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Report No: 75290-NP

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT IN THE AMOUNT OF
SDR 36.74 MILLION
(US$55 MILLION EQUIVALENT)

AND A

PROPOSED ADDITIONAL GRANT IN THE AMOUNT OF SDR 30.06 MILLION
(US$45 MILLION EQUIVALENT)

TO

NEPAL

FOR A

SCHOOL SECTOR REFORM PROGRAM

April 18, 2013

Human Development Department
South Asia Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective March 31, 2013)

SDR 0.667	=	US$1.00
US$1.4992	=	SDR 1
US$1.00	=	NRs 87.00

FISCAL YEAR
July 16 – July 15

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
ASIP	Annual Strategic Implementation Plan
AWPB	Annual Work Plan and Budget
CAS	Continuous Assessment System
CBS	Central Bureau of Statistics
CDC	Curriculum Development Center
DEO	District Education Office
DOE	Department of Education
DP	Development Partners
ECED	Early Childhood Education and Development
EFA	Education for All
EMF	Environmental Management Framework
EMIS	Educational Management Information System
FCGO	Financial Comptroller General Office
FMIAP	Financial Management Improvement Action Plan
FMIS	Financial Management Information System
FMR	Financial Monitoring Report
GAAP	Governance and Accountability Action Plan
GON	Government of Nepal
GPE	Global Partnership for Education
HSEB	Higher Secondary Education Board
ICR	Implementation Completion Results Report
IDA	International Development Association s
ILIs	Incentive Linked Indicator
IPR	Interim Progress Report
IRR	Internal Rate of Return
ISR	Implementation Status and Results Report
IUFR	Interim Unaudited Financial Report
JAR	Joint Annual Review
JCM	Joint Consultative Meeting
JFA	Joint Financing Arrangement
KPI	Key Performance Indicators
MDG	Millennium Development Goal

MOF	Ministry of Finance
MOE	Ministry of Education
NASA	National Assessment of Student Achievement
NER	Net Enrollment Rate
NLSS	Nepal Living Standard Survey
NPA	National Plan of Action
OAG	Office of Auditor General
ORAF	Operational Risk Assessment Framework
PAD	Project Appraisal Document
PCF	Per Capita Financing
PDO	Project Development Indicator
PMEC	Prioritized Minimum Enabling Condition
RF	Results Framework
SLC	School Leaving Certificate
SMC	School Management Committee
SSRP	School Sector Reform Program
SWAp	Sector Wide Approach
TEVT	Technical Education and Vocational Training
TPD	Teacher Professional Development
VCDF	Vulnerable Communities Development Framework
VDC	Village Development Committee

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Acting Country Director:	Salman Zaheer
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Sector Managers:	Pablo Gottret / Amit Dar
Task Team Leaders:	Afrah Al-Ahmadi / Saurav Dev Bhatta

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ADDITIONAL FINANCING FOR SCHOOL SECTOR REFORM PROGRAM

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SCHOOL SECTOR REFORM PROGRAM ADDITIONAL FINANCING

DATA SHEET

Basic Information - Additional Financing (AF)	
Acting Country Director: Salman Zaheer Sector Managers: Pablo Gottret & Amit Dar Sector Director: Jesko S. Hentschel Team Leaders: Afrah Alawi Al-Ahmadi & Saurav Dev Bhatta Project ID: P125610 Expected Effectiveness Date: July 15, 2013 Lending Instrument: Specific Investment Loan Additional Financing Type: Grant and Credit	Sectors: Primary education (70%) Secondary education (30%) Themes: Education for all (67%) Other social development (33%) Environmental category: B Expected Closing Date: July 15, 2016 Joint IFC: NA Joint Level: NA
Basic Information - Original Project	
Project ID: P113441	**Environmental category:** B-Partial Assessment
Project Name: School Sector Reform Program	**Expected Closing Date:** December 15, 2014
Lending Instrument: Investment Project Financing	Joint IFC: NA Joint Level: NA
AF Project Financing Data	
[ ] Loan [X] Credit [X] Grant [ ] Guarantee [ ] Other:	
Proposed terms: The Credit has a final maturity of 40 years including a grace period of 10 years. The Grant would be on standard IDA grant terms.	
AF Financing Plan[1] (US$m)	
Source	**Total Amount (US $m)**
Total Program Cost:	4954.30
Cofinancing:	436.33[2]
Borrower:	3895.27[3]
Total Bank Financing:	
IBRD	
IDA	
New	100.00
Financing Gap	522.70[4]

[1] Financing plan of the 7-year period of SSRP.
[2] SSRP donors include pooling donors: ADB, EC, UNICEF, AUSAID, Denmark, DFID, Finland, Norway, Global Partnership for Education (GPE); and non-pooling donors: JICA, UNESCO, USAID, WFP)
[3] Including IDA funds (US$130 million) for the original project.
[4] After subtracting the AF.

Client Information
Recipient: Nepal Responsible Agency: Ministry of Education Contact Person: The Secretary Telephone No.: (977-1) 44-12-804 Fax No.: (977-1) 44-23-252 Email: infomoe@moe.gov.np

AF Estimated Disbursements (Bank FY/US$m)

FY	2014	2015	2016	2017	Total
Annual	30	40	25	5	100.00
Cumulative	30	70	95	100	100.00

Project Development Objective and Description

Project development objective: To increase access to and improve quality of school education, particularly basic education (Grades 1-8), especially for children from marginalized groups. The Project Development Objective will not change with the Additional Financing.

Project description: The original project uses a Sector Wide Approach (SWAp) to support the implementation of the Government of Nepal's (GON) School Sector Reform Program (SSRP). The three main components of the program include Basic Education, Secondary Education and Strengthening Institutional Capacity. The program finances both the recurrent and the development expenditures (investments) for school education.

The proposed Additional Financing will support the GON in the implementation of the 7-year SSRP through the same three original components. The Additional Financing will introduce: (i) Incentive Linked Indicators (ILIs) for program financing, as a topping-up fund to enhance service delivery and key quality, governance and accountability outcomes; (ii) changes to the Results Framework for further clarity and to include additional indicators related to access of disadvantaged students, governance and accountability; and (iii) extend the closing date by 19 months in order to fully implement the Additional Financing.

Safeguard and Exception to Policies

Safeguard policies triggered:	[X]Yes [ ] No
Environmental Assessment (OP/BP 4.01)	[X]Yes [ ] No
Natural Habitats (OP/BP 4.04)	[ ]Yes [X] No
Forests (OP/BP 4.36)	[ ]Yes [X] No
Pest Management (OP 4.09)	[ ]Yes [X] No
Physical Cultural Resources (OP/BP 4.11)	[X]Yes [ ] No
Indigenous Peoples (OP/BP 4.10)	[ ]Yes [X] No
Involuntary Resettlement (OP/BP 4.12)	[ ]Yes [X] No
Safety of Dams (OP/BP 4.37)	[ ]Yes [X] No
Projects on International Waterways (OP/BP 7.50)	[ ]Yes [X] No
Projects in Disputed Areas (OP/BP 7.60)	

Does the project require any waivers of Bank policies?	[ ]Yes [X] No
Have these been endorsed or approved by Bank management?	[ ]Yes [ ] No

Conditions and Legal Covenants:

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Schedule 2, Section II-a(3), of the Financing Agreement	Signing contract with Third-party verification firm by December 31 of each year	Condition of IDA Commitment for AWPB under the Incentive Funds as per the ILIs arrangement.
Schedule 2, Section III(2) of the Financing Agreement	Establish a dedicated procurement unit at DoE, with terms of reference and staffing in such numbers and with such qualifications as agreed to between the Recipient and the Association.	Condition of IDA Commitment for AWPB.

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors for an Additional Financing (AF) in the amount of US$100 million (Credit of US$55.00 million and a Grant of US$45.00 million) to Nepal for the School Sector Reform Program.

2. The AF would support the Government to address the financing gap in implementing the 7-year School Sector Reform Program (SSRP) and would contribute to enhancing the program's development impact. The AF follows the Sector Wide Approach (SWAp) used in the original project whereby nine development partners, including the World Bank, are pooling funds to support the implementation of SSRP.

3. The AF would also include: (i) the introduction of Incentive Linked Indicators (ILIs) to partially finance the Annual Work Plan and Budget (AWPB) in order to further improve service delivery and enhance key quality and governance and accountability outcomes; (ii) revising the Results Framework; and (iii) extension of the original project Closing Date from December 15, 2014 to July 15, 2016, in order to fully implement the governance and accountability measures. The proposed Closing Date would align with the Government's 7-year timeframe for the School Sector Reform Program (FY2010-2016) and the GON's fiscal year.

II. Project Background and Progress to Date

4. In 2000, Nepal joined the global Education for All (EFA) initiative. The SSRP is the latest and final program in the 15 year EFA National Program of Action (EFA-NPA) developed by the Government of Nepal to enhance access to and increase the quality of education. SSRP was developed with a 7-year timeframe (FY2010-2016) in view of working towards achieving the Millennium Development Goals (MDGs) for education by 2015. However, development partners, including IDA, initially made financing commitments only for the first five years of the program, as a 7-year timeframe was considered long for Development Partners' (DP) programing cycles. SSRP covers Grades 1–12 as well as Early Childhood Education and Development (ECED) and non-formal education. While the current resource concentration of SSRP is focused on basic education to ensure achieving the education MDGs by 2015, the program is also mandated to improve equitable access to secondary education and to address the "demand-bulge" at the secondary level resulting from the success of EFA.

5. SSRP is being implemented through a Sector Wide Approach, with financial contributions from GON and thirteen[5] Development Partners, including the World Bank. The SWAp is also being supported by a Global Partnership for Education (GPE) Grant[6] of US$120 million, with the World Bank acting as the funds administrator. The current IDA grant/credit contribution to SSRP is US$130 million (SDR 83.8 million), approved on September 22, 2009. The project became effective on December 23, 2009 and the Closing Date is December 15, 2014. To date, the project has disbursed approximately US$57.97 million of IDA Grant (100%) and US$26.31 million of IDA Credit (37%).

6. **The program development objective (PDO)** is to improve *access to and improve the quality of school education, particularly basic education (Grades 1-8), especially for children*

[5] Nine of the DPs, including the World Bank, pool their resources with the funding from GON. The remaining four donors are non-pooling partners.

