

Program Implementation Document

Project Number: 49424-001

Loan and/or Grant Number(s): {LXXXX; GXXXX; TXXXX}

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Nepal: Supporting School Sector Development Plan

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PURPOSE OF THE PROGRAM IMPLEMENTATION DOCUMENT

The developing member country (DMC) is wholly responsible for implementing the program supported by results-based lending (RBL). The Asian Development Bank (ADB) staff support the results based lending program design and implementation.

The program Implementation document (PID) consolidates the essential program implementation information. The PID is a management tool which supports effective program implementation, monitoring, and reporting. It is developed throughout the program processing, and should be discussed with the DMC at Loan Negotiations. It is a living document that should be refined and kept up to date during program implementation.

Abbreviations

ADB	=	Asian Development Bank
AG	=	Auditor General
AWPB	=	annual work plan and budget
CGAS	=	Computerized Government Accounting System
CLA	=	Central Line Agencies
DEO	=	District Education Office
DLIs	=	disbursement-linked indicators
DMC	=	developing member country
DOE	=	Department of Education
DTCO	=	District Treasury Comptroller's Office
EMIS	=	Education Management Information System
ESMS	=	environment and social management system
FCGO	=	Financial Comptroller General Office
GDP	=	gross domestic product
ICT	=	Information and communication technology
IP	=	Indigenous People
JFA	=	Joint Financing Arrangement
JFP	=	Joint Financing Partner
M&E	=	monitoring and evaluation
MOE	=	Ministry of Education
MOF	=	Ministry of Finance
NPC	=	National Planning Commission
OAG	=	Office of Auditor General
PAP	=	program action plan
PBH	=	Program Budget Head
PCSPID	=	program implementation document
PFM	=	public financial management
PID	=	program implementation document
PPA	=	Public Procurement Act
PPR	=	Public Procurement Rules
RBL	=	results-based lending
RRP	=	report and recommendation of the president
SC	=	SSDP Steering Committee
SMC	=	School Management Committee
SSDP	=	School Sector Development Plan
SSSDP	=	Supporting School Sector Development Plan
SWAp	=	sector-wide approach
TA	=	technical assistance
TSA	=	Treasury Single Account

I. PROGRAM DESCRIPTION

1. The program's impact will be a more qualified human resource base for equitable socioeconomic development, aligned with Nepal's SSDP. The outcome will be enhanced equitable access to quality secondary education. The program will benefit 6.3 million students, 153,200 teachers, and more than 34,000 schools through four outputs. The program outputs are as follows:

- (i) **Output 1: Access to basic and secondary schools improved.** This output will help implement a revised pro-poor scholarship program in all 75 districts, and will include targeted interventions for girls to take up secondary science education (DLI 1). This will redress the lack of affordability among students in the poorest quintile and the inadequate participation of girls in science subjects compared with boys. Teachers often cover several subjects and multiple grades, which hampers quality improvement, adversely affecting enrollment and retention in higher grades. This output will ensure that 4,500 schools will each get separate individual subject teachers for math, science, and English in grades 6–8 and 9–12 (DLI 2, PAP 1.4).
- (ii) **Output 2: Quality of school education improved.** Materials to supplement textbooks and enable interactive and experiential learning are scarce. This output will support the provision of activity-based teaching and learning materials in math, science, and English to schools (DLI 3, PAP 1.11); and additional ICT and e-resources to introduce students to modern pedagogy (PAP 1.14). This output will also strengthen the continuous professional development of subject teachers to use the materials in the classrooms (DLI 2, PAP 1.5). An autonomous National Examination Board will be established to reform student assessment and testing to reduce the focus on rote learning and increase the emphasis on the application of knowledge and skills. Public examinations at the end of grades 8 and 10 will be reformed and standardized based on international good practice to improve the quality and relevance of student learning (DLI 4; PAP 1.8, 1.9, and 1.10).
- (iii) **Output 3: Model school program pilot tested.** This output will support the upgrading of large secondary schools to model schools through interventions such as the provision of a separate head teacher, a full complement of subject teachers, disaster risk-resilient infrastructure, water and sanitation facilities, a library, a science laboratory, ICT facilities, internet connectivity, and e-resources. Residential facilities will be provided in selected schools to ensure that poor and marginalized students have access to high-quality education. Innovative pedagogy to improve teaching and learning, especially in math, science, and English, will be introduced. With the provision of such comprehensive quality inputs, the model schools will act as demonstration sites for improving teaching and learning (DLI 5; PAP 1.12, 1.13, and 1.15).
- (iv) **Output 4: School system governance and management improved.** This output aims to improve management, monitoring, and quality assurance mechanisms in the schools. It will support the implementation of a revised school grant system that responds better to contextual needs and is performance oriented. This output will lead to the rollout of a web-based accounting and procurement system in all the districts to improve fiduciary management. The education management information system (EMIS) will be upgraded to a web-

based system that will have greater accuracy as a result of third-party verification (DLIs 6 and 7; PAP 1.6, 1.16, 1.17, 2.1 2.4, 3.2, and 3.3).

2. The program will support the first 5 years of the SSDP SWAp (Table 1). Estimated total SSDP budget is \$10,577 million for FY2017–FY2023.

Table 1: Program Scope

Item	Government Program (SSDP)	Results-Based Lending Program
Outcome	Equity, quality, efficiency, governance, and management of the education sector improved	Equitable access to quality secondary education enhanced ^a
Key outputs	Comprehensive program outputs for early childhood education development to grade 12 education to increase access, equity, and quality; better qualified and trained teachers; national curriculum revised; textbooks improved; assessments and examinations improved; and capacity for new federal structure developed	Same as in SSDP, but with particular focus on secondary education through the deployment of trained subject teachers, pro-poor scholarship scheme, improved examinations, pilot testing of the model school program, and improved school governance
Activity types	School infrastructure upgraded, teacher training revamped, curriculum renewed and textbooks developed, pro-poor scholarships and free textbooks provided, EMIS improved, school grant management system revised	Same as in SSDP, but focusing on interventions for grades 6–8 of basic education and grades 9–12 (secondary education)
Program expenditure	\$10.58 billion for FY2017–FY2023 (estimate)	\$6.46 billion for FY2017–FY2021 (estimate)
Main financiers	Government of Nepal, ADB, Australia, EU, FAO, Finland, GPE, JICA, Norway, UNESCO, UNICEF, USAID, World Bank, and national and international NGOs	Government of Nepal, ADB, Australia, EU, Finland, GPE, JICA, Norway, UNICEF and World Bank
Geographic coverage	Nationwide	Nationwide (selected schools to receive intensive focus to be model schools)
Implementation period	FY2017–FY2023	FY2017–FY2021

ADB = Asian Development Bank, EMIS = education management information system, EU = European Union, FAO = Food and Agriculture Organization of the United Nations, FY = fiscal year, GPE = Global Partnership for Education, JICA = Japan International Cooperation Agency, NGO = nongovernment organization, SSDP = School Sector Development Plan, UNESCO = United Nations Educational, Scientific and Cultural Organization, UNICEF = United Nations Children’s Fund, USAID = United States Agency for International Development.

^a As per ADB’s classification, post-primary grades 6–12 are treated as secondary education. ADB. *The Project Classification System, Toward Strategy 2020: A User Guide*. Manila.

Source: Asian Development Bank.

II. RESULTS AND DISBURSEMENT

A. The RBL Program’s Overall Results

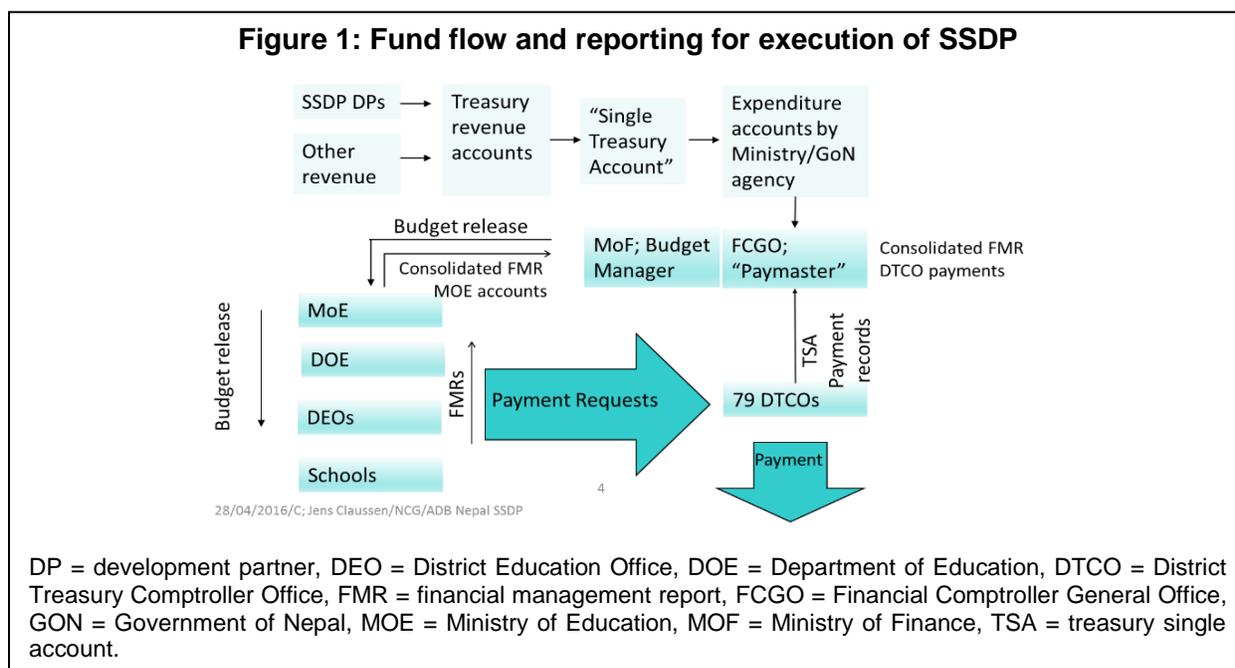
1. Program Results Framework

3. The Program Results Framework is in **Annex 1**.

B. SSDP fund flow and disbursement procedure

4. SSDP is a sector-wide program for basic and secondary education. The execution of the SSDP Program Budget (PBH) will follow the Government of Nepal procedures for budget execution and all expenditure will be funded by the MOE budget. This means the SSDP in total will be funded from the Government of Nepal budget with no direct funding to any expenditure

from contributions by Development Partners. The Financial Comptroller General Office (FCGO) under the Ministry of Finance (MOF) is the main agency responsible for the Government of Nepal for cash management using the computerized cash management system of the Treasury Single Account (TSA) consisting of a set of subsidiary revenue and expenditure accounts with daily reconciliation by the Nepal Rastra Bank into a single cash balance of the Government of Nepal. FCGO and its subsidiary District Treasury Comptrollers Offices (DTCO) are all connected to the TSA and serves as the paymasters for all Government of Nepal spending units including MOE and all DEOs. FCGO issues budget execution reports from its TSA system.



5. MOE will be implementing the Computerized Government Accounting System (CGAS) for all its spending units with assistance of FCGO. Once CGAS is operational at MOE, DOE and DEO the SSDP statements of expenditure as per TSA and CGAS will be system generated allowing timely and accurate reconciliation of accounts for SSDP.

6. The Government of Nepal will submit system generated expenditure statements from the TSA and from CGAS each trimester (4 months) to development partners for financial monitoring purposes. The TSA reports will present a statement of actual payments by DTCOs, the CGAS report will present the same as per MOE consolidated accounts. The TSA system produces statements by budget heads and economic codes i.e. type of expenditure as per the standard of Government Financial Statistics. The CGAS will present the same and in addition expenditure by component and activity codes in order to relate spending also to SSDP components and activities. In addition to the above reports, the Government of Nepal will present an annual audit report from its supreme audit institution; office of auditor general. The audit report is due 9 months after the close of the fiscal year and will include an audit of the SSDP PBH as per a Statement of Audit Needs annexed to the draft Joint Financing Arrangement (JFA).¹

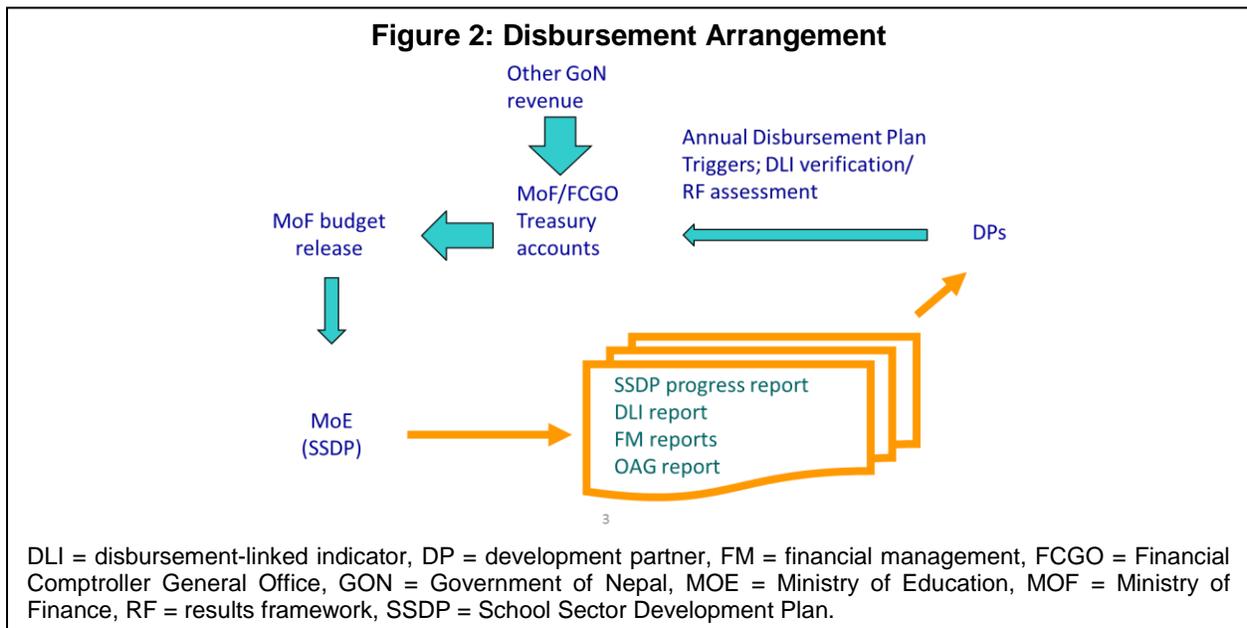
7. ADB will be a signatory to a JFA with the Government of Nepal and other development partners for a unified disbursement arrangement for contributions made in support of the SSDP. ADB and other development partners signing the JFA will, in an annual budget review meeting

¹ The draft JFA has been prepared and annexed in the PID. It will be replaced once signed by all JFPs.

(BRM) of SDDP, confirm their planned disbursements of their total contributions to the TSA revenue account for the next fiscal year in a Disbursement Schedule. The Disbursement Schedule will be updated following outcomes of annual reviews and consultations each year.

8. The loan proceeds will be disbursed over 5 years to the government's treasury account based on the verified achievement of DLIs. The government will ensure that total program expenditures exceed the total loan amount withdrawn. ADB will provide financing for prior results (\$15 million), to be achieved by loan effectiveness. MOE, through the Ministry of Finance, will submit a withdrawal application annually, providing evidence on the achievement of DLIs, along with unaudited financial statements for the period concerned. Partial disbursements are allowed for DLIs 1, 2, 3, 5, and 6. Disbursements are allowed for early or late achievement of DLIs.

9. The amount disbursed by the development partners will be based the results achieved by the MOE in implementing the SDDP. Results achieved will be determined and reported through commonly agreed procedures as described in the JFA. Some development partners, including ADB, will disburse the amounts committed based on achievement of specific results defined as Disbursement Linked Indicators (DLIs). Each DLI will represent an amount to be disbursed and hence the number of DLIs achieved as confirmed in semi-annual reviews will determine the total amount to be disbursed provided that the general provisions for disbursement are met (ref. submission of financial statements showing SDDP PBH expenditure exceeding total amount to be disbursed from development partners). In total, the above reflects a report based disbursement procedure as illustrated in Figure 2.



10. The DLI matrix is in **Annex 2** (Table 1).

C. Disbursement Linked Indicator Verification Protocols

1. Description of the Verification Protocols

11. The DLI Verification Protocol is in **Annex 2** (Table 2).

D. Disbursement Allocation and Status

12. Before the submission of the first withdrawal application, the government will submit to ADB the evidence of achievement for such disbursement based on the verification protocols, and evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person.

1. Expected Disbursement Allocation and Schedule

13. The expected disbursement allocation and schedule is in Annex 2 (Table 3).

III. EXPENDITURE FRAMEWORK AND FINANCING

A. Expenditure Framework

14. The Government of Nepal's high priority to invest in education is evident in the current periodic plan (FY2014–FY2016), forthcoming periodic plan (FY2016–FY2020) and other policy documents and supported by annual allocations of the government budget to education which has remained around 3.0% of gross domestic product (GDP) and more than 12.0% of total government expenditure in recent years. External development partners have been providing support to ensuring continued priority for education sector investments, particularly in the recent School Sector Reform Program (SSRP) implemented from FY2009–FY2016 through a sector-wide approach (SWAp). The share of development partners in SSRP was 18.5% of the pooled budget on average (Table 2). The government's School Sector Development Plan (SSDP) is a continuation of this partnership.

Table 2: School Sector Reform Program – Budget Allocation
(\$ million)

	FY2012	FY2013	FY2014	FY2015	FY2016	5-year total
SSRP pooling budget	721.2	604.5	771.3	826.5	807.8	3,731.0
Government	549.7	485.8	601.0	715.6	689.1	3,041.0
Development partners	171.5	118.7	170.3	110.9	118.7	690.0
Development partners' share in the SSRP (%)	23.8	19.6	22.1	13.4	14.7	18.5

FY = fiscal year, SSRP = School Sector Reform Program.

Note: Figures are allocations, not actual expenditures.

Source: Government of Nepal. Ministry of Education. *Annual Strategic Implementation Plan*. Kathmandu.

15. **School Sector Budget.** The budget of the Ministry of Education (MOE) for FY2017 (the first year of the SSDP), is NRs116.4 billion (\$1,109 million). This is an increase of 32.0% in nominal terms and 24.0% in real terms. The school sector budget is equivalent to the MOE budget excluding teacher pensions, tertiary education, and non-school-based technical and vocational education and training. It accounts for 80.0% (\$886 million) of the total MOE budget, constituting an overwhelming majority of government investments in education by including the entire school sector from early childhood education and grades 1–12.

16. **Supporting School Sector Development Program.** The government developed the 7-year SSDP (FY2017–FY2023) and a 5-year program (FY2017–FY2021) covering all levels of school education and nonformal education. The Supporting School Sector Development Plan, to be financed by the Asian Development Bank (ADB) under the results-based lending (RBL) modality during 2016–2021, will support the first 5 years of the SSDP, but with particular focus on interventions for grades 6–12. The SSDP cost estimate is based on a medium-term planning

process to achieve planned targets.² The government will support the expenditure framework through annual budgets executed by MOE. Nine joint financing partners (JFPs)—ADB, Australia, European Union, Finland, Global Partnership for Education, Japan International Cooperation Agency, Norway, United Nations Children’s Fund, and the World Bank—will cooperate through a Joint Financing Arrangement and sector-wide approach to harmonize support for the SSDP.

17. **Estimation of the resource envelope for SSDP.** The resource envelope for the SSDP³ was estimated by assuming a plausible scenario of future allocations based on current trends of real GDP growth, inflation rate, share of education in GDP, and share of the school sector in the education budget.⁴ The school sector resource envelope (macro fiscal space) for 7 years (FY2017–FY2023) is estimated at \$10,655 million, and for 5 years (FY2017–FY2021) at \$6,498 million (Table 3).

Table 3: School Sector Development Plan – Resource Envelope and Expenditure Estimate (Plausible scenario, current prices)

Item	SSDP (FY2017–FY2023)		RBL Program (FY2017–FY2021)	
	(NRs billion)	(\$ billion)	(NRs billion)	(\$ billion)
School sector resource envelope projection	1,119.0	10.7	682.0	6.5
SSDP expenditure estimate ^a	1,111.0	10.6	678.0	6.5
Recurrent	1,013.0	9.7	616.0	5.9
Capital	97.0	0.9	62.0	0.6
Capital expenditure as percentage of total expenditure	8.8	8.8	9.1	9.1
Regular expenditure ^b	754.0	7.2	471.0	4.5
Development expenditure	357.0	3.4	208.0	2.0
Development expenditure as percentage of total expenditure	32.1	32.1	30.6	30.6

FY = fiscal year, RBL = results-based lending, SSDP = School Sector Development Plan.

^a Includes all school-related expenditure (government and external development partners) except teacher pensions. Excludes \$735 million (FY2017–FY2023) and \$715 million (FY2017–FY2021) for estimated disaster risk reduction expenditure for the school sector implemented directly by the National Reconstruction Authority. Although the disaster risk reduction budget to be implemented through the National Reconstruction Authority contributes to program results, it is not included in the program cost because the resources are channeled directly through the National Reconstruction Authority and not through MOE’s resource envelope.

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

Source: Ministry of Education estimates.

18. **SSDP expenditures.** SSDP expenditures (excluding reconstruction and retrofitting activities implemented by the National Reconstruction Authority) is estimated to be \$10,577 million for 7 years (FY2017–FY2023), and \$6,461 million for 5 years (FY2017–FY2021). The budget estimate includes both ongoing expenditures and incremental budget required for additional interventions under the SSDP. Capital costs account for 6.7% in the first 5 years and decline afterward. The estimated program expenditure falls within the projected school sector fiscal space, making it a realistic program from the financing point of view.

² The National Planning Commission develops annual development program documents based on the previous year’s expenditure adjusted for inflation, rather than through a medium-term planning process. The sector medium-term expenditure framework is expected to be strengthened by incorporating estimated SSDP expenditures, which will improve the provision of annual budget allocations to meet the goals and targets in a timely fashion.

³ Resource envelope refers to the fiscal space that can be provided for the school sector as a whole and is estimated based on past trends in resource allocations; the program’s cost estimate represents the required costs to implement SSDP activities.

⁴ The plausible scenario assumes average annual real GDP growth of 4.4%, an annual inflation rate of 8%, share of education in GDP of 5.2%, share of the SSDP at 80% of the total education budget during the 7-year plan period, and is used to arrive at the projected resource envelope for the education sector.

19. The program will support the first 5 years of the SSDP SWAp expenditure program from 2016 to 2021 as summarized in Table 4 and Table 5.

**Table 4: Supporting School Sector Development Plan – Expenditure Framework
FY2017–FY2021 by component (current prices)**

Component	Amount (NRs million)	Amount (\$ million)	Share of Total (%)
1. ECED/pre-primary education	25,800	246	3.8
2. Basic education (grades 1–8)	371,289	3,536	54.7
3. Secondary education (grades 9–12)	172,314	1,641	25.4
4. Technical education under DOE	9,071	86	1.3
5. NFE and lifelong learning	8,011	76	1.2
6. Teacher management and professional development	13,219	126	1.9
7. Disaster risk reduction ^a	31,364	299	4.6
8. Governance and management (district)	5,216	50	0.8
9. Monitoring and evaluation	3,508	33	0.5
10. Capacity development	7,249	69	1.1
11. Organization and management ^b	31,321	298	4.6
Total	678,362	6,461	100.0

DOE = Department of Education, ECED = early childhood education development, FY = fiscal year, NFE = nonformal education.

