

Ministry of Foreign Affairs

Danida

NEPAL

SUPPORT TO SECONDARY EDUCATION

APPRAISAL REPORT

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Acronyms

ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
AWPB	Annual Work Plan and Budget
BPEP II	Basic and Primary Education Programme, Second Phase
CIP	Core Investment Programme
CTA	Chief Technical Adviser
Danida	Danish international development assistance
DFID	Department for International Development
DOE	Department of Education
EFA	Education for All
EMIS	Educational Management Information System
HMG	His Majesty's Government
HRD	Human Resource Development
MOES	Ministry of Education and Sports
MTEF	Medium Term Expenditure Framework
NCED	National Centre for Educational Development
NGO	Non-Governmental Organisation
PAT	Programme Advisory Team
SESP	Secondary Education Support programme
SPSD	Sector Programme Support Document
TA	Technical Assistance
USD	US Dollars

Introduction

1. The appraisal of proposed future Danish support to secondary education (grades 6-10) was undertaken in two main stages during the period May – July 2002, starting with a mission in Nepal and ending with the finalisation of the required Danish documentation, undertaken at Ministry of Foreign Affairs, Danida in Copenhagen.
2. The first stage in the appraisal process took place in Kathmandu from 30 May to 7 June 2002. The first days were confined to issues relating mainly to future Danish support to the secondary education sub-sector. During the days 3 – 7 June, the appraisal was a joint exercise comprising teams representing Asian Development Bank (ADB) and Danida.
3. All key documents were studied and discussed between the teams, and meetings were held with the authorities involved. Central authorities and technical institutions were consulted, especially the Ministry of Education and Sports (MOES), and its Department of Education (DOE), who will assume the future position of Government agency responsible for programme implementation. The mission programme also included meetings in Ministry of Finance, Ministry of Local Development, and National Planning Commission.
4. The main purpose of the mission in Nepal was to agree on status and content of the key documentation for future support to secondary education, and to finalise as much as possible of the revision and writing of the key documents required by the donor agencies for provision of support.
5. The Danish team comprised Mr Knud Mortensen (Senior Technical Adviser in Education, Danida, team leader), Mr Torben Lindqvist (Chief Adviser, Danida), Mr Neil Webster (Consultant, planning and decentralisation) and Mr Grayson Clarke (Consultant, financial management and budgeting). Danish Embassy in Kathmandu was represented by Ms Nathalia Feinberg (First Secretary) and Mr Sharad Neupane (Senior Programme Officer).
6. The ADB team comprised Ms Sukhdeep Brar (Mission Leader, HQ), Ms Caroline Vandenebee (Counsel, HQ), Ms Elaine Glennie (Financial Management Specialist, HQ), Mr Krishna Panday (Project Implementation Officer, NRM), and Ms Ava Shrestha (Gender Specialist, NRM). Mr John Bailey (Educational Consultant) assisted the ADB mission team.
7. A paper, which forms the bulk of the present appraisal report, was prepared by the Danish team at the conclusion of the mission for use in debriefing sessions with the Danish Embassy, and the Nepalese ministerial authorities. It needs to be noted that the text of the report of the Nepal mission is the responsibility of the Danida team, and that it may not correspond with the views and findings of the ADB appraisal team.

8. The second stage in the appraisal process was based on the final version of the documentation, common to the three partners involved, MOES, ADB and Danida, which also formed the basis for preparation of the final draft for Danida documentation, referred to as the **Summary Sector Programme Support Document (SPSD)**. This stage was a desk appraisal undertaken in Copenhagen at Ministry of Foreign Affairs, Danida, by Knud Mortensen.

Background

9. Danish preparation for future support to secondary education development started in September 1999. This was followed by a feasibility study, finalised with a report in August 2001. A joint workshop with participation from MOES, ADB and Danida took place in Kathmandu 21 - 22 January 2002. The workshop addressed, among other things, the need for teamwork between the partners in the follow-on process to be concluded by mid-March 2002. The result of that process was a draft for a common **Secondary Education Support Programme (SESP) Document**, referred to as the **Core Document**, for a 5-year implementation period, 2003 - 2008.

10. An ADB Fact Finding Mission took place in March 2002, with part-time participation of representatives of Danida. Comments were obtained from all parties involved, Government as well as donors, with the view to preparing the SESP Core Document in a final draft version, ready for appraisal in June 2002.

11. It was agreed during the Fact-finding Mission that the Core Document would form the common framework for cooperation between the Government, ADB and Danida in support of secondary education development. This agreement was established on the understanding that the two donor partners would need to develop their own documentation as required by their respective agency authorities for entering into an agreement with the Government. The assumption was, and still is, that the same would be acceptable to most, if not all, future donors to secondary education development. The Core Document was therefore prepared with the view to providing a sufficiently broad framework that can accommodate all future donors' requirement for basic sector programme documentation.

12. The Core Document includes in its final version sections on policy framework; population and demography; equity and poverty reduction; programme design and composition; and strategy and implementation (with particularly attention to decentralisation). As a result of the joint appraisal mission in June, three additional sections were added to complete the document on financing modalities; organisation and management; and an implementation schedule.