[6] Formerly known as the "Education for All-Fast Track Initiative Catalytic Trust Fund."

from marginalized groups. The program finances both recurrent and the development expenditures (investments) for the entire school education sector (Grades 1-12), focusing on the three pillars of enhancing access, promoting inclusion, and improving quality. The project consists of three components, namely: (i) Basic Education (grades 1-8) including ECED, literacy and lifelong learning; (ii) Secondary Education (grades 9-12); and (iii) Institutional Capacity Strengthening. While the SSRP as a whole includes a wide range of performance indicators measuring performance at both basic and secondary levels, the IDA PDO indicators were limited to the following basic education level: (a) net enrollment rates for basic education; (b) basic education completion rate; (c) gender parity index for basic education; and (d) student learning assessment in Grade 8.

7. See Table 1 below for progress against the PDO indicators.

Table 1: Progress as of October 2012

PDO	Project Outcome Indicators	Progress to date*
To increase access to and improve quality of school education, particularly basic education (grades 1-8), especially for children from marginalized groups.	• Net enrollment rate for primary and basic education (grades 1-5, 1-8)	• Starting from 2008-09 baseline of 73%, the NER for basic education has increased to 88%, surpassing the end of program target of 85%. According to NLSS III, the figure is 83.9%.
	• Gender parity index (in net enrollment) for primary, basic and secondary education	• Nepal has achieved gender parity in net enrollment for basic and secondary education with the GPI for net enrollment being 0.99.
	• Primary and Basic education completion rate	• The completion rate [7] for basic education has reached 68%, exceeding the 2011/12 target of 54%.
	• Student Learning Assessment undertaken in grade 3, 5 & 8	• The field work and data analysis for grade 8 NNASA have been completed. The final results will be published by March 2013. The preparatory work for grades 3 and 5 NASA is underway and the field work will be completed by March 2013.

* According to Flash I, 2012/13 data. Flash reports are the formal and comprehensive reports MoE produces on sector performance.

8. **In basic education (Component 1), the program has made impressive progress** in terms of access, enrollment, completion rate, and gender parity, as shown in Table 1. All the permanent primary level teachers have been trained, and a new, needs-based Teacher Professional Development (TPD) program has been implemented. Yet, the repetition rate in grade 1 remains high (22.6% in 2010/11). It is expected that the expansion of ECED classes and strengthening the continuous assessment system will help to reduce the grade 1 repetition rate over time. A small but persisting number of children remain out of school. The identification of out-of-school children, along with the development of practical actions to bring these children

[7] Completion rate is computed on the basis of percentage of students who enter grade 1 and complete grade 8

into the school system, is a challenge well recognized by the GON. The Department of Education (DOE) is committed to developing an equity strategy as a key action under the "prioritized consolidated Action Plan" (see Annex 5). The government is in the process of analyzing individual-level data from the recently completed Census (2010) to carefully map the distribution of out-of-school children and apply focused interventions to address this issue. Quality still remains a challenge. While progress has been made towards measuring learning levels (student learning assessments for grades 3, 5, and 8 have begun), institutionalization of NASA remains a challenge. Additionally, although a set of priority minimum enabling conditions (MECs) for quality improvement in schools have been identified; concrete plans for achieving the MECs have yet to be developed. Another key challenge related to quality of inputs is the timely delivery of textbooks to all students.

9. **Support to policy reforms, quality and equitable access at the secondary education level (Component 2) is being provided** by: incorporation of Higher Secondary Education (grades 11-12) into the school sector; the expansion of physical facilities; and provision of targeted scholarship schemes. Given the positive response from the GON to support community secondary/higher secondary schools, the growth in student enrollment at the secondary level, including in science programs, has been impressive. The net enrollment rate has increased from 21 percent in 2008/9 to 32 percent in 2011/12. The monitoring of these secondary programs including coordination between the Department of Education and the Higher Secondary Education Board (HSEB) has also improved. The Government is also increasing access at the secondary level through additional classrooms construction, textbooks and teacher support. The Revised Education Bill addressing SSRP policy issues, including incorporation of Secondary Education into the school was passed by the Cabinet in 2012 and forwarded to the president for approval.

10. **The GON has developed numerous guidelines in support of quality and accountability in the sector**. However, translating these guidelines to actions at the school level still requires a considerable amount of effort and a robust monitoring system. The existing monitoring system is mainly dependent on a well-established Education Management Information System (EMIS), but this produces primarily quantitative data and is based on schools' administrative records. The emphasis moving forward will be on implementation quality and results, which would require further improvement of the monitoring arrangement. Another area that requires further attention is the validity of administrative records data. A mechanism of data quality control and validation is being discussed between the DOE and DPs.

11. **The MOE/DOE has to do much more to strengthen institutional capacity (Component 3)**. Weaknesses in this area have led to difficulties in implementing policies developed at the central level in an effective manner. For example, the country has moved financing towards a per child funding (PCF) approach, but weak implementation capacity at the school level and weak monitoring increases the risk of potential gaming by school administrators and management committees for the resources. School level funding record keeping needs further strengthening. While guidelines exist for school-level expenditure record-keeping, more capacity building in the implementation of these guidelines is required. The program of scholarship support is categorically targeted however, the absence of student level records beyond the school level has made it difficult to counter argue the considerable anecdotal evidence suggesting that there is both leakage and exclusion error in scholarship distribution.

12. **Despite good progress in achieving education outcomes, improvements are needed in key reform areas and the program's governance.** Textbook printing and distribution,

teachers' management, scholarship grants management and the completion of the NASA have been among the key reform areas that have not progressed sufficiently, due to lack of adequate attention, limited data and weak monitoring. The implementation of the program's Governance and Accountability Action Plan (GAAP), which addresses these reform areas among others, continues to raise implementation concerns. GON is currently conducting a review of the textbook printing and distribution system where some governance concerns recently emerged. To address these issues, a consolidated action plan with a prioritized list of actions to address key pending reform and governance actions was developed and agreed between MOE and the DPs and is being implemented (Annex 5).

13. **Financial management has been an issue of serious concern** and several audit reports have pointed out a number of financial irregularities. There has been some gradual progress in this area. However, significant progress in these areas will require strong commitment, continuous and persistent efforts supported by sound financial management and information systems. As a response to the weak fiduciary environment, the Bank and Development Partners, in close coordination with the GON, recently carried out an in-depth fiduciary review, which confirmed the need to improve the internal control system that relates to service delivery. The DPs, in consultation with GON, are also undertaking a public expenditure tracking survey.

14. **In recent months, GON has undertaken some key initiatives in an effort to improve financial management.** These include: (i) modifying and adding budget heads/line items to allow for better tracking of expenditures of high investment items (textbooks, scholarships, teachers' salaries and construction) under this program; (ii) developing a Financial Management Improvement Action Plan (FMIAP); (iii) re-establishing a direct link between DoE and the Financial Comptroller General's Office (FCGO) database; and developing a software to generate Interim Unaudited Financial Reports (IUFRs). In order to further improve the FM system, other key actions that need to be undertaken include: (i) operationalizing the Financial Management Information System in the DOE to generate IUFRs; (ii) effectively implementing MoE's Financial Management Improvement Action Plan; (iii) and ensuring that audit reports and IUFRs are submitted in a timely manner. The fulfillment of these actions is a condition for upgrading the FM rating to Moderately Satisfactory.

15. The status of legal covenants is as follows:

Covenant Description	Status
The Recipient shall cause MOE/DOE, not later than April 15 of each year, to furnish to the Association a draft ASIP and AWPB for the following Fiscal Year, for its review.	Complied with, yearly
Submit an annual report, two weeks prior to JRM, summarizing the status of key indicators, relevant surveys, special studies and education project expenditure reviews.	Complied with, yearly
Provide each Subproject Grant to a Beneficiary, other than a community school, pursuant to an agreement to be entered into between the Recipient and such Beneficiary (Subproject Grant Agreement).	Complied with, yearly
Provide Subproject Grant to a Beneficiary, which is a community school: (i) in accordance with the Program Implementation Guidelines; and (ii) pursuant to arrangements satisfactory to the Association.	Complied with, yearly

Covenant Description	Status
Prepare interim unaudited financial reports for the Project covering the Fiscal Year trimester, in form and substance satisfactory to the Association.	complied with, yearly

16. The project ratings are as follows:

Category	Rating
Progress towards achievement of PDO	Moderately Satisfactory
Overall Implementation Progress	Moderately Satisfactory
Financial Management	Moderately Unsatisfactory
Project Management	Moderately Satisfactory
Procurement	Moderately Satisfactory
Monitoring and Evaluation	Satisfactory
Counterpart Funding	Satisfactory

III. Rationale for Additional Financing

17. The program has achieved impressive education outcomes to date as illustrated in Table 1, Section II. The program needs to preserve these gains as well as invest more effort and resources to address key concerns as identified during the implementation of the program so far to maximize the program's impact and the sector's overall accountability. These include: continuing to improve internal efficiency in basic education, namely addressing the drop-out and repetition rates (particularly in grade 1); tackling the disparities in enrollment rates across income groups, geographical locations, and socio-economic groups; further improving quality and relevance of education; and enhancing the sector's governance and accountability measures. These issues continue to be at the core of SSRP implementation and ensuring availability of sufficient resources and attention are essential to achieve progress in these areas.

18. The SSRP is a seven year program (2009/10 – 2015/16) with an initial estimated budget of US$4.040 billion. In 2009, DPs, including the Bank, made commitments to contribute to the cost of the first five years of the program which was estimated at the time at US$2.636 billion. The initial estimates of the program cost have increased substantially, primarily because of an unforeseen 30 percent increase in teacher salaries that took effect in 2010. Current estimates indicate a financing gap of US$210 million for the first five years of the program (ending July 2014) and US$622.7 million (these figures include the original IDA financing and exclude the proposed AF) for the full 7-year program period (ending July 2016).

Table 2: SSRP Financing Estimates and IDA Ongoing and Proposed Allocations

	Initial Estimated Total Cost (US$ million)	Current Estimated Total Cost (US$ million)	Current Estimated financing gap (US$ million)	IDA Current Funds (US$ million)	Proposed IDA AF (US$ million)
SSRP total 7-years program (FY2010 – 2016)	4040	4954	622.70	-	100
SSRP first 5-years (FY2010-2014)	636	3236	210	130	-

Note: The estimated financing gap includes the original IDA Grant/Credit and excludes the proposed AF.

19. The proposed AF would enable the GON to partially address the pressing financing gap of SSRP and continue implementing the originally planned policy and implementation activities.

