



Technical Assistance Report

Project Number: 35174
December 2005

Technical Assistance Kingdom of Nepal: Preparing the Education Sector Development Program I (Cofinanced by the Poverty Reduction Cooperation Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 4 December 2005)

Currency Unit	-	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.01326
\$1.00	=	NRs75.39600

ABBREVIATIONS

ADB	-	Asian Development Bank
EFA	-	education for all
ESDP I	-	Education Sector Development Program I
JFA	-	joint financing arrangement
MOES	-	Ministry of Education and Sports
PRF	-	Poverty Reduction Fund
SESP	-	Secondary Education Support Program
TA	-	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting	-	Targeted intervention
Classification		
Sector	-	Education
Subsector	-	Education sector development
Themes	-	Inclusive social development
Subthemes	-	Human development

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July.
- (ii) In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations Group 1
Director General	K. Senga, South Asia Department (SARD)
Director	H. Kim, Social Sectors Division, SARD
Team leader	A. Inagaki, Senior Education Specialist, SARD

I. INTRODUCTION

1. The Asian Development Bank (ADB) has provided broad-based assistance to the Government of Nepal for the education sector, covering primary and secondary education, and vocational training. During the Country Program Confirmation Mission of November 2003, the Government requested ADB assistance for a sectorwide reform of school education to achieve its goal of poverty reduction. Subsequently, advisory technical assistance (TA) Preparation for an Education Sector Development Policy and Strategy (ESDPS) was approved.¹ An Education Sector Development Program I was included in the Country Strategy and Program (2005–2009). The Fact-Finding Mission for the project preparatory TA conducted during 31 January–10 February 2005 reached an understanding on the objectives, scope, methodology, implementation arrangements, cost and financing plan, and the consulting services for the proposed TA.² The design and monitoring framework is attached as Appendix 1.

II. ISSUES

2. The education system of Nepal consists of 5 years (grades 1–5) of primary education, 3 years (grades 6–8) of lower secondary education, 2 years (grades 9–10) of secondary education, and 2 years (grades 11–12) of higher secondary education. A school leaving certificate (SLC) is awarded by a centrally administered national examination at the end of grade 10. The Government is considering integrating grades 6–8 into primary education and grades 11–12 into secondary education, making for a fully integrated school education from grades 1–12. Significant challenges remain in increasing equity in access and in improving the quality and efficiency of education at all levels. Though access to primary education has improved over the last five decades, high repetition, and dropout rates and poor learning outcomes, especially among girls and the socioeconomically disadvantaged groups are major concerns. Despite the Government's effort to meet the increasing demand for lower secondary education and above, financing gaps, poorly qualified teaching force, and institutional weaknesses and fragmentation hamper the improvement of efficiency and performance of school education as a whole.

3. The National educational policy in Nepal is directed by the overarching national goal of poverty reduction as reflected in the Tenth Plan (2003–2007). The national educational goal is to develop an effective and equitable public education system for grades 1–12. The existing primary and secondary subsector programs interpret macropolicies and specify goals, operational policies, strategies and program components for each subsector. However, despite cogent policies and programs based on local and international best practices, many of the ambitious targets set in macro, subsector, and project documents are unlikely to be met, according to the Nepal Business Plan for the Education Sector (National Planning Commission, 2005). Ongoing challenges at the system level include inefficiencies that drain resources and absence of a holistic approach to the entire school education sector. At the school level, policies aimed at improving efficiency are often unenforced and coordination of quality improvement programs remains weak. Although part of the achievement gap is attributable to financing gaps, the key challenges to education development in Nepal are (i) structural and policy integration into a 1–12 school system, and (ii) coordination of program implementation at the school level.

¹ ADB. 2004. *Technical Assistance to the Kingdom of Nepal for the Preparation for Education Sector Development Policy and Strategy*. Manila (TA 4326-NEP).

² The TA first appeared in *ADB Business Opportunities* on 16 February 2005.

4. The Tenth Plan articulates a human resources development plan that includes an integrated 1–12 school system with multiple exit points. At this juncture the Ministry of Education and Sports (MOES) is still in the initial stage of developing a policy framework that addresses the 1–12 school sector as an integrated whole. As a result, differences of interpretation at the subsector programming level combine with ambiguity in the macro level to send confusing messages to stakeholders. The situation hampers implementation and prevents efficient use of resources. Examples of policy areas that warrant additional consolidation include teacher management and development, performance standards, sector and school finance, devolution of school operations, curriculum and assessment.

