

NEPAL BASIC AND PRIMARY EDUCATION PROGRAM II
Joint Mid-Term Review Mission (03-14 December, 2001)

Aide Memoire

DRAFT

About the Mission

Background.

1. A joint donor mission visited Nepal from December 03-14 for the first part of a two part Mid-Term Review (MTR) of the Basic and Primary Education Program II, Nepal's basic education sub-sector program which started in 1998 and for which Core-Investment Program (CIP) basket financing was made available from July 1999. CIP donors are Denmark, Ec, Finland, IDA (Lead donor for CY 2001) and Norway. In addition technical assistance is provided by the CIP donors (except IDA) and by UNICEF in relation to the CIP, referred to as the sub-basket. Japan (JICA) and the Asian Development Bank provide support to BPEP II under separate agreements. All the above donors participated in the mission. The missions are currently conducted semi-annually in March and November.
2. The MTR is an important stage during which retrospective and prospective review of the program are undertaken in the light of experience since startup with a view to: (a) assessing progress made to date in the terms of meeting the program objectives; (b) seeking consensus on the expected outcome at the end of the execution period; (c) discussing adjustments to objectives, components and processes required to achieve an optimal outcome.

Process and Organization

3. The mission was provided with the out-puts from considerable preparation work by the Department of Education (DOE) and the local donor group. The most essential documentation used in the assessment of progress includes Status Report of Basic and Primary Education Program II (Draft, Team Consult, Kathmandu, October 1, 2001), and Report of the Technical Panel (Kathmandu 24 November 2001). These documents and others made available, provided a wealth of information for the discussions with DOE. The mission did not itself collect field data.
4. The donor participants worked in direct collaboration with MOES/DOE and the heads of the donor teams met with the Hon. Minister for Education and Sports, the Member for Social Sectors of the National Planning Commission, and the Joint Secretary Foreign Aid Division of MOF. The Ministry of Local Development made a presentation on decentralization progress, and a meeting with stakeholders from the non-government community and non-BPEP donors provided additional valuable exchange of ideas and observations. A series of joint group discussions were held with DOE staff to discuss processes, shifts and synergies indicated for the program in the documents provided.
5. The Mission, in close cooperation and consultation with key staff of DOE and members of the Technical Panel, concentrated its analysis on a number of Key aspects. These include: "contextual changes and strategic shifts in the program",

"empowerment of communities and schools", "changing roles of central, district and sub-district authorities and institutions" and "program management, financing and monitoring". Annex 1 provides a summary of selected suggestions and recommendations indicated in the text of the Aide Memoire. The Mission and DOE could not yet cover in detail a number of important contextual changes and major thrusts. These could, however, be taken up for review and action by the next Mission. In Annex 2 to this Aide Memoire a list of issues for consideration in the period between the two phases of the Mid Term review is presented.

A draft version of the Aide Memoire was discussed with the MOES/DOE and a final version presented at a wrap-up meeting on December 14,2001.

BPEP II Overview and Context.

Overview

6. BPEP II as a program was a logical successor to the BPEP project of the early 1990's objectives for Basic and Primary Education. However, as observed in the Technical Panel Report, BPEP II has retained some characteristics of a project even though it is integrated into the management system of MOES, and the donors from the outset made serious efforts to adjust procedures to minimize external donor demands on MOES for reporting and management.
7. The relative complexity of BPEP II with its 17 sub-components was recurring issue in MTR discussion and the lack of synergism in component management is a contributing factor in BPEP II's modest performance to date. Since the start of the program the overall NER has reportedly improved from 70% to 80% and the girl's NER from 61% to 74%. However, despite these overall positive trends regarding access, there are consistently low performing districts in terms of girls enrollment, and enrollment of underserved groups continues to be low. In spite of this significant improvement in access to primary education and good progress in getting books and materials into schools, little progress has been demonstrated on improvement of learning achievement. Quality issues, including teacher weaknesses, persist. Progress in community mobilization and School Implementation Planning (SIP) has been slower than expected, and the grade one over-crowded situation is still a critically weak area.
8. Expenditure against the basket funded Core Investment Program is about 60% of the rates originally forecast due in measure to the slow start on school and classroom upgrading. Ad substantial expenditure backlog experienced during the year was fully cleared before the mission and valuable ideas to further streamline financial monitoring and approvals were developed during the mission. The implement-expenditure trend is a positive one as a slow start to procurement has been largely overcome in the school access components. However, progress in respect of the JICA financed physical facilities has been strong.

Factors Impacting on Decision Making

9. As an education sub-sector program BPEP II was developed to embody the national commitment expectations in terms of decentralization and community responsibility for education planning and management were built into the program. The overall

costing, implementation, and policy objectives were articulated in a Program Implementation Plan (PIP).

10. Some important events have begun to shape the future course of approaches to the sub-sector and argue for significant change in the rate of a number of expected shifts adopted, in decentralization of education under the Local self Governance act of 1999; the 7th Amendment of the Education Act (2058) which deals with community empowerment for school management and financing; the emerging thinking regarding community empowerment under the Tenth Plan 2002-07 which is being crafted; and Nepal's commitment to achieving EFA goals by 2015. The security situation has in a way also given impetus for greater priority to meaningful decentralization of Education.
11. The Status Report on the BPEP presented to the Mission by the Government, did not shed light on the current as well as potential impact of the State of Emergency or conflict in the country. It has, however, been noted that in an earlier phase of the conflict education was a major area of interest to the Maoists. The Mission was pleased to note the commitment of the Government, expressed during meetings with at the NPC and MOF, that the resource allocation to basic and primary education will be protected in spite of the budgetary constraints being faced by the Government. As part of the realignment of BPEP II, which is the major focus for the Mid Term Review, it is important to assess to potential impact of the conflict on the program. It is recommended that the DOE in its Response Paper (ref. paragraph 60) for the March 2002 Mission addresses this issue.