Note: Numbers may not sum precisely and percentages may not total 100% because of rounding.

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

^b Regular expenditure of Ministry of Education institutions (central line agencies, district education offices, regional education directorates) including staff salaries and utilities.

Source: Ministry of Education estimates.

20. Over 80% of program expenditures will be for basic education (early childhood education or pre-primary education and grades 1–8) and secondary education (grades 9–12). The share of secondary education in the SSDP has increased to 25.4%, compared with 15% under the School Sector Reform Program, thanks to new interventions such as separate head teacher positions; trained subject teachers for math, science, and English; promotion of science education; model school program; and information and communication technology (ICT). The share of the SSDP capital budget is 9.1% (higher than the SSRP's 2.3%) and includes infrastructure support and ICT.

**Table 5: Summary of Program Expenditure Framework, FY2017–FY2021
(in FY2016 prices)**

Item	Amount (\$ million)	Share of Total (%)
1. Salaries and remuneration	4,220.0	65.3
2. Program intervention costs		
a. Information and communication technology	137.0	2.1
b. Textbooks and learning materials	432.0	6.7
c. Scholarship and incentives	386.0	6.0
d. Civil works ^a	344.0	5.3
e. Equipment and fixtures	70.0	1.1
f. Training and capacity development	173.0	2.7
g. All other items ^b	218.0	3.4
3. Management and administration costs	481.0	7.4
Total	6,461.0	100.0

FY = fiscal year.

^a Excludes expenditure of \$621 million on disaster risk-resilient reconstruction and retrofitting of schools managed directly by the National Reconstruction Authority.

^b Includes costs for education of students with disabilities, monitoring and review, school operation costs, etc.

Source: Estimates from the Ministry of Education of the Government of Nepal.

B. Program Financing

1. Expected Financing Plan

21. **SSSDP Financing.** It is expected that joint financing partners (JFPs) supporting SSDP in a SWAp modality would finance about \$436 million (6.75%) and the government would bear the remaining amount (89.17%) (Table 6). The following table is based on commitments indicated so far and it is expected that the government will raise additional resources and request additional financing based on satisfactory implementation for 3 years from ADB and other JFPs to bridge the financing gap from 2019 through 2021.

Table 6: Program Financing Plan, FY2017–FY2021 Table 4: Program Financing Plan, FY2017–FY2021

Source	Amount (\$ million)	Share of Total (%)
A. Government	5,761.00	89.17
B. Development partners	436.00	6.75
Asian Development Bank		
Special Funds resources (loan)	120.00	1.86
Other joint financing partners ^a		
Australia	9.00	0.14
European Union	63.10	0.98
Finland	22.34	0.34
Global Partnership for Education	26.60	0.41
Japan International Cooperation Agency	3.00	0.05
Norway	39.46	0.61
United Nations Children's Fund (UNICEF)	2.50	0.04
World Bank	150.00	2.32
Subtotal (A+B)	6,197.00	95.92
C. Financing gap	264.00	4.08
Total	6,461.00	100.00

FY = fiscal year.

^a Support is estimated based on commitments indicated so far and will be provided on the basis of joint collaborative financing with no administration by ADB.

Source: Asian Development Bank.

IV. PROGRAM SYSTEMS AND IMPLEMENTATION ARRANGEMENTS

22. The SSDP will be implemented at a time when Nepal is moving towards federal restructuring as well as school restructuring following the enactment of the 8th Amendments to the Education Act. Major organizational restructuring is expected in the next three years of SSDP implementation. Therefore, the program will entail strengthening of existing arrangements through improved program management, technical oversight and coordination function. The SWAP arrangement will be continued for SSDP, and SSSDP will be implanted with the SWAP framework using results based lending. The JFA (**Annex 3**) will be the main instrument for the coordination of development partners' contributions, consultations and program monitoring process has been revised and is expected to be signed by development partners that will agree to use JFA as the common program and results framework for supporting SSDP.⁵ The development partners will be financing SSDP through results based financing, using DLIs. While not all eight JFPs may provide finance using DLIs, the Development Partners signing to JFA as a group will subscribe an overall agreed DLI framework).

A. Monitoring and Evaluation System

1. Summary of Monitoring and Evaluation System and Actions

23. The SSSDP monitoring and evaluation and reporting activities will include preparation and sharing of key program implementation status reports including; (i) reports on progress and achievement of DLIs as defined in the DLI verification protocols; (ii) semi-annual and annual reports on the progress and status of PAP actions; (iii) financial reports as described in the loan agreement; (iv) annual updates on compliance with any loan covenants and social, and environment safeguards; (v) annual consolidated status reports of SSDP ; (vi) annual strategy and work program and budget of SSDP; (vii) disclosure of key documents as per DLI, loan agreements and JFA; (vi) other reports as agreed in the JFA or requested by the SSDP program steering committee.

24. The JFA has been revised to incorporate the lessons of the SSRP implementation with strong emphasis on monitoring and evaluation (M&E) to meet the needs of results based financing. EMIS will play a key role in data generation and DOE will be responsible for overall generation of data and analytical reports. MOE and development partners will undertake semi-annual reviews/consultations in March and November each year to review progress in implementation of SSDP (including the DLIs) in accordance with the Schedule for Reporting and Review of the JFA. Budget Review Meeting in March each year will review the SSDP plans and budget for the next fiscal year including confirmation of the achievement of any DLIs not assessed in the previous DLI review. Joint Review Meeting in November each year will assess overall program performance and implementation progresses based on the reports and confirm the achievement of annual DLIs for which evidence has been submitted. The meeting in November will be the verification mission to ensure achievement of DLIs and release of development partner funds. The joint annual fiduciary review including third party verification of EMIS will be undertaken for SSDP. The JFA also has outlined necessary timing and process for undertaking mid-term review and evaluation of SSDP.

25. The Foreign Coordination Section for school education under the MOE Planning Division, functioning as the program coordination secretariat for SSDP steering committee, will ensure that all required M&E reports outlined above will be made available to ADB and other joint financing partners on time. It will also coordinate with respective division within MOE for

⁵ Draft JFA is being discussed among the joint financing partners and the government.

preparing the annual sector performance report. Under the leadership of Director General, Planning and Monitoring Division of DOE will be responsible for overall implementation of SSDP including preparation of all M&E reports. It will (i) formulate guidelines, annual plans and programs for the school sector interventions, (ii) support program implementation at district levels (iii) coordinate with Central Line Agencies to ensure that technical support to annual programs related to them are provided and completed in a timely fashion, (iv) supervise and monitor SSDP activities to ensure that result areas and DLIs are achieved and reported on in a timely fashion, (v) monitor and ensure that social, environmental, procurement and financial management requirements are met; and (vi) consolidate all required physical and financial reporting.

B. Fiduciary Systems

1. Financial Management System

a. Summary of the Financial Management System and Actions

26. All financing for the SSDP, including the contributions of the development partners, will be managed through the regular budget, budget execution, accounting and auditing procedures of the Government of Nepal (the government) contributions from the development partners will be recorded as revenue for the government consolidated fund and released through the regular budget execution process. It means all funds for program implementation including development partner contributions will be subject to the government's public financial management (PFM) system and procurement procedures. The disbursement arrangement means that all PFM-related risks associated with the program are those related to the government's PFM systems and procedures in general, and as they relate to the education sector including MOE, subordinated institutions and schools in particular. In areas identified with specific fiduciary risks by the Fiduciary Risk Assessment of SSDP, the development partners will jointly with the government implement risk mitigating measures. Draft Fiduciary Management Action Plan has been drafted and is under discussion with the government and joint financing partners. Detailed annual fiduciary review process including the terms of reference is in **Annex 4**.

Table 7: Financial Management Action Plan^a

Action	Responsible Agency	Timeline
A. Implementation arrangements		
1. Creation of a steering committee and program coordination secretariat at the national level and a district grant management committee that will include requisite finance and accounting staff.	MOE	Loan effectiveness
2. Creation of a task team in MOE for follow-up on audit matters. An audit committee will be set up to report to the SSDP steering committee for timely action on audit matters.	MOE	Loan effectiveness
B. Actions monitored through disbursement-linked indicators		
1. Approval of fiduciary management action plan	MOE and development partners	March 2017
2. Implementation of the computerized government accounting system	MOE/FCGO	2018
3. Reduction of recurring audit observations as a proportion of total expenditures	MOE	Ongoing
4. Implementation of an improved school grant system that responds to contextual needs and is performance oriented	MOE	Gradual implementation from 2018
C. Actions monitored through Program Action Plan		
1. Improving preparation of the annual strategic implementation plan and the annual work plan and budget based on prioritized key initiatives from the results framework to enable results-based financing	MOE	From 2017 onward

Action	Responsible Agency	Timeline
2. Implementation of approved joint FMAP initiated, reviewed, and updated annually to ensure gradual reduction of recurring SSDP audit observations. Identify districts that have recurring and substantial audit observations.	MOE	March 2017 and annually thereafter
3. Simplified school-based accounting and financial reports included during the amendment of Education Regulation.	MOE	November 2016
4. Independent annual fiduciary review (including procurement review on a sample basis)	JFPs	Annually
D. Actions covenanted as part of the JFA		
1. Allocation of annual MOE budget is consistent with the 5-year SSDP budget, with MTEF projections for the education sector designed to achieve results included in the results framework.	MOE/MOF	2017 onward
2. Allocation of annual MOE budget takes into account the recurrent cost impact of capital investments and required funding each year.	MOF	Ongoing
3. Introduce program-based budgeting and use of program budget heads compliant with COFOG for SSDP	MOE	2016 onward
4. Annual fiduciary review	ADB/JFPs	Ongoing
5. Annual audited program financial statements are submitted in accordance with detailed statement of audit needs.	MOE	Annual

ADB = Asian Development Bank, COFOG = classification of the functions of government, FCGO = Financial Comptroller General Office, FMAP = Fiduciary Management Action Plan, JFA = Joint Financing Arrangement, JFP = joint financing partner, MOE = Ministry of Education, MOF = Ministry of Finance, MTEF = medium-term expenditure framework, SSDP = School Sector Development Plan.

^a To be finalized jointly by MOE and the JFPs by March 2017 as a DLI for year 1.

Source: Asian Development Bank.

27. Planning and Budgeting. The Planning and Monitoring Division of DOE will prepare annual budget and work program of the SSDP based on annual education sector allocation by MOF. The draft annual plan and budget prepared by MOE/DOE is then discussed with National Planning Commission (NPC) and MOF before finalization and entering the data into Line Ministry Budget Information System as per the requirement of MOF. The annual budget and work program should allocate sufficient resources to meet program results and DLIs. DOE will continue to use existing procedure of consultations with the districts while preparing the annual budget and work program. The steering committee of the SSDP will endorse the annual budget and work program submitted by the MOE/DOE. There has been the absence of a sector planning tool to make forecasts on resource requirements to meet education sector targets. It is thus intended to develop a more consistent and conventional revised model to be internalized in MOE to support the annual budget process linking budget allocations to sector targets with updated projections for each consecutive budget year.

28. Accounting. MOE's accounting requirements follow the government financial regulations, which among others require each entity to submit monthly expenditure returns to MOE and DTCO within 7 days of end of the month and reconcile their accounts with DTCOs. All payments are recorded in the TSA which is an integrated part of FCGO Integrated Financial Management System. Accounts maintained by MOE and subordinated institutions are maintained manually, in the excel files or non-standardized accounting software. The accounting includes recording of revenues and expenditures by institutional, functional and economic categories of expenditures as well as segregation of expenditures by projects and sources of funds at transaction level. The chart of accounts consists of a 21-digit code. The classification system enables segregation of allocations and expenditures by administrative units with budget and sub-budget heads (Ministries, Departments and agencies), functional and sub-functional areas and type of expenditures i.e. recurrent and capital (economic classification codes). Functional codes are also used to identify Project and program expenditure which creates a challenge when to estimate total cost by sub-sector, in particular for programs with expenditures cutting across subsectors. This will be addressed by defining sub-functional

codes to segregate expenditures across sub-sectors by the introduction of PBB. At school level most school accounts are prepared manually. The existing requirement for maintenance of accounting at school level will be simplified through revision of the types and formats of record keeping and a simple consolidated income and expenditure statement and balance sheet produced end of year for submission to DEOs. DOE's accounting division with dedicated staff for SSDP will maintain the book of accounts of SSDP. The roll out of CGAS of FCGO in MOE, DOE and DEOs will play a crucial role in record keeping, reconciliation, and generation of financial account records.

29. **Internal Control and Audit.** In order to strengthen capacity in financial management, among others for effective follow up of recurring OAG findings, SSDP have made a provision to strengthen MOE internal financial monitoring team, in cooperation with FCGO, to ensure recruitment and deployment of adequate staff at DEO levels for improved monitoring and supervision of schools (in SSDP included as a DLI) and support financial monitoring and supervision through an Annual Fiduciary Review process (a provision included in the JFA). An arrangement in MOE to strengthen internal controls and effective follow up on audit findings will be made during SSDP implementation through improved financial monitoring from MOE and setting up an audit committee to oversee the function of resolution of audit observations by the Audit Resolution team at the DOE.

30. **Financial reporting arrangements.** The government system generated financial reports will be used with slight modification to enable analysis of revenue and expenditures and linking the same to results and making use of performance information to monitor efficacy and effectiveness of spending. This will be done by making an arrangement with MOF and FCGO to add a new dimension to the budgeting process with program and activity codes i.e. in addition to the conventional functional and economic codes. Also, DOE will prepare financial monitoring reports based on their internal reporting system. That means, consolidation of financial information received from all spending units at the districts (DEOs), regional (REDs) and central level (Central Line Agencies [CLAs]) will be done at DOE using simple excel based software developed for reporting purposes till the CGAS is upgraded to provide consolidation feature. Updated financial monitoring reports to reflect the DLI funding mechanism will be attached to JFA for periodic reporting to donors by MOE/DOE.

31. **External auditing and public disclosure.** The audit of the project financial statements shall be carried out by the Office of the Auditor General (OAG) of Nepal in accordance with the Government of Nepal Auditing Standards⁶ as supplemented by this Statement of Audit needs. The audit would cover the entire Program, i.e. covering all sources and application of funds, including the ADB, co-financiers and the Government of Nepal as well as direct payments and grants in kind, if any. The MOE shall provide all pertinent information to the Auditors including preservation and use of resources procured and its reflection in the program accounts, so as to facilitate comprehensive audit coverage. The audits should be carried out annually from commencement of the Program.

32. A complete set of audited program financial statements includes (i) Audit Opinion/Report on the Project Financial Statements in accordance with the International Organization of Supreme Audit Institutions Fundamental Auditing Principles and Guidelines more commonly referred to as the International Standards of Supreme Audit Institutions or national equivalent additional (ii) audit assurances as to whether loan proceeds have been applied to the Program , (iii) Project Financial Statements and Statement of Budget vs. Actual along with complete Notes to the financial statements including necessary break downs and details, summary of

⁶ OAG has adopted Auditing Standards issued by the International Organization of Supreme Audit Institutions.

accounting policies and descriptive explanatory notes, (iv) management letter and (v) Management Response on previous year audit observations. The detailed statement of audits needs is in **Annex 5**.

33. The audited program financial statements along with their Audit Reports and Management Letters shall be submitted to ADB within 9 months of the end of the fiscal year, i.e., by 15 April of each year. ADB shall disclose the audited report for SSDP on the ADB website in accordance with ADB's Public Communication Policy (2011).

2. Procurement System

a. Summary of the Procurement System and Actions

34. **Procurement profile.** The SSDP will include construction of new buildings and rehabilitation of classrooms and facilities in existing schools, procurement of learning materials, furniture, and equipment, and technical advisory and consulting services. The contracts of civil works, goods and services will not exceed the RBL limit defined for high value contracts.⁷ Most contracts fall in the thresholds of community procurement, direct procurement, shopping (sealed quotation) and National Competitive Bidding (NCB) in accordance with the provisions of the Public Procurement Act (PPA), 2007, and the Public Procurement Rules (PPR), 2007 of the Government of Nepal. The Planning and Monitoring Division of DOE accountable for implementation of SSDP will prepare an annual procurement plan as well as guidelines and directives to DEOs for compliance with PPA and PPR. DEOs will monitor civil works, goods, and services that are procured at the school level by the School Management Committee (SMC). As per PPA and the PPR, SMCs will use community procurement and force account for civil works contracts up to NRs6,000,000. School construction above that ceiling will be managed by the DEO through national competitive bidding. For purchase of goods up to NRs300,000, the SMC will use direct procurement through an approved standing list of suppliers. The SMC will use the sealed quotations for procurement of goods up to NRs1,000,000, which is a competitive procedure as per the PPA and PPR. The DEOs will manage procurement of goods under NCB for schools beyond NRs1,000,000. Consulting services contracts for technical support and program management requirements will be managed by the program secretariat, DOE and other central line agencies at the national level.

35. **Procurement Plan.** The annual procurement plan is prepared during ASIP and annual work plan and budget (AWPB) for SSDP is developed by DOE. NPC and MOF require the annual procurement plan while approving ASIP and AWPB and also submitted to joint financing partners. Following indicative procurement thresholds based on the PPR and PPA and SSDP program activities is prepared and will guide annual procurement plan.

Table 8: Procurement Thresholds for School Level Activities

Activities	Method	Threshold	Responsible Agency
1. School construction	Community using Force Account Work	Up to NRs6,000,000	SMC
	NCB for Works	Above NRs6,000,000	DEOs
2. School level furniture, computers, laboratory equipment, ICT materials,	Direct procurement for goods	Up to NRs300,000	SMC
	Sealed quotation	Above NRs300,000 and up to NRs1,000,000	SMC

⁷ This is in accordance with staff guidance to the RBL for piloting Results-Based lending for Programs (2013). It is defined that the high-value contracts threshold is harmonized with the World Bank's programs-for-results financing, and may be amended from time to time. The amounts are currently \$50 million for works, turnkey and supply, and installation contracts; \$30 million for goods; \$20 million for information technology systems and non-consulting services; and \$15 million for consulting services.

Activities	Method	Threshold	Responsible Agency
learning kits (goods)	NCB for Goods	Above NRs1,000,000	DEO

DEO= District Education Office, ICT= Information and communication technology, NCB= National Competitive Bidding, SMC= School Management Committee.

Source: Asian Development Bank estimate based on Public Procurement Act and Regulation.

36. **Key procurement actions.** The program will support the SSDP to increase the procurement capacity of DOE system to meet the requirements. The strengthen procurement monitoring in a decentralized system, key actions under DLI and program actions are included in the SSDP.

Table 9: Key Actions to Strengthen Procurement Management in School Sector Development Plan^a

Actions	Responsible Agency	Timeline
A. Actions monitored through DLIs		
1. Establish a procurement unit as per the PPA and PPR at MOE, DOE, and DEOs.	MOE and DOE	Prior results in DLI 6
2. Provide DEOs with an adequate number of engineers and subengineers in all districts to handle the volume of construction work.	DOE	Year 1 DLI 6 as part of the FMAP
3. Mandatory use of e-GP system for NCB in DOE and the DEOs through PPMO and training.	MOE, DOE, and DEOs	Year 1 DLI 6
4. Manual developed with well-defined procedures for procurement of works, goods, and services by SMCs as per the PPA and PPR, including training to 3,000 secondary schools.	DOE	Year 1 DLI 6
B. Actions monitored through Program Action Plan		
1. Develop supervision manuals for inspection, supervision, and quality control for civil works and goods purchased SMCs.	DOE	September 2017
2. Capacity building of DOE and DEO staff to enhance their procurement, oversight, and technical capacity for program implementation and supervision.	DOE	Ongoing starting from 2017
3. Compliance with disclosure procedures for procurement activities by DMCs and DEOs as per PPA and PPR.	SMC and DEOs	Ongoing. The social and financial audit at school level will record the compliance status.
4. Supervision consultants recruited for supervision and monitoring of model school construction.	DOE	March 2017
C. Actions to be covenanted in the JFA		
1. Preparation of annual procurement plan in line with annual budget and work plan at DOE, DEOs, and schools following PPA and PPR guidelines.	DOE, DEOs, and SMCs	Annually by September
2. Annual fiduciary review to include procurement review at schools, DOE, and DEOs on a sample basis	JFPs	Annually
3. Annual technical audit for quality assurance of construction and goods procured by DMCs.	JFPs	Annually on a sample basis

DEO = District Education Office, DOE = Department of Education, DLI = disbursement-linked indicator, DMC = Disaster Management Committee, e-GP = e-government procurement, FMAP = Fiduciary Management Action Plan, JFA = Joint Financing Arrangement, JFP = joint financing partner, MOE = Ministry of Education, NCB = national competitive bidding, PPA = Public Procurement Act, PPMO = Public Procurement Monitoring Office, PPR = Public Procurement Rules, SMC = school management committee.

^a To be finalized jointly by MOE and the JFPs by March 2017 as a DLI for year 1.

Source: Asian Development Bank.

3. Anticorruption System

a. Summary of Anticorruption System and Actions

37. The Constitution of Nepal gives provisions for an independent judiciary with courts consisting of the Supreme Court, High Court and District courts. The Special Court is also provisioned to look into corruption issues. In addition, it gives provisions for a number of constitutional bodies such as the Commission for the Investigation of Abuse of Authority, Auditor General, Public Service Commission and Attorney General as key institutions. The constitution of Nepal put renewed emphasis on CIAA to investigate and probe cases against persons holding public office who are considered to have abused their authority by way of corruption.. One of the key elements to combat corruption under SSDP will be strengthening of financial management capacity and oversight at the DOE level. This is linked to interventions within SSDP to improve capacity in financial management at DOE level by filling Chief Finance and Administrative Officer positions with qualified staff. This will in turn serve to strengthen DOE school financial monitoring and supervision, to improve the functioning of school management committees and to ensure that social audits are performed at regular intervals. By improving school level social audits and capacity development in financial management, monitoring and supervision by DEOs, there will be strong incentives to counteract opportunities for corrupt practices at school levels.

38. ADB has a fiduciary responsibility to ensure that its loans and other forms of financing are used only for the purposes for which they were granted, in accordance with the Agreement Establishing the Asian Development Bank. The government is expected to take appropriate and timely measures to prevent, detect, and respond to allegations of fraud, corruption, and other prohibited activities in the SSSDP in accordance with the Guidelines to Prevent or Mitigate Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Program (**Annex 6**). These guidelines have been discussed with the government.

C. Satisfying Procurement Member Country Eligibility Restrictions

39. ADB's member country procurement eligibility restrictions will not apply as the SSSDP will be financed from Asian Development Fund resources and has joint collaborative financing.⁸

D. Safeguard Systems

1. Summary of Safeguard System and Actions

40. **Environment.** The program envisages for retrofitting and rehabilitation, and new construction of classrooms in existing schools in all the ecological regions of the country. Since the construction related activities will be confined basically within the existing school premises and in the areas of extensive human activity, adverse environmental impacts are expected to be minimal and of minor significance. Hence, **the program is classified as environment category B.** In order to manage and monitor potential small scale environmental impacts, an Environmental Management Framework (EMF) will be used for SSDP. The government and the development partners have used a robust EMF for the SSRP, a predecessor to the SSDP, prepared in 2009 and updated in February 2015.⁹ It is anticipated that this EMF will be further

⁸ Since all contracts are jointly cofinanced by other development partners, universal procurement will apply. ADB. 2013. *Blanket Waiver of Member Country Procurement Eligibility Restrictions in Cases of Cofinancing for Operations Financed from Asian Development Fund Resources*. Manila.