5. Some education policies cut across all subsectors. For example, the Tenth Plan frames education as an intrinsic basic human right, ensuring that no child will be denied the opportunity to complete schooling due to poverty or prejudice. This idea requires a special focus on girls and excluded groups in each subsector. Under decentralization, the Government is fulfilling this mandate through a combination of advocacy and financial incentives that encourage schools to enroll and retain girls and disadvantaged children. These measures are not likely to be enough as the current program underestimates the strain at the school and community levels to support completion and academic success of girls and disadvantaged children. Additional support is required if the Tenth Plan vision for an egalitarian 1–12 public school system is to be achieved.

6. Changes in the broad sociocultural, economic, or public administration contexts impact deeply on education program emphasis and implementation. As with any medium- or long-range strategy, issues emerge during the implementation period that were not addressed in the Tenth Plan, or existing programs. Among them are emerging issues related to displaced children as a result of the insurgency, and new priorities requiring additional investment that may emerge as a result of a recent change in the political context in Nepal.³

7. Based on decades of experience, development assistance in education in Nepal shows a genuine transition from a projectized and fragmented approach toward a policy-led sectorwide approach. The Government's capacity to lead multi-agency-funded programs has increased. At the primary level, Nepal has initiated the Education for All (EFA) program, financed under a joint financing arrangement (JFA) with five aid agencies wherein disbursements are made on the basis of agreed-upon outcome and achievement indicators.⁴ EFA, through JFA is a Government-led multipartners program that is seen as a model of a subsector-level sectorwide approach. At the secondary level, the Secondary Education Support Program (SESP)⁵ supported by ADB and Denmark is a result of extensive subsector analysis and policy dialogue and is built on a shared long-term vision and strategy for secondary education reform and institutional development. The next logical step in the evolution of Nepal's education system will be a fully integrated sectorwide approach for grades 1–12.

8. The ultimate goal of the Government is to improve the efficiency and performance of the school education sector by developing a fully holistic, integrated, and results-focused grades 1–12 school sector development program by 2009. It plans to adopt a sectorwide approach using Government procedures. ADB intends to assist the Government in achieving its goal by financing part of the program through phased interventions: (i) Education Sector Development

³ On 1 February 2005, King Gyanendra dismissed the Government of Prime Minister Sher Bahadur Deuba, and assumed executive power.

⁴ Denmark, Department for International Development, Finland, Norway, and World Bank joined JFA. Other agencies, including ADB, support EFA through parallel financing outside JFA.

⁵ ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Secondary Education Support Project*. Manila.

Program I (ESDP I) (2006–2008), and (ii) Education Sector Development Program II (ESDP II) (2009–2011).⁶ ESDP I plans to support a transitional school sector development program, while ESDP II will support a fully integrated school sector development program.

9. Under the ongoing advisory TA ESDPS, MOES has mobilized a core group of senior officers whose responsibilities cover program development and implementation to analyze current policies, programs, and investments from a school sectorwide perspective. The core group is working on developing a consolidated and integrated 1–12 school sector policy framework that will set the direction for further sector analysis and policy work in preparation for a sectorwide policy, program, and investment framework to be implemented from 2009.

10. It is understood that during ESDP I, current subsector policies, programs, budgeting, planning, or management structures such as EFA or SESP will not be modified unless the concerned development partners agree. However, ESDP I will address funding gaps that address crosscutting issues across subsectors. ESDP I will have two components: component A will meet immediate funding gaps for crosscutting policies such as participation and achievement of girls, disadvantaged groups, and extremely poor children. Some financing may also be available for policy issues and targets set for emerging issues as described in para. 6. Component B will continue consolidating the school sectorwide policy, developing sectorwide programming, and initiate policy reform actions in key areas such as teacher management and development, performance standards, sector and school finance, devolution of school operations, and curriculum and assessment. Components A and B are closely linked. Funding for component A should be justified by its contribution toward component B. At the end of ESDP I, a more comprehensive education sectorwide policy, sector development program, and investment framework should be ready for support under ESDP II.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The TA will assist the Government to prepare ESDP I that will help develop a holistic approach to school education to improve its efficiency and performance. ESDP I will build on subsector-level programs such as EFA and SESP, without changing any of the subsector program structures including JFA. The TA will provide a mechanism for all interested development partners to join the policy and program development process from the earliest stage.

12. The outcomes of the TA will be (i) a comprehensive sector analysis, based on an analysis of policy and institutional gaps and constraints that hinder sector development; (ii) a mechanism for continuous policy dialogue with all stakeholders, including development partners, and enhanced Government leadership in policy development; (iii) a strategic framework for implementing time-bound policy actions during the period of ESDP I; and based on the above, (iv) a proposed design for ESDP I that defines its objectives, rationale, program framework and components, implementation arrangements, costs, and monitoring systems. The outputs of the TA will help ADB, the Government, and other interested development partners determine and agree on the program design for ESDP I. It will help ADB and the Government in examining and agreeing on the most appropriate lending modality.

