



Technical Assistance Report

Project Number: 54153-001
Transaction Technical Assistance Facility (F-TRTA)
May 2020

Nepal: Supporting for Human Capital Development Initiative

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 21 April 2020)

Currency unit	–	Nepalese Rupee (NRe/NRs)
NRe1.00	=	\$0.008181
\$1.00	=	NRs122.23

ABBREVIATIONS

ADB	–	Asian Development Bank
SSDP	–	School Sector Development Plan
STEM	–	science, technology, engineering, and mathematics
TA	–	technical assistance
TVET	–	technical and vocational education and training

NOTES

- (i) The fiscal year (FY) of the Government of Nepal and its agencies ends on 15 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 15 July 2020.
- (ii) In this report, “\$” refers to United States dollars.

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CONTENTS

Page

TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE

I.	THE TECHNICAL ASSISTANCE FACILITY	1
A.	Justification	1
B.	Outputs and Activities	4
C.	Cost and Financing	4
D.	Implementation Arrangements	5
II.	THE PRESIDENT'S DECISION	5

APPENDIXES

1.	Cost Estimates and Financing Plan	6
2.	Projects under Technical Assistance Facility	7
3.	List of Linked Documents	8

TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54153-001	
Project Name	Supporting for Human Capital Development Initiative	Department/Division	SARD/SAHS
Nature of Activity	Project Preparation	Executing Agency	Ministry of Education
Modality	Facility		
Country	Nepal		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Education	Education sector development		0.50
		Total	0.50
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		Climate Change impact on the Project	Low
✓ Accelerating progress in gender equality			
✓ Strengthening governance and institutional capacity			
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.4		Effective gender mainstreaming (EGM)	✓
SDG 4.1, 4.3, 4.5			
SDG 5.b		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization	Low		
5. Safeguard Categorization	Safeguard Policy Statement does not apply		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Transaction technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	
Currency of ADB Financing: US Dollar			

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. **Macroeconomic context.** Nepal is at a pivotal stage in its development as it transitions into a federal system. Despite shocks from the 2015 earthquakes and 2015–2016 trade disruptions, the economy rebounded to grow at an average annual rate of 7.3% during FY2017–FY2019, as compared with 3.9% during FY2010–FY2016. The government aims for Nepal to graduate from least-developed country status by 2022 and reach middle-income status by 2030.¹ The recent move to a federal governance system mandated by the 2015 constitution offers opportunities to deliver better services for poverty reduction and enhanced economic growth. The key challenge for Nepal is using this window of opportunity to lay a stronger foundation for sustained increase in economic growth and provide jobs for its young and growing labor force. Addressing these challenges requires diversifying Nepal’s economic base away from a heavy reliance on agriculture, remittances, and informal services towards higher-value industry and formal sectors, reducing the high unemployment rate (11.4%)² and preparing the current as well as future workforce to be productive and competitive in the global market. Building a diversified and agile workforce with strong foundational and higher-order skills while simultaneously upgrading technical and specialized skills among new entrants and existing workers in the labor force will be critical to the country’s development goals. Thus, under the Fifteenth Plan for FY2020–FY2024, the government has prioritized investing in human capital along with raising productivity in agriculture and industry sectors, and effective implementation of the federal governance system to achieve high and inclusive economic growth (Footnote 1).

2. **Education sector performance.** A strong government commitment to broad, equitable access to basic and secondary education over recent decades, underpinned by a policy of free and compulsory basic education and free secondary education, has yielded impressive results. Net enrolment rate (NER) at the primary level increased from 81% in 2004 to 96% in 2019 while secondary NER also increased over the past decade from 47% in 2008 to 62% in 2019. The cohort survival rate for grades 1–10 reached 58.5% from 37.9% in 2015.³ Nepal has also achieved gender parity in basic and secondary education.⁴ Formal technical and vocational education and training (TVET) has expanded rapidly since 2009–2010. Despite these improvements, access to secondary—and consequently to higher education—and access to TVET remain limited.⁵ TVET enrolment was only 42,247 as of 2015.⁶ Moreover, 35.3% of youth aged 15–24 years were not in education, employment or training in 2017.⁷ Quality and relevance of school education and TVET training also need improvement. For example, several rounds of the National Assessment of Student Achievement data from 2011 to 2018 show that in grades 5 and 8, less than 20.0% of students can master competencies in problem solving and reasoning. Limited access, low quality and relevance in the school and TVET sectors mean that many young Nepalis are unable to

¹ National Planning Commission. 2019. *Fifteenth Plan (FY2020–FY2024): Approach Paper*. Kathmandu (in Nepali).

² Government of Nepal, Central Bureau of Statistics. 2019. *Report on the Nepal Labor Force Survey, 2017–2018*. Kathmandu.