This would include (i) consolidating and sustaining the gains in education outcomes and ensuring the inclusiveness of the program's gains; and (ii) continuing with the reform program with a special focus on translating policies and guidelines into actions at the school level and continuing with the efforts to enhance the sector's quality and governance.

20. While the AF is expected to enhance progress towards the PDO, the project will also be restructured (details in Section III). This is expected to ensure timely achievement of key outputs and outcomes that will contribute to enhancing the PDO as well as improving confidence in the overall program and service delivery. Slow progress in textbook management, teachers' management, scholarship management and the institutionalizing of NASA is reflected in late receipt of textbooks by students[8] in many districts impacting education quality; the continuing difficulties in tracking the distribution of teachers' salaries (composing 70 percent of the expenditure in the sector); delays in the delivery of scholarships; non-uniform compliance with scholarship eligibility criteria; and delays in rolling out and institutionalizing NASA which, once established, will have a positive impact on education quality. These are areas within control of the school sector and have direct impact on its quality and accountability. Therefore, these areas have been associated with the selection of outcomes/outputs to be emphasized in the restructuring.

IV. Proposed Changes

21. **Change in the financing modality.** The proposed AF introduces a new financing modality whereby 75 percent of IDA financing will be disbursed using the funds commitment/disbursement approach under the original project, as baseline funds, and 25 percent of the financing committed/disbursed will be linked to a set of indicators, as incentive funds. Incentive Linked Indicators (ILIs) aim to ensure appropriate attention to, and timely implementation of, key actions that are essential to achieve specific results associated with improved program quality, governance and accountability measures and improved service delivery in high investments areas. These results will include timely receipt of textbooks by students, improved delivery of teachers' salary, improved management and delivery of scholarships, and institutionalizing the quality assessment in basic education.

22. The new financing modality will apply to the proposed AF and the remaining funds under the original project. Since the program is supported through the SWAp, IDA funding is not earmarked to specific components/activities. In FY 2013/14, IDA pro-rata share commitment will follow the financing modality under the original project and ILI-based financing will not be effective. The ILI-based financing will be made available in FY 2014/15 and FY 2015/16, with $12.5 million allocated to each of these two years. These annual commitments will be linked to the targets achieved under the ILIs and in accordance with the weights assigned to each indicator as detailed in Annex 2. Therefore, funds committed by IDA in FY14/15 and FY15/16 will consist of two parts: (a) funds committed using the approach in the original project (a share of the US$75 million baseline funds); and (b) funds committed on the basis of the achievement of agreed targets for four ILIs (the annual US$12.5 incentive or a share of it).

23. Each year, a progress update, which also includes progress made against the ILIs, will be presented by MOE in their annual status report before the Joint Consultation Meeting (JCM) in

[8] Even though funds for textbooks are delivered to most schools in a timely manner, some schools do not receive textbooks in a timely manner.

December. The reported progress will cover the academic year (April to March) preceding the JCM[9]. Using the reported progress data as the benchmark, an independent firm, contracted by MOE, will conduct third-party verification of the progress in the ILI targets. The firm will be hired before the JCM in December, and the verification will be completed within three to four months after the JCM (i.e., by the end of March). The verification method[10] will include, but will not be limited to, review of MOE records and reports, review of EMIS data, and survey of head teachers, teachers, and students. Appropriate sample size and sampling methodology will be used to ensure that the survey is as representative and comprehensive as possible. The Terms of Reference (TOR) of the firm will be shared with IDA for prior review. The reported achievements of the ILI targets and the third-party verification findings will be shared with IDA before the SSRP April/May Joint Annual Review (JAR). IDA funding commitments for the following fiscal year will be made during the JAR.

24. During the JAR, IDA will determine its total commitment based on funding commitments of other DPs in the SWAp and GoN, the remaining funding gap that needs to be filled, IDA disbursement status, and achievement of ILI targets. This total commitment consists of two parts: (a) zero to US$12.5 million linked to the verified achievement of the performance indicator targets as per the computation described in Annex 2, and (b) commitment of the baseline funds, which is not affected by the achievements in the ILIs.

25. Each ILI is associated with a fixed amount of financing commitment. If all the performance indicator targets are met or exceeded, the full amount of US$12.5 million in performance linked financing for that year will be committed. If the target for any of the performance indicators is not met, the financing linked to that indicator will be zero[11]. The total ILI-base commitment will be equal to the sum of commitments linked to the achievement of the different ILIs targets.

26. Table 3 below describes the four agreed ILIs, baseline data and end targets. Annual targets and the monitoring arrangement are detailed in Annex 2.

Table 3: Incentive Linked Indicators (ILIs)

Output/intermediate outcome	Performance Indicator (ILI)	Baseline 2012/13	Target 2015/16
Payment of permanent and rahat teachers' salary through individual bank accounts	**ILI 1**: Percentage of total schools where permanent and rahat teachers receive salaries through bank accounts	Schools in 75 District HQs and 58 municipalities (20% est.)	80%

[9] In the case of textbooks, the data will be obtained from the Flash I report shared before the JCM.
[10] See Annex 2 for details.
[11] . If the ILI target for any particular indicator is not met in FY 2014/15, the financing for that indicator will be added to the performance linked commitment for the next year if the FY 2014/15 target is met or exceeded in FY 2015/16.

Output/intermediate outcome	Performance Indicator (ILI)	Baseline 2012/13	Target 2015/16
Electronic database of individual students receiving scholarships and delivery of scholarship through financial institutions	**ILI 2 - a**: Electronic database of individual students (Grades 9-12) receiving scholarships established; **ILI 2 – b:** Delivery of grades 11-12 scholarships through banks	a) Electronic database does not exist; b) Scholarship grants are delivered by School Management Committees (SMCs) in cash	a) Electronic database of 80% of students in grades 9-12 established; b) 60% of grade 11-12 scholarship recipients receive scholarships through banks
Timely receipt of textbooks by students	**ILI 3**: Percentage of students in basic education (Grades 1-8) receiving textbooks within two weeks of start of classes	72%	85%
National Assessments of Student Achievement (NASA)	**ILI 4-a:** Presentation of NASA findings in the JCM forum; **ILI 4-b:** Publication of final report of NASA; **ILI 4-c:** Action plan for implementation of NASA report recommendation prepared	a) NASA Grade 8 round 1 findings presented in 2012 JCM; b) NASA Grade 8 round 1 final report is published; c)Action plan not developed	a) NASA grade 8 round 2 findings presented in JCM 2014; b) NASA grade 8 round 2 final report published; c) Action plan for reform interventions based on NASA findings prepared in 2014

27. **Results Framework (RF).** The PDO indicators would remain unchanged with the exception of adding an indicator to measure the sector's performance with regards to disadvantaged students. However, due to data limitation to measure access[12] of disadvantaged students, the additional indicator is a process indicator "A plan to identify out-of-school children and actions to be undertaken is prepared". The intermediate outcomes and their indicators have been revised for further clarity, to reflect additional indicators related to the ILIs, governance and accountability. See Annex 1.

28. **Governance and Accountability Action Plan (GAAP).** The GAAP has been revised to ensure consistency with the ILIs, avoiding repetition of indicators already in the RF, and dropping actions that are no longer relevant or which have been met. The revised GAAP is presented in Annex 4.

29. **Extension of the project's Closing Date.** In order to fully implement the proposed AF, including the governance and accountability measures, actions associated with the ILIs to

[12] EMIS does not collect data on students' ethnicity, poverty, etc. The only source of such data is the NLSS and the implementation of the next survey is outside the control of MOE.

address the challenges discussed above, the Closing Date of the original project would be extended to July 15, 2016. The extension will align with the Government's 7-year timeframe for School Sector Reform Program (FY2009/10-2015/16), and therefore, also provide GON a better opportunity to carefully prepare the next education program with post-MDGs priorities. The proposed Closing Date would also align with GON's fiscal year.

Estimated IDA-funded costs by component*

Component	Original Cost US$ million	Additional Cost US$ million	Revised Cost US$ million
Component 1: Basic Education	102	79	162
Component 2: Secondary Education	25	19	60
Component 3: Institutional Capacity Strengthening	3	2	8
Total	**130**	**100**	**230**

*This cost breakdown is only indicative. IDA resources are NOT earmarked for specific components, SSRP is using a SWAp modality with pooled funding.

V. Appraisal Summary

30. Economic: The results of the economic analysis for the AF suggest that the SSRP program remains economically justified. Using the original analytical framework, the analysis accounts for a revised seven-year program period (compared to five-year program period in the original economic analysis) associated with AF and uses updated data on program costs (public investments and private expenditures) and program benefits (including wage earnings premium for school completers). The revised internal rate of return (IRR) is estimated at 35 percent (from the original 39 percent) and is robust to sensitivity analysis under varying scenarios of internal efficiency (completion rates) and external efficiency (employment rates).

31. The revised fiscal analysis indicates that the additional SSRP costs – primarily in the form of the increase in teacher salaries that makes up about 70 percent of all SSRP expenditures - are financially sustainable. The financing gap of US$522.7 million would eventually decrease and become surplus by 2020 due to increased financing in the outer years compared to increase in the costs in that period[13].

Technical: The GON has continuously shown a strong commitment to invest in education, and the sector has achieved significant outcomes resulting in positioning Nepal as a country on track for meeting the education MDGs and most of the EFA goals. The SSRP provides the strategic and operational framework to GON's policy of access to quality and equitable education to all Nepali children. The World Bank is one of several DPs funding the program through the SWAp modality and pooled funding.

32. The PDO, components and implementation arrangements of the original IDA project remain unchanged and are aligned with the SSRP. The changes introduced in the disbursement modality, Results Framework and Governance and Accountability Action Plan have been developed with inputs from DOE/MOE and DPs. The proposed changes are expected to

[13] The growth in the cost of the school sector will slow down after SSRP period due to a coupling effect of flat student enrollments and development expenditures while the growth in financing (from Government and private sector) is likely to stay steady assuming Nepal's GDP growth stays strong after SSRP period. Thus, the financing gap will decrease.

enhance the program impact, emphasize the importance of, and provide incentive for, addressing a number of ongoing quality, governance and accountability issues, as well as inefficiencies, especially with regards to the printing and distribution of textbooks, the management and delivery of teachers' salaries and students' scholarship grants, and the institutionalization of the national assessments of student achievement.