⁶ The project preparatory technical assistance for ESDP II is included in the Nepal Country Strategy and Program (2005-2009).

B. Methodology and Key Activities

13. The TA will review the analysis of policy gaps and institutional constraints made by the core group, and lessons learned from EFA and SESP. According to progress in developing the 1–12 sector policy framework, it will agree with MOES on areas of policy reform actions to be discussed with all stakeholders and initiated under ESDP I. It will assess the financial requirements associated with the identified policy reform actions, and the capacity development needs. It will also undertake a public expenditure review and a review of the medium-term expenditure framework. Furthermore, the TA will help project enrollment across subsectors and define a minimum service standard. With the enrollment projection, the public expenditure analysis, and a defined minimum service standard, a more comprehensive sector financing plan will be developed. The TA will refine the initial poverty and social analysis (Appendix 2), review the demand analysis, and recommend strategies to improve completion and achievement of girls and disadvantaged ethnic minority groups. It will recommend strategies to address the impact of the insurgency on schoolchildren.

14. The TA will help establish a mechanism for continuous policy dialogue and facilitate Government-led consultation meetings with all concerned stakeholders: (i) the Ministry of Finance, the National Planning Commission, concerned education agencies; (ii) teacher unions, civil society organizations; and (iii) development partners in education. The TA will help the Government consolidate the priority policy reform actions and develop a strategic framework for implementing time-bound policy actions. The TA will undertake small-scale studies on emerging issues identified during the policy dialogue. The TA will also organize international peer reviews on elements of the interim policy and program framework.

15. Based on the outputs of the sector study, and along with the continuous policy dialogue, the TA will propose a design for ESDP I. The TA will assess the implementation mechanisms of EFA and SESP and suggest a framework for synergy and coordination between ESDP I and the ongoing subsector programs. Furthermore, the TA will suggest a strategic framework for integrating existing subsector programs into ESDP II.

16. The TA will continuously assess the country's sociopolitical context through policy dialogue with the Government and development partners. Maximum flexibility will be applied to adjust TA implementation and ESDP I design, including the lending modality, to the change in needs and the situation of the country. To ensure that the program development process for ESDP I will involve all interested aid agencies from the earliest stage, the proposed working mechanism for the TA will be adjusted along with the process of consultation with interested partners to make the ESDP I preparation process a genuine joint effort led by the Government. The TA will coordinate closely with current technical assistance provided by development partners. Furthermore, the TA will work in close coordination with TA ESDPS. The TA work will build on the sector analysis and policy analysis and development undertaken by MOES under TA ESDPS. TA ESDPS will continue along with the TA and will help facilitate formulation of the school sectorwide policy and identification of priority policy reform actions.

C. Cost and Financing

17. The TA is expected to cost \$750,000 equivalent of which ADB will provide \$450,000 to be financed on a grant basis by ADB's TA funding program. Another \$150,000 will be financed by the Poverty Reduction Cooperation Fund administered by ADB. The total amount of \$600,000 will cover the entire foreign exchange component of \$406,000, and local currency cost equivalent of \$194,000. ADB will finance domestic and international consulting services,

production of reports, equipment, workshops, studies, field surveys, and administrative support services. The Government support to the TA, estimated at \$150,000 equivalent, will be in kind, and will include the provision of counterpart staff, office accommodation and space for meetings, and general office support. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project. The detailed cost estimates and financing plan are in Appendix 3.

D. Implementation Arrangements

18. A team of four international and six domestic consultants will be recruited to provide specialist services totaling 51 person-months (16 international, 35 domestic). ADB will engage international consultants on an individual basis and domestic consultants through a local firm using the simplified technical procedure and the quality- and cost-based selection method in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. Indicative terms of reference for the consultants are in Appendix 4. Office equipment needed to implement the TA will be procured by the consultants according to ADB's *Guidelines for Procurement* and will be turned over to MOES upon TA completion.

19. MOES will be the Executing Agency for the TA. MOES will establish an ESDP steering committee upon the start of the TA, chaired by the secretary of MOES, with representation from concerned ministries, line agencies, civil society organizations, and development partners. The steering committee will provide overall guidance to ESDP I. To maximize Government leadership and minimize the strain on MOES, the TA work will be carefully scheduled and spaced. MOES has assured availability of counterpart staff to work with the TA team. The Government has also agreed to provide the following support to the TA team: (i) administrative and logistic support; (ii) office accommodation, supplies, and facilities; and (iii) data and reports as required. The TA consultants will report to the secretary of MOES and to ADB.

20. The TA will begin in January 2006 and end in October 2006. An inception report will be submitted at the end of the first month of the TA. A draft of the sector analysis and an initial framework of time-bound policy reform actions will be completed and submitted as an interim report at the end of the first 3 months. A draft final report will be submitted with a draft program design by the end of the fifth month. One or more consultation workshops inviting all stakeholders will be held after each report is submitted. A final report incorporating comments from concerned parties will be submitted by the TA completion date.