⁹ Government of Nepal, Department of Education. 2015. *Environmental Management Framework for School Sector Reform Program (SSRP)*. Bhaktapur. <http://www.doe.gov.np/allcontent/Detail/280>

refined and updated as necessary, in consultation with other development partners, particularly the World Bank. The procedures within the EMF being updated for SSDP will be mutually agreed by the joint financing partners supporting the SSDP. The program is also expected to ensure all safeguards compliance incurring minimal risks while following the ADB's Safeguards Policy and Results-Based Lending Guidelines, and the Government of Nepal environment regulation.

41. **Involuntary resettlement.** There will be no involuntary resettlement under the program since the infrastructure construction (civil works) will be of small-scale and within the school premises in most of the cases. **The program is categorized as C.** In a few exceptional cases additional land may be required to extend the school facilities beyond the existing premises. In such cases, first priority will be given to use available government land, and in case of unavailability of the government land negotiated settlement (voluntary donation of the land or willing seller and willing buyer approach) will be adopted to manage the required land. The MOE confirmed that any school requiring involuntary land acquisition will be avoided from program scope. As the land management is confined with negotiated settlement and Safeguard Policy Statement (2009) requirement 2 will not trigger. Framework for land acquisition through voluntary donations and willing buyer and seller prepared in 2009, updated in February 2015 was used in the SSRP.¹⁰ Further refinement is necessary for more systematic documentation and ensuring the legal basis for voluntary land donations to avoid disputes subsequently and to eliminate potential impoverishment due to donation. The land acquisition framework for voluntary land donation and willing seller and buyer procedures of the SSRP will be updated and agreed with the government by March 2017.

42. **Indigenous peoples. The program is categorized as B** for indigenous people (IP) as positive impacts are expected on the IPs (Adivasi/Janajatis) due to affirmative actions of the program, which will increase participation and enhance learning of the IP communities. Negative impacts on IPs are not expected. The program is based on the affirmative actions to enable participation of children of IP communities. Incentive schemes relating to scholarships, free-text-books, residential facilities in remote location and new interventions based on equity index being developed under SSDP will increase participation and benefit for IP. The program activities will exclude activities that adversely affect the dignity, human rights, livelihood systems, or culture of indigenous peoples, or affect the territories or natural or cultural resources that indigenous peoples own, use, occupy, or claim as ancestral domain or an asset.

43. It is anticipated that IPs will be benefitted in such a way that their concerns, including access to quality and culturally appropriate education are due considered in the program. The focus will be given to ensure that program will be culturally-sensitive and relevant, academic curriculum and pedagogy will be developed in a culturally appropriate way. As an outcome of the program the cultural practices and learning practices of IP community is likely to be further enhanced. The IP communities' participation will be ensured during annual program development process as well as in other consultations during implementation. A Vulnerable Community Development Framework (VCDF) that includes a section on IPs was developed and used for SSRP.¹¹ The World Bank is currently reviewing the need to update the VCDF for SSDP. Asian Development Bank (ADB) and World Bank have agreed that a common approach will be finalized for possible updating of the VCDF that incorporates an IP framework. Draft IP

¹⁰ Government of Nepal, Department of Education. 2015. *Land Acquisition Framework-Revised*. Bhaktapur. <http://www.doe.gov.np/allcontent/Detail/279>

¹¹ Government of Nepal, Department of Education. *Vulnerable Community Development Framework (VCDF)*. Bhaktapur. <http://www.doe.gov.np/allcontent/Detail/281>

Framework to be agreed with the government and joint financing partners of the SSDP is in the **Annex 7**.

44. **Safeguard Program Actions.** Given the assessment, and considering the scope and scale of the impacts and the risks, 10 program actions are proposed to address the identified gaps and weaknesses Government of Nepal and MOE have agreed to implement these actions. ADB will monitor implementation during program implementation. The documents on EMF, voluntary land donation, Indigenous People Planning Framework will be will annexed once finalized. The Safeguard Program Actions is in **Annex 8**.

E. Gender and Social Dimensions

45. The program is categorized **Gender Equity as a theme**. The proportion of population below poverty line is 23.8% in 2015 from 25.4% in 2010. The gini-coefficient is 32.8 with 15.46% urban poverty as compared to 27.43% rural poverty (NPC, 2013). Despite reduction in the number of people below the poverty line, glaring disparities exist across geography and between urban and rural, and various social groups. Average literacy rate for men was 75.0% and for women 57.4% in 2011(Central Bureau of Statistics, 2012). 4.0% of relevant age group students are still out of school at primary, and 12% at basic. 15 districts have a large number of out-of-school children. 8.7% of population in the age group 6–24 years have never attended school (MOE) (2014). There is high dropout rate among children from Terai-Madadesh, Dalit and Muslim communities. Access to opportunities for science subjects in grades 11 and 12 is limited—linked to weak performance in earlier grades and low completion rate and affordability. Education for children with disabilities continues to remain a challenge. The SSDP will address disparities in access, participation and learning outcomes of students through the implementation of targeted interventions. A major intervention will be a revised scholarship scheme that will be predominantly pro-poor and include higher amounts to reflect the real cost of school participation. The equity thrust is incorporated in teacher recruitment (recruitment of female teachers and teachers from disadvantaged groups), teacher training (with equal opportunities) and classroom teaching (pedagogy that is inclusive). An appropriate language policy, particularly for early grades will serve to ensure the retention of children. It is proposed to use an Equity Index to allocate resources to address disparities in three dimensions—enrollment, survival to grade 8 and pass rate in grade 10. The Education Management Information System (EMIS) will be expanded and made web based with availability of key performance targets disaggregated for various social groups. The program action plan has included specific gender actions.

46. Given the assessment, and considering the scope and scale of the impacts and the risks, 10 program actions are proposed to address the identified gaps and weaknesses (Table 9). The Government of Nepal and MOE have agreed to implement these actions. ADB will monitor implementation during program implementation.

F. Communication and Information Disclosure Arrangements

47. MOE developed a guideline and carried out an extensive public consultation to ensure lessons learned, best practices, and ownership. Participatory consultation with stakeholders included various line ministries, development partners, political party representatives, teacher unions, technical experts, Parents-Teacher Associations, School Management Committees, Non-Government Organizations, and Civil Society Organizations at local, district and regional levels, as well as students, and teachers. Issues and challenges faced by marginalized communities was given due focus during consultation. System improvement is required to ensure all necessary documents are disclosed. ADB disclosure requirements have been

discussed with the government. Both ADB and the government disclosure policy will be used for the program. The annual sector performance and status reports including EMIS will be publicly disclosed. The program safeguard assessment will be disclosed in the ADB website. The necessary frameworks to comply with environment and social safeguards will be disclosed in the government websites. The social audit at the school level will also be used as means of communication at the community.

G. Development Coordination

48. The SWAP arrangement will be continued for SSDP, and SSSDP will be implemented with the SWAP framework using results based lending. The main Development Partners are ADB, Australia, Finland, European Union, GPE, JICA, Norway, UNICEF, and the World Bank. The Joint Financing Arrangement (JFA) will be the main instrument for the coordination of Development Partners contributions, consultations and program monitoring process has been revised and is expected to be signed by Development Partners that will agree to use JFA as the common program and results framework for supporting SSDP. The Development Partners will be financing SSDP through results based financing, using Disbursement Linked Indicators (DLIs). While not all nine joint financing partners may provide finance using DLIs, the Development Partners signing to JFA as a group will subscribe an overall agreed DLI framework.

V. INTEGRATED RISKS AND MITIGATING MEASURES

A. Key Risks and Mitigating Measures

Table 9: Integrated Risk Assessment and Mitigating Measures

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
Results		
Sufficient qualified and trained subject teachers are not available for math, science, and English in grades 6–8 of basic education and grades 9–12 (secondary education)	High	MOE will develop and implement a teacher rationalization and deployment plan to improve teacher management and create additional positions for secondary education teachers.
Delays in approving new teacher positions and implementing teacher rationalization may limit quality-improving activities.	Substantial	Disbursement-linked indicator 2 provides for the timely provision of the full complement of subject teachers for math, science, and English.
Insufficient provision of teaching and learning resources to schools limits the scope of improvements in the quality of learning.	Substantial	Math, science, and English kits, and teacher training provided in 3,000 schools. 200 model schools will get information and communication technology, trained head teachers, and innovative pedagogy.
Affordability of secondary schooling (grades 11–12), particularly for disadvantaged communities and girls, constrain secondary education enrollments, particularly in science subjects.	Moderate	MOE will revise the scholarship programs to incorporate pro-poor dimensions and improve targeting. Targeted scholarships to encourage girls' enrollment in science subjects in grades 11–12 are also planned.
Tracking of improvements to student learning is not effective.	Moderate	The School Sector Development Plan (SSDP) aims to reform examinations in

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
		grades 8, 10, and 12 through the use of standardized test items. The implementation of National Assessment of Student Achievement will be taken forward to grades 5, 8, and 10.
Expenditure and financing		
The FY2017 budget was prepared without a medium-term expenditure framework (MTEF), i.e., without due consideration for future recurrent cost implications and with a weak link between policy targets and budget allocations.	Substantial	A more robust MTEF is expected to be finalized to guide the budget process and ensure the budget ceiling to be provided for the education sector in the next fiscal year FY2017 and FY2018.
Inadequate budget allocation for SSDP and weak link between policy targets and budget allocations.	Substantial	Adequate budget allocation through improved Annual Strategic Implementation Plan and Annual Work Plan and Budget with a stronger results chain of inputs and outputs.
Annual budget allocations are not in line with SSDP needs, and the transfer of budget to the schools is delayed to the last trimester or last 4 months of the financial year, thereby compressing the time line for the execution of non-salary budget heads	Substantial	Adoption of a results-based financing modality will facilitate the allocation of adequate resources for implementation of the SSDP. The district education offices (DEOs) will ensure that guidelines for release of non-salary budget resources to schools in the second trimester are met.
Level of execution for non-salary expenditures is lower than the targets because of the low capacity of districts and schools for managing and monitoring non-salary grants and activities.	Substantial	A review and reform of the school grant system is envisaged. District committees will be formed to oversee timely implementation of activities in districts and schools. Capacity interventions at DEO level are included to strengthen monitoring and supervision of grant utilization in schools.
Fiduciary		
Scarcity of qualified finance and accounting staff at MOE, Department of Education (DOE), and DEOs, with approved positions remaining unfilled. This hampers financial management, procurement, and overall implementation. Supervision and monitoring of school expenditures is weak.	Substantial	Approved positions will be filled by 2017. SSDP implementation arrangements include the creation of a steering committee and program coordination secretariat at the national level and a district grant management committee with sufficient staff (including finance and accounting) for effective supervision of school expenditures.
DEOs do not have computerized accounting systems, which prevents timely consolidation of accounts for effective monitoring of budget execution. Manual consolidation and reconciliation of accounts give rise to considerable delays in financial management reports and significant variations between budget allocations and expenditure statements.	Substantial	The Government of Nepal and the joint financing partners have agreed on the implementation of a computerized government accounting system (CGAS, a web-based standardized accounting software) by all MOE cost centers to enable effective financial monitoring of MOE budget execution at all levels.
Weak internal controls and oversight of expenditures, particularly in the schools, delays in reconciliation of accounts and financial management reports, and uneven compliance with procurement rules with weak	Substantial	A rolling annual fiduciary review will strengthen internal capacity for financial management and audit compliance. Nationwide implementation of CGAS will increase the efficiency and accuracy of

Risks	Rating Without the Mitigating Measures	Key Mitigating Measures
monitoring of procurement in the schools		accounting and reporting. Training to effectively monitor procurement in the schools and ensure compliance with disclosure procedures of procurement activities will increase oversight capacity.
Procurement		
Delays in completion of civil works and school construction, and inadequate quality assurance in works and goods contracts. Blanket grants are provided that do not reflect the true cost of construction.	Substantial	Manuals updated with well-defined procedures for supervision and quality control of civil works, including disaster risk resilience features and standards. Civil works budgets to be based on real cost of construction with multi-year implementation cycle at district and school levels. Annual technical audit of construction of schools.
Lack of capacity for procurement functions at DOE and DEOs.	Substantial	Training of DEO staff in procurement oversight and of school staff in procurement procedures. Adoption of e-government procurement system in all districts with training for DEOs.
Safeguards		
Uneven compliance with safeguard regulations and lack of adequate capacity to integrate safeguard concerns in implementation.	Moderate	Safeguard desk to be established in DOE and safeguard management and monitoring tools to be developed. SSDP review missions will assess safeguard compliance.
Inadequate documentation with regard to transfer of land titles from communities to schools.	Low	Voluntary land donations to schools will be recorded through appropriate legal transfers and verification by school management committees.
Operating environment		
The reforms envisaged in the amendment to the Education Act may not be fully implemented in a speedy fashion.	Moderate	The requisite regulations and bylaws will be prepared to ensure timely implementation.
The anticipated transition to the federal structure may need change in implementation arrangements and additional capacity; lack of a clear road map may impede sustained efforts in the education sector.	Substantial	Existing implementation arrangements for technical and management support to the program will be retained until the midterm review of the program. A task force will prepare the road map for the education sector.
Overall RBL program risk	Substantial	

RBL = results-based lending.

Note: Risk factors are assessed against two dimensions: (i) the likelihood that the risk will occur, and (ii) the impact of the risk on the outcome. Rating scale: low = low likelihood and low impact; moderate = substantial to high likelihood but low to moderate impact; substantial = low to moderate likelihood but substantial to high impact; high = high likelihood and high impact.

Source: Asian Development Bank.

VI. PROGRAM ACTION PLAN

A. Status of Program Action Plan

Table 10: Program Action Plan^a

Actions	Responsible Agency	Time Frame for Implementation
6. Area 1: Program Technical Aspects		
1.1. Revise Education Regulations as per approved Education Act and SSDP activities.	MOE	November 2016
1.2. Recruit program management support and technical team for SSDP implementation (individually and through a firm as needed).	MOE	December 2016
1.3. Commonly agreed TA framework for externally funded TA.	Development partners	December 2016
1.4. Implementation initiated of approved teacher rationalization and redeployment action plan, and progress updated on an annual basis.	MOE	June 2017 and November of each year
1.5. New 1-month training package (including mathematics, science, and English teacher training) and revised training guidelines developed and approved.	NCED	March 2017
1.6. Effective transfer of secondary education (grades 11–12) EMIS data into DOE EMIS data following enactment of education act.	MOE and DOE	April 2017
1.7. Generate teacher-related data disaggregated by sex, caste, and ethnicity on (i) teachers by subject, and per type of school and level of education; (ii) tenure status, and (iii) training received through NCED under the SSDP.	DOE	Annually
1.8. Development of a bank of standardized test items for grade 8 and 10 examinations by National Education Board.	MOE	2017 and 2020 respectively
1.9. Strengthen and institutionalize ERO as per Education Act for the National Assessment of Student Achievement.	MOE	2016 onward
1.10. Ensure timely National Assessment of Student Achievement by ERO in accordance with SSDP program plan.	MOE	2017 onward
1.11. A comprehensive package of science, math, and English language kits, including science laboratory materials, defined for distribution to basic schools (6–8) and secondary schools, ensuring equitable access for girls (50%) and boys.	DOE	November 2017
1.12. List of 200 secondary schools shortlisted for upgrade to model schools to be made available to expanded model school committee under the MOE secretary, and list of 100 schools (out of 200) selected for implementation in 2017 to be made public.	DOE	January-March 2017
1.13. External design and survey firm hired to prepare costed plan for 200 selected model schools	DOE	March 2017
1.14. A national repository of ICT materials for teaching and learning developed and an effective and efficient delivery mechanism at schools for ICT, e-learning resources, and other materials established.	CDC and NCED	2018
1.15. Develop a package for innovative teaching and learning incorporating activity-based and experimental, GESI-sensitive pedagogy for model schools.	CDC and NCED	2018

Actions	Responsible Agency	Time Frame for Implementation
1.16. Necessary service procured (individually or through firm) for making web-based EMIS.	DOE	2017
1.17. Review and revise data collection formats of flash system to meet SSDP data reporting requirements and results framework, including disaggregated (sex, caste, ethnicity) student and teacher (as per specialization) data	DOE	2016
1.18. Strengthen EMIS section with provision of adequate and trained human resources.	DOE	2016-2017
7. Area 2: Financial Management		
2.1. Implementation of approved joint FMAP initiated, reviewed, and updated annually.	MOE	March 2017 and annually
2.2. Simplified school-level accounting and financial reports included during the amendment of Education Regulations.	MOE	November 2016
2.3. Better preparation of the annual strategic implementation plan and annual work program and budget with links to program results framework and results-based financing	MOE and DOE	From 2017 onward
2.4. Annual independent fiduciary review (including procurement review on a sample basis)	Development partners	2017 and annually
8. Area 3: Procurement		
3.1. Develop manuals for inspection, supervision, and quality control of civil works and goods purchased at the school level.	DOE	November 2017
3.2. Build capacity of DOE and DEO staff to enhance their procurement, oversight, and technical abilities for program implementation and supervision.	DOE	Ongoing starting from 2017
3.3. Compliance with disclosure of procurement activities at schools and DEOs as per PPA and PPR procedure. The social and financial audit at school level will record the compliance level.	SMCs and DEOs	Ongoing with annual reporting
3.4. Conduct annual independent technical audit for quality assurance of school construction under SSDP. This action shall be included in the joint FMAP.	Development partners	July 2017 and annually
3.5. Preparation of annual procurement plan in line with annual budget and work plan at DOE, DEOs, and schools following PPA and PPR guidelines	DOE, DEOs, and SMCs	Annually by September
3.6. Supervision consultants recruited for supervision and monitoring of model school construction.	DOE	March 2017
9. Area 4: Gender and Social Inclusion		
4.1. Revised pro-poor scholarship scheme includes targets for girls enrolled in science subjects in grades 11 and 12, including tracking and monitoring of science scholarships for girls.	DOE	2018
4.2. Timely (within 1 month of start of school year) distribution and monitoring of targeted support to all girls enrolled in science stream in secondary education as per defined guidelines. The targeted support includes high-value scholarships, textbooks, and residential facilities (for those who need it).	DOE	Annually after 2018
4.3. Continue to enforce the Teacher Service Commission reservation quota of 45% reserved seats (33% for women, 27% Janajatis, 9% Dalits, 5% disabled and 4% from remote locations) in the recruitment of teachers to approved positions.	MOE	During new recruitment to approved positions
4.4. Increase share of total women teachers to 20%.	MOE	Annual reporting through EMIS

Actions	Responsible Agency	Time Frame for Implementation
4.5 New subject-wise guidelines for teacher training program to ensure priority for 30% female teachers and 10% from other social groups. Head teacher training will ensure attention to female head teachers.	NCED and DOE	2017
4.6 Teacher training in new ICT and e-learning resources for classroom teaching benefits 30% women teachers out of a total of 2,000 teachers.	DOE	2017–2021
4.7 Model school guidelines to include provisions for better access for girls, particularly from disadvantaged communities and remote locations, including availability of residential facilities.	DOE	2017–2021
4.8 Ensure that social audits comply fully with the revised grant management guideline and corrective measures implemented by the schools.	DEO, SMCs	2018 and annually
4.9 Include GESI in all the training modules developed by DOE for MOE, DOE, DEOs, SMCs, and parent–teacher associations.	DOE's gender equity section	2018
4.10 Review terms of reference for DOE's gender equity section and incorporate links to planning and monitoring division of DOE for effective GESI mainstreaming and coordination in line with SSDP reforms, particularly secondary education. The input of a GESI expert could be sought.	MOE, DOE, development partners	October 2016
10. Area 5: Social and Environment Safeguards		
5.1 Update, approve, and implement social and environment safeguard screening, management, and monitoring tools (EMF, LAF for voluntary and willing seller-and-buyer procedures, IPF, and ADB's prohibited investment activities list – Appendix 5 of the Safeguard Policy Statement ^b).	MOE, DOE, development partners	2016–2021
5.2 Designate Planning and Monitoring Division for environmental and social safeguard monitoring as per SSDP implementation arrangement, and assign social and environmental safeguard officer at DOE and social and environmental safeguard focal person at DEO.	MOE and DOE	November 2016
5.3 Conduct orientation and training for relevant officials at DOE, DEOs, and schools based on approved EMF, IPF, and LAF for voluntary and willing seller-and-buyer procedures.	MOE, DOE, DEOs, and SMCs	2016–2021
5.4 Annual monitoring and reporting of the implementation of social and environmental safeguards with progress assessment in the joint annual review by development partners.	MOE, DOE, and DEOs	2016–2021

CDC = Curriculum Development Center, DEO = district education office, DLI = disbursement-linked indicator, DOE = Department of Education, EMIS = education management information system, EMF = environment management framework, ERO = Education Review Office, FMAP = fiduciary management action plan, GESI = gender equity and social inclusion, ICT = information and communication technology, IPF = indigenous peoples framework, LAF = land acquisition framework, MOE = Ministry of Education, NCED = National Center for Educational Development, PSSA = Program Safeguard Systems Assessment, PPA = Public Procurement Act, PPR = Public Procurement Regulations, SMC = school management committee, SSDP = School Sector Development Plan, SSRP = School Sector Reform Program, TA = technical assistance.

^a Necessary budget provisions need to be made during the preparation of the annual program and budget.

^b ADB. 2009. *Safeguard Policy Statement*. Manila.

Source: Asian Development Bank.

VII. TECHNICAL ASSISTANCE

A. Summary

49. A coordinated technical assistance is envisaged to support the implementation of the SSDP under the SWAP. The TA need and its mapping for financing is currently been worked out. Common TA framework in key areas of support will be jointly agreed between the JFPs and the government. The TA will be financed through the program investment as well as externally financed from development partners. ADB will have a piggy backed capacity development TA of \$500,000, to be financed on a grant basis from ADB's Technical Assistance Special Fund (TASF-V). The government will support the TA with counterpart staff, office and meeting space, and coordination support. Major outputs of the TA include: (i) completed annual fiduciary reviews; (ii) completed independent verification of achievement of DLIs; (iii) development of prototype teacher training and materials for math, science, and English; (iv) roadmap for model school development; (v) development of the scheme for pro-poor targeting scholarships; and, (vi) workshops and seminars conducted on key program themes. ADB's TA will be also detailed out once TA mapping is completed.

50. ADB's TA will be coordinated through the Foreign Coordination Section of the Planning Division, MOE which will function as the Program Coordination Secretariat for the program. The Program Coordination Secretariat has the responsibility to coordinate and report on progress of SSDP and the achievement of DLIs to the program steering committee chaired by the Secretary, Education. The TA will provide technical support to the timely preparation of reports, particularly with regard to independent verification reports on the achievement of DLIs. A technical working committee will be set up in the DOE to ensure timely implementation support and close follow up of program implementation and the TA will coordinate closely with this technical working committee. The TA arrangements will be common for all JFPs supporting the program to ensure coherence, avoid overlap of technical support and to strengthen results.

B. Consulting Service Requirement

51. Consultants will be recruited for the achievement of the outputs. The key experts required for the TA are: education planning specialist, public financial management specialist, pedagogy specialist, ICT specialist, procurement specialist, architect, and survey specialist. An overview of the required consulting services is summarized in Table 11.

