal e-GP system is used mostly for procurement above specified threshold and partially for bids publication and opening of bids only. Capacity of staff, especially from LGs and schools, to operate e-GP is also low. The mitigation measures have been proposed as detailed in paragraph 57. The Program is not expected to procure any large contracts valued at or above the Operational Procurement Review Committee (OPRC) thresholds (US\$75 million for works, US\$50 million for goods and non-consulting services, and US\$20 million for consultant services).

10. **Fraud and corruption risks and mitigation are described in paragraph 59.**



ANNEX 5. SUMMARY ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

1. In accordance with the World Bank's Policy/Directive for PforR financing, the World Bank has conducted an ESSA of Nepal's existing E&S management systems for the school education sector. This includes an assessment of the national legal, regulatory, and institutional framework used to address potential E&S impacts of the PforR operation. The overarching objective of the ESSA is to ensure that the risks and impacts of the Program activities are identified and mitigated and strengthen systems and build capacity to deliver the PforR in a sustainable manner.
2. Based on the assessment and stakeholder consultations, the ESSA determined that the following three of the six core principles apply to the Program:
3. **Core Principle # 1: Promote environmental and social sustainability in the Program design; avoid, minimize, or mitigate adverse impacts; and promote informed decision-making related to the Program's environmental and social impacts.** The Environmental Management Framework (EMF) and Social Management Framework (SMF) of the MOEST are in line with the World Bank's Core Safeguard Principles and have been revised and updated. The regulatory and policy frameworks for E&S safeguards are robust for avoiding, minimizing, or mitigating adverse E&S impacts and promoting informed decision-making at the federal level. This is less evident at the provincial and local levels where weak capacity has been an impediment for effective implementation of E&S safeguard requirements. Though all the seven provincial governments have, recently, developed their Environment Protection Acts, regulatory and policy frameworks for E&S safeguards have not yet been adequately developed and applied across the education sector.
4. The EMF and SMF applied earlier during the SSRP implementation have been revised and updated during implementation of the SSDP. Construction works in model schools, funded under the SSDP as conditional grants, have complied with safeguard requirements in line with the EMF of the MOEST. The requirements of the National Building Code are also followed by municipalities during school construction. Understandably, SMCs' role in monitoring compliance of environmental safeguards in physical construction work is limited.
5. **Core Principle # 3: Protect public and worker safety against the potential risks associated with: (i) construction and/or operations of facilities or other operational practices under the Program; (ii) exposure to toxic chemicals, hazardous wastes, and other dangerous materials under the Program; and (iii) reconstruction or rehabilitation of infrastructure located in areas prone to natural hazards.** The Environmental and Social Management Framework (ESMF) of the MOEST requires the bidding document to include a Labor Management Plan (LMP), which details the type of workers likely to be deployed, provisions for OHS, labor camp management, associated labor risks (including GBV) and relevant mitigation measures, child labor/forced labor, and a labor GRM. The LMP requirements need to be incorporated into the bidding documents and contractual agreements. Besides, the GoN has issued guidelines/regulations on public and worker safety to be adhered while implementing the activities. The Program will use appropriate measures for management of hazardous wastes and other wastes generated in the schools supported.
6. **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.** In recent times, political commitment toward GESI has led to integration of GESI into the GoN system. This is evident from the high priority accorded to GESI



integration in the GoN's policy and regulatory regimes. An Indigenous People Management Framework has been built in the MOEST's ESMF to (a) ensure inclusion of targeted communities in the consultation process of the Program; (b) avoid, minimize, and mitigate any potential adverse impacts on indigenous and vulnerable communities; and (c) ensure vulnerable peoples' participation in the process of planning, implementation, and monitoring of the sub-program facilities. Further, the country's safeguard system in the school education sector has also been applying the Vulnerable Community Development Framework (VCDF), developed in July 2011, for over a decade. The IPDP and the VCDF are in line with the broader legal and policy frameworks of the GoN and the World Bank (ESS7).