Main shifts and synergies

12. The coming Tenth Five-year Plan and EFA Goals: In light of the above the EFA National Plan of Action has particular relevance for BPEP II's evolution. The 18 EFA indicators were discussed during the mission and adjustment to BPEP's 14 indicators to bring the program into line with EFA was agreed upon. The mission recommends that PIP targets and indicators for BPEP II implementation to the end of the current program (2004) should be revisited to assess the extent to which they are compatible with intermediate (2005) and longer term (2015) EFA targets. It is proposed that this be begun as soon as possible and completed for discussion with the March MTR part II mission.
13. The need to take a more holistic view of education in Nepal: This is to seek synergies of primary education with secondary schooling and higher education with particular reference to teacher competencies and the development of lifetime learning skills required in the modern era.
14. The Child and Community as Focus: There is an increasing awareness of the necessity to focus on Child learning and development in a holistic way. At the same time there is a widespread perception that a strengthening of the school system in Nepal largely will depend on a move towards community ownership of public schools. In response to this perception, HMGN has in its 7th Amendment to the Education Act (in process) decided to convert public schools to community schools, and in the draft Tenth Plan proposes to empower the schools through a block grant mechanism for Government funding.

15. The change in the roles: The DOE at the center, Region and District from implementation to facilitation and technical support for communities. The changes would include mobilization of civil society in support of educational reform.
16. Outcome monitoring: To move BPEP II reporting from largely quantitative indicators to include quality and outcome based indicator monitoring processes.
17. The importance of Grade One: This is an important foundation for Child's future learning and for ensuring better retention, which necessitates, for example, allocation of sufficient teachers of adequate quality, reasonable class sizes, and attention to other factors affecting quality.

Progress assessment

Basic for the assessment

18. The Mission based its assessments on the documents referred to above. The main issues as presented by Director General of DOE formed another important basis for the assessment. This information was used during two full days of joint group work, involving DOE staff, advisers and donor participants, to identify key issues pertaining to progress assessment and perspectives for future development. In assessing progress, the mission also referred to the objectives, component definitions and implementation plans as specified in the Program Implementation Plan (PIP).

Progress

19. The clear intention by government to incorporate BPEP II into the emerging national education policies and strategies, especially the EFA Plan, is a very positive move towards development of a unified and coherent sector programme framework within which Government and donors can and will be defined as partners working together towards achievement of a common goal.
20. BPEP II has progressively taken on many of the characteristics of a programme approach as contrasted with a traditional project design. This is evidenced, among other things, by the incorporation of CIP donor funding into the national budget, in the form of 'basket funding', for development and investment. However, as pointed out in the documentation referred to above, notably the Report of Technical Panel, some project characteristics are still evident in the way BPEP II is being implemented, funded and managed.
21. A considerable degree of fragmentation has been observed in the way BPEP II is being implemented. A main reason for this situation has to do with the fact that implementation, management, budgeting and reporting have increasingly become bound to, and driven by, the 17 sub-components identified in the PIP. This has led to an overemphasis on quantitative targeting for progress measurement with much less attention to indications of qualitative achievement. The original design of BPEP II, reflecting a balanced synergy between three key objectives for access, quality and capacity building respectively as the means to guide implementation, was partly lost in this process.
22. The structure for financial management and monitoring of CIP and other donor funding is established, linked mainly to the 17 components as explained above. With

the transition to a much broader framework for joint government and donor budgeting system in line with the concept of sector programme support, the existing system will progressively need to undergo adjustment.

23. Administrative and institutional structures necessary for programme implementation have been defined and decided by government and are largely in place at central and, to a lesser extent, at district levels. The main issue that needs to be address in this respect relates to the establishment and functioning of SMCs. According to the documentation available to the mission, these committees have, in many communities, not yet been established. In those cases where SMCs are in place, they have often not yet become fully functional. Since the Local Self-Governance Act is new and still in the process of being implemented, it needs to be realized that it is going to take some time before decentralization of the educational system becomes fully operational and effective.
24. Support for local school development is to a large degree dependent upon the Resource Centre (RC) structure. The effectiveness of the RCs is reported to vary considerably across the districts in which they have been established. The functions of the RC structure in remote areas, where it has not yet been introduced, continues to be an unresolved issue.

DOE as a facilitator

25. At the central level, the establishment of the DOE, which coincided with the beginning of BPEP II, is a major achievement. Over the first years of BPEP II development, the professionalism in the department has been consistently increasing. Posts in the DOE are being filled, but still only partially on a permanent basis, which involves the risk of instability in availability of technical staff capacity essential for effective programme development.
26. The development of DOE as the technical wing of MOEs has only partly materialized, mainly for the reason that the technical department staff uses a considerable amount of time on implementation activities, and administrative, financial and managerial functions, which tend to prevent them from concentrating on technical programme aspects. Until many of these functions are effectively devolved to decentralized levels, DOE can not fully become the technical overall professional, pedagogical and supportive institution it is intended to be. To enables MOES (and hence also DOE) to make this transition, a carefully worked out plan for gradual structural change and technical capacity building will be required, based on the Institutional Analysis and the emerging Human Resource Development Plan which is expected to be available at the time of the second phase of the MTR in March 2002. The plan for making the transition would also need to address the timing of institutional and technical capacity building at decentralized levels required to enable staff at these levels to assume their new functions.

Teacher Education

27. Experience over the past years strongly points to the need for a structural change in the provision of teacher education. The thinking in MOES is that a separate structure, incorporating all teacher education provisions in a mutually supportive context, should be developed with NCED at the apex. This would also include the component for recurrent teacher education, now placed in DOE, In transferring recurrent teacher

education to the NCED structure, care should be taken not to lose the potential of this component to need local needs in a flexible manner. However, the collaborative connections between DOE, DEC and NCED, as well as NFEC, are still unclear and will not be analysed with the view to achieving synergy between their various areas of specialization and functional areas. Apart from the structural adjustment of teacher education, the issues of the overall shortage of female teacher and of teachers for underserved groups have to be addressed.

Special Needs Education

28. Another structural issue relates to special needs education. At the moment, a BPEP II special education section is physically located at DOE, and the Special Education Council is located at MOES. The decision in September 2000 to merge the Special Education Council and the Special Education Section has ensured the formation of a more coherent and unified special education program. The more recent and internationally endorsed policies and concept of special needs education and inclusive education, targeting not only children with disabilities, but also children in especially difficult circumstances, require that educational provision of this kind be seen in the context of mainstream education, and hence in line with the policy of Education for All. This implies that the logical and correct location of special education section would continue to be within DOE.