Table 11: Summary of Consulting Services

Area of Expertise	Duration (person-months)
A. International	
1. Public financial management specialist	2.5
2. Pedagogy specialist	2.0
3. Information and communication technology specialist	1.0
Subtotal (A)	5.5
B. National	
1. Education planning specialist	6.0
2. Public financial management specialist	3.0
3. Procurement specialist	6.0
4. Architect	3.0
5. Survey specialist	6.0
6. Pedagogy specialist	2.0
Subtotal (B)	26.0
Total (A+B)	31.5

Source: Asian Development Bank.

52. The consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time). All disbursements of the TA amount will be done in accordance with the Technical Assistance Disbursement Handbook (2010, as amended from time to time). The TA will be implemented immediately upon approval of the loan until 31 December 2021. The major outputs of the TA such as completed annual fiduciary reviews, completed independent verification of achievement of DLIs on an annual basis will be shared with all key stakeholders in the program, particularly MOE, MOF, and National Planning Commission. Technical materials such as prototype teacher training and materials for math, science, and English, teaching and learning resources and kits and ICT materials will be shared with technical resource institutions, teacher training institutions and other entities as appropriate. Regular workshops and seminars will be conducted regularly on key program themes, particularly using the materials and reports developed through the TA.

53. **Indicative terms of reference.** The terms of reference (TOR) are outline in nature and require a degree of flexibility on the part of the experts to be recruited to enable them to realign their tasks to meet emerging needs during implementation.

(i) **Public Financial Management Specialist (2.5 international person-months, 3 national person-months)**

a. **Qualification and Experience.** The specialists will have more than 15 years of experience in in financial management, accounting, audit and program management.

b. **Outline Tasks:**

- Work closely with the government to implement the jointly agreed financial management action plan of SSDP.
- Develop manuals and training programs to strengthen internal controls, approvals, flow of fund, execution, and reporting.
- Undertake annual fiduciary review of SSDP as per the JFA of SSDP and ensure that remedial measures are incorporated in the implementation.
- Provide technical inputs to timely complete the financial monitoring reports and audit.

(ii) **Pedagogy Specialist (2 international person-months, 2 national person-months)**

a. **Qualification and Experience.** The specialists will have a social science degree with more than 10 years of experience in pedagogy, curriculum development, and teacher training.

b. **Outline Tasks:**

- In collaboration with NCED, assess the existing teacher professional development modules related to subject teaching, particularly in Math, Science and English, and develop new modules(prototypes) based on needs of SSDP and that of teachers
- Assist NCED in developing training schedules and delivery mechanism.
- Assist NCED and CDC in preparation of prototype activity and experimentation based Math, Science, and English learning kits.

- Develop modality for its distribution to schools to ensure uniformity and quality of materials.

(iii) **ICT Specialist (1 international person-month)**

- a. **Qualification and Experience:** The expert will have a graduate degree in engineering or computers or information technology with extensive experience in delivering ICT solutions for education. The expert will have 10 years of experience.
- b. **Outline Tasks:**
- Assist the government in developing e-resources particularly in science, math and English;
 - Facilitate in the development of ICT repository system in MOE;
 - Assess the ICT needs of the model schools and develop ICT interventions to facilitate teaching and learning in the classrooms; and
 - Review the EMIS system and advise on the technical specifications for web-based EMIS so that government is able understand the need and able to procure the service required.

(iv) **Education Planning Specialist (6 national-person months)**

- a. **Qualification and Experience.** The specialist will have more than 15 years of experience in education planning and program management, especially in the implementation of secondary education programs and projects, with a post graduate degree in education, public administration, or related social science disciplines.
- b. **Outline Tasks:**
- Work closely with the government to support overall program implementation, monitoring of DLIs and program outputs.
 - facilitate the government in development of model schools and subject teaching in math, English and science
 - Provide technical inputs in curriculum, assessment, examination, and pedagogy as appropriate.
 - Assist in the development of technical materials such as prototype teacher training and materials for math, science, and English, teaching and learning resources and kits
 - Assist the government, in the preparation of overall program monitoring and evaluation reports including sector performance reports.

(v) **Architect (3 national person-month)**

- a. **Qualification and Experience:** The architect will have at least 10 years of experience in preparing school facilities.

b. Outline Tasks:

- Review the type designs to be used for school rebuilding, particularly to serve as a model school;
- Based on the survey results and existing school structure, propose adjustments and/ or extension of buildings to address the specific architectural requirements for each school that is to function as a model school;
- develop the required architectural designs; and
- For those model schools requiring residential buildings for teachers and/or dormitories for students, develop the required architectural designs taking into account local cultural and gender aspects.

(vi) Procurement Specialist (6 national person-month)

a. **Qualification and Experience:** The procurement specialist will have at least 10 years of experience in public procurement, particularly in education sector

b. Outline Tasks:

- Support MOE and DOE in developing necessary procurement and supervision manuals for implementation of PPA and PPR at DEO and school levels;
- Develop training modules for procurement capacity development of DOE, DEO and Schools;
- Provide training as necessary; and
- Facilitate in fiduciary risk review and develop procedures for technical audit of school construction.

(vii) Survey Specialist (6 national person-month)

c. **Qualification and Experience:** The survey specialist will have at least 10 years of experience in undertaking third party monitoring or survey related to education.

d. Outline Tasks:

- Design the methodology for third party verification of key DLI achievements; and
- Undertake verification and provide necessary reports.

VIII. ACCOUNTABILITY MECHANISM

54. People who are or may in the future be adversely affected by SSSDP may submit complaints through ADB's accountability mechanism. Before submitting a complaint to the accountability mechanism, affected people should make a good faith effort to resolve their problems and/or issues by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, they approach the accountability mechanism. The accountability mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted operations can voice, and seek a resolution of their

problems, as well as report alleged violations of ADB's operational policies and procedures.¹² People who are, or may in the future be, adversely affected by a program supported by RBL may submit complaints to ADB's accountability mechanism (2012).

IX. PROGRAM ORGANIZATIONAL STRUCTURE AND FOCAL STAFF

A. Organizational Structure

55. The SSDP will be implemented at a time when Nepal is going through major state restructuring—moving towards federal, provincial, and local levels as well as school restructuring following the amendment of the Education Act. It is assumed that major organization restructuring of MOE institutions will occur only after three years of implementation. SSDP implementation arrangements need to be considered through a two pronged strategy (i) a roadmap for restructuring and realignment of MOE in relation to the transition to the federal system and findings of the Organization and Management survey; and (ii) few supplemental changes in existing implementation arrangements through improved program management, technical oversight and coordination function. It is envisaged that the SSDP implementation arrangement has sought to mitigate the challenges and gaps identified during the implementation and evaluation of SSRP and the need to take forward SSDP's transformative agenda focused on substantially improving the quality of delivery of education and student learning

56. **Executing Agency.** MOE as an Executing Agency will provide overall leadership and guidance and be responsible for coordination of the SSDP. An inter-ministerial SSDP steering committee (SC), Chaired by Secretary of MOE, will be established with participation of Director General of DOE, Executive Directors of Curriculum Development Center and National Center for Education Development and Joint Secretary of Monitoring and Evaluation Division, MOE, and representation from MOF, and National Planning Commission. Joint Secretary of Planning Division, MOE will serve as Member Secretary of SSDP SC. Heads of other MOE's central line agency (CLA), and representatives from Education Review Office and National Examination Board will be invited as and when required.

57. The SC will create sub committees to handle various thematic issues. The SC will be responsible for (i) providing directions for program policy and reforms, (ii) overseeing overall program implementation and providing operational guidance, (iii) providing guidance for annual SSDP budget preparation and endorsing the AWPB for Government approval, (iv) providing guidance to addressing constraints and bottlenecks in timely implementation, including ensuring the timely submission of Financial Management Reports (FMRs) and Audit reports for SSDP (v) reviewing progress on the fulfillment of yearly DLIs for the smooth functioning of collaboration with the JFPs, and (vi) addressing critical inter-ministerial policy and implementation issues. SC will hold meetings at least three times a year.

58. The Foreign Coordination Section for school education under the MOE Planning Division will function as the program coordination secretariat (PCS) for SSDP SC. MOE will make necessary provisions for staffing in the Foreign Coordination Section, in line with the tasks to be undertaken, including personnel required for administrative, logistics and coordination activities, technical expertise for educational interventions, financial management and procurement related functions, and monitoring and evaluation functions in SSDP. The SC through the PCS will be (i) coordinating the SSDP activities across MOE divisions, DOE and CLAs of MOE; (ii) supporting implementation of new innovations planned within the SSDP; (iii) recruiting consulting

¹² ADB. 2012. *Review of the Accountability Mechanism Policy*. Manila.

services for its own program coordination support and ensuring necessary externally hired technical and program implementation support team is provisioned to DOE and other CLAs; (iv) coordinating with Joint Financing Partners(JFP) for the two review missions of SSDP, the fulfilment of DLIs and the necessary activities required for the smooth functioning of the partnerships with external agencies; and (v) coordinate with respective division within MOE and DOE for preparing, publishing, and disseminating Annual School Sector Performance Report.

59. The Technical Assistances financed through the SSDP program and externally financed through Development Partners will be managed through the PCS. The external technical team is required to facilitate implementation of SSDP in critical areas and will be of technical and program management nature. The consulting services package will be designed accordingly and approved by the SC, which will serve as the policy body for ensuring a joint and coordinated approach to technical support by the external financiers.

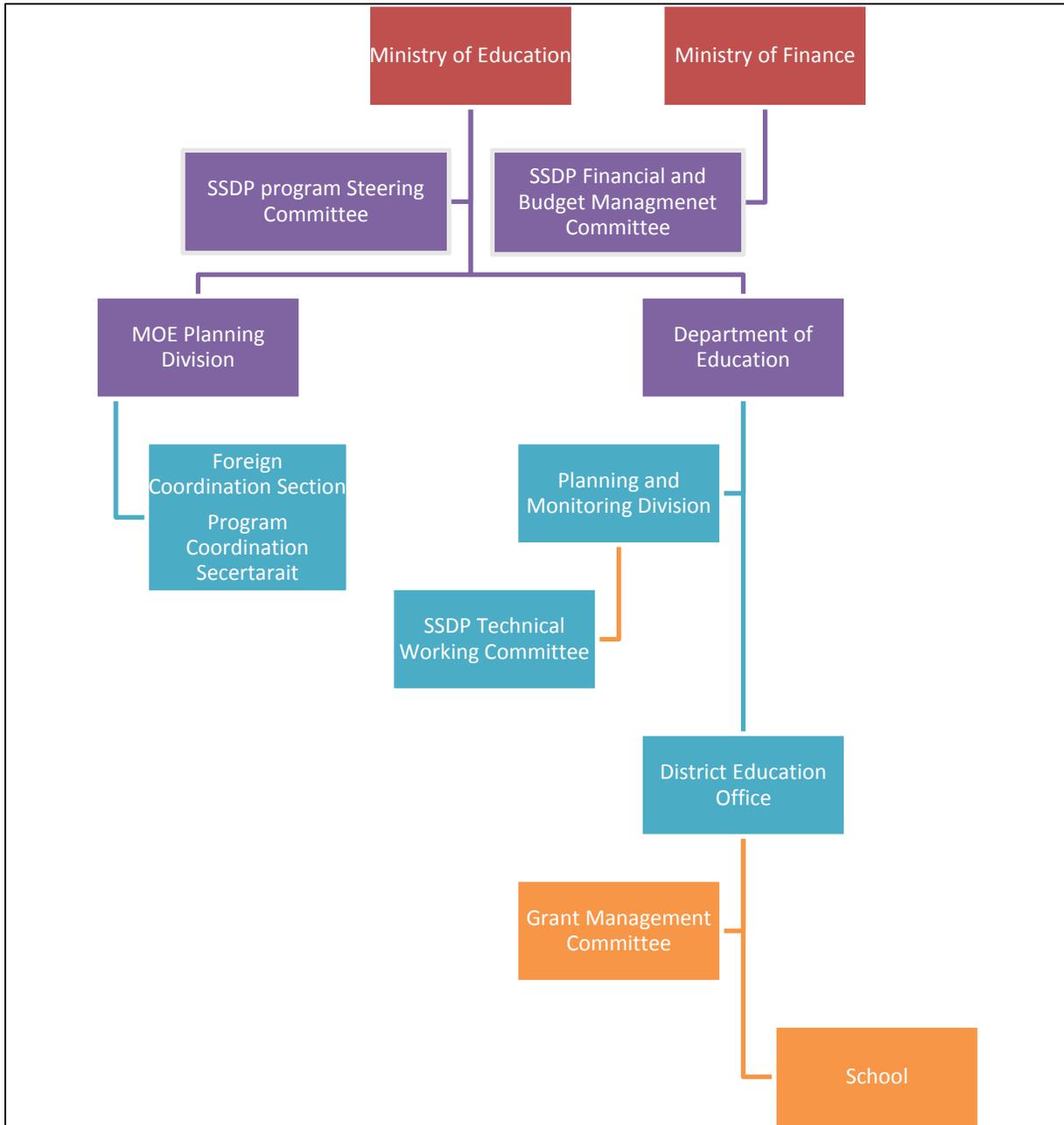
60. **Financial and Budget Management Support Committee (FBMSC).** It is proposed to establish a FBMSC chaired by joint secretary MOF (IECCD) with representation from MOE, FCGO and the NPC to address issues related to budgeting, financial management and DLI achievement review as well track overall performance and results in the sector. Given that SSDP will be supported through a results based financing modality, the committee will serve as a guiding body for ensuring necessary resources for the sector to achieve the SSDP results and to track progress towards yearly results, particularly as outlined in the results framework of SSDP and the DLI framework of the JFPs. The committee will meet at least twice a year. The meeting timings could be aligned to the Joint Missions of SSDP by Joint Financing Partners.

61. **Implementing Agency.** DOE will be the implementing agency of SSDP. Under the leadership of Director General, Planning and Monitoring Division of DOE will be responsible for overall implementation of SSDP. The division will be staffed adequately along with program management and technical teams deputed from the program secretariat to effectively manage the program. It will (i) formulate guidelines, annual plans and programs for the school sector interventions, (ii) support program implementation at district levels (iii) coordinate with CLAs to ensure that technical support to annual programs related to them are provided and completed in a timely fashion, (iv) supervise and monitor SSDP activities to ensure that result areas and DLIs are achieved and reported on in a timely fashion, (v) monitor and ensure that social, environmental, procurement and financial management requirements are met; and (vi) consolidate all required physical and financial reporting. In order to effectively implement SSDP, a technical working committee under the Director of Planning and Monitoring division of DOE, comprising DOE Deputy-Directors of Planning, Monitoring and EMIS and Heads of DOE Finance and Engineering sections, will be established. Other DOE section heads and representatives of relevant CLAs will be invited as and when required. The working committee will regularly hold meetings on a monthly basis.

62. **District Education Office.** The DEO will be overseeing all SSDP activities at the district and school levels. A grant management committee will be established to support the supervision of SSDP activities and will be chaired by District Education Officer. The Committee will comprise DEO section heads of Program/Planning, School Administration, Finance, Accounting and Engineering.

63. **Schools.** The SMC Chair and the school head teachers will be accountable for the implementation of SSDP. The school will be trained in financial management, environment and social safeguards, and procurement. SMC chair and head teacher will ensure all necessary reporting requirements to DEO as per SSDP implementation guidelines and education regulations are complied.

Figure 3: SSDP Implementation Organization Structure



MOE = Ministry of Education, SSDP = School Sector Development Plan.

Figure 4: Key Staffing Required

DEO = District Education Office, DLI = disbursement-linked indicator, DOE = Department of Education, DP = development partner, EMIS = education management information system, SSDP = School Sector Development Plan.

B. Program Officers and Focal Persons

1. Initial Arrangements

**Table 12: Program Officers and Focal Persons
(As of October 2016)**

Number	Key Government Staff and Positions	Key ADB Staff and Positions
1	Shanta Bahadur Shrestha, Secretary, MOE	Sungsup Ra, Director,
2	Mr. Baikuntha Aryal, Joint Secretary, MOF	Human and Social Sector
3	Mr. Baikuntha P. Aryal, Joint Secretary, Planning Division, MOE	Division (SAHS), South Asia
4	Mr. Baburam Poudel, Director General, DOE	Regional Department
5	Mr. Deepak Sharma, Under Secretary, MOE	(SARD)
		Shanti Jagannathan, Senior
		Education Specialist, SAHS,
		SARD
		Smita Gyawali, Project
		Officer (Education), Nepal
		Resident Mission, SARD
		Young Seo, Senior Counsel,
		Office of the General
		Counsel

ANNEX 1
Program Results Framework^a
 (As of October 2016)

Results Indicators	DLI (Yes/No)	Baseline Value	Baseline Year	Target Values of Results Indicators				
				2017	2018	2019	2020	2021
Outcome: Equitable access to quality secondary education enhanced								
1. GER in secondary (9–12) increased	Yes/DLI 1	56.7% (Boys: 56.6; Girls: 56.8)	2016	61.5% (Boys: 61.6; Girls: 61.4)	66.7% (Boys: 66.8; Girls: 66.6)	72.3% (Boys: 72.4; Girls: 72.2)	78.4% (Boys: 78.5; Girls: 78.3)	85.0% (Boys: 85.2; Girls: 84.9)
2. Percentage of boys and girls enrolled in science subjects in grade 11 in community schools increased	No	3.5% (Boys: 5.0; Girls: 2.1)	2016	4.3% (Boys: 6.2; Girls: 2.6)	5.3% (Boys: 7.6; Girls: 3.2)	6.6% (Boys: 9.4; Girls: 3.9)	8.1% (Boys: 11.6; Girls: 4.9)	10.0% (Boys: 14.3; Girls: 6.0)
3. Cohort survival of boys and girls for grades 1–10 increased	No	37.9% (Boys: 37.0; Girls: 38.9)	2016	41.0% (Boys: 41.2; Girls: 43.3)	45.0% (Boys: 45.9; Girls: 48.3)	50.0% (Boys: 51.1; Girls: 53.8)	57.0% (Boys: 57.0; Girls: 59.9)	65.0% (Boys: 63.5; Girls: 66.7)
4. Students' learning achievement scores (%) in grade 8 improved	No	Math-35; Nepali-48; Science-41	2013					Math-60; Nepali-60; Science-55
(i) Outputs								
5. Revised pro-poor scholarship scheme implemented nationwide	Yes/DLI 1	NA	NA	Revised pro-poor scholarship scheme developed	Scheme implemented in 15 districts	Scheme implemented in 50 districts	Scheme implemented nationwide	
6. Number of districts in which NEGRP is implemented in all community schools	No	NA				20	32	60
7. Number of basic and secondary schools with the full complement of subject teachers for math, science and English subjects	Yes/DLI 2	Baseline to be established in 2017		Teacher Rationalization and Deployment Plan approved		1,500 schools (1,000 basic +500 secondary)	3,000 (2,000 basic +1,000 secondary)	4,500 (3,000 basic +1,500 secondary)
8. Share of female teachers in secondary schools	No	15.1%	2016	16.0%	17.0%	18.0%	19.0%	20.0%
9. Number of male and female subject teachers trained in new subject-wise training program for math, science, and English	Yes/DLI 2	0	2016			4,500	9,000	13,500
10. Percentage of students receiving text books within first 2 weeks of the academic year	No	86.5%	2015	88.0%	90.0%	91.5%	93.0%	95.0%

Results Indicators	DLI (Yes/No)	Baseline Value	Baseline Year	Target Values of Results Indicators				
				2017	2018	2019	2020	2021
11. Number of schools receiving package of activity-based kits for math, science and English language for grades 6–8	Yes/DLI 3	None	2016			1,000	2,000	3,000
12. Number of school-based PPE centers meeting the minimum standards	No			1,500	3,200	5,100	6,500	8,000
13. Improved annual examinations, based on standardized and improved test items in accordance with international good practice principles, implemented nation-wide	Yes/DLI 4	Examinations for grades 8 and 10 not fully standardized	2016			Standardized examination in grade 8 implemented nationwide		Standardized examination in grade 10 implemented nationwide
14. Institutionalization of NASA	No	ERO not independent	2015	NASA institutionalized at ERO, with ERO granted autonomy	NASA survey carried out for grade 8	NASA survey carried out for grade 5		
15. Number of model schools developed, with comprehensive quality inputs and improved teaching and learning	Yes/DLI 5	NA			100	100		200 model schools operational
16. Number of community schools offering science subjects in grades 11–12	No	240	2016	280	335	390	445	500
17. Number of schools benefiting from ICT resources and e-learning materials for improved teaching-learning processes	No	NA				1,000	1,000	1,000
18. Number of teachers trained in ICT and e-resources for improved classroom teaching	No	TBD	2016			1,000	1,000	1,000
19. Reduction in the amount of SSDP related audit observations	Yes/DLI 6	5.8%	2014/2015					5%
20. Revised needs and performance based school grant system implemented	Yes/DLI 6	Earmarked grants system	2016	Review of existing grants system conducted	Revised grants system implemented in 25 DEOs	Revised grants system implemented in all 75 DEOs		
21. Number of districts with the implementation of individual	Yes/DLI 7	56	2016	65	75	75	75	75

Results Indicators	DLI (Yes/No)	Baseline Value	Baseline Year	Target Values of Results Indicators				
				2017	2018	2019	2020	2021
student identification in the EMIS								
22. Sample-based third party verification of EMIS data conducted	Yes/DLI 7			Yes		Yes		
23. Percentage of community schools with strengthened SMC and head teacher capacity	No	NA			30% community schools	100% community schools		
(ii) Other Results								
24. Number of new classrooms constructed in earthquake affected areas in line with the revised technical standards	No	NA	NA	17,000	21,000	18,000	12,000	8,000
25. Budget allocation for SSDP compliant with SSDP budget codes and Education Sector budget allocation with at least 3% growth in real terms compared to previous year	No			Yes	Yes	Yes	Yes	Yes

DEO = District Education Office, DLI = disbursement-linked indicator, EMIS = education management information system, ERO = Education Review Office, GER = gross enrollment rate, ICT = information and communication technology, NA = not applicable, NASA = National Assessment of Student Achievement, NEGRP = national early grades reading program, PPE = pre-primary education, SMC = School Management Committee, SSDP = School Sector Development Plan, TBD = to be determined.

^a This includes the indicators and targets of the government program; the targets used in the disbursement-linked indicator matrix may be at slight variance (for example, increase in GER for secondary education in 5 years), based on the technical assessment of the development partners to ensure that targets, while ambitious, are also realistic and can be achieved in the time frame.

Source: Asian Development Bank, derived from Program Results Framework of Ministry of Education.