IV. THE PRESIDENT'S DECISION

21. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$150,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund; and (ii) ADB providing the balance not exceeding the equivalent of \$450,000 on a grant basis, to the Government of Nepal for preparing the Education Sector Development Program I, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanism	Assumptions and Risks
Impact Improved efficiency and performance of the school education sector	<ul style="list-style-type: none"> • Completion rate and achievement increased, especially among girls, disadvantaged groups, and children in extreme poverty 	<ul style="list-style-type: none"> • Ministry of Education and Sports data • Nepal Living Standard Survey report 	Assumptions <ul style="list-style-type: none"> • Project design implemented effectively • Government sign loan agreement with ADB and other relevant agreement with other aid agencies
Outcome Project design and feasibility study agreed to by Government, Asian Development Bank (ADB), and other interested agencies	<ul style="list-style-type: none"> • Memorandum of understanding signed by Government, ADB, and other interested agencies during appraisal mission in 2006 	<ul style="list-style-type: none"> • Memorandum of understanding 	Assumptions <ul style="list-style-type: none"> • Effective stakeholder participation and ownership developed • Government's commitment to improve performance of school education unchanged
Outputs 1. Technical assessments completed 2. Project design requirements accomplished	Draft final report submitted to Government, ADB, and other agencies by May 2006	<ul style="list-style-type: none"> • ADB document registration • Government document registration 	Risks <ul style="list-style-type: none"> • Political instability and deterioration of security situation Restricted access to geographical sites
Activities with Milestones 1.1 Conduct the sector analysis (by March 2006) 1.2 Refine the sector analysis (by April 2006) 2.1 Conduct policy dialogue and produce a framework of policy reform actions (February –May 2006)) 2.2 Design the program and investment framework (by May 2006) 2.3 Complete the program and investment framework (by June 2006)			Inputs <ul style="list-style-type: none"> • ADB \$600.000 • Government \$150.000 • Others - technical contribution

INITIAL POVERTY AND SOCIAL ANALYSIS

A. Linkages to the Country Poverty Analysis

Is the sector identified as a national priority in country poverty analysis?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Is the sector identified as a national priority in country poverty partnership agreement?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Contribution of the sector or subsector to reduce poverty in Nepal:			
<p>Education is considered one of the major means for poor households to escape from the poverty trap. With external assistance, Nepal channeled many efforts to the education sector, which have contributed to improvements of human development indicators over the past years. The number of schools has increased significantly; in 2004, there were 24,228 primary schools (27% increase from 1994), 8,522 lower secondary schools (68% increase), and 5,030 secondary schools (84% increase). The net enrollment rate (NER) in primary schools has improved from 61% in 1990 to 84.2% in 2004; that in secondary schools, from 33% in 1990 to 43.9% in 2004.</p> <p>However, the current level of achievement in education is far from sufficient. Efficiency in the basic education sector is low: repetition and dropout rates are high; the adult literacy rate is low at 49%; despite many efforts such as the Education for All program, still about 20% of primary school age children are out of school; the pass rate for School Leaving Certificate (SLC) at the end of grade 10 is only 22% for public schools. The situation is aggravated by the large disparities in access to and attainment of education by gender, ethnicity, caste, and geographical location.</p> <p>Nepal's Tenth Plan for 2002–2007 (i.e., poverty reduction strategy paper) identifies social sector development, including education sector development, as one of the four pillars that the Plan is based on; and aims at improving access to and quality of primary education, expanding literacy programs, and developing/expanding secondary education. The major strategy adopted by the Plan is decentralization of the management of local schools by handing it over to school management committees (SMCs). The decentralization process has already been initiated under the 7th Amendment to Education Act 2001.</p> <p>Another major strategy under the Plan is to mitigate social, cultural, and financial barriers to easy access to education, especially for the poor, disadvantaged ethnic/caste groups, and women. For example, the Government will expand the policy of granting scholarships to first child or first girl of poor families from which none of the members have completed primary education. It will start a new program to provide free education up to the grade 10 for oppressed, backward, and below-poverty-line (BPL) students and to set up a Rural Education Development Fund for funding the education of marginalized communities.</p> <p>The Plan's stated targets in the education sector are (i) increase in the primary school NER from 82% to 90%, (ii) increase in the adult literacy rate from 49.2% to 63%, and (iii) increase in the female literacy rate from 35.6% to 55%.</p> <p>The Government's commitment to education is reflected in its public expenditure allocation to education. The share of the budget spent on education increased from 10% in the 1980s to 13% in the 1990s, and is planned to reach 16% in 2004/05. The bulk (60% in 2002/03) of the education budget goes to the primary education subsector. The Government further intends to raise the budget share to 17.5%, with the share going to basic/primary education being maintained at around 60%.</p> <p>Nepal's Poverty Partnership Agreement with ADB also places priority on improvements in basic social services and infrastructure, including education services. The medium-term strategy for education stipulates that the quality of basic education will be improved, that nonformal education/vocational training will be offered especially for women, and that a relatively small group of specialists will be trained at the higher education level. In the long term, the Agreement aims to raise the adult literacy rate to 100% and the primary cycle completion rate to 95%.</p>			