NGOs

29. BPEP envisages collaboration with NGOs and CBOs. Various attempts have been made to work out a mechanism for establishing partnerships and coordination between the public education system and these organizations; but a number of issues, some of which are of a work with other programs providing input to the education sector.

Technical Assistance

30. Technical assistance (TA) has been of a multifaceted nature, and has been provided on a considerable scale. Although previous attempts were made to ensure coherence between the various inputs for TA, there is a recognized need to address this issue in a comprehensive manner.

Overall assessment

31. Reporting to the mission indicates quantitative increases as measured by the PIP indicators, but with unequal distribution in different parts of the country and between different population groups. Quality remains the most critical overall issue to be addressed, including increasing learning achievement, development of professional teacher competencies, and curriculum and educational materials adaptation to local circumstances.
32. BPEP II has all the necessary potential to effectively support national educational reform. To ensure that this can be fully realized, a re-assessment of many aspects of the programme will be required, partly because it still retains several characteristics of a project, and partly because of the new and very positive developments in national educational planning that BPEP would need to be built into with the aim to support achievement of national EFA targets.

33. It needs to be noted that the EFA National Framework for Action as well as other new national policies and plans, mentioned in the introductory section of the Aide Memoire, are still in varying stages of finalization. The decision on how BPEP II can most effectively be integrated into these plans will therefore be dependent upon the completion and final approval of them by the national authorities involved.

Strategic Shifts

Schools as the Focus

34. Schools are the focal point of the education system. This has been reflected in recent Government Policy documents, and the Mission's recommendations for strategic shifts should also be seen in the light of this observation. These shifts entail directing resources to the school, empowering local stakeholders, and strengthening the resource centers and resource persons as supporters of school improvement efforts.

School Improvement Plans

35. The school improvement plan (SIP) has been developed as the main strategy for the schools to make the shift towards locally based initiatives, enabling the school to facilitate quality education and access for all. The mission acknowledge the work being done by the DOE in focusing on SIP as the mainly strategy for school improvement and strongly support their efforts to strengthen the process. Through this form of locally based planning the aspirations of parents and children can be included. It will be important to also include women and underserved groups both in the planning process and in the local management of schools.
36. The mission agrees in the Technical panel's recommendation to channel financial resources to the school itself through the appropriate structures, provided appropriate safeguards for accountability can be developed. Decentralization to school level will mean considerable increases in the level of responsibility of schools. This will require an adequate professional support system to assist teachers in their work to develop their schools. The mission supports the suggestion of DOE and the Technical Panel, to develop the professional competences of the Resource Persons for this role.

Roles of Center, Districts and VDCs

37. The role at central, district and sub-district levels in the education system need to be redefined in a way which supports the new focus on the school and its community. In relation to the strategic shift from the centralized education system to the community and school based educational planning and management system it is imperative to clarify responsibility, authority and relationship between the different administrative levels and "institutions", including VDC/VEC in support of the school and SMC. The role of other partners, including NGOs/CBOs, and other national programs need to be discussed. Examples from other sectors could be used as models.
38. The DOE, through the DEO, must ensure that education issues are high on the agenda of the DDC. The DOE, through technical leadership and skillful mobilization of other stakeholders, can advocate basic education through the mandatory periodic district planning process. As roles become defined, capacity-building demands will need to be comprehensively considered. Changes in training programs and approach will need to be made, including school-based training for heads and teachers, and capacity-building for communities. Further development of staffing and their responsibilities

would be expected to be included in the HRD plan, and the participatory approach needed at school and community level emphasized.

39. At the district level the capacity of the DEO needs to be strengthened for effective liaising with sub-district and community levels. The delivery of services through the DEO such as resource allocation, staff development and monitoring, should be enhanced.

Special Education

40. As noted in the section on progress assessment (paragraph 28) it should be finally confirmed that the special Education Section is an integral function of DOE. This would ensure that special needs education is seen as part and parcel of the national EFA goals. At the same time, the Section should be renamed, "Special Needs Education Section". The Special Education Council would continue to have policy advisory functions within the context of the unified special needs education program integrated into DOE.

Monitoring, EMIS

41. The Mission reiterates the findings of TP and TPR that present monitoring approaches are largely centralized and focused on input-output monitoring rather than on the process, quality and outcome monitoring. There are ample monitoring formats but a schools is still lacking. There is a need for strengthening the link between monitoring and supervision, and the feed-back to users at various levels.
42. Monitoring approaches need to be enhanced at various levels. For example, SMC's and communities monitoring teacher and student attendance, and teachers monitoring student attendance and learning achievement. The foundation for school-based monitoring will consist of developing performance indicators for the school and the VDC level with involvement of the community. Capacity building should relate to these new competency requirements.
43. The mission acknowledges the first initiative of the DOE in analyzing the EMIS data for drawing policy conclusions and system planning with a view to supporting improvement of BPEP II. Regarding the EMIS data, it is necessary to include disaggregated data of underserved groups in terms of net enrolment, retention and completion rates.
44. The mission noted and welcomed efforts to arrive at a comprehensive approach linking PMIS, FMIS, EMIS and school mapping. Given the move towards a more comprehensive and policy driven approach there will be an increasing need for macro monitoring of the program with reliance on EMIS information for policy making (EFA - plan/ASIP), as well as for providing information to districts on educational trends.
45. The mission recommends that DOE proceeds with its effort towards an improved system for monitoring, including school/community based processes, qualitative and outcome monitoring, working with quantitative and qualitative approaches. Gradually, when the system is effectively operating, a better match can be made between monitoring and policy making.