ANNEX 2
Table 1: Disbursement-Linked Indicators
 (As of October 2016)

**Prior Results: Verification in November 2016; Disbursement in January 2017; Year 1: Verification in March 2017; Disbursement in April 2017;
 Year 2: Verification in November 2017; Disbursement in January 2018; Year 3: Verification in November 2018; Disbursement in January 2019;
 Year 4: Verification in November 2019; Disbursement in April 2020; Year 5: Verification in November 2020; Disbursement in January 2021**

(Supporting School Sector Development Plan)

Disbursement-Linked Indicators	Baseline Value and Year	Target Values					
		Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5
Outcome: Equitable access to quality secondary education enhanced							
DLI 1 Increased access and participation of girls and boys in secondary education	GER for secondary education in 2015: Girls: 56.6% Boys: 56.8% Both: 56.7%		A revised pro-poor scholarship scheme developed that includes targeted interventions for increasing girls' participation in science subjects in grades 11 and 12.	Revised pro-poor scholarship scheme implemented in 15 districts, with targeted interventions for increasing girls' participation in science subjects in grades 11 and 12 (partial disbursement allowed).		5.0 percentage points increase in GER for secondary education over the baseline Girls: 61.6 Boys: 61.8 (partial disbursement allowed).	7.0 percentage points increase in GER for secondary education over the baseline Girls: 63.6 Boys: 63.8 (partial disbursement allowed).
Output 1: Access to basic and secondary schools improved							
DLI 2 Improved deployment of trained subject teachers for math, science and English in basic and secondary schools	Provision of full complement of math, science and English subject teachers is a new initiative, and new subject-wise training modules for teachers are to be developed.		Teacher Rationalization and Deployment Plan, particularly to ensure the availability of subject teachers in basic and secondary schools, approved.		(i) 1,000 basic schools and 500 secondary schools have full complement of math, science and English subject teachers (partial disbursement allowed). (ii) 4,500 subject teachers for math, science and English	2,000 basic schools and 1,000 secondary schools have full complement of math, science and English subject teachers (partial disbursement allowed).	(i) 3,000 basic schools and 1,500 secondary schools have full complement of math, science and English subject teachers. (partial disbursement allowed). (ii) 13,500 subject teachers for math, science and

Disbursement-Linked Indicators	Baseline Value and Year	Target Values					
		Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5
					trained in new subject-wise training (partial disbursement allowed).		English trained in new subject wise training (partial disbursement allowed).
Output 2: Quality of school education improved							
DLI 3 Activity-based math, science, and English materials to improve teaching and learning provided	New package of activity-based kits to be developed.			A package of activity-based kits for math, science and English language developed for grades 6–8.	1,000 basic schools provided with activity-based kits for math, science and English language (partial disbursement allowed).		3,000 basic schools provided with activity-based kits for math, science and English language benefiting 60,000 students of which at least 50% are girls (partial disbursement allowed).
DLI 4 Examination system reforms undertaken to improve teaching and learning	Examinations are not adequately standardized across districts and from year to year.		National Examination Board made operational.		All students appearing for the grade 8 examinations (at least 45% girls) sit for standardized and improved annual examination.		All students appearing for the grade 10 examinations (at least 45% girls) sit for standardized and improved annual examination.
Output 3: Model school program pilot tested							
DLI 5 Model schools pilot tested with comprehensive quality inputs and innovative teaching and learning	Piloting of model schools is a new initiative.	Eligibility and selection criteria for model schools developed.	Guidelines for establishment and operation of model schools approved by MOE.	Implementation of approved school-specific multi-year quality improvement plans in 100 model schools initiated (partial disbursement allowed).	(i) Implementation of approved school-specific multi-year quality improvement plans in additional 100 model schools initiated (partial disbursement	The 100 schools selected in 2018 provided with science and ICT laboratories, libraries, e-resources and math, science and English language kits	At least 200 secondary schools upgraded to model schools, benefiting 40,000 students of which at least 50% are girls (partial disbursement allowed).

Disbursement-Linked Indicators	Baseline Value and Year	Target Values					
		Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5
					allowed). (ii) The 100 schools selected in 2017 provided with science and ICT laboratories, libraries, e-resources and math, science and English language kits (partial disbursement allowed).	(partial disbursement allowed).	
Output 4: School system governance and management improved							
DLI 6 Improved governance and strengthened fiduciary management of schools	Limited fiduciary management system capacity.	(i) Eighth Amendment to the Education Act (2016) passed by the Parliament. (ii) SSDP implementation arrangements with FM, procurement and safeguard units in place.	(i) SSDP FMAP approved by the SSDP Steering Committee. (ii) Manual developed with well-defined procedures for procurement of works, goods and services as per PPA and PPR.	(i) A revised needs- and performance-based school grant system approved by the MOE. (ii) Training imparted to 1,000 secondary schools in procurement procedures.	(i) e-GP system for national competitive bidding is implemented in at least 35 DEOs with training. (ii) CGAS implemented in all 75 DEOs with training.	(i) Revised needs- and performance-based school grant system implemented in all 75 DEOs (partial disbursement allowed). (ii) Training imparted to 2,000 secondary schools in procurement procedures.	(i) Percentage of recurring audit observations of SSDP no more than 5% of the total SSDP expenditures. (ii) e-GP system for national competitive bidding is implemented in all 75 DEOs with training.
DLI 7 Enhanced reliability and transparency of the EMIS data, including school-level data	Non-web-based EMIS Self-reported EMIS			First round of sample-based independent verification of EMIS completed.	Web-based EMIS, with disaggregated data for gender and social groups, operational in all 75 DEOs.	(i) Annual sector performance report prepared with the web-based EMIS data. (ii) Second round of sample-based	District and school profiles from EMIS used in school social audits nationwide as a tool to improve school performance.

Disbursement-Linked Indicators	Baseline Value and Year	Target Values					
		Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5
						independent verification of EMIS completed with at least 95% accuracy of student and teacher data.	

CGAS = Computerized Government Accounting System, DEO = District Education Office, DLI = disbursement-linked indicator, e-GP = electronic government procurement, EMIS = education management information system, FM = financial management, FMAP = fiduciary management action plan, GER = gross enrollment rate, ICT = information and communication technology, MOE = Ministry of Education, PPA = Public Procurement Act, PPR = Public Procurement Regulations, SSDP = School Sector Development Plan.

Source: Asian Development Bank.

Table 2: Verification Protocols

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
DLI 1: Increased access and participation of girls and boys in secondary education			
<p>Year 1, March 2017: A revised pro-poor scholarship scheme developed that includes targeted interventions for increasing girls' participation in science subjects in grades 11 and 12.</p> <p>Year 2, Nov 2017: Revised pro-poor scholarship scheme implemented in 15 districts, with targeted interventions for increasing girls' participation in science subjects in grades 11 and 12.</p>	<p>The revised pro-poor scholarship scheme is targeted at the poor and includes higher financial subsidy to reflect the real cost of secondary schooling to the disadvantaged. It will rationalize the large number of existing discrete scholarship schemes. The revised pro-poor scholarship scheme will also include the provision for scholarships for girls to study science subjects in grades 11 and 12. The DLI is achieved when JFPs review and agree on the revised pro-poor scheme guidelines.</p> <p>The revised pro-poor scholarship scheme is implemented in 15 districts, targeting the poor, girls and boys, with the objective of increasing retention and completion rates for basic and secondary grades among poor students.</p> <p>This DLI is achieved when the MOE report confirming achievement of the DLI target is verified on a sample basis by an independent, third party recruited by the JFPs.</p> <p>Partial achievement is by the number of districts implementing the pro-poor scholarship scheme and the girls' science scholarship scheme. Total disbursement divided by 15 districts for Year 2 (2017).</p>	MOE, annual	<p>PCS will submit to the JFPs a copy of the approved revised pro-poor scheme. The JFPs will jointly verify the submitted documents.</p> <p>PCS will submit a report on the implementation of the revised scholarship scheme in 15 districts, including details on student beneficiaries and their participation by grade in schooling. Independent, third party verification of the report will be conducted by the JFPs.</p>
<p>Year 4, Nov 2019: 5.0 percentage points increase in GER for secondary education over the baseline for both girls and boys.</p> <p>Year 5, Nov 2020: 7.0 percentage points increase in GER for secondary education over the baseline for both girls and boys.</p>	<p>The GER in secondary education (grades 9–12) for girls and boys will be 5.0 percentage points higher than the 2015 baseline, and reach 61.6% for girls and 61.8% for boys by Year 4 (2019) and will be 7.0% higher than the 2015 baseline, and reach 63.6% for girls and 63.8% for boys by Year 5 (2020).</p> <p>The DLI is achieved when EMIS data provides evidence of increase in GER as above for girls and boys in Year 4 and 5.</p> <p>Partial disbursement is by the percentage point increase in GER over the baseline. Disbursement will be proportional to the percentage point increase in GER.</p>	MOE, annual	PCS will submit a report using EMIS data on the achievement of the GER for girls and boys.
DLI 2: Improved deployment of trained subject teachers for math, science and English in basic and secondary schools			
<p>Year 1, March 2017: Teacher Rationalization and Deployment Plan, particularly to ensure the</p>	<p>Basic school offers ECED–grade 8, and secondary school offers ECED–grade 10 or ECED–grade 12. Subject teachers for math, science and English have the teacher license and are recruited into approved positions to teach specific subjects.</p>	MOE, annual	MOE and JFPs will discuss the draft Teacher Rationalization and Deployment Plan. PCS will submit to the JFPs a copy of

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
availability of subject teachers in basic and secondary schools, approved.	<p>The Teacher Rationalization and Deployment Plan will include: (i) a phased plan for all basic and secondary schools to have at least one math teacher, one science teacher and one English teacher per school to teach both basic (grades 1-8) and secondary (grades 9–12) levels; (ii) a time-bound plan to rationalize excess teacher positions in lower grades and shortage in higher grades; (iii) annual targets for rationalization and deployment; and (iv) annual targets for deployment of additional subject teachers for secondary levels.</p> <p>This DLI is achieved when the JFPs and MOE have jointly agreed on the Teacher Rationalization and Deployment Plan and it is approved by the MOE.</p>		the approved Teacher Rationalization and Deployment Plan. The JFPs will jointly verify the submitted documents.
<p>Year 3 (i), Nov 2018: 1,000 basic and 500 secondary schools have full complement of math, science and English subject teachers.</p> <p>Year 4, Nov 2019: 2,000 basic schools and 1,000 secondary schools.</p> <p>Year 5 (ii), Nov 2020: 3,000 basic schools and 1,500 secondary schools</p>	<p>Full complement of subject teachers means that a school will have at least one math teacher, one science teacher and one English teacher each. Each of these teachers may teach both the basic and secondary levels in the same school. The 500 secondary schools exclude the model schools (see definition below in DLI5). The number of schools is cumulative over the years.</p> <p>This DLI is achieved when the MOE report confirming achievement of the DLI target is verified on a sample basis by an independent, third party recruited by the JFPs. A school will be counted for the DLI only when it has at least one teacher for each of math, science and English subjects.</p> <p>Partial achievement of the DLI is by the number of schools meeting the DLI. Total disbursement divided by 1,500 schools for Year 3 (2018), total disbursement divided by 1,500 additional schools over Year 3 targets for Year 4 (2019), and total disbursement divided by 1,500 additional schools over Year 3 and Year 4 cumulative targets for Year 5 (2020).</p>	EMIS, annual; Sample Survey, periodic	PCS will submit a report to the JFPs, providing the list of basic schools and secondary schools that have placed the full complement of math, science and English subject teachers. Independent, third party verification of the report will be conducted by the JFPs. This data will be integrated into EMIS.
<p>Year 3 (ii), Nov 2018: 4,500 subject teachers for science, math and English trained in new subject-wise training.</p> <p>Year 5 (ii), Nov 2020: 13,500 subject teachers</p>	<p>Trained subject teachers refer to the math, science and English subject teachers who have received the new one-month, subject-wise training implemented by the NCED. Specific training, which may be certification based, will be developed for each of the subjects (math, science and English) and will cover teachers in grades 6–8, and grades 9–10 or 9–12. The number of trained subject teachers is cumulative over the years.</p> <p>This DLI is achieved when the MOE report confirming achievement of the targets has been reviewed and agreed by the JFPs.</p> <p>Partial achievement of the DLI is by the number of teachers. Total disbursement divided by 4,500 teachers for Year 3 (2018), and total disbursement divided by</p>	EMIS; NCED, annual	PCS will submit a report to JFPs on the total numbers of math, science and English subject teachers in basic and secondary schools that have received the new subject-wise training for the relevant subject.

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
	9,000 additional teachers over Year 3 targets for Year 5 (2020).		
DLI 3: Activity-based math, science, and English materials to improve teaching and learning provided			
<p>Year 2, Nov 2017: A package of activity-based kits for math, science and English language developed for grades 6–8.</p>	<p>The package of activity-based kits for math, science and English language is a standardized package of resource materials for grades 6-8, based on the national curriculum, drawing on regional and international good practice.</p> <p>This DLI is achieved when independent verification confirms that the package of kits is acceptable, based on a review of the packages on a sample basis.</p>	CDC, six monthly	PCS will submit a report with description of the kits. Independent, third party verification of adequacy of the packages will be conducted by the JFPs.
<p>Year 3, Nov 2018: 1,000 basic schools provided with kits for math, science and English language.</p> <p>Year 5, Nov 2020: 3,000 basic schools provided with activity-based kits for math, science and English language benefiting at least 60,000 students of which 50% are girls.</p>	<p>Basic schools refer to the same schools that benefit from one subject teacher for each of math, science and English as per DLI 2. DOE and national resource group will provide detailed specifications for the standardized package of math, science and English language kits to DEOs and schools. DEOs will provide grants to schools and schools will purchase the kits from the market.</p> <p>This DLI is achieved when an independent, third party verifies, on a sample basis, that the kits are available in the schools. The number of schools is cumulative over the years.</p> <p>Partial achievement of the DLI is by the number of schools and not students, Total disbursement divided by 1,000 schools in Year 3 (2018), and total disbursement divided by 2,000 additional schools over Year 3 targets in Year 5 (2020). MOE will provide disaggregated data on student beneficiaries in the total number of schools receiving this intervention.</p>	EMIS, six monthly	PCS will submit a report that includes the list of schools to which the math, science and English language kits for grades 6–8 have been provided and the number of students (girls and boys) benefiting. Independent, third party verification of the report will be conducted by the JFPs.
DLI 4: Examination system reforms undertaken to improve teaching and learning			
<p>Year 1, March 2017: National Examination Board made operational.</p>	<p>National Examination Board Operational refers to a notification by government of the establishment of NEB, appointment of a Head, and allocation of a budget.</p> <p>This DLI is achieved when the government notification is agreed by the JFPs.</p>	MOE/NEB, one time in 2017	PCS will submit a copy of the government notification on the establishment of NEB with details of staffing and budget.
<p>Year 3, Nov 2018: All students appearing for grade 8 examinations (at least 45% girls) sit for standardized and improved annual examination.</p> <p>Year 5, Nov 2020: All students appearing for grade 10 examinations (at</p>	<p>Grade 8 examination is conducted at the district level by the DEO and grade 10 examination is conducted at the regional level by the NEB.</p> <p>Students appearing for examinations are those who have registered for the examination and have the required attendance rate to sit for the final examinations.</p> <p>Standardized and improved examination will use improved test items that include an appropriate mix of cognitive domains, which are standardized to ensure comparability across districts/regions and over time. The test items will reduce</p>	NEB, annual on progress; 2018 and 2020 on roll out of examinations	PCS will provide an attestation letter certifying that all eligible students from grades 8 and 10 (disaggregated by gender) have undergone the annual examinations conducted using the standardized and improved test items, together with copies of examination question

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
least 45% girls) sit for standardized and improved annual examination.	<p>emphasis on rote learning by students and increase emphasis on knowledge and skills.</p> <p>This DLI is achieved when MOE confirms that all students appearing for annual grade 8 and grade 10 examinations (of which 45% are girls) have participated in district and regional national examinations conducted nationwide for the respective grades by using the newly developed standardized and improved test items.</p>		papers. The JFPs will jointly verify.
DLI 5: Model schools pilot tested with comprehensive quality inputs and innovative teaching and learning			
<p>Prior result, Nov 2016: Eligibility and selection criteria for model schools developed.</p>	<p>Eligibility and selection criteria include details on how schools can apply to be a model school and how schools are selected for upgrade to model schools.</p> <p>This DLI is achieved when the JFPs jointly agree on the eligibility and selection criteria for model schools developed by the MOE.</p>	MOE, one time in November 2016	PCS will submit a copy of the eligibility and selection criteria for model schools to the JFPs, which will be jointly verified by the JFPs.
<p>Year 1, March 2017: Guidelines for establishment and operation of model schools approved by MOE.</p>	<p>Guidelines for establishment and operation of model schools will include (i) key features such as separate head teacher and subject teachers; disaster resilient infrastructure; ICT laboratory; science laboratory; library; e-resources; math, science and English language kits (see DLI 3); water and sanitation facilities and offering of science subjects in grades 11 and 12; (ii) procedures for governance; and (iii) intensive support to school-based quality improvement.</p> <p>This DLI is achieved when JFPs review and agree on the guidelines.</p>	MOE, one time in March 2016	PCS will submit a copy of the approved guidelines for the establishment and operation of model schools to the JFPs. The JFPs will jointly verify the guidelines.
<p>Year 2, Nov 2017: Implementation of approved school-specific multi-year quality improvement plans in 100 model schools initiated.</p> <p>Year 3 (i), Nov 2018: Implementation of approved school-specific multi-year quality improvement plans in additional 100 model schools initiated</p>	<p>Approved school-specific multi-year quality improvement plan will include needs assessment and comprehensive planning for upgrade to a model school, including construction or retrofitting of buildings, water and sanitation facilities, science laboratory, library, ICT laboratory, e-resources and playground.</p> <p>The DLI is achieved when MOE submits the school-specific plans, with detailed costs and 5-year implementation plan, and confirms deployment of head teachers (one full-time head teacher per school) and subject teachers (one subject teacher for each of math, science and English subjects to teach both basic and secondary levels), and the JFPs review and agree.</p> <p>Partial achievement of the DLI is by the number of model schools. Total disbursement divided by 100 model schools for each of Year 2 (2017) and Year 3 (2018).</p>	MOE, annual	PCS will submit multi-year quality improvement plans and confirmation of teacher positioning to the JFPs, which will be jointly verified.
<p>Year 3 (ii), Nov 2018: The 100 schools selected in 2017 provided with science and ICT</p>	The 100 schools selected in each of 2017 and 2018 will be provided with ICT laboratories; libraries; e-resources; science laboratories; and math, science and English language kits, in accordance with the specifications in the Guidelines for the establishment and operation of model schools and with the detailed school-	MOE, annual	PCS will submit a report on the provision of ICT laboratories, libraries, e-resources, science laboratories, and math, science

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
<p>laboratories; libraries; e-resources; and kits for math, science and English language kits.</p> <p>Year 4, Nov 2019: The 100 schools selected in 2018 provided with science and ICT laboratories; libraries; e-resources; and kits for math, science and English language kits.</p>	<p>specific quality improvement plans.</p> <p>This DLI is achieved when the MOE report is submitted and an independent, third party verification confirms those ICT laboratories; libraries; e-resources; science laboratories; and math, science and English language kits have been provided to the 100 schools each selected in 2017 and 2018.</p> <p>Partial achievement of the DLI is by the number of model schools. Total DLI divided by 100 model schools each for Year 3 (2018) and Year 4 (2019).</p>		<p>and English language kits and an implementation progress report. Independent, third party verification of the report will be conducted by JFPs.</p>
<p>Year 5, Nov 2020: At least 200 secondary schools upgraded to model schools with science subjects offered in grades 11–12, benefiting 40,000 students of which 50.0% are girls.</p>	<p>Upgraded refers to the implementation of activities as per approved school-specific quality improvement plans, and inclusion of science subjects if not done previously.</p> <p>This DLI is achieved when independent, third party verification confirms that activities in the approved school-specific plans have been undertaken for 200 schools and they offer science subjects in grades 11 and 12 and student beneficiary data is provided.</p> <p>Partial achievement of the DLI is by the number of model schools. Total disbursement divided by 200 model schools.</p>	<p>MOE, final year report in Nov 2020</p>	<p>PCS will submit a completion report of model schools implementation to JFPs. Independent, third party verification of the report will be conducted by JFPs.</p>
DLI 6: Improved governance and strengthened fiduciary management of schools			
<p>Prior result (i), Nov 2016 : Eighth Amendment to the Education Act (2016) passed by the Parliament.</p> <p>Prior result (ii), Nov 2016: SSDP implementation arrangements with FM, procurement and safeguard units in place.</p>	<p>SSDP implementation arrangements refer to dedicated staff and technical expertise in MOE, DOE, CLA and DEO for SSDP, in areas such as program management and monitoring, financial and procurement management, safeguard compliance and technical support to components jointly agreed between MOE and JFPs, and as reflected in the PID.</p> <p>This DLI is achieved when the JFPs (i) jointly verify that the Eighth Amendment to the Education Act (2016) has been passed by the Parliament and published in the Nepal Gazette, and (ii) jointly agree that adequate SSDP implementation arrangements are in place.</p>	<p>MOE, one time in Nov 2016</p>	<p>PCS will submit a copy, in English, of the Eighth Amendment to the Education Act (2016) passed by the Parliament.</p> <p>PCS will submit details of the SSDP implementation arrangements jointly agreed with the JFPs.</p>
<p>Year 1 (i), March 2017: SSDP FMAP approved by the SC.</p>	<p>SSDP FMAP is jointly developed by MOE and JFPs and includes measures to continuously improve fiduciary management of SSDP such as (i) plan for ensuring adequate staff in each DEO for FM, engineering and procurement functions with capacity development; (ii) plan for annual fiduciary reviews; (iii) plan for rollout of CGAS; and (iv) plan for rollout of e-GP system of PPMO for national competitive bidding at DOE and DEO levels.</p>	<p>MOE/DOE, Plan shared in Mar 2017; Annual progress report</p>	<p>PCS will submit a copy of the FMAP approved by the SC to the JFPs.</p>

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
	This DLI is achieved when the JFPs verify and agree on the approved FMAP.		
<p>Year 1 (ii), March 2017: Manual developed with well-defined procedures for procurement of works, goods and services as per PPA and PPR.</p> <p>Year 2 (ii), Nov 2017: Training imparted to 1,000 secondary schools in procurement procedures.</p> <p>Year 4 (ii), Nov 2019: Training imparted to 2,000 secondary schools in procurement procedures.</p>	<p>Manual refers to school procurement guidelines outlining procurement procedures with emphasis on public advertisements of contract opportunities and awards, and thresholds for works, goods, and services, in accordance with the PPA and PPR.</p> <p>This DLI is achieved when the JFPs verify, and agree with MOE on the (i) Manual for school for procurement of works, goods and services, and (ii) the number of secondary schools that have received the training based on the manual.</p>		PCS will submit a copy of the (i) Manual for school for procurement of works, goods and services, and (ii) the list of secondary schools provided with training based on the manual to the JFPs. The JFPs will jointly verify.
<p>Year 2 (i), Nov 2017: A revised needs- and performance-based school grant system approved by the MOE.</p>	<p>The revised needs- and performance-based school grant system will redefine the guidelines, norms and procedures for the flow of grants to schools to better address critical school-specific needs and to strengthen performance of schools. This will be based on the review of the existing school grants system.</p> <p>This DLI is achieved when the JFPs verify, and agree with MOE on the revised needs- and performance-based school grant system, and MOE approves the revised school grant system.</p>	MOE, one time in Nov 2017; Annual progress report	PCS will submit a copy of the (i) revised needs- and performance-based school grant system, and (ii) updated manuals and guidelines for procurement of goods and services to the JFPs. The JFPs will jointly verify.
<p>Year 3 (i), Nov 2018: e-GP for national competitive bidding is implemented in at least 35 DEOs with training.</p> <p>Year 5 (ii), Nov 2020: e-GP for national competitive bidding is implemented in all 75 DEOs with training</p>	<p>e-GP refers to online procurement system of the PPMO.</p> <p>This DLI is achieved when the independent, third party verification confirms that the e-GP with training has been implemented in the DEOs as per the targets of 35 in Year 3 (2018) and 75 in Year 5 (2020).</p>	MOE, annual	PCS will submit a report confirming implementation of e-GP with training for national competitive bidding in the DEOs as per targets. Independent verification will be conducted by JFPs.
<p>Year 4 (i), Nov 2019: Revised needs- and</p>	<p>The revised needs- and performance-based school grant system will redefine the guidelines, norms and procedures for the flow of grants to schools to better</p>	MOE/DOE, Annual	PCS will submit to JFPs a letter certifying that the new school