B. Poverty Analysis

Targeting Classification: Targeted intervention (MDGs)

What type of poverty analysis is needed?

Nepal, with a population of 24.7 million and per capita gross domestic product GDP at \$229, is one of the poorest countries in the world. In spite of substantial development assistance received, poverty reduction has been very slow over the past two decades mainly due to slow economic growth combined with high population growth, weak social and economic infrastructure, and the continued insurgency.

Poverty incidence was estimated at 42% in the first Nepal Living Standard Survey (NLSS) 1996 and at 38% in 2001. The second NLSS was conducted in 2003/04 and the estimation will be updated based on the results. In the high growth scenario, the Plan has a poverty incidence target of 30% by 2006/07.

Nepal's poverty is largely a rural phenomenon, as 86% of the total population live in rural areas and productivity growth in agriculture has been low. Poverty incidence in rural areas is nearly twice as high at 44% as in urban areas (23%), and over 90% of the poor live in rural areas. Within rural areas, poverty rate is the highest in the Mid-Western and Far-Western hill and mountain regions.

In addition to geographical disparities in poverty incidence, Nepal's poverty is characterized by deep-rooted cultural practices. Women, ethnic groups (Janajatis), lower-castes (Dalits) and ex-Kamias have been excluded from benefits of development over generations, and disproportionately suffer from poverty. For example, Dalits earn less than half of what upper-caste groups earn; the literacy rate of Dalit women is a low 7%.

The human development indicator (HDI) duplicates the analysis of income poverty. The HDI in Nepal is estimated at 0.471 in 2001, marginal improvement from 0.403 in 1996; the variations in HDI between urban/rural, geographical regions, and higher/lower castes are significant.

Poverty incidence is closely related to educational achievement. Among the out-of-school children, the majority are girls and those from poor, disadvantaged families in remote areas; 25% of girls and 50% of ethnic/caste groups are not attending primary schools. In the Mid-Western Region, 52% of children are out of primary schools.

C. Participation Process

Is there a stakeholder analysis? Yes No

Is there a participation strategy? Yes No

The Plan stresses, as a strategic crosscutting approach, promotion of community participation in managing activities at the local levels, along with acceleration of the decentralization process in social services delivery. Accordingly, in the education sector, the Government is committed to decentralization of the school education system to local authorities and involvement of local communities in the management of schools. Under the 7th Amendment of Education Act 2001, transfer of school management to communities, with accompanying incentive grants, started in 2002; and, in early 2004, schools had been handed over to about 700 communities. The budget speech 2004/05 made a target of handing over the management of additional 2,000 schools to communities within the fiscal year; by 2007, the Government plans to transfer a third of public schools.

At the village level, a Village Education Committee (VEC) is being formed in each Village Development Committee (VDC) to regularly monitor schools within the village, identify/mobilize local resources, and prepare a Village Education Plan (VEP). The Government will provide block grants to support the implementation of VEPs to VDCs, which in turn will allocate the grant to prioritized activities.

At the school level, SMCs will be empowered to monitor school activities. The chairperson and members of SMCs will be elected from parents and made responsible for managing schools, preparing school improvement plans (SIPs) and recruiting new teachers. Parent-teacher associations will be mobilized for educational development in all schools. Furthermore, partnership between SMCs and local community groups is promoted; support to SMCs from local women, children, and other community groups is envisaged to create increased ownership and broad participation in social monitoring of education service delivery.

Local community groups are expected to do tasks such as social mapping and campaign organization, and act as catalysts to change attitudes toward caste, gender, and ethnic exclusion among parents, teachers, and students. They are also encouraged to do social audits to track the allocation of funds channeled to schools through school block grants and scholarships.

Formal mechanisms/principles for coordination and partnership, through which different stakeholders will be engaged in the transitional Education Sector Development Program I, will be established to facilitate policy dialogue, consultation, and negotiation. All stakeholders including civil society organizations, teacher unions, Government agencies, and development partners are invited to contribute to the policy development process under the leadership of the Government. The resulting education sectorwide policy framework will be agreed upon with all key stakeholders.