Financing, Physical Facilities, TA

Financial Management

46. In view of the imminent change in approach towards decentralized basic and primary education financing in Nepal, the Mission discussed bottlenecks having been identified in the Technical Panel report. Some of these clearly pertained to the financial management of the programme. The most important of these are:
- District having to main a ledger to artificially allocate donor-wise expenditures to each individual donor, and also report of MOES and FCGO on expenditures by source.
 - CIP and non-CIP funds (UNICEF) being combined into one line item in the budge hindering separate identification and report of both.
 - Lack of transparency of expenditures as most expenditures are reported in one sigle line item under 'other grants'
 - The required component-wise reporting from DOE not being reconciled with actual expenditure data at district level, causing unreliability of component wise expenditure data and the use of scarce resources in DOE to try and correct the data at later stage.

Streaming Financial Reporting

47. In close cooperation with the concerned expert staff of DOE, the Mission recommends a series of actions to simplify procedures while ensuring the integrity of financial data (Ref. Annex 3) HMG systems should be the basis for administration and reporting, subject to improvement and strengthening as needed.

Direct Funding to School

48. In order to facilitate school based planning and implementation there is a need to allocate earmarked funds directly to the schools, where SMC's are in place. In the short to medium term this will involve using the present system with planning and allocation going through DEO level. The mission is unable to ascertain to what extent the schools are also able to ensure full accountability and transparency of expenditures made against such budgets, while taking account of the limited local administrative capacity. The mission recommends a technical paper to be prepared by DOE in consultation with the Local Donor Group for the next Review Mission on the feasibility of meeting procurement, reporting and accountability requirements at the community level. this should take on board the relevant views of the Financial Controller General's Office and the Auditory General benefits.
49. In the long term there will be gradual devolution of responsibility and management of basic and primary education to the local communities in accordance with the Local Self Governance Act and the 7th Amendment of the Education Act. This will also need to be based on capacity development for VDC/SMC in SIP and community resource mobilization. The Mission would like to point out that in the long term accountability requirements might be easier to meet at the BDC level than at the school level, especially in case of clear earmarking of additional funds to particular output categories as per the SIP, subsequent monitoring of the school by the community.

Computerized FMIS

50. The Technical Pane proposed the use of a computerized financial management system, already in use by MOF/FCGO and two line ministries, for reporting purposes in MOES, but this may have limited benefits. The FMIS developed for the BPEP II programme could prove to be more effective, provided that various administrative and budgetary hurdles, as listed above, are adequately talked. The mission recommends the DOE to further assess opportunities and constraints of using these two systems and to report to the March Mission.

Harmonization of Basket

51. CIP donor will assess the feasibility of harmonization of fund release, reporting and auditing requirements with respect to the basket and present it to the March 2002 mission.

Physical Facilities

52. While compared to the overall targets, the quantitative achievements of physical facilities improvement activity look low but, however, the progress and has been steady and a bulk of this FY's programmed activities are likely to be achieved. A full progress report is annexed as Annex 4.
53. The DOE expressed a concern that the present criteria for targeting physical facility improvement in schools based solely on the GER and NER has not fully helped to target physically facility to the needy areas. This mission recommends the DOE to prepare a modified criteria for targeting that could address its concern and present it to the March Mission.
54. Following the recommendations of the March 2001 mission DOE prepare a revised preliminary design for the DOE building and submitted it for the review to the mission. The IDA, on behalf of the CIP donors, reviewed and provided comments to the preliminary design sketches presented by the consultants and recommend it for approval to the mission. The mission recommended the DOE sq. ft. and is estimated to Cost NRs. 80 million (costing includes 4000 sq. ft of ancillary buildings such as cafeteria, garage and guard quarters and cost of furniture and site development).

Technical Assistance

55. The shift from a project like approach to a full programme approach will have implications for the capacity building needs of the MOEs/DOE. The decentralization process will create demands on capacity development in planning, management and monitoring of the school level. The institutional Analysis, Human Resource Development Plan, ASIP and AWPB provide the means to ensure that technical assistance is systematically utilized to help meet the demand for institution and technical capacity building at all levels of the education system.
56. It is recommended that:
- MOES/DOE and the donors jointly discuss the TA needs for next year in order for the DOE to plan the TA support as an integrated and coordinated part of the ASIP for FY 2002/03.
 - DOE discuss the long-term HRD plan with donors to get support for it in a coordinated manner. The timing should coincide with the planning cycle of the ASIP.

Review Mission

57. The local donor group will prepare a proposal outlining the role and purpose of Joint Donor Review Missions, the desirable frequency of missions, the status and purpose of Aide Memoires and the possibility of transforming the Joint Donor Review Missions into Joint Donor Government Mission, and submit it for review to the March 2002 MTR part two mission. In addition to that the group will initiate work to arrive at a consensus on the role of donors with regard to the BPEP.

Preparation for Second Phase of the Mid Term Review

58. The next Mission will complete the Mid Term Review of the program. In addition, it will review the draft Annual Work Plan and Budget for FY 2002/03. In the interim period MOES and DOE will prepare the ASIP and AWPB and budgeting for the coming fiscal year according to general government requirements and established routines for the sub sector:
59. The Mission has been informed that DOE is already in the process of preparation of ASIP and AWPB for FY 200/03. Budget ceiling to DEO's has been sent through NPC. The ASIP is planned to be completed by the third week of January, and regional planning workshops with DEO's to be held by the end of January 2002. A draft AWPB will then be prepared on time for the March Mission. The Mission requests that the draft be provided to the donors by the end of February 2002. After review by the Mission the AWPB be sent to MOF in April 2002.
60. Many of the recommendations made by the present Mission may be implemented in whole or part during the above regular planning for the next fiscal year. Other recommendations will need further consideration and development. The Mission strongly recommends that a Response Paper be developed by DOE addressing the issues and recommendations in this Aide Memoire, with particular attention to, transition of the strategic shifts in development approach for basic and primary education. This Response Paper would have to be developed during January and February 2002 and be presented to the next Review Mission for consideration. The content of the position paper would be expected also to be reflected in the ASIP.

Timing of the next Mission and Lead Agencies for 2002 and 2003

61. The next joint review mission will tentatively be held from 14 to 22 March 2002. Finland will assume the role of coordinator and mission team leader in 2002, and EC in 2003

List of Recommendations and Action Points

School Improvement Plans

1. Decentralization to school level will mean considerable increases in the level of responsibility of schools. This will require an adequate professional support system to assist teachers in their work to develop their schools. The mission supports the suggestion of DOE and the Technical Panel to develop the professional competencies of the Resources Person for this role.