33. The program will continue with the efforts to address equitable access to the school system, quality of education, teachers' development and management and enhance the institutional capacity and support schools to enhance community management. To ensure appropriate management of the per child fund (PCF) mechanism for school funding, the program will develop a student data verification mechanism as a means to ensure the quality of students data entered in the Education Management Information System (EMIS); and school level social audits will be linked with the funds release process. These actions, among others, have been prioritized for further attention, as detailed in Annex 5. Students' scholarships will continue as a means to ensure the participation of disadvantaged students. The project restructuring measures will improve the management of scholarships through establishing an individual beneficiary database and delivery through financial institutions to enhance compliance with eligibility criteria and transparent delivery to the intended students. Also, expediting the roll-out of teachers' salary delivery in bank accounts is expected to improve the management of teachers as payment through banks will provide data on the existence and location of individual teachers and improve expenditure tracking of this large expenditure category.

34. MoE/DOE have organized meetings with financial institutions to assess the feasibility and capacity of the banking sector to engage in the delivery of teachers' salaries and scholarship grants. The discussions revealed high interest of the banking sector for engagement, and found that some private banks are already involved in similar service provision with the Ministry of Local Development for safety nets cash delivery and with the military sector. There is good potential to introduce branchless banking to reach to rural areas. However, given the current capacity of intermediary agents in the rural markets, a modest and gradual approach will be required to move from cash delivery to banking delivery. Therefore, the proposed targets for ILIs associated with cash delivery have been agreed taking into consideration the service providers' capacity.

35. Financial Management and Disbursement: The current rating for Financial Management is "moderately unsatisfactory" previous to which the rating was "unsatisfactory" (since December 2010). The unsatisfactory rating was a result of slow implementation of the GAAP and serious financial management issues, as described above. The rating was upgraded to "moderately unsatisfactory" in December 2012 to reflect progress observed in the implementation of the Financial Management Improvement Action Plan, and a strong commitment of the MoE to prioritize improving financial management. A thematic sub-group has been formed to focus on Financial Management and Governance. Comprised of DP and GoN representatives, this group meets every two to three months to discuss and provide guidance to MoE on FM and governance issues. A detailed fiduciary review was recently carried out by the Bank in close coordination with the MoE. It confirmed weaknesses in the internal control system and suggested further actions to improve the control environment. The MoE has recently updated the FMIAP incorporating the recommendations from this latest Bank review. The access link to the FCGO database to access financial information of the education sector expenditures has been reestablished. The Department of Education has also recruited a team of consultants to develop

the Financial Management Information System (FMIS) to generate the interim unaudited financial reports, which are currently produced manually.

36. The financial management risk currently is "High" and the residual risk will be "Substantial" once the new improved Financial Management Action Plan gets implemented. Table 3 presents the revised consolidated Financial Management Action Plan which takes into consideration the recommendations of the fiduciary risk assessment carried out by the Bank and the Auditors' recommendations, which have been agreed upon with MOE. Implementation of the Action Plan will be jointly monitored by the MOE/DOE and pooled DPs through a PFM sub-Group meeting every two months. DOE will submit a progress report every two months to this meeting.

37. The FM rating will be reviewed once the following actions are undertaken: (i) operationalizing the Financial Management Information System; (ii) PFM sub-group meets every two months to monitor the implementation of the Financial Management Improvement Action Plan recently approved and provides an update progress report of the status of implementation to DPs; and (iii) it is ensured that audit reports and Implementation Progress Reports (IPRs) are submitted in a timely manner.

Table 4: Financial Management Action Plan

Action	Responsibility	Completion Date
1. Develop and operationalize the software to automate the generation of the Financial Monitoring Reports (FMRs).	DOE	April 30, 2013
2. Establish a clear TOR for Procurement Unit of DOE defining clear roles and responsibilities, and prepare procurement capacity development plan.	DOE	June 30, 2013
3. Revise the Program Implementation Manual to reflect better controls and also make provision for rewards for good performers and penalties for poor performers *(this includes codes of conduct for fiscal discipline, grant release criteria and criteria for selection of schools for construction, linking budget release with school construction completion certificate, separating budget heads/line items for scholarship, textbook, school construction and PCF)*	MOE DOE	July 31, 2013
4. Revise Social Audit Guide and School Audit Guide reflecting the recommendations of fiduciary review and other lessons learnt with training plan prepared.	DOE	July 31, 2013
5. Capacity development plan prepared and then updated on an annual basis.	MOE DOE	September 30, 2013
6. Prepare and finalize Integrated Monitoring Plan and Manual, and complete dissemination of Manuals.	MOE DOE	September 30, 2013
7. Operationalize system of payments of teachers' salary through individual bank accounts in all districts where banking facilities are available with the following targets.	MOE DOE	October 30, 2013 (45% target) October 30, 2014 (65% target) October 30, 2015 (80% target)
8. Prepare Guidelines for transfer of Scholarship	MOE	December 31, 2013

Action	Responsibility	Completion Date
through bank accounts and widely disseminate for implementation.	DOE	
9. Carry out the assessment for viability of risk-based auditing for school audits and prepare Action Plan for implementation.	DOE	January 31, 2014
10. Develop capacity development plan for School Management Committees (SMCs) on basic financial management and a Training Manual, and implement the training program.	DOE	January 31, 2014
11. Develop simplified financial record keeping system at schools and disseminate to all schools.	DOE	February 28, 2014
12. Develop Integrated Education Management Information System (IEMIS) integrate with Financial Management Information System (FMIS) and make fully operational.	MOE DOE	July 31, 2014

38. Through a long engagement in the SWAp, the sector now has an established system and practices for overall program and financial management which is clearly articulated in the Joint Financing Arrangement (JFA) signed by the government and all pooling partners. This provides a basis for the overall financing and reporting arrangement under the SWAp and will continue as the arrangement under the AF. Reporting will continue through trimesterly Implementation Progress Reports (IPRs). Disbursement arrangements will remain unchanged which will be based on an agreed pro-rata share applied on the actual expenditures (detailed description in Annex 6). All other financial management arrangements currently specified in the Joint Financing Arrangement will also remain unchanged. The only modification which does not impact the JFA is the provision of an incentive fund which will be added to IDA commitments in FYs 2014/15 and 2015/16 under agreed ILIs upon verification by the third party.

Procurement: The procurement arrangement under the original project shall apply to the procurement to be undertaken under the proposed AF. However, the applicable "Procurement Guidelines" and "Consultant Guidelines" shall be the latest version published by the World Bank in January 2011 as defined below: (i) "Procurement Guidelines" means "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011 in the case of procurement of goods, works and non-consulting services; and (ii) "Consultant Guidelines" means "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" published by the World Bank in January 2011 in the case of consultants' services.

39. The procurement risk is rated "Substantial" because the staff at DOE who are handling the procurement activities are stretched to perform additional non-procurement tasks, which has affected the quality and timely implementation of procurement activities. In order to address this risk, it is important to establish a dedicated procurement unit at DoE under the AF, increase the human resources handling procurement, and further build the capacity of DoE staff. Furthermore, to ensure that the implementing agency maintains an adequate capacity to undertake the implementation of the AF, DoE shall engage a procurement consultant to assist in the planning and execution of the additional procurement needs.

40. Environment safeguard: Environmental concerns of the AF, as in the parent project, are related to the civil works. The type of civil works to be supported remains the same as in the original project. These, for example, include construction/ upgrading of small school blocks or new/ additional classrooms or may be related to school safety issues or providing facilities such as drinking water and sanitation. These works are relatively small-scale, spread in different parts of the country, have low environmental risks, and therefore categorized as Environmental Category B. Hence, the provisions in the Environmental Management Framework (EMF) of the parent project are adequate to provide environmental guidance to the proposed AF as well.

41. AF activities will be subject to the existing EMF provisions, process and procedures. DoE has recruited a full-time dedicated Environmental Officer to provide overall country-wide oversight on the implementation of the EMF. Some training and orientations on EMF have been carried out. The structural design of the two room and four room blocks consider earthquake risks. Water supply and sanitation facilities are provided, if they do not exist already. With support from the Department of Water Supply and Sanitation, the quality of water supplied to the school is checked. The review during preparation of AF indicated that further effort is needed to fully and effectively implement the EMF. These, for example include: more and specifically targeted orientations and training on EMF, EMF implementation monitoring ensuring that the School Improvement Plan incorporates environmental considerations, printed copies of the EMF need to be disseminated to all stakeholders/ users, and ensuring that each new school block uses EMF environmental criteria for siting, planning, design and construction. The environmental officer of DoE is responsible to ensure the delivery of training and dissemination of the EMF, while compliance is the responsibility of district education offices and school management. Monitoring will be carried out by the environment officer and by independent agency/person.

42. Social Safeguard: Project goals of bridging gender and social gaps are further emphasized in the updated Results Framework to improve the management and delivery of the scholarship program through additional indicators: (i) percentage of eligible students receiving scholarships through Bank account; and (ii) Database of scholarship recipient students, covering grades 9-12 nationally. The Vulnerable Community Development Framework (VCDF) prepared under the SSRP to ensure that the most vulnerable groups like girls, Dalits, disadvantaged Janajatis, etc., are able to benefit from the implementation and outcomes of the project activities will apply under the AF. The VCDF was developed based on the national policies/strategies and the SSRP with the primary aim of meeting IDA's OPBP 4.10 on Indigenous Peoples (IP) and to ensure that there are repeated opportunities for free, prior, and informed consultations specifically with IP groups, and more generally with other marginalized and disadvantaged groups during program implementation. The VCDF has been reviewed and remains valid for the AF. As in the parent project, there will be no involuntary land acquisition under the program, and hence, the AF will not trigger OP 4.12 on involuntary resettlement.

ANNEX 1: Updated Results Framework

Project Development Objectives	Program Outcome Indicators/ Key Performance Indicators (KPIs)[14]		Use of Outcome Information
Original (PAD)	**Proposed Change**	**Comments/Rational for Change**	
The Program Development Objective is to increase access to, and improve quality of, school education, particularly basic education (grades 1-8), especially for children from marginalized groups.	No change		Data on outcomes will be the basis for assessing the efficiency and the effectiveness of the program and will monitor the progress towards the stated SSRP goals.
PDO Indicators			
Original (PAD)	**Proposed Change**		
1. Net Enrollment rates for Basic Education (grades 1-8) a. Primary and Basic Education completion rate	1. Net Enrollment rates for Primary and Basic Education (grades 1-5, 1-8	Disaggregated data are being collected for MDG and EFA goal monitoring and also for policy information	
2. Basic Education completion rate[15]	2. Primary and Basic Education completion rate		
3. Gender Parity Index for basic education	3. Gender parity index for Primary, Basic and Secondary Education		
4. Student learning Assessment in Grade 8	4. Revised as **ILI 4**: Completion of National Assessment of Student Achievement (NASA) rounds for grades 3, 5 and 8	Learning Assessment is being conducted also for Grades 3 and 5	
	5. Development of equity strategy and its implementation for basic education	New: modified version of a prior intermediate indicator. Introduced at KPI level to measure actions taken towards the inclusion of marginalized children	

[14] The KPIs focus on Basic education given that over 75% of the budget is spent on this sub-sector. Primary education (grades 1-5) key indicators will continue to be tracked as part of the MDG monitoring. These KPIs together with two intermediate indicators will complete the IDA core indicators requirements.