D. Gender Development**Strategy to maximize impacts of women:**

Gender-based disparities are a persistent concern in Nepal. Households headed by females constitute 19.6% of the total households, are poorer than households with male heads. Despite some progress, women still lag behind men in most of HDIs. The adult literacy rate for women is 34.9%, just over half that of men at 62.7%; the average years of schooling for women are 1.95 years compared with 3.56 years for men. A higher proportion of males than females attend school at every age, but the differences are significantly higher after age 10.

The Plan seeks to address the gender gap and facilitate social inclusion through targeted programs. The gender strategy is to ensure equal access for women to social and economic services, including education. Targeted programs in education include expanded literacy programs for women, scholarship programs for girls, hiring of more female teachers, and correction of the existing gender bias in the curricula.

To strengthen the policy on social inclusion, ESDP I will (i) assess the current Government incentives and support schemes to retain girls and disadvantaged children; (ii) formulate a policy for gender equity and social inclusion that goes beyond participation and retention; (iii) assess the financial implication as well as institutional support required for implementing the refined policy for social inclusion; (iv) formulate a capacity development plan for schools, teachers, and institutions to implement, monitor, and evaluate the inclusion policy; (v) plan, organize, and facilitate participation of civil society organizations, teacher unions, association of disabled people, and community-based organizations in continuous policy dialogue for ESDP I

A refined and more comprehensive policy for gender equity and social inclusion will be integrated into the grades 1–12 Education Sector Development Policy. A costed policy action plan for social inclusion, including a capacity development plan and a monitoring plan for schools and district stakeholders will be integrated in the ESDP I design.

Has an output been prepared? Yes No

A gender plan will be prepared.

E. Social Safeguards and Other Social Risks

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
Resettlement	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None		<input type="checkbox"/> Full <input type="checkbox"/> Short <input checked="" type="checkbox"/> None
Affordability	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	Free primary education (up to grade 5) has been the central plank of the government policy since 1981. Additional efforts will be made to bring the 18% out-of-school children, almost all poor, disadvantaged and marginalized, to primary schools and to retain a vast number of dropout children in schools. For example, support may be given for school uniforms, stationery, day meal, or cash, depending on the nature of the local needs/situations. Scholarships are offered for women, disadvantaged ethnic/caste groups, and the poor in general.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Labor	<input type="checkbox"/> Significant <input type="checkbox"/> Not significant <input checked="" type="checkbox"/> None	The curriculum will be made more relevant to the needs of a modernizing economy and labor market.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Indigenous People	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	Nepal has about 101 different caste and ethnic groups and 92 languages/dialects (Census 2001). Janajatis, who have their own languages and traditional cultures and are thus for the most part indigenous people, constitute 37% of the total population, while Dalits, who belong to the lowest caste and have been considered “untouchable” by the higher caste	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

		<p>groups, constitute nearly 15% of the total population. These many Janajati and Dalit groups have been historically disadvantaged and continue to have higher poverty levels than the rest of people. In educational achievements, caste/ethnicity-based disparities have been serious: traditional ethnic groups account for only 6% of the total graduate population and Dalits another 3% in the 1991 Census; the primary school NER for Dalit students is estimated to be about 40% for boys and 20% for girls.</p> <p>While most Dalits can be classified as disadvantaged, there is considerable variation in status among Janajati groups. (The Gurungs, Limbus, and Rais, who traditionally went for service in the Indian and British army, have higher educational and income indicators as the Thakali and Sherpas, who have done well in trade and other business.)</p> <p>Even though there have been efforts to assist the Janajatis and Dalits in improving their economic and social status, such as establishment of Dalit Development Commission, and Indigenous and Ethnic Groups Upliftment Academy (former Janajati Development Committee), significant improvements in their status have yet to be seen.</p> <p>Specific actions to ensure that benefits will accrue to the disadvantaged ethnic/caste groups, such as providing incentives for recruitment of local bilingual teachers in primary schools, will be considered.</p>	
Other Risks and/or Vulnerabilities	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	<p>The sociopolitical situation remains unstable. Close monitoring of the situation will be undertaken.</p>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank (ADB) Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	320.0	0.0	320.0
ii. Domestic Consultants	0.0	79.0	79.0
b. International and Local Travel	35.0	10.0	45.0
c. Reports and Communications	1.0	4.0	5.0
2. Seminars, Workshops, and Meetings	0.0	45.0	45.0
3. Study Visits	20.0	0.0	20.0
4. Surveys, Research, and Data Collections	0.0	15.0	15.0
5. Office Equipment	5.0	5.0	10.0
6. Miscellaneous Administration and Support Cost	0.0	25.0	25.0
7. Contingencies	25.0	11.0	36.0
Subtotal (A)	406.0	194.0	600.0
B. Government Financing^b			
1. Office Accommodation, Utilities	0.0	60.0	60.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	60.0	60.0
3. Others	0.0	30.0	30.0
Subtotal (B)	0.0	150.0	150.0
Total	406.0	344.0	750.0

^a Financed by ADB's technical assistance funding program and the Poverty Reduction Cooperation Fund.