7. The ESSA identified the key gaps/challenges that require immediate actions which have been segregated across the three levels of the federal structure.

8. **Institutional arrangement.** The provincial and local governments lack adequate policies/safeguards and systems for the management of environmental or social risks for subprojects. The SSDP has developed program-specific systems to support the management of E&S impacts. This presents an opportunity to build on the existing program-specific E&S systems at the federal, provincial, and local levels and adopt good practices and lessons learned. The provincial and local governments do not have E&S safeguards management systems in place for the management of the environment and social risks and impacts. There is lack of an effective mechanism for coordination between federal, provincial, and local government line agencies for managing the implementation E&S safeguard measures.

9. **Harmonization of ESMF.** Further, the ESMF of 2021, to some extent, has been contextualized in alignment with the federal structure of governance. However, the ESMF was urgently revised in 2021 to include the COVID-19 measures and lacks detailed procedures/guidance in the context of federal structure for E&S risk management. The roles and responsibilities of the local-level government for management and monitoring of E&S issues need to be further clarified in the ESMF. The DPs supporting the sector have their individual E&S requirements. Hence, the existing EMF, SMF and the ESMF prepared to include COVID-19 measures as per World Bank's new ESSs will be harmonized as an Environmental and Social Framework for the CEHRD and will fulfill the requirements of all DPs in a coherent manner.

10. **Knowledge and capacity, and monitoring compliance**

- Low level of awareness on E&S safeguards approaches and procedures to implement into subprojects at the local level.
- Supervision/monitoring and enforcement at the provincial and local levels need to be strengthened to address the potential environmental challenges that might be encountered during the implementation of the SSTP. E&S performance/compliance monitoring and verification audit procedures for meeting minimum conditions related to E&S safeguards at all levels of governments are inadequate.
- The federal, provincial, and local governments lack adequate budget for E&S risk management. The Program's implementing units at the provincial and local levels do not have E&S specialists for supervision of E&S risks. The implementing units (at the provincial and local levels) will need to be trained to strengthen the management of potential E&S risks along with a framework for monitoring.
- The existing GRM also needs to be upgraded to address GBV and SEA/SH-related issues along with e-mechanism for confidential reporting.
- The federal, provincial, and local governments lack adequate budget for E&S management including for monitoring safeguards measures.



ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Adequate budget for Program activities, including DLI and PAP related activities reflected in ASIP and AWPB every year	Technical		CEHRD/MOEST	Other	Every year - March/April for draft ASIP/AWPB and August for final ASIP/AWPB	Approved AWPB and ASIP
Evaluation of ReAL carried out in Year 4	Technical		CEHRD/MOEST	Due Date	15-Jul-2026	Report published on evaluation of ReAL
Evaluation of teacher mentoring system carried out in Year 5	Technical		CEHRD/MOEST	Due Date	15-Jul-2027	Report published on evaluation of mentoring system
A separate component/activity code established in the LMBIS for the IPF component and maintained throughout SSTP period	Fiduciary Systems		CEHRD/MOEST	Other	Within one month from effectiveness	Separate component/activity code for IPF established in the LMBIS and maintained throughout SSTP period
(i) Develop a GESI and disaster resilient periodic education sector budget model within the framework of the MTEF to be applied by municipalities; and (ii) train municipalities on the budget model.	Fiduciary Systems		CEHRD/MOEST	Other	(i) within one month from effectiveness; (ii) July 2023	Approved model; Training Reports
Review and revise current conditional grant management arrangement including definition of eligible expenditures	Fiduciary Systems		MOEST/MOF	Due Date	30-Apr-2023	Revised arrangement approved
The existing EMF and SMF to be	Environmental and Social		CEHRD/MOEST	Due Date	01-Mar-	Approved and endorsed ESMF, including translation summary