[15] Here, completion rate is computed as the percentage of students in a cohort who graduate within the time frame required for the level under consideration. The Flash reports refer to this as the cohort graduation rate.

Intermediate Result Indicators		Results Indicators for Each Component[16]		Use of Results Monitoring
Original (PAD) Components	**Original (PAD) Results Indicators**	**Proposed Change**	**Comments/Rational for Change**	
Component 1: **Basic Education:** to ensure equitable access and quality basic education for all children in age group 5-12 *Sub-component 1.1- Increase Access and Inclusion in Basic Education* *Sub-component 1.2- Improve Quality in Basic Education* *Sub-component 1.3- Early Childhood Education and Development (ECED)* To expand access to quality ECED services for children of four years of age to prepare them for basic education *Sub-component 1.4- Literacy and Continuing Education* To enhance functional literacy and basic competencies among youth and adults	6. Gross Intake Rate at Grade 1 7. Gross Enrollment rates for primary (grades 1-5) and basic (grades 1-8) 8. Share of Out-of-School Children aged 5 – 12 (overall, Dalit, educationally disadvantaged groups, poor, lagging districts) 9. Repetition Rates in Grade 1 and 5 10. Percentage of new entrants at grade 1 with ECED experience 11. Percentage of enrollees graduating from literacy/post literacy competency exams	No change No change Dropped but replaced with a simpler indicator at the PDO level Dropped No change Dropped **New:** Percentage of students in basic education (Grades 1-8) receiving textbook within two weeks of start of class	 The original indicator dropped because the system does not collect data of all listed groups; replaced by indicator 1. b at the PDO level These data are now regularly captured by the system for a number of years System does not capture disaggregated data Included as a Incentive Linked Indicator (ILI 3)	Indicators will be grade disaggregated by grade level, gender, social/geographic groups, institutional and community where relevant, to inform policy and monitor MDGs. The additional indicators on textbook, being Incentive Linked Indicators, will be verified in selected districts / schools on an annual basis to determine IDA annual commitment.
Component 2: **Secondary**	12. NER for Secondary	No change		

[16] The number of intermediate indicators by components is large because many of these were already part of the EFA key indicators monitored by both the Government and DPs and the program now covers all of school education. For ISR/ICR purposes, IDA will report a subset of these indicators, limited to KPIs and some key intermediate indicators.

Intermediate Result Indicators		Results Indicators for Each Component[16]		Use of Results Monitoring
Original (PAD) Components	**Original (PAD) Results Indicators**	**Proposed Change**	**Comments/Rational for Change**	
Education: to improve access, equity, and quality and relevance of secondary education *Sub-component 2.1- Increase Access and Inclusion in Basic Education* *Sub-component 2.2- Improve Quality in Basic Education* *Sub-component 2.3- Technical Education and Vocational Training* **Component 3**: **institutional Capacity Strengthening** Improve capacity of SSRP implementation agencies and its partners to enhance delivery and monitoring of educational services and products *Sub-component 3.1- Teacher Recruiting and Professional Development* *Sub-component 3.2- Capacity Development* *Sub-component 3.3- Program Management and Monitoring and Evaluation*	Education (grade 9-12) 13.Transition rate from grades 8 to 9 and 10 to 11 14. SLC and HSLC pass rates as percentage of initial Enrollment and exam appearance 15. Number of students completing TEVT soft-skills courses 16. Percentage of teachers with required qualification and training at basic and secondary education level 17. Percentage of teachers with required Certifications at basic and secondary education level 18. Pupil teacher ratio at basic and secondary education level 19. Number of classrooms built or rehabilitated 20. Percentage of students receiving textbooks within two weeks of school session start 22. Percentage of students receiving scholarships of	Dropped No change Dropped Modified to percentage of fully trained teachers at basic and secondary education level Dropped Dropped No change Revised as **ILI 3** (in annex 2) Revised as **ILI 2**: Database of individual students	System does not collect this information System does not collect this information System collects information on fully trained teachers Indicator met, no longer to be monitored Redistribution of teachers has been difficult to implement in context of the stale political situation	The additional indicators on

Intermediate Result Indicators		Results Indicators for Each Component[16]		Use of Results Monitoring
Original (PAD) Components	**Original (PAD) Results Indicators**	**Proposed Change**	**Comments/Rational for Change**	
	different categories within a month of scheduled timeline	(Grades 9-12) receiving scholarships established and delivery of scholarships through financial institutions		teachers' salary payment through bank account, individual student level data base, and scholarship distribution through individual bank account, being Incentive Linked Indicators, will be verified in selected/targeted districts / schools on an annual basis to inform level of achievements.
	23.Share of PCF, *raahat* salary and non-salary grants disbursed to schools in first trimester	Revised as **ILI 1** : Percentage of total permanent and rahaat teachers received salary through Bank account		
	24. Schools under community management	No change		
	25. Number of schools completing social audit reports	No change		
	26. Number of schools Introducing Continuous Assessment System (CAS) in Grades 1-3	Dropped	System does not collect this information	
	27. Number of languages for which instructional materials have been developed and teachers have been trained	No change		
	28. Teacher attendance rate	Dropped	System does not collect information on this indicator	

Arrangements for Results Monitoring

Results Indicators	Core Indicator	Baseline			Targets							Data Collection & Reporting		
					Pre-AF				Post-AF					
		UoM	Value (actual at the time of AF)	Value (original)	YR1	YR2	YR3	YR4	YR5	YR6	YR7	Frequency & Reports	Data collection instruments	Responsibility for data collection
1) Net Enrollment rate for primary education (G 1-5);basic education (G 1-8)	X☐	%	95% 86%	92% 73%	94% 75%	96% 77%	97% 80%	98% 82%	97% 90%	98% 91%	99% 92%	Annual	EMIS/Flash reports	MOE/DOE
2) Primary and Basic Education completion rate	☐	%	75% 68%	58% 41%	61% 45%	65% 49%	70% 54%	74% 60%	77% 72%	79% 74%	81% 76%			
3) Gender parity index for Primary, Basic and Secondary Education	X☐		99% 99% 99%	98% 95% 91%	98% 95% 92%	99% 96% 93%	99% 96% 94%	100% 97% 94%	100% 100% 100%	100% 100% 100%	100% 100% 100%			
4) ILI 4: Completion of National Assessment of Students Achievement (NASA) rounds for grades 3, 5 and 8	☐	No	1st round report for G 8 results published	-	-	NASA undertaken for each grade	-	1st round report for G 8 published	1st round report for G 3 and 5 published	2nd round report for G 8 published	2nd round report for G 3 and 5 published	Annual	Flash reports and NASA reports	MOE/DOE
5) Development of equity strategy and its implementation for basic education			Strategy does not exist		-	-			Analyses of census data on out-of-school children completed and plan of action develope	Implementation of plan of action in the 1st group of 5 districts with the highest share of out-of-school children	Implementation of plan of action in the 2nd group of 5 districts with the highest share of out-of-school children		Census	MoE/DoE an Central Bureau of Statistics (CBS)

Results Indicators	Core Indicator	Baseline			Targets							Data Collection & Reporting		
					Pre-AF				Post-AF					
		UoM	Value (actual at the time of AF)	Value (original)	YR1	YR2	YR3	YR4	YR5	YR6	YR7	Frequency & Reports	Data collection instruments	Responsibility for data collection
									d					
Intermediate Result Indicators														
6) Gross Intake Rate at Grade 1	☐	%	141%	148%	144%	140%	137%	133%	137%	135%	133%	Annual	EMIS/Flash Reports	MOE/DOE
7) Gross Enrollment rates for primary (grades 1-5) and basic (grades 1-8)	☐	% %	136% 124%	147% 123%	147% 125%	145% 128%	142% 130%	140% 132%	134% 122%	133% 121%	132% 120%	Annual	EMIS/Flash Reports	MOE/DOE
8) Percentage of new entrants at grade 1 with ECED experience	☐	%	54%	36%	41%	45%	51%	57%	60%	64%	68%	Annual	EMIS/Flash Reports	MOE/DOE
9) ILI 3: Percentage of students in basic education (Grades 1-8) receiving textbook within two weeks of start of class	☐	%	72%	n.a.	-	60%	70%	75%	80%	85%	90%	Annual	EMIS/Flash Reports	MOE/DOE
10) NER for Secondary Education (grade 9-12)	☐	%	30%	21%	22%	23%	24%	26%	33%	36%	38%	Annual	EMIS/Flash Reports	MOE/DOE

Results Indicators	Core Indicator	Baseline			Targets							Data Collection & Reporting		
					Pre-AF				Post-AF					
		UoM	Value (actual at the time of AF)	Value (original)	YR1	YR2	YR3	YR4	YR5	YR6	YR7	Frequency & Reports	Data collection instruments	Responsibility for data collection
11) SLC and HSLC pass rates as percentage of initial Enrollment and exam appearance			47% 41%	62% 25%	64% 28%	65% 31%	67% 34%	69% 37%	53% 45%	56% 47%	65% 50%	Annual	EMIS/Flash Reports	MOE/DOE
12) Percentage of fully trained teachers at basic and secondary education level			91.5% 79%	66% 77%	70% 80%	74% 83%	79% 86%	83% 89%	93% 82%	94% 84%	95% 86%	Annual	EMIS/Flash Reports	MOE/DOE
13) Number of classrooms built or rehabilitated			7900	n/a	5500	6000	6500	7500	7000	6500	6500	Annual	EMIS/Flash Reports	MOE/DOE
14) ILI 2: a)Database of students (Grades 9-12) receiving scholarships established		%	No	n/a	-	-	-	no database	80% of G11-12	80% of G9 – 12	90% of G9 – 12	Annual	EMIS/Flash Reports	MOE/DOE
b)Percentage of beneficiary students receiving scholarships through bank accounts		%	No		-	-	-	-	-	60% of G11-12	70% of G11-12	Annual	EMIS/Flash Reports	MOE/DOE
15) ILI 1: Percentage of total permanent and rahaat teachers receiving salary through bank accounts		% %	0 No		-	-	-	20%	45%	65%	80%	Annual	EMIS/Flash Reports	MOE/DOE