^b The Government's contribution will be in kind.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Education Policy Development Specialist and Team Leader (5 person-months)

1. The specialist will be responsible for supervising the consultant team and coordinating overall the work program and work plan, including completion of agreed upon activities and outputs, and timely preparation of all formal written reports. He/she will (i) organize and coordinate stakeholder discussions and hold regular consultations with development partners; analyze current subsector programs as part of overall sector analysis; (ii) assure integration, coordination and synergy between the Education Sector Development Program I (ESDP I) and current subsector programs; (iii) prepare the proposed loan framework for ESDP I that defines objectives, rationale, program framework and components, implementation arrangements, costs and monitoring systems; (iv) ensure coordination with technical assistance on Preparing an Education Sector Development Policy and Strategy (TA ESDPS), as well as technical assistance from all development partners; and (v) assess sector analyses, economic and financial analyses and other sectorwide preparatory work undertaken by the Ministry of Education and Sports (MOES) or other development partners for the framework of the Education for All (EFA) Program and Secondary Education Support Program (SESP) and build on work already completed by MOES and development partners. With the assistance of other team members, he/she will (i) analyze policies, programs, and institutions; (ii) based on the policy analysis, undertake a comprehensive sector analysis that identifies structural constraints to sectorwide development; (iii) based on the program analysis, indicate program adjustments that contribute to a sectorwide program in the medium and long term; (iv) in collaboration with MOES, organize peer reviews on elements of the proposed framework in Nepal and in the region, and (v) organize roundtable discussions with stakeholder groups and development partners on the analysis and indicate areas for policy and program adjustments. Under the leadership of MOES, in coordination with other development partners, and with the assistance of other team members, he/she will facilitate the design of mechanisms for meeting immediate financing needs across subsectors on programs addressing the needs of girls, disadvantaged groups, and children in extreme poverty; and meeting immediate financing needs for school-related issues emerging from changing Government priorities. He/she will assist MOES in designing a monitoring mechanism for ESDP I that includes a funds flow tracking mechanism and an impact monitoring mechanism. The specialist will undertake (i) a continuous assessment of the sociopolitical context of the country in close consultation with the Government and other development partners; (ii) conflict assessment in close consultation with ADB's Resident Mission in Nepal; and (iii) an environment impact assessment of the policy actions under ESDP I.

2. Public Finance Management and Macroeconomist (4 person-months)

2 The specialist will facilitate discussions and dialogues with stakeholders and development partners on the thematic areas of sector finance and budgeting under a sectorwide approach. He/she will assist the team leader by preparing the following requirements: (i) a review and assessment of the macroeconomic context; (ii) a review of public expenditure and the Medium-Term Expenditure Framework (MTEF); (iii) suggestions to the Government for a sustainable grades 1–12 sector financing plan based on public expenditure analysis, enrollment projections and minimum service standards, and within the resource envelope defined by the sector MTEF; (iv) an economic and financial justification for ESDP I; (v) a performance

assessment of the ongoing Asian Development Bank (ADB) program loans in Nepal; and (vi) an assessment of the public financing management system and risk mitigating measures. He/she will (i) identify and prepare the finance and budget components for ESDP I; (ii) assist the team leader in producing the proposed ADB loan framework by providing program designs with related costs and the financing plan of ESDP I, and be responsible for preparing detailed cost estimates; (iii) undertake an analysis of sector financing as part of the overall sector analysis under the direction the team leader; (iv) indicate areas for long-term improvement in education sector financial planning and management systems and processes, in the context of broader government planning, budgeting, and financial management systems under ESDP II; and (v) identify adjustment costs arising from policy actions proposed under ESDPI.

3. School Finance Specialist (2 person-months)

3. The specialist will facilitate discussions and dialogues with stakeholders and development partners on the thematic areas of school finance under a sectorwide approach. Building on work completed by MOES and other development partners, he/she will (i) analyze school financing by subsector as part of the overall sector analysis under the direction of the team leader; (ii) together with the equity specialist, review the impact of current school financing policies on girls, disadvantaged groups, and extremely poor children; (iii) analyze implications of school financing arrangements and suggest issues that should be addressed at the policy level; and (iv) conduct other school finance reviews as directed by the team leader. He/she will assist the team leader in producing the proposed ADB loan framework and proposal document by providing program designs with related costs for areas that will improve school-level fiscal management.