consolidated and harmonized as one document - ESMF, reflecting safeguard requirements from all JFPs. ESMF to be summarized in Nepali, endorsed by MOEST and made readily adaptable and useable by sub-national governments.	Systems				2023	in Nepali. made readily adaptable and useable by provincial and local governments
Committee, with representation from planning and infrastructure unit, social development division and education unit of the LGs, formed at LG level for environmental and social risk management of the program. he activities of the committee and cost	Environmental and Social Systems		MOEST/CEHRD/MOFA GA/LGs	Due Date	01-Mar-2023	A committee formed. The activities of the committee and cost of environmental and social mitigation plans in sub-projects should be covered by the budget allocated for the education activities to LGs
Enhance the existing GRM mechanism to make it more systemic and digitized including management of SEA/SH and VAC related grievances and develop referral mechanism with service providers	Environmental and Social Systems		MOEST/CEHRD/LGs	Recurrent	Yearly	(i) GRM guideline strengthening and disseminated : March 1, 2023 (ii) Implementation progress monitoring and reporting annually: September 31 (prior to JRM)
Develop and implement a comprehensive M&E plan to strengthen the M&E system	Other		CEHRD/MOEST	Other	Annually, July 16	M& Plan and implementation report
EMIS system strengthened as per the approved	Other		CEHRD	Other	Annually - July 15	(i) CERHD to prepare EMIS improvement/enhancement plan with yearly targets.



guideline and EMIS verification carried out before MTR.						Annual progress report on the implementation of the improvement plan; (ii) Report on EMIS verification
CEHRD will have a dedicated FM staff for the program supplemented by FM consultant(s) to timely resolve the audit observations at the federal level, and to coordinate with LGs to settle audit observations at LGs	Fiduciary Systems		CEHRD	Other	Annually - April 15	Annual OAG report
Annual Fiduciary Review to be conducted based on jointly agreed TOR	Fiduciary Systems		MOEST/CEHRD/JFPs	Recurrent	Yearly	Annual fiduciary review report
Implementation of approved Fiduciary Management Action Plan (FMAP) initiated, monitored, and updated annually	Fiduciary Systems		CEHRD	Recurrent	Yearly	Approval of FMAP by Steering Committee. Annual FMAP monitoring and progress report (to be submitted prior to JRM)



ANNEX 7. INVESTMENT PROJECT FINANCING COMPONENT

1. **The IPF component of the SSTP will support Program management and M&E activities and provide key capacity building of the LGs.** The IPF component will have a budget allocation of US\$6 million and finance the costs of project activities including, but not limited to, the indicative costs described below. An important aspect of this additional support provided through the IPF will be its focus on strengthening existing government systems and not in creating parallel system that are unsustainable over time.

Table 8.1. Program Management and Capacity Development Activities under the IPF Component

Activities	Indicative Costs (US\$, millions)	Description
Hiring of technical specialists, assistants, and staff under non-consulting services	0.50	The MOEST, CEHRD, and CLAs will hire an adequate number of technical specialists/other assistants based on the needs to (a) strengthen the existing program implementation/monitoring capacity and (b) provide necessary technical capacity for the achievement of program results. International specialists may be sourced to bring in international expertise. Technical specialists may include, among others, procurement/FM specialists, E&S safeguard specialists, M&E specialist, ICT/EMIS specialist, program management and coordination specialist for DLIs, survey firm for data collection pertaining to DLI/ result achievement, and firm for rollout of the SAS.
Recruitment of an IVA	2.00	The CEHRD will recruit an IVA for third-party verification and reporting of DLI achievements
Purchase of goods and services for the operation of the MOEST and CEHRD	0.25	The MOEST, CEHRD, and CLAs will purchase the necessary goods and services to ensure the smooth operation of the offices. Goods and services to be procured would include, but not be limited to, (a) office equipment and furniture/fixture for the implementing agencies office support, (b) internet connectivity and devices, (c) video-conferencing facilities, and (d) other consumables.
Surveys, evaluation studies, and needs assessments	0.50	The CEHRD will commission various surveys, evaluation studies, and needs assessments for the effective implementation and evaluation of the reform actions as explained in the PAP and according to needs which will be further agreed upon in subsequent review missions and MTR.
Knowledge sharing, regional and international exposures	0.25	The MOEST/CEHRD will organize knowledge sharing sessions and consultation workshops to gather knowledge and disseminate good practices globally. Regional and international exposure visits will be organized in consultation with the World Bank and MOF concurrence to gain knowledge about current good practices and technologies in other countries in the region and beyond.
Providing capacity-building support to LGs and PGs	2.50	PGs/ LGs will be provided funds to strengthen implementation of EMIS and NASA, standardization of high-stake examination, teacher training and mentoring, ReAL, good governance, fiduciary, and safeguard management.