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
performance-based school grant system implemented in all 75 DEOs.	address critical school-specific needs and to strengthen performance of schools. This will be based on the review of the existing school grants system. This DLI is achieved when the independent, third party verification confirms that the needs- and performance-based school grant system has been implemented in all 75 DEOs. Partial achievement of the DLI is by the number of districts where the revised school grant system is implemented. Total disbursement divided by 75 districts.	Progress Report	grant system has been implemented in all 75 DEOs. Independent, third party verification will be conducted by JFPs.
Year 3 (ii), Nov 2018: CGAS implemented in all 75 DEOs with training	CGAS refers to unified web-based computerized accounting system of FCGO. This DLI is achieved when the independent, third party verification confirms that the CGAS has been implemented in all 75 DEOs.	MOE; FCGO, annual	PCS will submit a report confirming implementation of CGAS with training in all 75 DEOs. Independent verification will be conducted by JFPs.
Year 5 (i), Nov 2020: Percentage of recurring audit observations of SSDP no more than 5.0% of the total SSDP expenditures.	Recurring audit observations for SSDP refer to observations made by OAG in its annual audit report that is repeated more than one year. The DLI is achieved when the JFPs jointly verify that the percentage of audit observations for FY2018 is no more than 5.0% of the total SSDP expenditures for FY2018.	OAG, annual	PCS will submit to the JFPs a letter indicating audit observations on SSDP for FY2018, together with a copy of OAG audit report for FY2018. JFPs will jointly verify.
DLI 7: Enhanced reliability and transparency of the education management and information system data, including school level data			
Year 2, Nov 2017: First round of sample-based independent verification of EMIS completed.	Sample-based independent verification refers to a third party validation of school-wise EMIS data, based on a random sample of no less than 5.0% of the total number of public schools in the country. This DLI is achieved when the final report of the sample-based independent verification of the EMIS data is made publicly available.	MOE/DOE, 2017	PCS will submit to the JFPs a report on the sample-based independent verification of EMIS.
Year 3, Nov 2018: Web-based EMIS, with disaggregated data for gender and social groups, operational in all 75 DEOs.	Web-based EMIS refers to a system in which data entry occurs on web-based user interface at the DEO level. Operational means EMIS data utilizes web-based entry of all school level information by all DEOs. This DLI is achieved when JFPs jointly verify that a web-based EMIS is operational.	DOE, Annual Report; Website, ongoing	PCS will submit a letter to the JFPs providing evidence that a web-based EMIS with disaggregated data for gender and social groups is operational and that it is publicly accessible.
Year 4 (i), Nov 2019: Annual sector performance report prepared with web-	Annual sector performance report is the analytical report of education sector performance and achievement of SSDP program results based on EMIS data analysis.	MOE, 2019	PCS will submit a copy of the annual sector performance report to the JFPs, together

Disbursement-Linked Indicators	Definition and Description of Achievement	Information Source and Frequency	Verification Agency and Procedure
based EMIS data.	This DLI is achieved when MOE makes an annual sector performance report prepared with web-based EMIS data publicly available.		with an attestation letter stating that the report has been prepared with web-based EMIS data. Independent, third party verification of EMIS will confirm this.
Year 4 (ii), Nov 2019: Second round of sample-based independent verification of EMIS completed with 95.0% accuracy of student and teacher data.	Sample-based independent verification refers to a third party validation of school-wise EMIS data, based on a random sample of no less than 5.0% of the total number of schools in the country. This DLI is achieved when the final report of the sample-based independent verification of the EMIS data, showing at least 95.0% accuracy of data on the number of students and teachers, is made publicly available.	MOE/DOE, 2019	PCS will submit to the JFPs a report on the sample-based independent verification of EMIS, which shows at least 95.0% accuracy of student and teacher data.
Year 5, Nov 2020: District and school profiles from EMIS used in school social audits nation-wide as a tool to improve school performance.	School profile refers to an EMIS-generated report of the school, which includes information on school details, students, teachers, STR, internal efficiency, with comparative information on other schools in the district and beyond. Social audit refers to the annual audit of the school's financial and educational performance conducted by the PTA and disseminated at the school level. This DLI is achieved when JFPs jointly verify the report submitted by the PCS.	DOE, 2020	PCS will submit to the JFPs a report that will include data on the use of district and school profiles in school social audits.

CDC = Curriculum Development Center, CGAS = Computerized Government Accounting System, CLA = Central Line Agencies; DEO = District Education Office, DLI = disbursement-linked indicator, DOE = Department of Education, ECED = Early Childhood Education Development, EMIS = education management information system, e-GP = electronic government procurement, FCGO = Financial Comptroller General Office, FM = financial management, FMAP = fiduciary management action plan, FY = fiscal year, ICT = information and communication technology, GER = gross enrollment rate, JFP = Joint Financing Partner, MOE = Ministry of Education, NCED = National Center for Educational Development, NEB = National Education Board, OAG = Office of the Auditor General, PCS = program coordination secretariat, PID = program implementation document, PPA = Public Procurement Act, PPR = Public Procurement Regulations, PPMO = Public Procurement Management Office, PTA = parent teacher association, SC = SSDP steering committee, SSDP = School Sector Development Plan, STR = student teacher ratio.

Source: Asian Development Bank.

Table 3. Disbursement Schedule
(\$ million)

Disbursement-Linked Indicators	Total ADB Financing Allocation	Share of total ADB financing (%)	Financing for Prior Results	Year 1	Year 2	Year 3	Year 4	Year 5
Outcome								
DLI 1 Increased access and participation of girls and boys in secondary education	18.0	15.0	—	3.0	7.0	—	4.0	4.0
Outputs								
DLI 2 Improved deployment of trained subject teachers for math, science, and English in basic and secondary schools	17.0	14.2	—	3.0	—	(i) 4.0 (ii) 3.0	3.0	(i) 2.0 (ii) 2.0
DLI 3 Activity-based math, science, and English materials to improve teaching and learning provided	11.0	9.2	—	—	6.0	3.0	—	2.0
DLI 4 Examination system reforms undertaken to improve teaching and learning	7.0	5.8	—	3.0	—	2.0	—	2.0
DLI 5 Model schools pilot tested with comprehensive quality inputs and innovative teaching and learning	28.0	23.3	5.0	3.0	6.0	(i) 5.0 (ii) 4.0	3.0	2.0
DLI 6 Improved governance and strengthened fiduciary management of schools	27.0	22.5	(i) 5.0 (ii) 5.0	(i) 1.5 (ii) 1.5	(i) 2.0 (ii) 2.0	(i) 2.0 (ii) 3.0	(i) 1.5 (ii) 1.5	(i) 1.0 (ii) 1.0
DLI 7 Enhanced reliability and transparency of the education management information system data, including school-level data	12.0	10.0	—	—	3.0	2.0	(i) 3.0 (ii) 2.0	2.0
Total	120.0	100.0	15.0	15.0	26.0	28.0	18.0	18.0

ADB = Asian Development Bank, DLI = disbursement-linked indicator.

Source: Asian Development Bank.

ANNEX 3

Draft Joint Financing Arrangement (Version as 10 August)

between the Government of the Federal Democratic Republic of Nepal

and

The Asian Development Bank (“ADB”);

The Government of Australia, represented by the Department of Foreign Affairs and Trade (“DFAT”);

The European Union (“EU”);

The Ministry for Foreign Affairs of Finland (“Finland”);

The International Development Association (“IDA”);

Japan International Cooperation Agency (“JICA”)

The Royal Ministry of Foreign Affairs, The Kingdom of Norway (“Norway”);

The United Nations Children’s Fund (“UNICEF”)

(collectively referred to as the Joint Financing Partners)

WHEREAS the Government of Nepal (hereinafter referred to as "GON") has requested the support of the Joint Financing Partners to contribute towards the funding of the School Sector Development Plan described in the School Sector Development Plan document, dated xxx 2016 (hereinafter referred to as the “SSDP”). GON and the Joint Financing Partners together are hereinafter referred to as "the Signatories";

WHEREAS GON has committed itself to provide an agreed level of funding to the SSDP and intends to contract from Joint Financing Partners, grants to assist in financing the SSDP on the terms and conditions to be set forth separately in an agreement/arrangement to be entered into between GON and each of the Joint Financing Partners;

WHEREAS the Joint Financing Partners have committed themselves to the principles of harmonization in the spirit of the Paris Declaration on Aid Effectiveness and Accra Agenda for Action (all five principles), as reflected in this Joint Financing Arrangement (hereinafter referred to as the "JFA") and strive to reach the highest degree of alignment with the budgetary and accountability system and legislation of Nepal so as to enhance effective implementation and to reduce the administrative burden of GON;

WHEREAS the Signatories understands that this JFA is not a treaty and is not intended to create a legally binding obligation of the Signatories. The legal binding obligations of the Signatories and the granting of financial contributions by the Joint Financing Partners will be ultimately set forth in the bilateral agreements/arrangements to be entered into between the GON and each of the Joint Financing Partners;

WHEREAS respect for human rights, democratic principles, equality, inclusiveness and non discrimination, the rule of law and good governance form the basis of the co-operation and constitute essential elements of this JFA;

NOW THEREFORE, the Signatories to this JFA have come to the following understanding:

1. Section I - Goals of the SSDP and Scope of the JFA

The goal/objective(s) of the SSDP, as stated in the SSSP document of the Ministry of Education (hereinafter referred to as "MOE");

- XXXXX
- XXXXX
- XXXXX

The SSDP document will be updated whenever required, taking into account the results of reviews, the decisions taken by the GON and on the basis of the consultations with the Joint Financing Partners and other stakeholders.

SSDP will encompass the pre-primary, basic and secondary education sub-sectors of Nepal with results as specified in the Results Framework as annexed to this JFA in Annex I.

This JFA sets forth the jointly agreed terms and procedures for the Joint Financing Partners' support to the SSDP and serves as a coordinating framework for consultations with the GON, for joint reviews of performance, for common procedures on disbursement, reporting, procurement and audits.

This JFA will apply to all SSDP activities budgeted and accounted for in the state budget in accordance with current chart of accounts of the GON. Disbursements from Joint Financing Partners will be made against reporting on expenditures under specific budget heads as annexed to this JFA (Annex III) that will comprise the Program Budget Heads (hereinafter referred to as PBH) for financial reporting purposes. Any changes to these budget heads due to revision of the chart of accounts and/or changes in the classification codes in the SSDP budget will be made in consultation with the Joint Financing Partners.

The Joint Financing Partners will enter into bilateral agreements/arrangements that are, to the extent possible, compatible with the spirit and provisions of this JFA and will refrain, as far as possible, from setting conditions in the bilateral agreements/arrangements which contradict or diverge from the spirit or the provisions of this JFA.

If any inconsistency or contradiction exists between the terms and conditions of this JFA and those of any of the bilateral agreements/arrangements, the provisions of the bilateral arrangements/agreements will prevail. In so far as specific provisions of a bilateral agreement/arrangement deviate from the JFA, the Joint Financing Partner concerned will inform the other Joint Financing Partners thereof, by specifying the provision(s) concerned.

2. Section II - Representation

In matters pertaining to the implementation of this JFA, GON will be represented by the Ministry of Finance ("MOF"). The responsibility for the implementation of the SSDP not affecting the overall responsibilities of GON or the MOF will be with MOE.

In matters pertaining to the implementation of the JFA, the representative of each Joint Financing Partner will be as identified in their respective bilateral agreements/arrangements.

The Joint Financing Partners will designate one among them as a Focal Point for communication and information sharing with GON on matters concerning the implementation of this JFA. However, the Joint Financing Partners' Focal Point will not have any authority to make decisions on behalf of the Joint Financing Partners.

The Terms of Reference for the Focal Point will be prepared by the Joint Financing Partners in consultation with MOE and decided among the Joint Financing Partners, and a copy of the Terms of Reference will be shared with the Signatories.

The selection and role of the Joint Financing Partners' Focal Point, as well as any changes made to the Terms of Reference during the timeframe of this JFA, will be communicated to MOE in writing by the Joint Financing Partners' Focal Point.

IDA will, on behalf of the Joint Financing Partners, serve as Focal Point specifically for oversight of financial management related to SSDP and monitoring of financial reporting, reviews and audits in compliance with this JFA.

3. Section III - Responsibilities

MoF will be fully responsible for the management of the Joint Financing Partners' financial contributions and making sure the timely availability of funds for implementation of SSDP activities and in pursuit of its objectives.

Funds will be managed in accordance with the GON financial management and procurement acts, regulations and procedures with additional provisions as specified in this JFA.

MOF will ensure that accounts for the SSDP are kept in accordance with GON accounting system, and should comply with the Financial Procedures Act (2055, and as amended) and provisions set forth in the Financial Procedures Regulations ("FPR") of GON (2064, and as amended);

MOE will be fully responsible for the implementation of the SSDP including the achievement and reporting of results.

No Joint Financing Partner will bear any responsibility and/or liability to any other Joint Financing Partner, the GON or third party with regard to the implementation of the SSDP.

Prior to any disbursement of funds under this JFA from the Joint Financing Partners, the GON will have implemented the following actions prior to the first fiscal year of SSDP or demonstrated satisfactory progress with regards to:

- a. A SSDP monitoring and evaluation system satisfactory to all Signatories of this JFA enabling overall monitoring of performance in accordance with the Results Framework.
- b. Implementation of the Computerized Government Accounting System (CGAS) within MOE to maintain accounts in accordance with the GON chart of accounts and SSDP component and activity based accounting codes.
- c. A budget allocation compliant with the SSDP budget for each of the fiscal years with an annual real growth in allocation from the state budget for the PBHs in total.
- d. Establish a financial management unit within MOE to strengthen overall financial monitoring of SSDP and ensure timely implementation of recommendations from the Office of the Auditor General of Nepal (hereinafter referred to as "OAG") and Annual Fiduciary Risk Assessments as described in Section VII of this JFA.

The GON will use the Treasury Single Account system (hereinafter referred to as "TSA") and CGAS to monitor the budget execution of SSDP.

The GON will ensure timely release of the budget to all spending levels of MOE and will implement internal controls to ensure that payment processing times are maintained and monthly reconciliations are made in accordance with GON regulations, and appropriate accounting is made of advances.

The GON will perform its financial management responsibilities in accordance with sound financial management procedures including internal control mechanisms of mutually acceptable standards and in accordance with GON own regulations.

The GON is committed to strengthening financial management capacity of the education sector through appropriate measures including deployment of accounting and procurement staff, and training of disbursement, procurement and accounting officers at all levels.

GON will convene and make adequate arrangements and documentation as stated herein for joint consultations and reviews as described in Annex IV of this JFA.

The Signatories will cooperate and communicate with each other fully and in a timely manner on all matters relevant to the implementation of the SSDP and this JFA. Signatories will share all information on financial flows, technical reports and any other documentation and information related to the implementation of the SSDP.

MOF and MOE will immediately inform all Joint Financing Partners of any circumstance which may interfere or threaten to interfere with the successful implementation of the SSDP and, with a view to resolving the issue, will call for a meeting to consult with the Joint Financing Partners on remedial action to be taken.

4. Section IV - Joint Financing Partners' Contributions and Disbursements

The Joint Financing Partners will confirm their contributions and the planned disbursements of their total contributions to SSDP within the bilateral agreements/arrangements agreed between the GON and the individual Joint Financing Partner, which will be consistent with the Disbursement Schedule as annexed to this JFA in Annex V.

Some of the Joint Financing Partners may require additional approval of their respective parliaments/governing authorities to confirm the level of disbursements each year.

The Disbursement Schedule will be updated following outcomes of annual reviews and consultations each year as specified in section V.

The Joint Financing Partners will base their actual support on the results achieved by the GON in implementing the SSDP. Results achieved will be determined and reported through the common agreed procedures as described in this JFA of which some of the amounts to be disbursed will be based on achievement of specific results as annexed to this JFA in Annex II defined as Disbursement Linked Indicators (hereinafter referred to as "DLIs").

The Joint Financing Partners' disbursements will be contingent on GON expenditures on PBH for a given period as presented in Financial Monitoring Reports (hereinafter referred to as "FMR") as annexed to this JFA in Annex VI, exceeds the total disbursements by all Joint Financing Partners for the same period and either one or both of the following;

- a. A general assessment of the performance of SSDP as evidenced by reviews during the Consultations and Decision-making process as described Section V and by the reports as described in Section VI.
- b. Achievement of DLIs agreed to between the GON and Joint Financing Partners as specified in Annex II. The amount to be disbursed in each fiscal year will be contingent upon number of DLIs achieved during the previous fiscal year.

Following the outcome of the review meetings as mentioned in Section V, the government will send a withdrawal application/request to respective Joint Financing Partner for their disbursement in accordance with the disbursement schedule as presented in annex V.

The respective Joint Financing Partner will transfer their contributions to a designated revenue account under the Treasury Single Account system of GON in accordance with the

procedures and banking instructions to be established in the respective agreements between the Joint Financing Partner and the GON.

The credit equivalent in Nepalese Rupees disbursed to the designated account as a result of conversion of receipt of foreign currency by the Nepal Rastra Bank will be certified by FCGO for each disbursement in writing to respective Joint Financing Partner within one month of the date of disbursement.

The first disbursement of the Joint Financing Partners will be made after July 2016 based on the implementation of the provisions in paragraph 19 of this JFA.

The next tranche of Joint Financing Partners' funds will be disbursed as a reimbursement of eligible expenditures as documented in the FMR.

Subject to meeting the disbursement requirements, the above semi-annual disbursement procedure as specified in paragraphs 36 - 38 above will be repeated every twice a year each fiscal year for the duration of this Joint Financing Arrangement.

5. Section V - Consultations and decision-making process

MOE will invite the Joint Financing Partners for semi-annual reviews/consultations in March and November each year to review progress in implementation of SSDP in accordance with the Schedule for Reporting and Review as annexed to the JFA (annex IIV).

The Signatories will conduct a Budget Review Meeting (hereinafter referred to as "BRM") in March each year to;

- a. Review the SSDP plans and budget for the next fiscal year.
- b. Assess overall program performance and implementation progress based on the reports as specified in Section VI.
- c. Assess and confirm the achievement of any DLIs not assessed in the previous DLI review during JRM in November and for which evidence has been submitted.
- d. Assess progress towards meeting the current year DLIs and identify steps to remove obstacles if any.
- e. Review compliance with financial management responsibilities as mentioned in Section II and procurement procedures as mentioned in Section VIII.
- f. Assess outcome of other reviews as mentioned under Section VII.

The Signatories will conduct a Joint Review Meeting (hereinafter referred to as "JRM") in November each year to:

- a. Assess overall program performance and implementation progress based on the reports as specified in Section VI.
- b. Assess and confirm the achievement of annual DLIs for which evidence has been submitted.
- c. Agree on the actions to be taken and the evidence to be submitted to fulfil the DLIs for the current year.
- d. Review compliance with financial management responsibilities as mentioned in Section II and procurement procedures as mentioned in Section VIII.
- e. Assess outcome of other reviews as mentioned under Section VII.

The above meetings among the Signatories will be organized and chaired by MOE.

The outcomes of the meetings will be recorded in an Aide Memoire. The Aide Memoire will be drafted by the Joint Financing Partners and endorsed by GON.

Signatories will encourage on-going effective communication and engagement to support the SSDP achievement of results. To support a process of effective communication additional consultation meetings may be requested by Signatories on any subject relevant to the implementation of the SSDP and this JFA.

6. Section VI – Reporting

GON will provide the Joint Financing Partners with all information relevant to the implementation of the SSDP in accordance with the Schedule for Reporting and Review in Annex IV and including the following reports:

- a. FMR reports in accordance with Annex VI for each trimester within 45 days after the end of the trimester with:
 - i. A statement of sources and uses of funds certified by FCGO with a copy of the bank statements by Nepal Rastra Bank showing receipts of Joint Financing Partner disbursements during the period.
 - ii. A statement of expenditures by the PBH budget heads and economic code from the GON TSA system. The TSA generated reports will be approved by the FCGO before submission to the Joint Financing Partners.
 - iii. A statement of expenditures by the PBH budget heads and activity codes for SSDP from the GON CGAS system comparing actual and budgeted figures.
 - iv. An update on the Procurement Plan as described to under Section VII of this JFA.
- b. The Annual Strategic Implementation Plan (“ASIP”) and the Annual Workplan and Budget (“AWPB”) for the next fiscal year two weeks before the BRM each year.
- c. A Consolidated Status Report to be submitted two weeks before the JRM each year, among others, presenting progress in achievement of results as per SSDP Result Framework presented in Annex I.
- d. A report on progress in achievements of DLIs before the JRM and BRM each year with evidence of achievement of each DLI to be submitted two weeks in advance of the meetings in which the DLIs will be assessed.
- e. An annual audit report from the external audit as described in Section IX below to be submitted by 15 April each year.
- f. Reports from other reviews as mentioned under Section VII of this JFA.

7. Section VII - Review and evaluation

The Joint Financing Partners will implement an Annual Fiduciary Review (“AFR”) according to Terms of Reference to be agreed to between the Joint Financing Partners each year. The timing of these assessments will be decided upon in the JAR and Consultation meetings. The AFR will include post procurement reviews and will serve as part of an annual fiduciary review process as described in Annex VII to this JFA. The cost of the AFR will be charged to the Joint Financing Partners participating in the process unless otherwise agreed to between the Signatories.

The Signatories will conduct a review each trimester of the GON progress in strengthening financial management and procurement for SSDP. Actions to be implemented and progress in their implementation will be presented in a Financial Management Action Plan ("FMAP") to be implemented by GON with the assistance of the Joint Financing Partners.

The Signatories will each fiscal year conduct a third party verification of the Education Management Information System ("EMIS"). The cost of the EMIS review will be charged to the Joint Financing Partners participating in the process unless otherwise agreed to between the Signatories.

GON and the Joint Financing Partners may commission external technical reviews and other studies to be carried out in the course of the year in support of their decision making process. The procedures for developing the Terms of Reference of these external technical reviews and/or studies as well as contracting and funding of consultants and others to undertake them will be decided upon between the Joint Financing Partners in consultation with GON. The cost of these external technical reviews and/or studies will be charged to the Joint Financing Partners participating in the process unless otherwise agreed to between the Signatories.

The Signatories will conduct a mid-term review of SSDP during the third year of implementation. The Signatories will jointly prepare the Terms of Reference for the review. The Signatories will jointly manage the review process, including the contracting of any external technical assistance for the review. The cost of the review will be charged to the SSDP budget unless otherwise agreed to between the Signatories.

The Signatories will jointly conduct an evaluation of the SSDP in the last year of the program. The Signatories will jointly prepare the Terms of Reference for the evaluation to be discussed at the JRM meeting of SSDP. The Signatories will jointly coordinate and manage the evaluation process, including the contracting of any external technical assistance for the evaluation. The cost of the evaluation will be charged to the Joint Financing Partners participating in the process unless otherwise agreed to between the Signatories.