³ Ministry of Education, Science, and Technology. Education Management Information System, 2019.

⁴ UNESCO Institute of Statistics Education Database.

⁵ Moreover, female enrolment in formal training is limited to courses that are traditionally considered within women’s domain. Although female enrollees comprise half of diploma-level TVET programs as of 2018, this is driven by nursing courses; without nursing course, women comprise only 21.0% of enrollees in diploma-level programs. Brookings Institute. 2019. *Girls’ transitions to work through higher-quality TVET programs in Nepal*.

⁶ This figure is for long courses. Asian Development Bank. 2018. *Education Sector Assessment in Nepal (background for CPS)*. Manila.

⁷ This figure is higher for females at 47% compared to 21% for males indicating poorer access to education and training for girls and women. Central Bureau of Statistics. 2019. *Report on the Nepal Labor Force Survey, 2017–2018*. Kathmandu.

acquire the foundational and industry-relevant skills, and knowledge needed for the modern labor market and global economy.

3. The school education and TVET systems in Nepal face common challenges. These include the need to expand access, upgrade facilities and equipment, increase availability of qualified subject and technical specialists in science, mathematics and technology, more widespread use of interactive teaching methods supported by appropriate teaching-learning materials, and strengthen quality standards. The TVET streams face additional challenges due to outdated curricula with low relevance to the labor market and limited employer involvement. Inequities based on geographic region, ethnicity, caste, and income level persist in basic, secondary, and TVET education. In TVET, underfunding, weak sector leadership and affordability barriers have constrained enrollment growth, while the academic pre-requisites, and a lack of clarity on equivalency and an urban focus further limit access. This highlights the need for stronger policy and regulatory frameworks, more intensive investment in quality public institutions, and greater engagement with private providers and employers.

4. The transition to a federal system of government provides new opportunities to revitalize and reform education and training. The decentralization of TVET services to the provincial level offers the chance to establish more market-led and inclusive TVET systems tied to local labor markets. However, local government authorities are ill-equipped to take on these challenges.⁸ Rural and urban municipalities will need to build skills in education planning and management. Skill needs at the provincial level will include curriculum development, assessment, and in-service teacher training. For TVET, skills will be needed in coordination of training, mobilization of business and industry, labor market assessments and engaging the private sector. At the central level, the Center for Technical Education and Vocational Training will need continued support for policy and planning, coordination, and development of curriculum, national vocation qualification framework, and accreditation standards. Support to institution strengthening for schools and TVET institutes will be critical to ensuring the success of decentralization. TVET institute directors will require training in leadership, performance management, marketing, and engaging with local companies to identify training needs, develop new courses, introduce workplace-based training, and place graduates for employment.

5. **Asian Development Bank's assistance.** The Asian Development Bank (ADB) has been a long-term partner in education sector development in Nepal, covering school education and TVET. ADB played a key role in supporting the government for reconstruction of schools affected by the 2015 earthquake. ADB currently supports the (i) Government's School Sector Development Plan (SSDP) in sector-wide approach to improve the equity, quality, efficiency, governance, and management of school education, and (ii) Disaster Resilience of Schools Project to improve the disaster resilience of schools by supporting school infrastructure investments, disaster risk management, and institutional strengthening.⁹ The current education TA portfolio consists of: (i)

⁸ The article 232(1) of the new Constitution of Nepal mentions that "the relations between the Federation, States, and Local levels shall be based on the principles of cooperation, co-existence and coordination" and Schedule 5–9 of the constitution has vested exclusive and concurrent powers of different levels of government in relation to education. Although the federal education bills are under preparation for clear roles and responsibilities, currently the following are tasked and the budget are transferred accordingly: The federal government has major responsibility for policy, regulations, quality assurance, and assessments, while provincial government are tasked for TVET delivery, teacher training and provincial education policy. The local governments are responsible to deliver all basic and secondary education.

⁹ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan and Technical Assistance Grant to Nepal: Supporting School Sector Development Plan*. Manila. ADB. 2018 *Report and Recommendation of the President to the Board of Directors: Proposed Loan: Disaster Resilience of Schools Project*. Manila.

Supporting Education and Skills Development, aimed to support policy advisory, project processing and implementation approved in 2013 with TA amount of \$1.5 million.¹⁰ The TA resources are expected to be fully utilized by November 2020, and (ii) *Supporting Policies and Implementation in the School Sector*, approved in 2016 in the amount of \$6.2 million, is a piggybacked TA to the ongoing SSDP and supports the implementation of the project.¹¹

6. Lessons learned from previous project preparation and implementation have highlighted the importance of building the capacity at all levels of service delivery in ensuring quality at entry, effective implementation, and overall portfolio performance. ADB support will continue to add value by providing integrated and coordinated support to build a strong and resilient decentralized education system. This will entail strengthening municipalities, schools, and TVET institutes to improve service delivery and upgrade education quality. The TA facility will create synergy across the subsectors by sharing lessons across projects and programs, introducing innovative approaches, strategic planning, and implementation support.