2. **Implementation arrangements.** The CEHRD will be the main implementing agency for the IPF. The CEHRD will provide project management and M&E support to strengthen the capacity of LGs/schools and CLAs. The CEHRD will also be responsible for the fiduciary, safeguard, and other requirements of the IPF.



3. **Planning and budgeting.** The CEHRD/MOEST shall coordinate planning and budgeting of the project as per government procedure and timeline. The draft AWPB shall be shared with the World Bank before submitting it to the MOF and the World Bank may provide suggestions, if any. Once the MOF approves the AWPB, it will be shared with the World Bank. The AWPB shall clearly segregate the project activities identifying IPF financing, providing budget and expenditure codes for separate accounting and reporting, including for LG expenditures.
4. **Fund flow and disbursement arrangement.** The GoN fund will be channelized from the District Treasury Controller Office (DTCO) to the CEHRD. The budget will be released based on the progress verified through physical and financial reporting through the country system. A separate budget code will be introduced for the IPF component with the CEHRD as a cost center. For activities to be implemented at the PG/LG level, the funds will flow to the PG/LG as conditional grants from DTCOs. The LG shall make the funds available to the school as prescribed in the Project Implementation Manual. The LG shall be responsible for operating the bank account that is clearly separated for the project expenditures. The GoN pre-financed funds will be reimbursed by the World Bank periodically based on the expenditures reported by PG/LG in the SOE.
5. **Retroactive financing.** Retroactive financing of up to US\$500,000 equivalent will be allowed for eligible expenditures under the project for expenditures incurred by the GoN after July 16, 2022. The World Bank will review related government expenditures for eligibility to be reimbursed.
6. **Accounting and reporting.** The government accounting system shall be followed with adequate arrangement for project accounting as stipulated in the Financing Agreement and documents thereunder. SuTRA shall capture IPF-financed activities separately from the PforR financing. Ineligible expenditure, if any, shall be identified, communicated to the MOEST, and requested for refund. IUFRs shall be submitted within 60 days after the end of each Fiscal Quarter, covering the Fiscal Quarter.
7. **Internal and external audit.** It is agreed that internal audit will be carried out regularly by the DTCO as per prevailing regulations. There is no outstanding external audit for the implementing agencies. The external audit of the Program carried out by the OAG of Nepal shall be submitted within nine months from the end of the fiscal year. The audit observations of both internal and external audits will be recorded and resolved through an Audit Arrears Resolving Action Plan.
8. **Procurement.** The procurement for consulting services, works, goods, and non-consulting services under the IPF component of the Program will follow the World Bank's Procurement Regulations for IPF Borrowers (dated July 2016 and revised in November 2020). The CEHRD will be responsible for the procurements under the IPF component. Procurement risks related to the IPF component include limited staff to undertake procurement activities and inadequate experience of the CEHRD in use of the World Bank's Procurement Regulations and use of STEP.
9. The CEHRD has prepared a simplified PPSD which outlines the detailed procurement arrangements (for example, procurement packaging strategy, method, bid evaluation methodology of the major packages, procurement including the risk mitigation measures). The PPSD is a live document, and it may be updated when required. The Procurement Plan for the first 18 months of the implementation has also been prepared and shared with the World Bank.