Results Indicators	Core Indicator	Baseline			Targets							Data Collection & Reporting		
					Pre-AF				Post-AF					
		UoM	Value (actual at the time of AF)	Value (original)	YR1	YR2	YR3	YR4	YR5	YR6	YR7	Frequency & Reports	Data collection instruments	Responsibility for data collection
16) Number of schools under community management		No	12000	8500	11500	14500	18500	22500	14000	15000	16000	Annual	EMIS/Flash Reports	MOE/DOE
17) Percent of schools completing social audit reports		%	82	75	77	80	85	90	90	95	97	Annual	EMIS/Flash Reports	MOE/DOE
18) Number of languages for which instructional materials have been developed and teachers have been trained 17)		No	18	12	14	16	18	20	19	20	21	Annual	EMIS/Flash Reports	MOE/DOE

ANNEX 2: Incentive Linked Indicators (ILIs) Monitoring Arrangement

Program Area	Indicator		Yearly Targets for IDA commitments[17]		Remarks
		Baseline FY2012/13[18]	ILI targets for FY2014/15[19]	ILI targets for FY2015/16 [20]	
Payment of permanent and rahat teachers' salary through individual bank accounts	**ILI 1**: Percentage of total permanent and rahat teachers receiving salaries through bank accounts	Schools in 75 District HQs and 58 municipalities (approx. 20%[21])	45%	65%	***Verification:*** Review of MOE records and reports; survey of head teachers and teachers (based on a sample survey of schools)
Database of individual students receiving scholarships and delivery of scholarship through financial institutions	**ILI 2-a:** Database of individual students (Grades 9-12) receiving scholarships is established; **ILI 2-b:** delivery of scholarships to beneficiary students in grades 11 – 12 through banks	a) Database does not exist b) Scholarships are delivered in cash by SMCs	a) 80% of Grades 11 and 12 students in database b) No target	a) 80 % of Grades 9, 10,11, 12 students in database; b) 60% of beneficiary students in grades 11-12 receive scholarships through banks	***Verification***: Review of MOE records, reports, physical database; Survey of parents and students (based on a sample survey of schools)
Timely receipt of textbooks by	**ILI 3**: Percentage of students in basic	72%	80%	85%	***Verification***: Review of MOE records and

[17] Since the verification and ILI-based financing is applied one year in advance, FY 2013/14 is not included in the ILI-based financing.
[18] The ILI baseline achievements must be reported prior to the JAR discussions in March/April 2013 and will be discussed by DPs during JAR. Based on this, IDA commitments for FY 2013/14 will be determined and the pro-rata shares will be finalized. Commitments for this initial year will not depend on the verification of the baseline figures.
[19] Report on ILI achievements must be submitted by the 2013 JCM and verified by March 2014. The extent to which the annual ILI targets have been met will be determined using the verified data. And this information will be used to determine IDA commitments for FY 2014/15 and finalize the pro-rata shares.
[20] Report on ILI achievements must be submitted by the 2014 JCM and verified by March 2015. The extent to which the annual ILI targets have been met will be determined using the verified data. And this information will be used to determine IDA commitments for FY 2015/16 and finalize the pro-rata shares.
[21] Share of total permanent and rahat teachers.

Program Area	Indicator		Yearly Targets for IDA commitments[17]		Remarks
		Baseline FY2012/13[18]	ILI targets for FY2014/15[19]	ILI targets for FY2015/16 [20]	
students	education (Grades 1-8) receiving textbooks[22] within two weeks of start of classes				reports; survey of head teachers, teachers, and students (based on a sample survey of schools)
National assessments of student achievement (NASA)	**ILI 4-a:** Presentation of NASA findings in the JCM forum **ILI 4-b:** Publication of final report of NASA; **ILI 4-c:** Action plan for implementation of NASA report recommendation prepared	a) NASA Grade 8 round 1 findings presented in 2012 JCM; b) NASA Grade 8 round 1 final report is published; c) Action plan not developed	a) NASA grades 3 & 5 round 1 findings presented in JCM 2013; b) NASA grades 3 & 5 round 1 final report published c) No action	a) NASA grade 8 round 2 findings presented in JCM 2014; b) NASA grade 8 round 2 final report published; c) Action plan for reform interventions based on NASA findings prepared in 2014	***Verification***: Review of MOE records and reports

[22] For full set of textbooks

Computation of IDA annual commitment linked to the different ILIs and reporting timeline

1. The four ILIs will have the following weights:

ILI	ILI 1	ILI 2	ILI 3	ILI 4
Weight	30%	30%	30%	10%

2. Each year, IDA's *maximum* possible commitment linked to performance in the Incentive Linked Indicators (ILIs) is $12.5 million. The final incentive-based commitment for that year will be computed on the basis of assigned weights (Table A2.1) and therefore, the actual commitment amount will be between zero and US$12.5 million.

Table A2.1: Annual funding commitment linked to each ILI

ILI	**Weight**	***Maximum* possible commitment—i.e., commitment made upon full achievement of ILI target (US$ mil)**	***Actual* commitment ($US mil)**
ILI 1	30%	30% of $12.5 = $3.75	$3.75 if target is achieved, and 0 otherwise
ILI 2	30%	a) Establishment of student database: 20% of $12.5 = $2.5 b) Scholarship delivery through financial institutions: 10% of $12.5 = $1.25	(a) $2.5 if target is achieved, and 0 otherwise (b) $1.25 if target is achieved, and 0 otherwise*
ILI 3	30%	30% of $12.5 = $3.75	$3.75 if target is achieved, and 0 otherwise
ILI 4	10%	a) Publication of final report: 5% of $12.5 = $0.625, and b) Presentation of findings: 3% of $12.5 = $0.375, and c) Action plan prepared/updated: 2% of $12.5 = $0.250	(a) $0.625 if target is achieved, and 0 otherwise (b) $0.375 if target is achieved, and 0 otherwise (c) $0.250 if target is achieved, and 0 otherwise**

*In FY 2014/15, scholarship delivery through banks is not required. Hence, the commitment of $1.25 million will be automatically granted for this FY.
**In FY 2014/15, the action plan is not required. Hence, the commitment of $0.25 million will be automatically granted for this FY.

3. The following Table A2.2 is a graphical representation of the proposed annual timeline for the reporting and verification of the ILIs achievements:

Table A2.2: ILI Annual Reporting and Verification Timeline

	April	May	June	July	August	September	October	November	December	January	February	March	April	May
Academic year														
Progress on PI achievements reported by MOE														
Annual JCM held and PI achievements discussed														
Independent verification of progress on PI achievements conducted														
IDA commitments for next fiscal year determined based on verified PI achievements and targets														

Detailed ILI Verification Methodology:

ILI 1: Percentage of total permanent and rahat teachers receiving salaries through bank accounts

The following steps are taken to verify of reported achievement for this indicator.

a) *Obtain relevant information from MoE*: The achievement reported by MoE, as well as the total number of permanent and rahat teachers in the government's payroll, are obtained from the status report presented in the December JCM. In addition, DoE prepares and shares a dataset of permanent and rahat teachers receiving salaries through bank accounts. The dataset includes, *inter alia*, the following information: district name, village development committee (VDC), school ID (EMIS), teacher name, teacher contact information, bank name/telephone number, bank account number, head teacher name and head teacher contact information.

b) *Verify consistency* between *reported ILI achievement and dataset:* The contents of the dataset are reviewed to verify that the number of teachers receiving salaries through bank accounts reported by DoE is consistent with the total number of records in the above dataset.

c) *Perform a sample verification of reported achievement through a school survey:* DoE provides a dataset comprising a comprehensive list of all permanent and rahat teacher records in the country (including teachers receiving salaries through bank accounts as well as other teachers). The dataset also includes, for each teacher record, the information included in the dataset discussed in (a). Using this comprehensive dataset, a random sample of schools is selected, and schools in this sample are visited. In the case of schools which are reported to be paying salaries through bank accounts, teachers and head teachers are interviewed to verify whether payment of salaries is taking place through bank accounts as reflected in the dataset. The percentage of total permanent and

rahat teachers receiving salaries through bank accounts is estimated from the sample. If the sample estimate is significantly lower than the target (i.e., is lower and falls outside a pre-determined error margin), then it is concluded that the target has not been met. Otherwise it is concluded that the target has been met.

ILI 2: (a) Database of individual students (Grades 9-12) receiving scholarships established, and (b) Beneficiary students in grades 11-12 receive scholarships through financial institutions

The steps taken to verify the achievements of this indicator are similar to those for ILI 2.

a) *Obtain relevant information from MoE*: The achievement reported by MoE, as well as the total number of scholarship students in grades 9-12, is obtained from the status report presented in the December JCM. DoE also provides information, by scholarship category, on the total budget released to districts for scholarships, the total number of scholarship students, per student stipend amounts, and the total amount spent on scholarships. In addition, DoE shares the database of students receiving scholarships (grades 9-12), and a dataset consisting of a list of all schools teaching grades 9-12 along with their IDs and contact information. In the case of students receiving scholarships through bank accounts, the database on scholarships will include bank-related information as well.

b) *Physical verification of software/database*: The content of the database is reviewed to verify that the total number of scholarship students reported by DoE is consistent with the total number of records in the database. This review will also verify whether the number of students receiving scholarships through bank accounts reported by DoE is consistent with the total number of records in database. In addition, relevant analyses are performed to verify that the total number of scholarships (by category) is consistent with the amount spent on scholarships (by category) as reported by DoE.

c) *Perform a sample verification of reported achievement through a school survey:* A random sample of schools teaching grades 9-12 (or in the case of FY 2014-14, grades 11-12) is selected, and schools in this sample are visited. The schools in the sample will include schools whose scholarship students are included in the database as well as other schools. The number of scholarship recipients in the sample schools is obtained by studying school records and interviewing schools officials. Based on this information, the percentage of scholarship students included in database is determined. In addition, interviews with head teachers, teachers, and students are used to verify that the students in the database are scholarship students[23]. These interviews are also used to verify the database information on the receipt of student scholarships through bank accounts, and estimate the percentage of scholarship students receiving scholarships through bank accounts. As in the case of PI 1, if the sample estimates are lower than the targets and outside pre-determined error margins, then it is concluded that the target has not been met. Otherwise it is concluded that the target has been met.