7. **Rationale for a transaction technical assistance facility.** The proposed transaction technical assistance (TA) facility will support project preparation, capacity building, due diligence, and readiness for the Improved Access to Skills for Productive Employment Project (IASPEP) and Supporting School Sector Development Plan II (SSSDP II).¹² It will also assist in the subsequent implementation of IASPEP and SSSDP II. If the need arises, the TA facility may also support additional pipeline projects and programs that are included in the country operations business plan, as agreed with the government during the TA facility's timeframe.

8. The TA facility is aligned with (i) ADB's strategy 2030,¹³ (ii) the government's School Sector Development Plan (2016–2023),¹⁴ and (iii) Sustainable Development Goal 5.¹⁵ The TA facility will support strategic policy advisory and technical inputs on school education and TVET issues, financial management, engineering and procurement, quality assurance, and evaluation approaches. It will bridge capability gaps, apply best practices, and foster innovative solutions for common challenges in the sector. In particular, the TA will bring in international expertise not available in-country in the areas of curriculum, pedagogy, assessment, public–private partnerships, industry partnerships and TVET delivery. The TA facility approach is suitable as it will enhance project preparation efficiency and improve project implementation readiness by (i) allowing the same experts to be mobilized for similar due diligence activities, (ii) facilitating learning on project processing and implementation across different projects and programs, (iii) creating synergies from working with common expertise and improving knowledge transfer, and (iv) strengthening coordination and synergy among various technical inputs and capacity building efforts. Overall, this TA facility will reduce transaction costs compared to resources required for separate stand-alone transaction TA projects.

¹⁰ ADB. 2013. *Technical Assistance to the Government of Nepal for Supporting Education and Skills Development*. Manila (TA 8521).

¹¹ ADB. 2016. *Technical Assistance to the Government of Nepal for Supporting Policies and Implementation in the School Sector*. Manila (TA 9215).

¹² This TRTA facility replaces the two TAs listed in the ADB. 2019. *Country Operations Business Plan: Nepal, 2020–2022*. Manila. These are (i) Preparing the Supporting School Sector Development Plan II; and (ii) Preparing the Improved Access to Skills for Productive Employment Project.

¹³ Strategy 2030 operational priorities: (i) addressing remaining poverty and reducing inequality; (ii) accelerating progress in gender equality; and (iii) strengthening governance and institutional capacity.

¹⁴ The government will prepare new education sector plan from July 2020 to be operational from July 2021 for education delivery in federal structure.

¹⁵ Sustainable Development Goal 5: Achieve Gender Equality and Empower All Women and Girls.

B. Outputs and Activities

9. **Output 1: Improved quality of design in education sector operations.** This output will support the preparation of the SSSDP II and IASPEP. The scope of activities will include (i) analytical studies such as sector assessments, technical assessments on curriculum, pedagogy, priority sectors and skills demands in different provinces, governance and capacity challenges, review of existing results-based lending program and remaining areas for additional support (e.g. model schools); (ii) feasibility studies as required for the ensuing project; (iii) development of results frameworks and/or design and monitoring frameworks; (iv) economic and financial assessments, and social, gender, and poverty analyses; (v) safeguard assessments, including environment and social safeguards, and climate change risk assessment; and (vi) due diligence in financial management, procurement, plus other institutional arrangements for executing and implementing agencies. The output will also support projects to achieve project readiness through advance procurement activities, where required.

10. **Output 2: Strengthened capacity for decentralized project implementation.** Technical expertise and capacity building support will be provided to executing and implementing agencies for the successful implementation and achievement of results for the school sector program and TVET projects. At the same time, the TA will support quality assurance mechanisms and systems, capacity building for gender, safeguards assessment and implementation, financial management, and procurement. The TA will help build effective governance framework for project implementation including planning, execution, fund-flow, reporting, and monitoring between central agencies and local governments and TVET institutes. Having a single TA facility will ensure coordinated and integrated inputs across the various subsectors given the decentralization of education and TVET to the provincial level, which will promote synergy of results.