As far as possible, the Joint Financing Partners will refrain from conducting unilateral reviews, evaluations and/or audits of SSDP. However, when a Joint Financing Partner is required to conduct a unilateral review, evaluation or external audit, this Joint Financing Partner will consult with the other Signatories in a timely fashion and share the Terms of Reference including information on team composition and scheduling of the review, evaluation and/or audit.

8. Section VIII - Procurement

The GON will implement all procurement of works, goods and services for the SSDP and is responsible for the contracts to be signed.

All procurements requiring National Competitive Bidding (NCB) will be performed in accordance with generally accepted principles and good procurement practices and in conformity with GON's Public Procurement Act 2063 and Public Procurement Regulations 2064. [Until the gaps vis-à-vis international procurement procedures that are existing in the prevailing laws are addressed, the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by IDA in May 2004, as amended in October 2006 ("Guidelines") will be applied for all procurements requiring International Competitive Bidding (ICB)].

MOE will provide the Joint Financing Partners for their review a draft annual procurement plan ("Procurement Plan"), which will include on-going contracts rolling over from the previous year.

The Procurement Plan will only include activities to be financed under the SSDP and procured pursuant to International Competitive Bidding (ICB) and other procurement methods as maybe requested by the Joint Financing Partners.

During implementation of the Procurement Plan, MOE will provide the Joint Financing Partners with fiscal year trimester procurement monitoring reports concerning progress in implementation of the Procurement Plan and identifying any contracts that were not included in the previous Procurement Plan.

In each of the procurement monitoring reports, MOE will also provide information to the Joint Financing Partners concerning awarded contracts, appointment of consultants, and any material modifications to the terms and conditions of such contracts after their award.

MOE will, upon request, furnish the Joint Financing Partners with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents.

9. Section IX - Audit

MOE will submit to the Joint Financing Partners the annual audit report from the Office of the Auditor General of Nepal (hereinafter referred to as "OAG") of MOE budget heads including the PBH, no later than 15 April of the following fiscal year. The audit report will include the audit of the disbursements by Joint Financing Partners to the GON revenue accounts. Such audit shall be carried out in accordance with auditing standards, prevailing statutes, and additional terms of reference if required, agreed between OAG and the Joint Financing Partners and as a minimum cover the Statement of Audit needs as annexed to this JFA in Annex IX.

A performance audit will be carried out every year by the OAG, with the support of appropriately qualified auditors contracted under its authority.

Based on the outcome of the above audits, the Joint Financing Partners may convey to GON any corrective measures they consider needed to be undertaken.

The Joint Financing Partners will to the extent possible refrain from initiating unilateral audits of the SSDP. However, in case a Joint Financing Partner is required to conduct such an audit, this Joint Financing Partner will timely consult with the other Signatories and OAG. GON will offer all reasonable support to facilitate such audits/inspections. The cost of this audit/inspection will be covered by the Joint Financing Partner(s) conducting such audit or inspection through separate arrangements.

10. Section X - Safeguards

The Signatories recognize the importance of environmental and social safeguards compliance under SSDP and agree to cooperate with each other to perform due diligence to ensure that SSDP is implemented in accordance with the agreed Environmental Management Framework ("EMF") and Social Management Framework ("SMF") prepared for SSDP. All these documents have been endorsed by the Joint Financing Partners and publicly disclosed. The arrangements for management of safeguards are set out in Annex VIII to this JFA.

11. Section XI - Non-Compliance

In the case of non-compliance with the terms of this JFA and/or violation of the fundamental principles set out in this JFA and/or respective agreement/arrangement between each of the Joint Financing Partners and GON, the Joint Financing Partners may suspend further disbursements to the SSDP. Such non-compliance could include inter alia substantial

deviations from agreed plans and budgets, misuse of funds or non-compliance with agreed preconditions relating to the implementation of the SSDP.

If a Joint Financing Partner intends to suspend new disbursements or terminate its support, the Joint Financing Partner will call for a meeting with the other Signatories to discuss a possible joint position on the measures, remedial or otherwise, required. If a joint position cannot be reached, the Joint Financing Partner will inform the other Signatories of its intentions regarding the continuation or discontinuation of its support.

Each Joint Financing Partner may suspend or reduce new disbursements or terminate its support to the SSDP if the Joint Financing Partner do not reach a common position on the response/remedial action required.

12. Section XII - Corruption

The Signatories will cooperate on preventing corruption within and through the SSDP and will require that the GON staff and consultants refrain from offering third parties, or seeking, accepting or being promised by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The GON will take appropriate measures to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption.

The Signatories will promptly inform each other of any instances of corruption as referred to in this Section and of the measures taken as referred to in the previous sub-Section.

13. Section XIII - Modification, Joint Financing Partner Accession, Withdrawal

The Signatories will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this JFA.

Any modification or amendment of/to the provisions of this JFA will only be effective if decided in writing by all Signatories.

The Signatories welcome the accession to this JFA by other Development Partners who wish to support the SSDP.

Upon a Development Partner's written request and acceptance of the provisions and conditions of this JFA, the Signatories may accept in writing the accession of the Development Partner. An addendum will be prepared and attached to the JFA, to allow the Development Partner to become a Signatory to the JFA.

In case a Joint Financing Partner intends to withdraw/terminate its support, the Joint Financing Partner will call for a meeting to inform the other Signatories on its decision and to consult on the consequences for the SSDP. Each Joint Financing Partner reserves the right to withdraw/terminate its support to the SSDP by giving the other Signatories three months written notice.

14. Section XV - Dispute Settlement

If any dispute arises between the Signatories as to the interpretation, application or performance of this JFA, the Signatories will consult with each other in order to reach an amicable solution.

15. Section XVI - Entering into Effect

This JFA comes into effect on the date of signature by GON and the individual Joint Financing Partner and will remain in effect until all obligations under this JFA have been completed.

GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF NEPAL

By _____

Name _____

[Joint Financing Partner]

By _____

Name _____

ANNEX 4

ANNUAL FIDUCIARY REVIEW PROCESS

1. The Joint Financing Arrangement (JFA) between the Government of Nepal and development partners supporting the SSDP includes a provision for strengthening fiduciary oversight and support to Ministry of Education (MOE) in implementation of actions to strengthen financial monitoring and supervision at all levels.
2. In particular it will serve to support the role of MOE in how to address weaknesses observed through recurring audit observations and as identified in the School Sector Development Plan (SSDP) Program Fiduciary Systems Assessment. Some issues are addressed in the JFA as actions the government needs to implement as preconditions for development partner disbursements, some are addressed through disbursement-linked indicators (DLIs) on governance and financial management and some captured through specific review procedures. Among them are a JFA covenant related to implementation of a web-based accounting system (Computerized Government Accounting System [CGAS]) already successfully implemented by other ministries at central and district levels. Others are the formation of a unit/team in MOE of financial management professionals and recruitment and deployment of qualified staff at District Education Office (DEO) for financial and procurement monitoring and supervision of schools, the latter as a DLI in the initial year followed by reduced Auditor General observations.
3. The development partners supporting the School Sector Reform Program has already established a Public Financial Management and Governance Thematic Working Group (PFMGWTWG) lead by MOE counterpart staff. The PFMGTWG regularly discuss challenges identified and seek to resolve them by among others, using a Financial Management Action Plan (FMAP) as a tool for decision making and monitoring implementation of agreed actions to meet the challenges identified.¹³
4. For SSDP a Financial Management Working Group (FMWG) will be established led by MOE with participation of Development Partners to focus specifically on fiduciary risks related to the implementation of SSDP. They will use the FMAP as the tool for monitoring implementation of proposed actions. As part of this, process the World Bank has been specifically tasked to review periodic Financial Monitoring Reports to assess level of compliance with JFA and level of assurance provided.
5. To help the process of identifying key challenges through a risk based approach, design remedial actions and monitor their execution, the Development Partners will commission an Annual Fiduciary Review (AFR). The AFR will be implemented by externally contracted professionals with the specific task of addressing recurring Auditor General observations, propose remedial actions and annually review the outcome of implementation. Recommendations from the AFR will be included in the FMIAP for follow up by the FMWG. A description of the AFR process is provided in the table below with a template for the Terms of Reference for an AFR is provided in Appendix 2.
6. Additional reviews and surveys will be implemented during the course of SSDP implementation, among them a new Public Expenditure Tracking Study (PETS) to assist in

¹³ The FMAP will also have procurement actions based on the fiduciary system assessment of the SSDP.

mapping school level challenges and recommend actions related to school level financial management (FM).

7. Finally, development partners will provide technical assistance, either through the AFR process or specific assistance to help MOE in strengthening its capacity to monitor budget execution and implement recommendations.

8. The following table gives an overview of the annual fiduciary review process to assess and support the MOE in improving financial management and procurement at all levels.

Fiduciary Review Process

Timing	Activity	Role of ADB	Role of Other Development Partners
November	Review of annual Financial Monitoring Reports	As member of PFMWG reviewing compliance and performance. Assess follow up linked to FMAP	World Bank to do a prior review of compliance for presentation to the PFMWG
April	Review of OAG reports including management letter. Prepare TORs for AFR.	Part of PFMWG reviewing OAG and develop TORs for AFR to assess specific risk areas identified by OAG	Joint PFMWG review and TOR for AFR in the PFMWG
May to June	AFR including post procurement review completed each year by end fiscal year.	Review AFR outcome and propose remedial actions to be included in FMAP and, if required, TA to strengthen FM and procurement and DEO levels.	Co-financing AFR and through PFMWG review AFR outcome and propose remedial actions to be included in FMAP and, if required, TA to strengthen FM and procurement and DEO levels.
March, September	DLI reviews	Review implementation of DLI on FM including recruitment and deployment of FM and procurement staff including training at DEO levels.	Review implementation of DLI on FM including recruitment and deployment of FM and procurement staff including training at DEO levels.
After 2 fiscal years; April - June	Public Expenditure Tracking Study for a stratified sample of Districts and Schools (5% districts = 4, 5% schools of different grades =240 schools).	Prepare TORs and contract firm to undertake PETS. Through PFMWG review outcome and propose remedial actions to be included in FMIA and, if required, Propose TA to strengthen FM and procurement at DEO levels.	Cofinancing PETS and through PFMWG review outcome and propose remedial actions to be included in FMIA and, if required, Propose TA to strengthen FM and procurement at DEO levels.

AFR = Annual Fiduciary Review, DEO = District Education Office, DLI = disbursement-linked indicator, FM = financial management, FMAP = Fiduciary Management Action Plan, OAG = Office of Auditor General, PETS = Public Expenditure Tracking Study, PFMWG = Public Financial Management Working Group, TA = technical assistance, TOR = terms of reference.

Source: Asian Development Bank.

TERMS OF REFERENCE FOR ANNUAL FIDUCIARY REVIEW

A. Background

1. The Government of Nepal and multiple development partners are supporting the School Sector Development Program (SSDP) through a Joint Financing Arrangement (JFA). The development partners financial contributions are contingent on delivery of results defined by a set of disbursement-linked indicators (DLIs); a subset of priority results defined by the Program Result Framework and adequate systems and procedures for financial management implemented by the government.
2. SSDP uses the government's public financial management (PFM) system for management of all funding of the program activities. The use of government PFM systems for development partner disbursement to the Central Treasury Account requires that fiduciary risk can be managed within levels acceptable to the government and development partners. In this respect, a fiduciary risk assessment of SSDP, with due consideration of both PFM and procurement issues, has been carried out during SSDP preparation. The level of fiduciary risk was assessed as acceptable provided that specific disbursement-linked indicators to improve the system are implemented and maintained by the Government of Nepal.
3. Government PFM systems operate with reasonable controls in place. Reports are produced which provide the government and development partners with the ability to monitor both budgeted and actual levels of expenditure in accordance with their information needs. The government's Integrated Financial Management Information System (IFMIS) has the capacity to generate reports upon request and to required levels of detail.

B. Purpose of the Annual Fiduciary Review

4. The Annual Fiduciary Review (AFR) will provide additional assurance to the IFMIS generated budget management reports constituting the Statement of Expenditures for financial monitoring purposes. In addition the AFR will focus on reviewing selected risk-areas each year including areas identified by annual reports of the Auditor General of Nepal. The AFR will provide concrete recommendations for improvement and value addition in the proposed risk areas subject for review.

C. Scope of the Annual Fiduciary Review

5. The AFRs each year will be implemented with focus on some selected areas which will be decided during the joint mission for SSDP. The following are areas of focus for the AFRs for the duration of SSDP:
 - (i) Review of internal controls and in particular controls over payroll processing and personnel data management.
 - (ii) Release procedures for cash transfers and distribution of non-cash inputs to schools and related financial management including school level grants, their application, accounting, financial reporting as well as school level financial and social audits.
 - (iii) Review whether District Education Office staffing issues are being progressively addressed.
 - (iv) Review of compliance with the Government of Nepal procurement guidelines at central, district level and school levels on a sample basis;

- (v) Review relevant reports from Auditor General and in particular, concerns in recurring observations from these audits, which are both general and specific to Ministry of Education and district education offices.

6. The assessments should be based on a sample as specified under the specific tasks described below.

D. Specific tasks for the AFR FY XXXX-XX

7. The AFR FY XXXX-XX will focus on the following areas:

- (i) Monitor progress against Financial Management Action Plan.
- (ii) Monitor unreconciled balances between Treasury Single Account and Ministry of Education accounts.
- (iii) Ensure processes for the preparation of program financial statements are working as intended.
- (iv) Other fiduciary issues arising from Auditor General annual audit reports and other financial management reviews relevant to program financial management.

E. Timing and reporting

8. The AFR will commence latest by XX-XXX-XXXX, with an estimated total duration of the assignment of maximum 4 weeks. The work is to be concluded by early XX-XXXX with the submission of a report presenting outcomes from the above tasks including a summary of recommendations, actions for follow-up, timeframe for when they should be completed and indication of the responsible entity/unit.

9. The government and Development Partner will discuss the results of the AFR each year in an Annual Review Meeting. The TORs for the succeeding year's AFR will also be agreed in Annual Review Meeting. Following deliverables are expected:

- (i) Inception report (within 1 week);
- (ii) Draft AFR report (within 6 weeks); and
- (iii) Final AFR report (within 8 weeks).

F. Qualifications of consultants

10. The assignment will be undertaken by a company who will employ adequate staff with appropriate professional qualifications and suitable experience with the International Federation of Accountants standards, in particular international standards on auditing, and International Organization of Supreme Audit Institution standards, and with experience in performing assessments of programs comparable in size and complexity to similar result-based financing education sector programs. The team should consist of:

- (i) **Financial Audit Specialist and Team Leader (2 person-months).** The Team Leader nominated by the firm shall: (i) have at least a graduate degree in financial management or be a certified accountant; (ii) be a member of a recognized accountancy professional body; (iii) have experience from or work with a company affiliated to an international audit firm; (iv) have experience with the Government of Nepal financial management system, procedures, and regulations applying to central government and provincial levels; (v) have experience undertaking financial, compliance, and performance audits including

design, management, and implementation of surveys; (vi) demonstrate team leadership, organizational, communication, relational, and report writing skills; and (vii) have an excellent command of the English language.

- (ii) **Financial Audit Specialists (2 persons of 2 person-months each).** The specialists shall (i) be **certified** accountants, and (ii) have at least 5 years of relevant working experience, preferably in government-executed donor-funded projects, as accountants in Nepal.

ANNEX 5

STATEMENT OF AUDIT NEEDS

A. BACKGROUND

1. Article 14 (xi) of the Agreement establishing the Asian Development Bank (ADB, the Charter) States that 'Proceeds of any loan made, guaranteed, of participated by the Bank are used only for the purposes for which the loan was granted and with due attention to consideration of economy and efficiency'. In addition, Article 14 (xiv) of the Charter requires ADB to be guided by sound banking principles in its operations. To fulfill the requirements of Article 14 (xi) and (xiv) of the Charter, ADB requires borrowers/project executing agencies to submit Audited Project Financial Statements (APFS) and Audited Financial Statements (AFS).

2. To fulfill the requirements of Article 14 (xi) and (xiv) of the Charter, the executing agencies for all loans/grants are subject to audit conducted by an independent auditor in accordance with standards on auditing that are acceptable to ADB.

3. The objective of the audit is to provide assurance to all stakeholders that program resources were used for the intended purposes. An audit of such financial statements includes; (i) an opinion on whether the program financial statements present a true and fair view, in all material respects, the sources and applications of project funds for the period under audit examination in accordance with an acceptable financial reporting framework, (ii) an audit opinion on whether loan/grant proceeds were used for purposes intended and (iii) an opinion on the status of compliance with loan/grant covenants, if any. As part of the audit, the auditor would also (i) perform an assessment of the adequacy of accounting and internal control systems with respect to program expenditures and other financial transactions, and to ensure safe custody of program finance assets, (ii) determine whether the borrower and program implementing entities have maintained adequate documentation on all relevant transactions, including statements of expenditures (SOEs), Force Account Works and Withdrawals where applicable, (iii) confirm that expenditures submitted to ADB are eligible for financing and identification of any ineligible expenditures, and (iv) provide details of any irregularities noted in a management letter.

B. FINANCIAL REPORTING AND AUDIT REQUIREMENTS

4. Ministry of Education (MOE)/Department of Education (DOE) will prepare School Sector Development Plan (SSDP) financial statements on a cash basis, in accordance with the Nepal Public Sector Accounting Standards (NPSAS), further guided by the *Government Auditing Standards Part 3: Segment Audit Guidelines for Project Financial Statements issued in October 2005*, as relevant. This shall not be construed to refer to the financial statements of Education Sector as a whole.

5. The audit of the program financial statements shall be carried out by the Office of the Auditor General (OAG) of Nepal in accordance with the Government of Nepal Auditing Standards¹ as supplemented by this Statement of Audit needs. The auditor will review that the funds received from all sources and expenditures incurred during the reporting period are as per agreed terms and conditions. This will include all expenditure to the extent that it relates to the activities pertaining to SSDP jointly agreed between the Government of Nepal and Development Partners, including ADB.

¹ OAG has adopted Auditing Standards issued by the International Organization of Supreme Audit Institutions (INTOSAI).

6. MOE/DOE will submit to Donors' Coordinator audited program financial statements as of mid-July each year, within 9 months of the end of the Nepalese fiscal year in English. A complete set of audited project financial statements includes:

- (i) Audit Opinion/Report on the Project Financial Statements in accordance with the International Organization of Supreme Audit Institutions (INTOSAI) Fundamental Auditing Principles and Guidelines² more commonly referred to as the International Standards of Supreme Audit Institutions (ISSAI).
- (ii) Audit Opinion on Specific Donor Requirements³ in accordance with ISSAI 4200.⁴
- (iii) Project Financial Statements and Statement of Budget vs. Actual along with complete Notes to the financial statements including necessary break downs and details, summary of accounting policies and descriptive explanatory notes (see *Section E below*).
- (iv) Management Letter (*see Section F below*).
- (v) Status of resolution of previous year audit observations.

7. To ensure the timely submission of audited project financial statements, MOE/DOE will formally request the OAG to include Supporting School Sector Development Plan (SSSDP) program audits in their yearly work plan. To support timely submission, unaudited program financial statements should be submitted to the OAG for audit within 6 months of the end of the fiscal year.

8. In addition, MOE shall also submit to Development Partners a copy of their own Ministry level appropriation account within one month of the date of their submission to the President by the OAG.

9. The MOE/DOE is responsible for the preparation and fair presentation of the program financial statements and for maintaining sufficient internal control, as determined necessary, to ensure that the financial statements are free from material misstatement, whether due to fraud or error. To this end, MOE/DOE must provide the auditor with a 'Management Representation Letter' with a copy to the Development Partners' coordinator. The Letter of Representation (Management Representation Letter) to the auditor will include the following:

- (i) Program financial statements are free from material misstatement, including omissions and errors and are fairly presented.
- (ii) All documents and other information in relation to the financial statements shall be made available to auditors to ensure that the audit can be commenced at anytime, soon after the date of these financial statements.
- (iii) The borrower or executing agency has utilized the proceeds from the loan only for the purposes intended under the legal agreement(s) and maintained adequate supporting documents to substantiate the expenses incurred and charged to the program.
- (iv) The MOE/DOE was in compliance with the financial covenants of the financing agreement, if any.
- (v) Effective internal control, including over the procurement process, was maintained.

² Reference is limited to INTOSAI as the Supreme Audit Institution audits all ADB funded projects in Nepal.

³ This may be combined with (i) above or given separately.

⁴ ISSAI 4200: Compliance Audit Related to the Audit of Financial Statements.

C. AUDIT SCOPE

10. The audit would cover the entire program, i.e. covering all sources and application of funds, including the ADB, cofinanciers and the Government of Nepal. The Director General of DOE shall provide all pertinent information to the Auditors including existence and use of internal controls over resources procured and its reflection in the project financial statements, so as to facilitate comprehensive audit coverage. The audits should be carried out annually from commencement of the SSSDP. The audit for the first year should cover transactions, which occurred from the commencement of the program till the end of the fiscal year.

11. The auditor will provide assurance as to whether the program financial statements present a true and fair view of the receipts and expenditures, and are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.⁵

12. In addition, the joint financing partner, including ADB will require an assessment by the auditors of compliance with provisions of the financing agreement with development partners, including ADB, especially those relating to accounting and financial matters. A reasonable assurance opinion in accordance with ISSAI shall be provided that will inter alia include verification that:

- (i) Proceeds from the loan/grants, including counterpart funds were used only for the purpose(s) intended under the legal agreement(s);

13. The auditor should pay particular attention to the following:

- (i) The use of external funds in accordance with the relevant legal and financing agreements;
- (ii) The provision of counterpart funds in accordance with the relevant agreements and their use only for the purposes intended and maintained adequate supporting documents to substantiate the expenses incurred and charged to the program.;
- (iii) The maintenance of proper books and records;
- (iv) The existence of project fixed assets and internal controls related thereto;
- (v) Any weaknesses in internal controls over the procurement process.

14. Moreover, ADB would need a review of actions taken on the recommendations presented in the previous audit report on the progress made.

D. PROGRAM FINANCIAL STATEMENTS

15. Program Financial statements shall be prepared using Government of Nepal Accounting Standards and apply principles of the proposed Nepal Public Sector Accounting Standards (NPSAS) under the cash basis of accounting in accordance with the Government of Nepal/implementing agency accounting policies.⁶ These should include:

⁵ Example of an unqualified opinion “*In our opinion, the financial statements present fairly, in all material respects, the sources and applications of funds of the program for the year ended [date] in accordance with [the financial reporting framework specified in Note xx of the project financial statements/ Nepal Public Sector Accounting Standards and requirements under the loan agreement].*”

⁶ State-owned enterprises preparing their own entity level financial statements on an accrual basis in line with International Financial Reporting Standards may choose to also prepare APFS using the accrual basis of accounting.

- (i) Sources and Uses of Funds showing the funds received and expended from ADB, Government of Nepal and other financiers for SSDP.
- (ii) Statement of Budget vs. Actual showing expenditure for the current year, prior year and cumulative inception to date.
- (iii) Detailed notes to the financial statements including explanatory notes, break down of expenditure, reconciliation of reimbursements, Details of expenditure by Currency/Method of Funding/Output Component, and Accounting Policies.
- (iv) Annexure to the APFS may include the (a) Statement of Reimbursable Fund and (b) Disbursement Details.

16. Program Financial Statements shall provide sufficient level of detail to identify types of expenditures as identified in the SSSDP program document.

17. The program financial statements may also provide sufficient level of detail to be able to identify expenditure relating to each of the program results and disbursement-linked indicators.