[23] As the survey will verify the achievements of the preceding academic year, it may not be possible to meet with some of the students included in the database, this will be accounted for during the verification process.

ILI 3: Percentage of students in basic education (Grades 1-8) receiving textbooks within two weeks of start of classes

a) The achievement reported by MoE is obtained from the status report presented in the December JCM as well as from the DoE's EMIS Flash Reports. The verification of the reported achievement is done through a sample school survey. A random sample of schools teaching grades 1-8 or beyond is selected, and schools in this sample are visited. In each of these schools, individual teachers as well as a sample of students are interviewed to determine whether textbooks were received by the students within the first two weeks of classes. Based on this information, the percentage of students in the sample receiving textbooks within the first two weeks is estimated. If the sample estimate is lower than the target and outside a pre-determined error margin, then it is concluded that the target has not been met. Otherwise it is concluded that the target has been met.

ILI 4: (a) Presentation of NASA findings in the JCM forum; (b) publication of final report of NASA; and (c) action plan for implementation of NASA report recommendation prepared

b) The verification of achievements for this ILI is done by reviewing the NASA reports, action plan and documented evidence on the NASA presentation.

ANNEX 3: Operational Risk Assessment Framework (ORAF)
Stage: Appraisal

<table>
<tr><td colspan="2">1. Project Stakeholder Risks</td><td>Rating</td><td colspan="2">Moderate</td></tr>
<tr><td rowspan="6">Description:
• Concerns on slow acceptance on the School Management Committees (SMCs) side of shifting delivery of scholarship grants from SMC responsibility to financial institutions as this initiative will control current practice of distributing the grants to all students including none eligible. The initiative may also be perceived to add burden on students/families where there is no access to banking services.
• District offices and SMCs may not support the initiative of developing a data-base of eligible students for scholarships as this initiative may be perceived to add work load for data collection and management.
• MOF and DPs may not provide funding to fill the remaining financing gap which may lead to cancelation of some activities affecting full achievement of PDO</td><td colspan="4">Risk Management:
DOE will publicize and raise awareness on the benefits of the initiative; communicate the policy behind targeting certain students for scholarships and the impact of having eligible students to receive the full benefit amount from an education outcome perspective as well as social accountability. DOE, with technical support from the Bank team, will ensure close consultations with district education offices and SMCs during the preparation of the terms of reference for the financial institutions to generate acceptable delivery modality and technology.</td></tr>
<tr><td>Resp: Client/Bank</td><td>Stage: Imp</td><td>Due Date : 2014</td><td>Status: Not yet Due</td></tr>
<tr><td colspan="4">Risk Management:
Data registration will be integrated to the annual school level forms currently used for producing flagship reports 1 and 2. The program will finance data entry personnels for the initial entry, in the following years data on scholarship recipients.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Imp</td><td>Due Date : annually</td><td>Status: Not yet Due</td></tr>
<tr><td colspan="4">Risk Management:
Education is a top priority for GON and political parties so the sector always receives priority during budget allocations. Some DPs (e.g. EU) are exploring extension of the JFA including potential additional funds.</td></tr>
<tr><td>Resp: Client</td><td>Stage: Imp</td><td>Due Date : continuous</td><td>Status: Not yet Due</td></tr>
<tr><td colspan="5">2. Implementing Agency Risks (including fiduciary)</td></tr>
<tr><td colspan="2">3.1. Capacity</td><td>Rating:</td><td colspan="2">Substantial</td></tr>
<tr><td rowspan="4">Description:
• Timely verification of ILIs achievement may be affected by delays in procurement process to hire 3rd party verification firm leading to slow disbursement.
• Weak financial management and internal controls</td><td colspan="4">Risk Management:
First year disbursement is not linked to ILIs to ensure sufficient time to procure the verification service. Hiring of the firm in subsequent years is a legal covenant to be met in December each year to allow 3-4 months for verification reporting which is due around April.</td></tr>
<tr><td>Resp: Client/Bank</td><td>Stage: Imp</td><td>Due Date : annual</td><td>Status: Not yet Due</td></tr>
<tr><td colspan="4">Risk Management:
The Bank team and DPs are monitoring closely. A recent fiduciary review detailed the issues and identified concrete actions to improve. MOE has revised the Financial Management Improvement Action Plan (FMIAP) and included recommendations from this review. The PFM sub-group of the education sector will meet periodically to review the progress and push the implementation of agreed actions.</td></tr>
<tr><td>Resp:</td><td>Stage: continuous</td><td>Due Date : continuous</td><td>Status: In Progress</td></tr>
</table>

	Client/Bank			
3.2. Governance	**Rating:**		**Substantial**	
Description: • Lack of transparency of funds allocations and distribution at center and school levels.	**Risk Management:** Disclosure of detailed and relevant information on the DOE website and on public notice boards at the school level are requirements identified in the GAAP. Monitoring GAAP implementation is part of all supervision missions and reviews by DPs. Annex 4			
	Resp: client/Bank	**Stage: Imp**	**Due Date : continuous**	**Status: Not yet Due**
4. Project Risks				
4.1. Design	**Rating:**	**Moderate**		
Description: • Capacity of the financial institutions to reach to rural areas with cash delivery using secured and convenient payment modality.	**Risk Management:** MOE/DOE has initiated a discussion with potential providers to assess their interest and outreach capacity and accordingly the coverage and relevant ILI targets were decided carefully. The Bank team is facilitating exchange of experience in this area with other projects that have started using similar arrangement.			
	Resp: client	**Stage: Prep/Imp**	**Due Date : 2012/2013**	**Status: ongoing**
• The introduction of ILI in a SWAp with only IDA funds are subscribed to it may risk confusion in the pro-rata share allocations among the pooled donors and delay the process.	**Risk Management:** Linking IDA annual funding commitment with ILI achievement is designed carefully to align with the existing financing arrangement of the pooled donors. The arrangement was discussed and consulted with DPs. ILIs are for the purpose of determining the commitment for next fiscal year based on results achieved in the past year, this is consistent with the current arrangement all DPs are prescribed to.			
	Resp: Bank	**Stage: Prep**	**Due Date : 2012/2013**	**Status: In Progress**
4.2. Social & Environmental	**Rating:**	**Low**		
Description: • School construction might have unforeseen environmental impacts • Vulnerable groups might not be able to benefit from the programs' benefits	**Risk Management :** The provisions in the Environmental Management Framework (EMF) of the parent project are adequate. The Vulnerable Community Development Framework (VCDF) prepared under the SSRP to ensure outreach and inclusion of vulnerable groups remains adequate. Monitoring arrangement include disaggregated data by gender and social groups.			
	Resp: client	**Stage: Imp**	**Due Date : Annual**	**Status: Not yet Due**
4.3. Program & Donor	**Rating:**	**Low**		
Description:	**Risk Management:** A well-established donor coordination mechanism is in place working under the umbrella of joint			

• Different donors might be focusing on different priorities in the sector leading to stretching DOE's implementation capacity thin	monitoring tools and joint supervision missions. Differences exist but the mechanism in place minimizes the impact of the differences. Priority areas are agreed jointly among DPs and with the GON followed by joint monitoring. DPs have been consulted through the preparation process.			
	Resp: Bank	**Stage: Pre/Imp**	**Due Date : 12/15/2013**	**Status: Not yet Due**
4.4. Delivery Monitoring & Sustainability	**Rating:**	**Low**		
Description: • Weak implementation monitoring might result in lack of progress in ILIs achievements and delays disbursement	**Risk Management:** EMIS is well established and data quality and timeliness is work in progress. Monitoring protocol of ILIs is clearly defined in annex 2, and ILIs reporting is integrated within the existing monitoring arrangement to avoid a need for additional capacity. Third party firm will be hired to undertake the ILIs verification.			
	Resp: client	**Stage: Impl**	**Due Date : 12/31/2013**	**Status: Not yet Due**
Comments:				
5.1. Preparation Risk Rating: Substantial	**5.2 Implementation Risk Rating: Substantial**			
Overall Risk Rating: Substantial				

ANNEX 4: Updated Governance and Accountability Action Plan Framework

Objectives	Key Activities	Responsible Agencies	Key indicators	Reporting Frequency	Key Actions	Expected Results by
Issue 1. Ensuring Minimum Enabling Conditions For School Education						
1.1. Timely Availability of Textbooks and other learning materials	Scrapping the provision for prequalification for textbook suppliers by replacing ex-ante quality control of textbooks by ex-post Camera Ready Copy to be made available to all interested parties at cost price six months before the beginning of the academic session and/or keep all textbooks in the website	MOE, DOE, CDC	Share of students receiving textbooks within the second week of the academic session	November/December Joint Review Mission Once a year, Flash I	Annual progress report on program activities	Textbooks timely distributed and made available two weeks prior to the start of the academic year. No complaints reported on timely availability of textbooks.
1.2. Timely distribution of Grants to schools	Data on funds release through the system (center, district and school level) to be collected and disseminated annually.	DOE, RED, DEO, RP, SMCs	Number of districts and schools receiving timely school grants in accordance with regulations	Joint Review Mission Once a year	Annual progress report Appropriate indicators in Flash II on first two tranche releases	Schools comply with School Grants Operation Directives (SGOD)
1.3 Teacher redeployment	Identification of number of teachers to be redeployed within VDC/municipality/ district Transfer of teachers from schools with surplus teachers to	DEO, DOE and SMCs	Number of teachers redeployed from schools with surplus teachers to the deficit one.	Once a year	Annual redeployment at VDC/municipality level	Maintain student teacher ratio in accordance with the Education Regulation.'