Monitoring

2. Regarding the EMIS data, it is necessary to include disaggregated data of underserved groups in terms of net enrolment, retention and completion rates.
3. The Mission recommends that DOE proceeds with its efforts towards an improved system for monitoring, including school/community based processes, qualitative and outcome monitoring, working with quantitative and qualitative approaches. Gradually, when the system is effectively operating, a better match can be made between monitoring and policy making.

DOE as Facilitator

4. To enable MOES (and hence also DOE) to make this transition, a carefully worked out plan for gradual structural change and technical capacity building will be required, based on the Institutional Analysis and the emerging Human Resource Development Plan, which is expected to be available at the time of the second phase of the MTR in March 2002. The plan for making the transition would also need to address the timing of institutional and technical capacity building at decentralized levels required to enable staff at these levels to assume their new functions.

Role of Center, Districts and VDCs

5. It is imperative to clarify responsibility, authority and relationships between the different administrative level and 'institutions', including VDC/VEC in support of the school and SMC.
6. At the district level the capacity of the DEO needs to be strengthened for effective liaising with sub-district and community levels.

Financial reporting

7. In close cooperation with the concerned expert staff of DOE, the Mission recommends a series of actions to simplify procedures while ensuring the integrity of financial data (ref. Annex 1). HMG systems should be the basis for administration and reporting, subject to improvement and strengthening as needed.

Direct Funding to Schools

8. The Mission recommends a technical paper to be prepared by DOE in consultation with the local Donor Group for the next Review Mission on the feasibility of meeting

procurement, reporting and accountability requirements at the community level. This should take on board the relevant views of the Financial Controller General's Office and the Auditor General's Office.

Computerized FMIS

9. The Technical Panel proposed the use of a computerized financial management system, already in use by MOF/FCGO and two line ministries, for reporting purposes in MOES, but this may have limited benefits. The FMIS developed for the BPEP II programme could prove to be more effective. The mission recommends the DOE to further assess opportunities and constraints of using these two systems and to report to the March Mission.
10. CIP donors will assess the feasibility of harmonization of fund release, reporting and auditing requirements with respect to the basket and present it to the March 2002 mission.

Physical Facilities

11. The DOE expressed a concern that the present criteria for targeting Physical facility improvement in schools based, solely, on the GER and NER, has not fully accommodated the requirements of the underserved areas. The mission recommends the development by DOE of modified criteria for targeting, meeting the Mission's concerns, to be presented to the March 2002 mission.

Technical Assistance and Capacity Building

12. MOES/DOE and the donors jointly discuss the TA needs next year, in order for the DOE to plan the TA support as an integrated and coordinated part of the ASIP for FY 2002/2003.
13. The DOE should discuss the long-term HRD plan with donor, in order to get support for it in a coordinated manner. The timing should coincide with the planning cycle of the ASIP.

MTR Preparation

14. The Local Donor Group will prepare proposal outlining the role and purpose of Joint Donor Review Missions, the frequency of missions, the status and purpose of Aide Memoires, and the possibility of transforming the Joint Donor Review Missions into Joint Donor Government Missions, and submit this proposal for review to the March 2002 mission. In addition to that, the Group will initiate work to arrive at a consensus on the role of donors with regard to the BPEP.
15. The Mission strongly recommends that DOE addressing the issues and recommendations in this Aide Memoire by developing a Position Paper. The paper should pay particular attention to the implication of the overarching and contextual shifts that affect the development of basic and primary education. The position paper would have to be developed during January and February 2002, and be presented to the next Review Mission for consideration.

16. The Mission and DOE could not address in sufficient detail a number of important contextual changes and major thrusts as a basis for further planning. These constitute, however, an agenda for review and action by the next Mission, to be discussed and agreed upon by DOE. They include the following:
- The impact of the insurgency on education of children in affected districts, on planning and budgeting, and on district and sub-district coverage.
 - Gender aspects, including need for female teachers, removal of gender bias in curriculum adjustment, and girls and women education.
 - Education for under-served and excluded population groups.
 - Systemic issues including the expanded view of primary education (to include lower secondary with in the Tenth Plan)
 - Primary vs. basic education (including need for ECD, and basic and functional literacy)
 - The importance of Grade One, as the basis for a child's future learning and for ensuring better retention, which necessitates, for example, allocation of sufficient teachers of adequate quality, reasonable class sizes.
 - Piloting of bottom-up planning in five districts, pilots related to Alternative Schooling and lessons learned from these pilots for mainstreaming and expansion.
 - The need to take a more holistic view of education in Nepal, to seek synergies of primary education with secondary schooling and higher education, with particular reference to teacher competencies and the development of lifetime learning skills in the modern era.

Proposed List of Issues for Consideration between December 2001 and March 2002 Missions

As stated in Paragraph 5 of the Aide Memoire, the Mission did not cover in detail all the issues relevant for the Mid Term Review, of which this was the first Mission of two.

Among those issues were:

- The impact of the insurgency on education of children in affected districts, on planning and budgeting, and on district and sub-district coverage.
- Gender aspects including female teachers, curriculum and girls and women education.
- Education for under-served and excluded population groups.
- Systemic issues including the possible expansion of primary education to grade 8 and basic education such as ECD and literacy.
- The importance of Grade One, as the basis for a child's future learning and for ensuring better retention, which necessitates, for example, allocation of sufficient teachers of adequate quality, reasonable class sizes, and attention to other factors affecting quality.
- Piloting of bottom-up planning in five districts, pilots related to Alternative Schooling and lessons learned from these pilots for mainstreaming and expansion.
- The need to take a more holistic view of education in Nepal to seek synergies of primary education with secondary schooling and higher education with particular reference to teacher competencies and the development of lifetime learning skills in the modern era.