11. **Output 3: Enhanced application of innovative and evidence-based solutions for proposed and ongoing projects at the federal, provincial, and local levels.** This output will bring in cutting edge global expertise to support project design and implementation as well as increase exposure of government counterparts to innovative education practices. This output will support the exchange of national and international best practices in basic, secondary, and TVET among three tiers of the governments, TVET institutes and schools. Localized strategies will be brainstormed with regard to the following topics: (i) learner centered approaches that build 21st century skills, including critical thinking and problem solving; (ii) inquiry-based and investigative pedagogy such as integrating STEM approach to teaching and in the science and mathematics curriculum; (iii) developing and conducting student assessments and examinations to improve learning outcomes; and (iv) information and communication technology solutions for school education and TVET (for example, EdTech programs in schools, teacher training, and for TVET delivery). Support will be provided through seminars, workshops, and national and overseas study visits, technical inputs and coaching during project preparation and implementation, if required. This output will also document good design and implementation of programs and projects to showcase effective strategies and solutions in the skills and education sectors.

C. Cost and Financing

12. The TA facility is estimated to cost \$550,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 1. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, secretarial and coordination assistance, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

13. The executing agency will be the Ministry of Education, Science and Technology (MOEST). The implementing agencies are the Center for Education and Human Resource Development; and Center for Technical Education and Vocational Training within MOEST.

14. ADB will administer the TA facility. The South Asia Human and Social Development Division will select, supervise, and evaluate consultants in close coordination with the executing and implementing agencies. The TA facility will be implemented over 3 years, from July 2020 to June 2023.

15. The implementation arrangements are summarized in the table below.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	July 2020 to June 2023		
Executing agency	Ministry of Education, Science and Technology (MOEST)		
Implementing agency	Center for Education and Human Resource Development, MOEST; Center for Technical Education and Vocational Training, MOEST		
Consultants	To be selected and engaged by ADB		
	Individual: individual consultant selection	International (20 person-months) and national (30 person-months)	\$435,500
Disbursement	The TA resources will be disbursed following ADB's <i>TA Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: ADB.

16. **Consulting services.** The TA facility will provide a total of 50 person-months' consultant inputs (20 person-months international and 30 person-months national) to support the preparation and implementation of the ensuing projects. The consultants will be recruited using individual consultant selection method and deployed based on the requirements of each project being prepared or implemented. Individual consultant selection, rather than firm selection, is considered appropriate, because the TA facility involves multiple activities that are not necessarily interdependent and will require a varied range of consultants and services. ADB will engage the consultants following the ADB Procurement Policy and Regulations (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁶

II. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to Nepal for the Supporting for Human Capital Development Initiative, and hereby reports this action to the Board.

¹⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	241.3
ii. National consultants	138.6
b. Out-of-pocket expenditures	
i. International and local travel	55.6
2. Surveys or studies	5.0
3. Training, seminars, and conferences	
a. Facilitators	1.0
b. Venue rental and related facilities	2.0
c. Participants ^b	2.0
4. Miscellaneous administration and support costs ^c	28.5
5. Contingencies	26.0
Total	500.0

Note: The technical assistance (TA) is estimated to cost \$550,000, of which contributions amounting to \$500,000 from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office space, workshop facilities, office supplies, secretarial and coordination assistance, and other in-kind contributions. The value of the government contribution is estimated to account for \$50,000 or 9% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

^b Travel and transportation allowances for participants.

^c The amount includes report preparation, communications, translation, and consultation with key stakeholders related to project design.

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY
Table A2.1: Indicative Consultants' Input Allocation
(person-month)

Item	Total	Ensuing Projects	
		SSSDP II	IASPEP
		Low Risk	Low Risk
A. International			
Education and TVET specialist/ team leader for SSSDP II and IASPEP	3	2	1
Education policy and planning specialist	2	2	
Education reform specialist	1	1	
Secondary education teacher policy and development specialist	1	1	
STEM education specialist	1	1	
Student assessment specialist	1	1	
M&E specialist	1	1	
Education management information system specialist	1	1	
Education expenditure, costing and fiduciary assessment specialist	1	1	
Governance and institutional strengthening specialist	1		1
Skills planning and program specialist	2		2
Technical education specialist	2		2
Pool of expert consultants	3	1	2
Subtotal (A)	20	12	8
B. National			
Social development and gender expert	2	1	1
Procurement specialist	3	2	1
Financial management specialist	3	2	1
Environmental safeguards specialist	3	2	1
Education program coordinator	3	3	
Teacher policy and development specialist	2	2	
Examination and assessment specialist	2	2	
Public-private partnerships specialist	2		2
Skills program coordinator	3		3
TVET specialist	2		2
Pool of consultants	5	3	2
Subtotal (B)	30	17	13
Total (A + B)	50	29	21

IASPEP = Improved Access to Skills for Productive Employment Project, SSSDP II = Supporting School Sector Development Plan II, TVET = technical and vocational education and training.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54153-001-TARreport>

1. Terms of Reference for Consultants