Objectives	Key Activities	Responsible Agencies	Key indicators	Reporting Frequency	Key Actions	Expected Results by
	schools with short supply					
Issue 2. Strengthening Decentralization and Community Participation						
2.1 Timely and adequate Social Audit with full coverage of schools as per SSR goals	Link the school Grant released to the delivery social audit reports of previous year. Completing social audits by December of each year for the previous academic year	MOE, DOE, RED, DEO, SMC	Share of schools receiving funds without compliance with social audit completion	Review the progress every trimester and describe in the Implementation Progress Report.	ASIP to reflect the use of Social Audit report outcomes IPRs to report progress on collection of social audit reports	Increased transparency in school decision-making and accountability for the use of resources and the achievement of results.
2.2 School Management Committees (SMC) are established and effective	Facilitation at the local level to ensure that SMCs are formed in all schools and oriented in the roles, responsibilities and rights they hold for school education.	MOE/DOE DEO	Number/share of schools with duly formed SMCs by district.	November/December JCM Once a year in Flash Every trimester in IPR report	Annual Progress Report to include information on the existence and functioning of SMCs. IPRs to report on the status of SMC formation.	Effective functioning of SMCs.
Issue 3. Performance Audit by OAG						
3.1 Ensuring periodic Performance Audit by OAG	Identification of key aspects to be covered in the Performance Audit of the SSRP by MOE, DOE and other stakeholders; timely discussions on how the performance audit can supplement regular ongoing progress	MOE to request OAG for Performance Audit	Identification of key issues in relation to performance of districts and thematic areas against the programs' overall goals and objectives	Every two years Corrective measures to be included in the next cycle of planning	Triangulation of this independent performance audit with regular internal reports	Expected results are independent evaluation and corrective actions taken for any reported deficiencies.

Objectives	Key Activities	Responsible Agencies	Key indicators	Reporting Frequency	Key Actions	Expected Results by
Issue 4. Disclosure Arrangements And Information Dissemination						
4.1. To ensure transparency and disclosure measures[24]	Regular and timely public disclosure activities through DOE website, Radio/TV, newspapers, and local points, of program budgets, contracts, procurement and activities.	MOE, DOE, DEO and SMCs	Sufficient flow of information at the central and district levels	Ongoing	Short report on disclosure procedures implemented in the program annual progress report	All information related to SSRP implementation are kept in the access of public domain by adhering to Right to Information Act

[24] At the central level the following information will be put in the DOE website: (a) Consolidated Procurement Plan; (b) Complaint mechanism including that for procurement; (d) Trimester implementation progress reports; (e) Expressions of interests, bid documents, request for proposals and contract awards; (f) Annual work plan and budget; (g) Annual audited financial statements; (h) Program implementation guidelines; (i) School grants operation directives; (j) PCF Implementation Directives; (k) Flash reports; (l) Fund release information with budget heads, amounts and dates; At the district level the following information will be disclosed through newspapers and public notice boards, and wherever possible through websites: (a) List of schools getting new classrooms along with their scores according to the selection criteria;; (c) Annual work plan and budget; (d) Permanent teacher positions, *raahat* and PCF by school; (e) Number of scholarships by category by school; (f) Fund release information with budget heads, amounts and dates by school; (g) Complaint mechanism; (h) Information on action on complaints.
At the school level the following information will be disclosed through public notice boards: (a) Grants received from government and other sources with amount and date; (b) Social and financial audit reports; (c) List of students selected for scholarship with amount disbursed and selection criteria; (d) Current Enrollment; and Enrollment, repetition, dropout and promotion rate for the previous year; (e) Complaint mechanism; (f) Information on action on complaints; and (g) Information on teacher recruitment.

ANNEX 5: Program Prioritized Consolidated Action Plan

Actions Agreed	Status as of Appraisal, March 15, 2013
Access and Equity	
A comprehensive equity strategy and appropriate interventions will be developed to identify out-of-school children, children with disabilities, and other vulnerable and special-needs children for bringing them into the school system and retaining them through incorporating the activities into the ASIP/AWPB 2013/14 and ASIP/AWPB 2014/15. The Ministry has also indicated that they will increasingly use poverty cards for targeting when they become available.	Preparatory work underway. Preliminary list of out of school children (by VDC/municipality) based on 2011 Census data prepared and shared with DEOs. Further analysis of the data being conducted by DoE and draft action plan under preparation.
Quality	
The final grade 8 NASA report will be completed by the end of December 2012, and a high quality NASA publication will be produced by March 2013.	Findings presented in December 2012. Draft final report has been shared with DP focal point (WB) for comments.
NASA for grades 3 and 5 will be fielded in March 2013 and the draft report will be prepared by November 2013.	On track. Preparatory work for the fieldwork underway. Sample schools selected.
a. The proposed document for the institutionalization of NASA will be completed and endorsed by MOE by April 2013. b. NASA 2013 for Grades 3/5, NASA 2014 for Grade 8 and NASA 2015 for Grades 3/5 will be carried out by the Government. Note: The GON has identified capacity gaps in this area and the GON and DPs agree that technical assistance will be procured for the coming three years by June 2013. The GON and the DPs have agreed to a matching approach where the costs of bringing in high quality technical assistance will be equally shared by both sides and the procurement process will be managed by the World Bank as per the Joint Financing Arrangement by February 28, 2013.	a. Under preparation. Not yet due. b. Not yet due
An intervention for early grade reading improvement will be initiated and will draw upon local and global experiences.	Discussions ongoing.
A list of schools that do not meet 3 out of 5 PMECs will be made public (at district level by	On track. Preliminary list prepared by DoE.

Actions Agreed	Status as of Appraisal, March 15, 2013
end of March 2013). The list of schools not meeting PMECs will be used to identify schools for targeted support each year in the ASIP/AWPB.	Verification of list by DEOs in process.
Computerized FMIS will be developed and installed at DOE by end of January 2013.	FMIS software development nearing completion (expected completion date first week of April, 2013).
The MOE will send a letter to the DPs stating that it has been agreed that the following 4 budget line items/subheads (1,2,3,4) have been included in the education budget and will be made public during the budget speech. MOE will confirm the codes/subheads as soon as they have been formalized by MOF.	Budget codes prepared. Codes to be formalized when the full budget is announced.
Activities for the ASIP/AWPB for FY 2013/14 will be reviewed based on the suggestions of joint thematic working groups before March 2013.	Delayed.
Teacher salaries in all municipalities and district headquarters will be paid through individual bank accounts by January 2013. The government will share the necessary and sharable database for teacher salaries with DPs for verification purposes by end of March 2013.	Payments through bank accounts completed. Notice published on December 31, 2012 in the national daily Gorkhapatra requiring DEOs and REDs to submit progress report on the delivery of teacher salaries through bank accounts in district headquarters, municipalities and areas with banking facilities. Database of these teachers under preparation.
School social audits and financial audits will be carried out annually linking to the second and third trimester funds release respectively.	Directive sent to DEOs and REDs about this provision on Dec 31, 2012.
An independent review of the school level financial audits will be conducted during FY2012/13 and FY2013/14 on a sample basis in order to ensure quality of audit reports meeting the Institute of Chartered Accountants of Nepal (ICAN) auditing standards.	Ongoing. Draft report submitted to DoE. Final report expected to be completed by mid-April 2013.
Teacher Development and Management	
To put the delivery of the national curriculum for grades 6-8 including CAS at the core of TPD, training modules will be developed in FY2012/13. These modules will be implemented	Some training modules under development.

Actions Agreed	Status as of Appraisal, March 15, 2013
from FY2013/14.	
A study will be completed by March 2013 to design a comprehensive teacher management system and strategy.	On track. Final report submitted to MoE by the consultant team. Strategy, based on report, under preparation.
In consultation with I/NGOs, MOE will revise existing guidelines for I/NGOs. Institutional cooperation with I/NGOs will be formalized at both central and district levels in line with SSRP goals and priorities to strengthen service delivery.	Ongoing.
Technical assistance needs will be identified jointly and agreement will be made on a number of broad areas requiring TA support; and where possible, upcoming TA support will be communicated during the joint regular SSRP meetings.	Ongoing.

ANNEX 6: A Note on Disbursement Arrangements

Background

The Sector-wide Approach (SWAp) in the education sector has been successfully managed. The government owns the program and is taking leadership in driving the program based on the strategic framework which has been agreed and endorsed by the Development Partners (DPs) supporting the education sector. Nine DPs are supporting the program through pooled resources, and there are other DPs supporting the strategic framework. The Joint Financing Agreement (JFA) signed by all pooled partners and the Government is a guiding document for overall financial and fiduciary management of the program

Disbursement Mechanism under the Ongoing SSRP

Following is the mechanism of how disbursement happens:

Step 1: The Financing Agreement has clearly stipulated (which is also spelled out in the JFA) the need to agree the share of financing by IDA (and same by other pooled DPs) every fiscal year. Pro-rata letter that we issue hence is the core document which states the percentage share of financing by all pooled partners. This is a minimum requirement to enable disbursements through reports.

Step 2: Around March/April every year, the DPs discuss with the government on the Annual Work Plan and Budget (AWPB) in the Joint Review Meeting. The Ministry of Education prepares a draft AWPB for next fiscal year, which is discussed during the review meeting. The total program package and outlay of financial resources is agreed during the meeting. DPs based on this program, once agreed with the program and expected results, pledge the indicative commitment for the coming fiscal year which is stated in the Aide Memoire that will be issued after the Review Meeting.

Step 3: Of the total IDA commitment for the project period, US$75 million will be based on existing procedures (baseline commitment), and the remaining US$25 million will be based on the achievements in a set of performance indicators referred to as the Incentive Linked Indicators (ILIs). Hence, each fiscal year, the commitment made by IDA consists of—(i) baseline commitment, which will be drawn from the US$75 million, and (ii) an additional commitment linked to the performance in the ILIs, and drawn from the US$25 million.

Step 4: Based on the commitment pledged by all pooled DPs, the pro-rate shares on the budget is determined, which later is reflected and confirmed by a letter signed by the Bank Task Leader. The government requests equivalent of two trimester cash needs for the coming fiscal year as the advance using these pro-rata shares. This is reflected in the Financial Monitoring Report where the cash requirement is determined after balancing the total cash available in the Foreign Currency Account against total expenditures (which is applied for documentation) and adding cash requirement for next two trimesters. With the approval of each FMR, there will be certain amount that is documented as "actual expenditures", and certain amount that is requested as

"Advance to the FCA" to manage the program for next two trimesters. So, the liquidity position for the sector is very strong with this arrangement.

Step 5: Disbursement happens based on approved FMR which will trigger certain amount for documentation of actual expenditures, and certain amount as cash requirement based on cash forecast for two trimesters.

The mechanism described above will continue to be the disbursement approach under the AF. However, determining IDA pro-rata share under the AF and restructuring will consists of two parts: (a) funds committed using the approach in the original project (a share of the US$75 million baseline funds); and (b) funds committed on the basis of the achievement of agreed targets for the four Incentive- Linked Indicators (ILIs). Part (b) commitments will be based on achievements of targets under the ILIs, computation and verification as described in Annex 2.