To assist the DOE and the joint Planning and Support Team in their preparations for the second phase of the Mid Term Review, this Mission has prepared the following list of issues for consideration:

- To revise the key BPEP indicators taking into account EFA indicators with a view to ensuring synergy between program elements.
- To delineate the changed role and responsibilities of MOES/DOE/RED/DDC/DEO/RC/VDC/school/communities originating from the shift of implementation responsibilities to school/community level.
- To incorporate outcome and process based indicators in the set of BPEP key indicators.
- To work out monitoring, fund flow, reporting and auditing framework for the shift of implementation responsibilities to school/community level.
- To work out capacity building implications originating from the shift of implementation responsibilities to school/community level.
- To follow up on planning for improving financial management and reporting.
- To address issues relating to non-formal and basic (adult) education including linkages of NFEC with DOE, DEC, NCED, decentralized levels and partnership with NGO's and CBOs.
- IN cooperation with the FCGO to explore ways to alleviate the burden on DOE of financial management.
- To integrate Special Needs Education into the DOE structure and define the future role of the corresponding section.
- The BPEP Local Donor Group to provide a note to DOE on the status of the various donor support agreement.

- To development policies, norms and procedures for engaging community service providers-including NGOs-in the delivery of selected activities of BPEP.

Financial Management and Disbursement Issues
Second Basic and Primary Education Project: Mid-Term Review

Technical Panel Report ACTION STEP: (Recommendation 5) Start the process of introducing the computerized financial management system already in use by MOF/FCGO and two line ministries

Current Situation	Agreed Actions	Implementation Responsibility	Immediate	Future (e.g., FY 03)
This computerized system tracks expenditures only by the standard government account codes; it does not provide for tracking expenditures by project component, as required by DOE	<ul style="list-style-type: none"> • The MOES could discuss with MOF and FCGO the possible benefits in using the system for the limited purpose of reporting to the FCGO. 	MOES, DOE, MOF, FCGO		X
Implementation in MOES could facilitate the compilation of the basic accounts for government use (i.e., reporting to FCGO)	<ul style="list-style-type: none"> • The DOE FMIS which is functional could be used to functional could be used to facilitate reporting by components if the budget issues (discussed below) are resolved 			X

Current Situation	Agreed Actions	Implementation Responsibility	Immediate	Future (e.g., FY 03)
<p>Program-wise Expenditure</p> <p>Each District maintains a program-wise ledger to allocate expenditures</p> <p>HMG standard procedures require that cost centers (e.g., Districts) report expenditures by source (as identified in the Authority Letter) to the FCGO</p> <p>The Authority Letters to the Districts for BPEP include allocations by donor</p> <p>DOE must verify this allocation by donor and report any revisions to the FCGO</p>	<ul style="list-style-type: none"> • Continue with donor allocation at the District level, as required by government procedures • For next fiscal year request MOF to treat the BPEP CIP basket as one source in the Authority Letter • DOE to allocate expenditure by donor, based on the consolidated BPEP CIP expenditures and report this data to the FCGO 	<p>DOE</p> <p>DOE, MOES, MOF, FCGO</p> <p>DOE, MOES MOF</p>	<p>X</p>	<p>X</p> <p>X</p>

Current Situation	Agreed Actions	Implementation Responsibility	Immediate	Future (e.g., FY 03)
<p>Expenditure Details for "Grants"</p> <p>Project implementation of District activities is not as originally planned and budgeted; budget was prepared for grants to community service providers, but implementation is primarily being directly undertaken by DOE, resulting in different types of expenditures than planned</p> <p>One budget line (i.e., grants) is being used to record most (i.e., over 90%) of the BPEP implementation expenditures (e.g., travel, goods, scholarships, grants, training, operating costs); as a results, adequate monitoring cannot be performed</p> <p>Transparency of expenditures is not achieved since most expenditure are reported in one line item</p>	<ul style="list-style-type: none"> • Districts will continue to maintain a ledger to allocate the "grants" expenditures to the appropriate line items (i.e., goods, operating costs, scholarship, community, service providersd, grants, training) • The SOE forms for withdrawal applications will be simplified to eliminate the need for detailed information about the expenditures; the spreadsheets with expenditures by District (this is a standard DOE document) will continue to be attached to the SOEs • Random SOE review will be increased at the District level to monitor the propriety of expenditure reporting and adequacy of documentation • DOE will have training (in general and specifically on the above changes for all cost center accounts staff in January/February 2002 • For next year, budgets allocated to "3.02 Other Grants" should split into normal HMG headings 	<p>DOE</p> <p>World Bank, DOE</p> <p>World Bank</p> <p>DOE</p> <p>DOE, MOES MOF</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p>	<p>X</p>

Current Situation	Agreed Actions	Implementation Responsibility	Immediate	Future (e.g., FY 03)
<p>Taxes</p> <p>Taxes are not an eligible expenditure for the donors</p>	<ul style="list-style-type: none"> • Current procedures for deducting taxes from withdrawal applications can continue 	DOE	X	

Technical Panel Report ACTION STEP: (Recommendation 2) Make earmarked resource allocation directly available to school/SMC through DEO based on SIP

Technical Panel Report ACTION STEP: (Recommendation 4) Allocate resources, state as well as district fund, to school/SMC on the basis of accepted SIPs

Current Situation	Agreed Actions	Implementation Responsibility	Immediate	Future (e.g., FY 03)
<p>Grants to schools are not a significant expenditure of the DOE</p> <p>The Auditor General has found that accountability and transparency at the community level (not just in education) is lacking and needs to be improved</p>	<ul style="list-style-type: none"> • Accountability and transparency of school-level expenditures should be a part of the programme design • Accountability measures will need to be appropriate, focused on reporting both to the local community and HMG, and primarily linked to outputs • Adequate monitoring, integrated with financial accountability, will be essential 	<p>DOE</p> <p>DOE</p> <p>DOE</p>		<p>X</p> <p>X</p> <p>X</p>

REPORT ON CONSTRUCTION COMPONENT

A. Core Investment Program

The following chart gives a summary of progress in quantitative terms. For a program already at a halfway point and compared to the targets, the quantitative achievements so far look low. However, this is expected as establishment, preparatory/procurement activities as well as setting up the process have taken up most of the early part of the project and actual bulk of the programmed activities are targeted for this FY and the remaining two years.