4. Equity Specialist (Gender and Poverty) (2 person-months)

4. The specialist will facilitate discussions and dialogues with stakeholders and development partners on the thematic areas of schooling equity under a sectorwide approach. Building on work already completed by MOES and other development partners on demand analysis, he/she will (i) analyze policies, strategies, and plans for improving retention rates and academic achievement for girls, excluded groups and extremely poor children across subsectors; (ii) together with the school finance specialist and the macroeconomist, review current subsector and school financing policies in terms of their impact on equity; (iii) review resources required to consolidate existing capacity and implement already agreed-upon strategies to improve equity in schooling, a poverty analysis to explore ESDP I viability and justification to benefit girls, excluded groups, and the poorest highlighting potential efficiency benefits (internal and external), and cost-savings as a result of the loan. He/she will assist the team leader in producing the proposed ADB loan framework and proposal document by (i) preparing the section of the ESDP I proposal document pertaining to girls and other socially or economically disadvantaged groups that incorporates current frameworks and builds on successful programs; (ii) providing program designs with related costs for areas that improve equity; indicating specific policy options, strategies, implementation steps, and cost implications that will be included in the ESDP I proposal document relating to girls, excluded, and extremely poor children; (iii) undertaking analyses needed to meet ADB 's social safeguard requirements; and (iv) identifying specific actions for disadvantaged ethnic minorities in accordance with ADB's policy on indigenous people. He/she will supervise the domestic expert for gender, caste, and ethnicity.

B. Domestic Consultants

1. Decentralized School Governance and Management Specialist and Deputy Team Leader (6 person-months)

5. In collaboration with the team leader, the specialist will (i) review school governance policies and structures by subsector; (ii) review the current status of decentralized school governance by subsector; (iii) identify management challenges at the school/community, district, and sector level; (iv) on the basis of the review of school governance policies and management challenges, analyze implications and indicate adjustments required for sectorwide decentralized school governance and school management; (v) review identified capacity gaps at the school, district, and central levels that inhibit implementation of existing decentralized school governance and school management programs; and (vi) suggest adjustments to the current capacity-building program at the school, district, and central levels. As deputy team leader, he/she will coordinate the consultant's work in the absence of the team leader.

2. Education Finance Specialist (4 person-months)

6. The specialist will (i) conduct investigations of school finance for community aided and unaided schools as well as for independent trust and boarding schools across all subsectors; (ii) analyze policies and practices for school-level financial planning, management and income generation by subsector; (iii) analyze the impact of school financing practices on girls, disadvantaged groups, and extremely poor children; (iv) analyze the implications of long-range policy and program reform in the area of school finance; (v) review existing education financing policies, budgeting, strategies, and resource forecasts; (vi) analyze the effectiveness of current program support to girls, excluded groups, and the poorest children analyzing both the amount of resources available and how resource management addresses equity concerns as these pertain to the ESDP I program design; and (vii) analyze the budgetary implications of actions identified under ESDP I.

3. Gender, Caste, and Ethnicity Specialist (3 person-months)

7. In collaboration with the international equity specialist, the specialist will (i) conduct investigations on the impact of current policies and programs on girls, disadvantaged groups, and extremely poor children; and (ii) indicate adjustment to enhance the relevance of current programs for achieving gender and ethnic equity in school completion and academic success.

4. Program Development Specialist (4 person-months)

8. The specialist will assist the team leader in (i) analyzing current programs by subsector, and will indicate a design that builds on the current program to formulate coherent, integrated, and relevant sectorwide program packages for the medium and long term; (ii) designing a monitoring mechanism for ESDP I that includes a funds flow tracking mechanism and an impact monitoring mechanism; (iii) undertaking a continuous assessment of the sociopolitical context of the country in close consultation with the Government and other development partners; (iv) undertaking conflict assessment in close consultation with ADB's Resident Mission in Nepal; and (v) undertaking an environment impact assessment of the policy actions under ESDP I.

5. Education Law Specialist (4 person-months)

9. The specialist will (i) analyze the legal and regulatory framework pertaining to the school sector (grades 1–12), and (ii) recommend to the Government a legal and regulatory framework that will support the Government's program for a sectorwide approach to school development. The specialist will be initially mobilized as an individual consultant for 2 person-months.

6. Education Policy Advisor (6 person-months)

10. The specialist will (i) guide MOES in establishing a mechanism for policy analysis, formulation, and follow-up; (ii) advise MOES in policy matters; (iii) support MOES in leading the education policy analysis and formulation process; and (iv) liaise with the Minister of Education, National Planning Commission, Ministry of Finance, and other key stakeholders involved in education policy development

C. Pool of International and Domestic Consultants

11. The length of service of international consultants (up to 3 person-months) and domestic consultants (up to 8 person-months) may be extended contingent on a mutual agreement between MOES and ADB.