18. The first reporting period of program financial statements will commence on the date of the first financial transaction for SSDP until end of the related fiscal year. First program financial statements are expected to be for the fiscal year ended 15 July 2017.

19. Template financial statements have been annexed to this Statement of Audit Needs for guidance. This template is based on the Annexure given the Government Auditing Standards⁷, tailored to incorporate the requirements of the Nepal Public Sector Accounting Standards (NPSAS)⁸, which have been approved for adoption by the Government of Nepal in 2009. Although these are not yet effective in Nepal, given the elevated status of the NPSAS on the government's accounting reform agenda, template Project Financial Statements have incorporated some of the key requirements.⁹ This is even more relevant since under ADB's revised Public Disclosure Policy 2011, Project Financial Statements shall be disclosed on ADB's website. Please note that any financial statement template is a working draft, which may require adjustment based on the actual activities of the SSDP as well as the Chart of Accounts in use.

E. MANAGEMENT LETTER

20. In addition to the audit report, ADB will require a separate management letter. The management letter should be prepared in accordance with Annexure 12 of the Government Auditing Standards Part 3: Segment Audit Guidelines for Project Financial Statements issued by the Office of the Auditor General, Nepal in October 2005 or prevailing edition at the time of issue date.

21. The management letter should specifically:

- (i) Give comments and observations on the notes to the accounts, accounting records, systems, and internal controls that were examined during the course of the audit;

⁷ Government Auditing Standards Part 3: Segment Audit Guidelines – Project Financial Statements issued by the OAG in October 2005 Annexure 1 prepared to cater to donor requirements by the OAG.

⁸ Notes to the financial statements should refer to the specific financial reporting framework, for example "Project financial statements have been prepared under the historical cost convention and on a cash basis of accounting in accordance with the Nepal Public Sector Accounting Standards (NPSAS)."

⁹ Key modifications to the template are the inclusion of (i) prior year comparative information in all statements and notes (ii) details of expenditure by Output (iii) detailed descriptive explanatory notes.

- (ii) Identify specific deficiencies and areas of weakness in the accounting and internal control systems, and any internal control weaknesses related to the procurement process (i.e. bidding, evaluation, and contract management);
- (iii) Make recommendations for their improvement;
- (iv) Obtain MOE/DOE response to the identified deficiencies along with timeframe for implementation;
- (v) include matters that have come to attention during the audit which might have a significant impact on the implementation of the SSDP;
- (vi) Follow-up on the status of significant matters and audit recommendations made in preceding years; and
- (vii) Provide details of any ineligible expenditure identified during the audit.¹⁰

22. Serious issues, which affect the auditor's opinion as to whether the financial statements give a true and fair view, should be referred to in the audit opinion. Matters which are not material and do not affect the fair presentation of the project financial statements should not be referred to in the audit opinion, and only addressed in the Management Letter. The auditor may wish to reiterate serious issues already identified in the audit report, in the management letter as well. Auditors are encouraged to clearly segregate the management letter, and mark the management letter as 'confidential', to enable its easy separation from the audit opinion and project financial statements, and prevent inadvertent disclosure of the management letter along with the APFS.

F. GENERAL

23. Review missions, Annual Fiduciary Review and normal program supervision will monitor compliance with financial reporting and auditing requirements and will follow up with concerned parties, including the external auditor.

24. The JFA development partners, including ADB have made MOE/DOE aware of its approach on delayed submission, and the requirements for satisfactory and acceptable quality of the audited financial statements.¹¹

25. Development Partners retain the right to verify or have audited (i) the project, (ii) the validity of MOE's certification for each withdrawal application, and (iii) that ADB's financing is used in accordance with their policies and procedures.

G. PUBLIC DISCLOSURE

26. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹²

¹⁰ Expenditures are ineligible if (i) incurred for purposes other than the ones intended under the legal agreement(s); (ii) not allowed under the terms of the legal/financing agreements; and (iii) incurred in violation of applicable country/government regulations

¹¹ ADB's approach on delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements are not received within six months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursements, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 days of date of their acceptance by posting them on ADB's website. The Audit Management Letter contains proprietary information intended solely for the needs of the management and will not be disclosed. Entity level financial statements will also not be disclosed.

Note: This is a statement of audit needs for Joint Financing Partner/ADB and does not in any way intend to limit the scope of the statutory audit.

¹² Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

ANNEX 6

PROPOSED GUIDELINES TO PREVENT OR MITIGATE FRAUD, CORRUPTION, AND OTHER PROHIBITED ACTIVITIES IN RESULTS-BASED LENDING FOR PROGRAMS

A. Purpose and General Principles

1. The developing member country (DMC) is responsible for the implementation of programs supported by results-based lending (RBL). The Asian Development Bank (ADB) has a fiduciary responsibility to ensure that its loans and other forms of financing are used only for the purposes for which they were granted, in accordance with the Agreement Establishing the Asian Development Bank (the Charter).¹³ To uphold that obligation, ADB presents these guidelines to prevent or mitigate fraud, corruption, and other prohibited activities in RBL operations financed in whole or in part by ADB. These guidelines build upon the legal obligations presented in the loan agreement and apply to operations funded by the RBL (the programs).¹⁴

2. These guidelines do not limit any other rights, remedies, or obligations of ADB or the DMC under the loan agreement or any other agreement to which the ADB and the DMC are both parties.

3. All persons and entities participating in the programs must observe the highest ethical standards; take all appropriate measures to prevent or mitigate fraud, corruption, and other prohibited activities; and refrain from engaging in actions described in these guidelines in connection with such programs.

B. Definitions

4. These guidelines address the following practices as defined by ADB:

- (i) A “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.
- (ii) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit, or to avoid an obligation.¹⁵
- (iii) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to improperly influencing the actions of another party.
- (iv) A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

5. In addition, ADB may investigate conflicts of interest, obstruction, and retaliation:

- (i) A “conflict of interest” is a situation in which a party has interests that could improperly influence a party’s performance of official duties or responsibilities,

¹³ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

¹⁴ ADB may support a part (or a slice) of a government program or the entire government program through RBL. The program or the part that is supported by the RBL is the RBL operation. The term “program” in these guidelines refers to the RBL operation as defined unless otherwise specified.

¹⁵ To act “knowingly or recklessly,” the fraudulent actor must either know that the information or impression being conveyed is false, or be recklessly indifferent as to whether it is true or false. The inaccuracy of such information or impression, committed through negligence, is not enough to constitute a fraudulent practice.

contractual obligations, or compliance with applicable laws and regulations. To

the extent that conflicts of interest may provide an unfair competitive advantage or compromise the integrity of financial and governance systems, conflicted persons and entities must be excluded from participating in relevant program activities.

- (ii) An “obstructive practice” includes deliberately destroying, falsifying, altering, or concealing evidence material to an investigation; making false statements to investigators in order to materially impede an investigation; threatening, harassing, or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or materially impeding ADB’s contractual rights of audit or access to information.
- (iii) Retaliation against whistleblowers or witnesses is any detrimental act, direct or indirect, recommended, threatened or taken against a whistleblower or witness or person associated with a whistleblower or witness in a manner material to a complaint because of the report or cooperation with an investigation by the whistleblower or witness.

C. Developing Member Country’s Actions to Prevent Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs

6. Unless otherwise agreed in writing by the DMC and ADB, the DMC will take timely and appropriate measures to

- (i) ensure that the program is carried out in accordance with these guidelines;
- (ii) avoid conflicts of interest in the program;
- (iii) prevent fraud, corruption, and other prohibited activities from occurring in the program, including adopting, implementing, and enforcing appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the loan are used only for the purposes for which the loan was granted;
- (iv) promptly inform ADB of allegations of fraud, corruption, and other prohibited activities found or alleged related to a program;
- (v) investigate allegations of fraud, corruption, and other prohibited activities and report preliminary and final findings of investigations to ADB;
- (vi) respond to, mitigate, and remedy fraud, corruption, or other prohibited activities that are found to have occurred in a program and prevent its occurrence;
- (vii) cooperate fully with ADB in any ADB investigation into allegations of fraud, corruption, and other prohibited activities related to the program, and take all appropriate measures to ensure the full cooperation of relevant persons and entities subject to the DMC’s jurisdiction in such investigation, including, in each case, allowing ADB to meet with relevant persons and to inspect all of their relevant accounts, records and other documents and have them audited by or on behalf of ADB; and
- (viii) ensure that persons or entities sanctioned by ADB do not participate in RBL supported activities in violation of their sanction.

D. ADB’s Actions to Prevent Fraud, Corruption, and Other Prohibited Activities in Results-Based Lending for Programs

7. Unless otherwise agreed in writing by the DMC and ADB, ADB will

- (i) inform the DMC of credible and material allegations or other indications of fraud, corruption, and other prohibited activities related to a program, consistent with ADB's policies and procedures;
- (ii) have the right to investigate allegations independently or in collaboration with the DMC;
- (iii) inform the DMC of the outcome of any investigation, consistent with ADB policies and procedures;
- (iv) have the right to sanction any individual or entity for engaging in practices defined above in accordance with ADB's prevailing sanctions policies and procedures; sanctions may result in that party's exclusion from participating in an RBL-financed activity indefinitely or for a stated period of time;¹⁶ and
- (v) recognize sanctions determined by other multilateral development banks (MDB) in accordance with the agreement for the mutual enforcement of debarment.

¹⁶ Participation does not include the performance under contracts entered into or other engagements begun before the date of the loan agreement.

ANNEX 7

Draft Indigenous Peoples Framework

A. Indigenous People in Nepal

1. The Adhibasi/Janajatis (Indigenous Peoples [IPs]) constitute 35.81% of the total population of Nepal. Many live in rural and mountainous areas characterized by household poverty.¹ The National Federation of Indigenous Nationalities has classified the indigenous people (known as Adivasi Janajati in Nepal) into five different categories on the basis of their economic and social indicators (Table 2). Of these five sub-groups, the two most-disadvantaged are referred to as 'endangered' and 'highly marginalized groups' respectively while the other three groups are well integrated into the national education system, participation rates for these two groups ('endangered' and 'highly marginalized groups') are not proportional to their share in the national population. These groups continue to experience marginalization, exclusion and discrimination because of their social and economic identities.

2. Opportunities for earning livelihood in rural and mountainous areas, where a large majority of these peoples are inhabiting, is limited by slope and soil conditions, weak infrastructure, limited access to skills and market information, and other factors. As a result, visible disparities in educational attainment can be seen between mainstream caste groups and marginalized indigenous peoples including, Dalits, Terai middle castes, Muslims and other lower castes. These persistent disparities in education can be attributed to factors including asymmetrical intergroup power relations, class disparities, monocultural and monolingual education, lack of inclusive educational policy (non-recognition and non-acceptance of sociocultural diversity and diverse traditions of knowledge systems), inappropriate pedagogical practices, politicization of teachers and educational institutions and reduced access to schools and higher education institutions by children belonging to marginalized groups.

3. The implementation of the School Sector Development Plan (SSDP) triggers Asian Development Bank's (ADB) Safeguard Policy Statement 3 on IP because of the presence of Adivasi Janajatis across the country. The ADB's results-based lending program is categorized as category 'B' for IP. Positive impacts are expected on the IPs (Adivasi/Janajatis) due to affirmative actions of the program, which will increase participation and enhance learning of the IP communities. Negative impacts on IPs are not expected. However, special attention is required to ensure equitable access to the benefits from the program for IPs as a large chunk of out-of-school children belong to marginalized IPs groups. Thus, special safeguard provisions have been built while designing SSDP in order to ensure their access to schools, abolish discrimination, and ensure access to education in languages they understand and use, including in their mother tongues or linguistic groups. The major feature of the SSDP has been to reduce disparities within the society. The interventions focusing on impacts on IP culture and

¹ Examining the poverty rate across different caste and ethnic groups reveals significant disparities. The highest poverty rates in the 2010/2011 Nepal Living Standards Survey data are found among the hill Dalit group, followed by Terai Dalits, Terai IPs and hill IPs. The poverty rates of hill and Terai Dalits are 43.6% and 38.1% of their population, respectively. Hill IPs account for 27.4% of Nepal's total population. Among hill IPs, nearly one-fourth (24.6%) are living below the poverty line. Within the IPs group, too, poverty is not distributed proportionately. While the poverty rate of all IPs, when taken together, is on par with the national average, there is enormous variation between the more economically privileged indigenous groups and other indigenous groups. The aggregate poverty rate of all IPs is pushed down by the relatively low poverty rates of Newar and Gurung groups, and the Sherpa, Bhujel, Bhote and Thakali cluster. Nearly half the population of hill Dalits other than Kamis suffers from chronic poverty. Similarly, about 40% of the Kumal, Sunuwar, Majhi and Chepang cluster are living below the poverty line. Lawyers' Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP) and The International Work Group for Indigenous Affairs (IWGIA). 2014. *A Study on the Socio-Economic Status of Indigenous Peoples in Nepal (2014)*. Kathmandu.

knowledge as a result of any project and program implementation has not been assessed in detail. This Indigenous People Framework (IPF) has been prepared to fulfill the gap on safeguard impact assessment and used to screen the program activities to be implemented in school level using IP screening check list. This will enable to confirm there will not be adverse impact on IP culture and practices.

B. Objectives of the Indigenous Peoples Framework

4. The framework has been prepared to guide the screening, planning, implementation and monitoring process of the proposed SSDP activities including new school infrastructure, additional classroom construction and expansion and whether they pose any negative impacts on the IP communities. The framework comprises a due diligence exercise for screening of the proposed SSDP activities and its impact including consultations and participation by IPs. The IPF is developed based on the Government of Nepal national policies/strategies as well as ADB's Indigenous Peoples Policy (will be further harmonized with the World Bank requirements), and findings of the PSSA. The specific objectives of the IPF are to:

- (i) design and provide implementing guidance for the proposed school activities under SSDP (new school infrastructure or additional classroom construction or expansion) to screen for IP presence in the school area and any possible negative impacts on them;
- (ii) ensure the participation of the potentially beneficiary IPs in the entire process of preparation, implementation, and monitoring of the proposed school activities;
- (iii) ensure that the IP communities receive culturally appropriate social and economic project benefits; and
- (iv) define the institutional arrangements for IP screening and monitoring.

C. Strategy and Steps for Indigenous People Participation and Impacts Screening

a. Meaningful Consultation and Enhancing Participation

5. After a school has been selected for SSDP activities including new school infrastructure or additional classroom construction or expansion, the School Management Committee (SMC) with support of Head Teacher, and others will conduct a brief social mapping of the communities around the school (school catchment area) and collect socioeconomic data on residents in school catchment area and will screen for IP presence. The SMC will begin consultations and coaching with IPs to enhance their meaningful participation in proposed SSDP activities. Such consultation and coaching must begin early and is carried out on an ongoing basis throughout the program period. The key activities during consultation and coaching include: (i) timely disclosure of relevant and adequate information; (ii) ensure the proposed school infrastructure activities are undertaken in an atmosphere free of intimidation or coercion, are gender inclusive and responsive, and are tailored to the needs of disadvantaged and vulnerable groups; and, (iii) ensure that the views of all categories of beneficiaries are incorporated into decision making.

b. Screening for Negative Impacts

6. An Indigenous Peoples impact screening checklist has been prepared (Table 1) that will be used to screen the program activities to be implemented in each school under SSDP to confirm there will not be adverse impact on IP culture and practices. The SMC and Head Teacher will screen for IP presence and impacts on them using the IP impact screening checklist. In case of only positive impact, specific actions for IPs group will be spelled out in School Improvement Plan to enhance distribution of program benefits within their regular

intervention. If the screening identified some negative impacts on IPs, the School Improvement Plan should come up with additional resource arrangements and alternative actions to mitigate the negative impacts. If the answer for questions 3–5 and 7–8 is a ‘Yes’, the subproject is noncompliant and inconsistent with the requirements for IP safeguard category ‘B’, and will be dropped.

c. Institutional Arrangement

7. IP issues and activities, along with other program safeguards which are interrelated, including capacity building to enhance program outcomes for IPs will be the responsibility of the SMC of the respective schools. The Social Safeguard Officer at District Education Office (DEO) will train SMC members for screening and consultation with and coaching of IP communities to enhance their participation. He/she will monitor the screening and IP enhancement activities carried out by SMC.

d. Grievance Redress Mechanism

8. The IPs grievance redress mechanism will be the same as set out in the PSSA for SSDP. A Grievance Redress Committee (GRC) will be established in each project school to receive, evaluate, and facilitate resolution of affected people’s concerns, complaints, and grievances about the social and environmental performance of the activities under SSDP. The GRC at school comprises five members representing head teacher, parents, community and IP group representatives. The GRC can invite others to participate in its discussions as appropriate to the case.

9. A complainant can register grievances in the “grievance register book” kept in the school or SMC office. The register will document (i) date of grievance registered, (ii) name/address of complainant, and (iii) nature of grievance. The GRC will prepare a written assessment that describes the complaint and confirms whether the grievance is genuine. A response on the matter will be provided to the complainant within 7 days by the GRC. The corrective action will be carried out as agreed and documented in the grievance register book. In case the GRC is unable to resolve the issue in 7 days, the matter will be forwarded to the district level GRC. After receipt of grievance, the GRC at district level shall take the matter during the immediate next monthly meeting and initiate measures for redress. No grievance can be kept pending for more than a month. The decisions of GRC will be implemented by DEO with the support of DOE. If the aggrieved party is not satisfied with the decision of GRC at district level, it can approach to the Ministry of Education level GRC. No grievance can be kept pending for more than 3 months. The outcome shall also form part of the progress reports to ADB. During the entire process, the alternative to appeal at court will remain open if the complainant wishes. The details and information on use of this grievance redress mechanism will be communicated to the local stakeholders by school/ SMC.

e. Monitoring

10. Planning and implementation of IPF will be monitored by Social Safeguard Officer at DEO. Some of the key indicators to be considered for while monitoring Indigenous Peoples Screening Framework outcomes would be as follows:

- (i) Level of participation of IPs in decision-making compared with other beneficiary groups;
- (ii) Level of benefits provided to IPs compared with other beneficiary groups;

- (iii) Changes to socioeconomic conditions in indigenous communities compared with other beneficiary communities;
- (iv) Numbers of land donations by IPs processed and documented;
- (v) Number of “willing buyer/willing seller” land transactions by IPs processed and documented;
- (vi) Numbers of IP-related grievances submitted;
- (vii) Numbers of IP-related grievances addressed within an agreed timeframe; and
- (viii) Numbers of grievances satisfactorily resolved.

Table 1: Indigenous Peoples Impact Screening Checklist

Name of School		Region	
District:		VDC/Municipality:	Ward No: Village/Tol:
Brief description of the proposed Activities (new school infrastructure or additional classroom construction or expansion):			
Impact on indigenous peoples (IPs)	Yes	No	Please provide brief description on either response
1. Are IPs belonging to the Endangered category listed below present in and around proposed school locations? (Bankariya, Hayu, Kusbadiya, Kusunda, Lepcha, Surel Raji, Raute Kisan, Meche/Bodo)			
2. Are other IPs present in and around the proposed school locations? (see Table 2 for list of IPs)			
3. Will the proposed SSDP activities including of school construction/ improvement restrict their economic and social activity and make them vulnerable?			
4. Will the proposed SSDP activities including of school construction/ improvement cause a change to their socioeconomic and cultural integrity?			
5. Will the proposed SSDP activities including of school construction/ improvement disrupt their community life?			
6. Will the proposed SSDP activities including of school construction/ improvement positively affect their livelihoods?			
7. Will the proposed SSDP activities including of school construction/ improvement alter or undermine the recognition of their traditional knowledge, preclude customary behaviors?			

8. Will there be loss of incomes and livelihoods as a result of the proposed activities of school construction/ improvement?			
Summary of the screening findings (based on responses of the questions particularly, 3–5 and 7–8). If the answer for questions 3–5 and 7–8 is a 'Yes', then the proposed activities of school construction/ improvement is noncompliant and inconsistent with the requirements for IP safeguard category 'B' and will be dropped.			

ANNEX 8
Safeguards Program Actions

Gap	Proposed Action	Indicator/Targets	Responsibility	Timeframe
Environment				
Environmental assessment and monitoring procedure needs improving	Review EMF of the SSRP and make necessary changes in the EMF to integrate environmental screening, assessment, consultations, IEE, EMP, environment monitoring, compliance with building codes, and GRM while improving the schools' facilities.	Disclosure of approved EMF on DOE website. Timely submission of annual environmental compliance monitoring report.	DOE	March 2017. From November 2017, progress reporting during annual review missions
Involuntary Resettlement and Indigenous Peoples				
Lack of clarity among implementing agency staff on application of criteria, rules, procedures, and exclusions	Refine framework for land acquisitions of the SSRP and integrate guidelines for screening, assessment, record keeping, consultations, and disclosure. Approval of the IPF.	Revised land acquisition framework circulated to DEOs and SMCs, and disclosed on DOE website. Approved IPF disclosed on DOE website and disseminated to DEOs and SMCs. Annual progress report includes progress and status of safeguard implementation.	DOE	March 2017. From November 2017, progress reporting during annual review missions
Environmental and Social Safeguards				
Inadequate institutional arrangements and undefined role for	Designate Planning and Monitoring Division for environmental and social safeguard monitoring as per	Social and environmental safeguard person designated in DOE and DEOs with specific terms of	DOE and DEOs	Before effectiveness of the program

Gap	Proposed Action	Indicator/Targets	Responsibility	Timeframe
environmental and social safeguards	SSDP implementation arrangement, and assign social and environmental safeguard officer at DOE and social and environmental safeguard focal person at DEOs.	reference.		
Inadequate information dissemination and disclosure	Upload safeguard-related activities on ADB, DOE, and DEO websites. Translate relevant documents related to updated EMF, IPF, and voluntary donation of land and negotiated settlement into Nepali and other local languages	Records on website. Protocol for public disclosure and consultations is developed and put into effect.	DOE and DEOs	Continuous during implementation
Inadequate capacity for and knowledge of good practice procedures on environmental and social safeguards, and land administration	Conduct orientation and capacity building measures for relevant officials at DOE, DEOs, and schools regarding EMF, indigenous peoples, and involuntary settlement requirements.	The safeguard capacity building training sessions are included in the capacity building component of the SSDP. Adequate budget allocated for capacity building activities. Orientation and capacity building conducted and training reports submitted.	ADB, development partners, and DOE for social safeguard units. Social safeguard units for DEOs and schools.	Annually
Weak documentation and reporting on environmental and social safeguard system	Annual joint missions will review progress in safeguard implementation	Aide-mémoire records progress on safeguard implementation	Development partners and MOE	November of each year
Implementing agencies pay less attention to concerns relating to	Establish and operationalize GRCs at DOE, DEOs, and SMCs to handle safeguard-	Functional GRM at all levels and fewer issues and grievances registered	DOE, DEOs, SMCs	GRC established by effectiveness of the program

Gap	Proposed Action	Indicator/Targets	Responsibility	Timeframe
environmental and social safeguards.	related concerns and issues			

ADB = Asian Development Bank, DEO = District Education Office, DOE = Department of Education, EMF = environmental management framework, EMP = environmental management plan, GRC = grievance redress committee, GRM = grievance redress mechanism, IEE = initial environmental examination, IPF = indigenous peoples framework, MOE = Ministry of Education, SMC = school management committee, SSDP = School Sector Development Plan, SSRP = School Sector Reform Program.

Source: Asian Development Bank.