Due to mismatch of supply schedules of steelworks and roofing sheets from ICB and LBC procurements, only 500 of the 812 new class room construction target set for this FY is likely to be achieved. With the approval of preliminary design made during this mission, it is expected that the DOE/PSS would be able to complete the award process for the construction of the DOE building at Sanothimi within this FY. The activity of supplying maintenance toolboxes to schools participating in the maintenance capacity development program is likely to be dropped. It has been agreed that the unit cost of water supply works in some areas of the districts with problem of presence of arsenic traces in groundwater will be increased to allow for treatment of water for drinking purpose. For the remaining items of activities, other problems are not foreseen and much of those physical targets is likely to be achieved.

PROGRESS STATUS: Year 1 and 2

AWPB ref. Item	99/00 Target and unit: Achievement, progress %	00/01 Target and unit: Achievement, progress%	01-02 Target
1. School Physical Facilities and Associated Civil Works			
1.1 Physical Survey of Schools	9000 schools: 3000, 33%	3000 schools: 2490, 83%	7000 schools
1.7 Rehab. class rooms	1800 cl rm: 1283, 71%	2308 cl rm: 1406, 60%	2684 cl rm
1.8.1 Water supply	800 school: 692, 86.5%	1050 schools: 545, 52%	1255 schools
1.8.2 Toilet Conservation	800 school: 679, 85%	1050 schools: 566, 54%	1255 schools
1.8.3 Compound development	800 school: 699, 87%	1050 schools: 581, 55.3%	1255 schools
1.9 New classrooms	-	-	812 cl rm
1.2 Printing and Distribution of Maintenance Handbooks	2000 manuals: 1000, 50%	2000 manuals: 2000, 100%	4000 manuals
1.3 Orientation Training	130: 0, 0%	200: 200, 100%	220
1.4 Maintenance training	100 clusters: 0, 0%	50 clusters: 40, 80%	80
1.5 Maintenance Tool boxes	2400 boxes: 0, 0%	1400 boxes: 0, 0%	600
3. Education of Girls			
1.6 Feeder Hostels Maintenance	5 hostels: 2, 40%	0: 0, 0%	16
4. Strengthening district planning and Implementation			
1.15 DEO Building	-	6 DEO building: 3, 50%	13
1.16 Furniture for DEO b/dg	-	-	
1.17 DOE Building	-	Preliminary design	
1.18 Furniture for DOE b/dg	-	-	

The following is a summary of discussions and recommendations reached on various issues.

Targeting/Survey of Schools and SPIP: As the school mapping exercise (EMIS/School Statistics Form) incorporates survey of key physical aspects of the school, from the current year onwards the statistics from the mapping will be used to identify physical facility needs of the target school. Detailed survey and SPIP will be made only for targeted schools.

Although the proposed program districts for Year 3 can be said to be practically well responding to the policy framework, (which may be seen from the fact that out of 49 targeted districts, 14 districts meet both GER<60 and NER<100 criteria, 30 districts meet one of the two criteria and 5 are special target districts of which two meet the general policy criteria), DOE/PSS detailed survey and SPIP preparation experience shows that the district/school selection criteria based on GER/NER alone has also meant continued focus on several districts already served by several construction inputs in the past, and consequently, the schools identified on the basis of prioritization criteria have tended to have little new/replacement classroom need. It has not been possible to target, which have significant demand for rehabilitation as well as replacement classroom as they have not been served by past inputs. It is recommended that an improved targeting and resource allocation criteria at both district and school level is urgently needed to be explored so that physical facility improvement activities reach the needy and a decision taken during the next mission.

The Third Party Review of SPIP undertaken in eight schools of four districts shows that GER and girls NER figures were consistently presented lower than actual as computed by the reviewer through direct household survey. The report further notes that the form based SPIP process continues to be technician led and sampling of the returned SPIP's do not evidence district and school level identification with targeting policies. It also notes that the technicians assisting in the preparation of SPIPs need further training in application of criteria. It also notes lack of community motivation campaign as well as lack of approach of transparency between the community, school construction committee and DEO. All these also show little planning capacity at those levels. For SPIPs to be effective tools in achieving the policy endeavors, it is essential that the Village Awareness/Information/Readiness Program is implemented prior to SPIP exercise. It is recommended that the experience and recommendations of the Third Party Review of SPIP exercises be implemented so as to assure that the efforts do reflect best results under the circumstances. Since August, with the deployment of monitoring consultants, cyclic monitoring of SPIPs and physical facility improvement works in 20 out of the 36 districts have been regular.

The pilot school eligibility test based on a detailed household and catchment area survey of GER and NER for each school as a requisite component of SPIP process has not been replicated. The report of the Third Party Review of SPIPs completed in July 2001 revealed that non of the sample schools surveyed by the Third Party met criteria for targeting physical improvement, which are a GER less than 100% and girls' NER less than 60%. This indicates at the urgent need for replication of the pilot school eligibility test.

Construction of New Replacement Classrooms/Procurement issues: As per process recommendation by earlier mission, PSS/DEO is following the process of completing renovation and site development works before programming new construction at my school (CIP funds). The ICB among pre-qualified manufacture and suppliers for fabricated steel materials for construction of New classrooms, RCs and Special Education Classrooms is now afloat and the delivery of the first lot of ICB supply of

1000 units of classroom structural components and door/window frames for 1500 classrooms is expected by July 2002. As recommended by the last mission, steelworks for 250 blocks is being procured through NBC (excluding Door/Window Frames and CGI sheets) and the delivery deadline is March 22, 2002. Although this should enable proceeding on with the construction of new classrooms, with the later arrival of door/window frames for these 250 blocks as they are included in the ICB contract, they are likely to be delayed. It is also recommended that a second lot of ICB be started latest by March 2002 so that further steelworks and materials are available by December 2002, the period by which all the materials currently ordered will have been used in construction. The mission also advised that a further NCB exercise to procure steelworks/other materials for the RC buildings planned for next year be explored shortly.

DOE/ PSS is exploring the use of alternative design of classroom using locally available materials, for some schools in remote hills and mountain districts, where the transport of steelworks takes many days (say, more than five days) making it very expensive. Although the mission expressed that to meet demands of the situation of security risk, such a design using local materials but satisfying the national earthquake resistance code as applicable, may be prepared and the choice of the type of design to be undertake left steel be used as much as possible. Mission also recommended that DOE/PSS make special efforts to use same or similarly specified galvanized steel structure in the design of RC/Special Education Classrooms. DOE/PSS is advised to submit any alternate design for these for review as they are ready.

Recommendation: DOE/PSS has been advised to look at the supply schedule's for all school construction materials to minimize or eradicate lags and to ensure that schools get full set of required materials at the time they begin new construction.

Staffing and Incentives: The staffing support to Physical Service Section (PSS) and Districts (DEO) for physical improvement works which had been built up nearly to required levels has been suffering from attrition and retention is a serious problem. Several engineers and overseers assigned to remote hill districts have left. Since the reason of loss of trained staff is mainly related to insufficient incentives, the mission recommended that a three tiered increasing incentive package based on remoteness and difficulty of access criteria be worked out for field engineers and overseers. Since the issue of allowances tend to go across the board to other employees also, mission suggested alternatively, that DOE/PSS could also explore the supply of manpower through local consultancy firms through competitive bidding.

Maintenance: DOE/PSS has assessed that there has been little actual use of maintenance 'tool boxes' provided to the schools as a part of the overall maintenance capacity development program and has proposed dropping of the activity. However, it has been agreed that an adjusted maintenance training program (with reduced skill content but increased awareness/use of manuals and other management components) will be continued. Since the effectiveness of maintenance capacity utilization is dependant on availability of funds, mission recommends that HMG start the process of providing maintenance funds through its regular budgets. Such a beginning could be made with regular maintenance of RCS and DEO buildings construction under BPEP I.

DEO Buildings: DEO buildings in Nawalparasi, Dandeldhura and Kanchanpur are expected to complete by February 2002. The original value of all these three contracts

has increased by over 15% because of additional work (garage, boundary wall, concrete driveway/aporn) and based on the justification provided, the Bank has cleared these variations. Since the size of such works is quite significant as a percentage of the original contract making, these works are better handled as new contracts at the district level. Given that the three sites are in totally different parts of the country packaging the additional works into one separate contract appears highly impractical.

Although only a few of the sixteen DEO buildings, for which funds are earmarked in the current program, has gone into construction, DEO/PSS has identified thirteen more districts where such buildings are needed and where government owned land is also available. Since present estimates indicate that money allocated for construction is likely to be insufficient even for all of the targeted inputs, DOE/PSS suggestion that MTR target revision include about five more DEO buildings will also mean increasing construction costs. The construction of the additional five DEO buildings is recommended as it will improve local institutional capacity.

DOE Building: Preliminary design sketches presented by consultants were reviewed just before the mission and the following comments were made available to DOE/PSS.

The basic drawings for Alternative Three design need to be further worked on. However as the Alternative Three is a variation of the central corridor concept with a fiber-glass covered atrium space and overhanging corridors on the sides, despite the architecturally interesting central space and a possibly better micro-climate, the space efficiency is expected to be worse (with comparatively larger circulation space). if the consultants wish to further pursue this alternative, they need to bring the circulation/service spaces down to about 30-35%.

The Design Alternative Two at present is preferable to the other and several comments to improve the design has been provided to the consultants. If adequate revision in response to the comments is made and with better space efficiency, it should provide an acceptable design. It is evident that the detailed design of office sections and associated circulation makes the design inefficient at present.

The following are the comments made available to the consultants:

- The total built-up area designed (46,250 sq. ft.) is almost 50% higher than envisaged in the requirement (29529.5 sq. ft. including circulation and service space at 30% of usable spaces) as provided by DOE to the consultants. The last mission had recommended that the total floor area be limited to 30000 sq. ft. The consultants should ensure that the design responds to client's space requirements.
- Designed provision of usable office spaces for future expansion should be limited to allow addition one or two working section.
- There is a very large provision for waiting spaces but little to met requirement of meeting spaces. It has been earlier recommended that
 - Divisional meeting space for DG 12 persons
 - Consolidated common meeting hall for 25 persons: one
 - Consolidated meeting hall for 50 persons: two
 - Visitor space consolidated per section: 4 persons
- The auditorium type of space provided in the second floor is not advised. It is recommended that a training space to accommodate about 50 trainees at a time may replace this. The room area should be much smaller than at present.

- The design uses excessive space for circulation and office layout needs to be revisited so as to bring the circulation/service spaces within acceptable limits of 30-35%. Such doubled up circulation is to be seen in almost all unit designs and these need to be cut down through proper and thoughtful office space design:
 - The central corridor in second floor is almost redundant with parallel circulation with in office units
 - In first floor, both side wings have about 30% internal circulation
 - In first floor, basic and primary education unit has a wide parallel corridor circulation
 - Similar parallel corridor is seen in Deputy Director's unit to the right of the entrance.
- Although the daylight aspect of the building is much improved compared to the earlier design, while detailing, the consultants should make efforts to appropriately design partitions and windows so that working natural lumens are actually available.
- The design of office spaces for senior officers should be revised so as to provide for 'working spaces' also - at present the provision of large visitor seating in front of the working table makes it difficult for the officer to 'quietly work'.
- Conceptually (the central corridor layout with 15-20' deep office spaces on both sides), the building should work with offices with low partition divisions.
- DOE should also require a small cafeteria space. Such a facility may be provided in the area now set aside as extension site.

A revised preliminary design sketch was presented for further review during the mission and was approved with comments. The gross area of the main office building now stands at 40000 sq. ft. and is estimated to cost NRs. 80 million (costing includes 4000 sq. ft. of ancillary buildings such as cafeteria, garage and guard quarters and cost of furniture and site development).

B. JICA Program

Progress Status

Fiscal Year	1999/00			2000/01			2001/02
	Target	Progress	%	Target	Progress	%	Target
Classroom construction	846	846	100	900	900	100	794
Resource center construction	14	14	100	17	17	100	12
Toilets	269	269	100	300	300	100	248
Water Supply	136	136	100	147	147	100	148