13. The key finding of the Danida appraisal process is that the final (draft) version of the Core Document meet the basic Danish requirements for documentation in regard to sector programme support.

14. Quoted from the Summary SPSP, *the complete Danida documentation for support to secondary education in Nepal, 2003 to 2008, is therefore a set of documents, which consists of the Summary Sector Programme Support Document and the Secondary Education Support Programme, Core Document.*

15. Similarly, the ADB documentation is comprised of the SESP Core Document and a shorter document referred to as Report and Recommendations to the President (RRP).

Programme description

16. The SESP is designed to support the national educational reform process, which will gain particularly strong momentum during the course of the 10th 5-year Plan, 2002 – 2007. Although it has a defined budget, SESP can only be implemented within this broader context, and will therefore not have a distinct life of its own.

17. The *overall policy or development objective* of SESP is to expand quality secondary education suitable for the need of national development. This will aim to support the broader priority objective of development in Nepal, the reduction of poverty, as stated in the 10th 5-Year Plan.

18. Within the above overall development framework, SESP has *three intermediate objectives* defining key areas particularly in need of development and improvement: (i) quality and relevance of public secondary education, (ii) access to and equity in public secondary schooling, with particular emphasis on girls, students with disabilities and students from poor and disadvantaged groups and districts, and (iii) institutional capacity and management of central and district education institutions and public secondary schools based upon a decentralised system of planning and management.

19. The *main strategy* of the SESP is to provide support for developments in four broadly defined components addressing priority needs in grades 6 – 10 of the secondary education sub-sector. The term ‘component’ has been chosen mainly for ease of language and is taken to mean broad areas of intervention in need of particular attention, especially with the view to ensuring increased quality in secondary education.

20. It is the clear understanding among the partners that the components will be mutually supportive and interdependent, and hence form essential elements of a programme approach. The components include (i) The Learning Environment; (ii) Curriculum Development, Assessment and Instructional Materials; (iii) Teacher Education and Development; and (iv) Institutional Management and Capacity Building. These are specified in detail in the text of the Core Document, and in an annexed logical framework analysis.

21. Donor funding will relate to the national budget allocation for secondary education. This implies that donor funding will be reflected in the national budget for development, while allocation for the regular budget (almost all of which is utilised for salaries and operating costs) will remain the responsibility of His Majesty's Government (HMG) of Nepal.

22. The existing routine of preparation of an *Annual Strategic Implementation Plan (ASIP)* and an *Annual Work Plan and Budget (AWPB)*, relating to the Basic and Primary Education Programme, second phase (BPEP II), will be adopted also for budget planning for secondary education. Both levels of education will therefore be incorporated into this planning and budget processing.

23. The ASIP mechanism will, moreover, be related to the three-year rolling Medium Term Expenditure Framework (MTEF). The *total budget for SESP* will then be defined by the national budget, divided according to the existing structure into regular and development budget allocations (with the latter reflecting ADB and Danida inputs, and possibly other donor funding in future).

24. For procedural reasons, ADB uses the term 'project' which requires a government allocation in the form of counterpart funding, while Danida does not have this restriction. There is a defined budget for SESP, co-financed by ADB, Danida and HMG. This budget will be reflected in the national budget, but restricted to utilisation for development purposes.

25. During the course of the joint appraisal in Nepal the budget was carefully analysed on the basis of preliminary estimates totalling approximately USD 83.0 million, combining ADB, Danida and Government contributions. Further detailed analyses and calculations resulted in a final budget amounting to USD 74.83 million, distributed between the three partners as follows: ADB (loan) USD 30.0 million, Danida USD 30.0 million, and HMG USD 14.83 million, representing respectively 40, 40 and 20% of the total. See also paragraphs 39 – 41 for information on funding modalities.

26. The distribution between the four key components is, at the initiation of SESP, estimated as follows: (i) The Learning Environment, USD 26.35 million (35%); (ii) Curriculum Development, Assessment and Instructional Materials, USD 8.07 million (11%); (iii) Teacher Education and Development, USD 17.07 million (23%); and Institutional Management and Capacity Building, USD 9.00 million (12%). These allocations amount to USD 60.49 million, or 81% of the total, and will constitute almost all financing available for the Government's development expenditures for secondary education. Additional contingencies and various charges (some relating to the ADB loan) make up the remainder of the total budget of USD 74.83m. The proposed Danida grant and ADB loan are provided on an approximate 50-50 percentage basis, amounting to approximately USD 30 million for each agency.

27. In FY 2001/02 the education budget amounts to 14.1% of the total HMG expenses. The draft MTEF (January 2002) for the 10th 5-year Plan period indicates 53% of the total education budget for basic and primary education, and 21% for secondary education.

28. The implementation strategy, as specified in the Core Document, will address needs in all districts. This implies that aspects of the four major components will relate to development on a nation-wide scale.

29. A particular poverty focused approach will, however, be applied, first, in two districts, gradually increasing to 10 districts during the course of the programme period. In addition to targeting the needs in the selected districts, the approach is expected to generate experience, especially in regard to planning and capacity building requirements, which, with the proper modification, may be transferable to other settings with similar needs. Planning for implementation in the 10 districts will be carefully worked out in a participatory fashion at all levels involved, and with due attention to the emerging legislation for devolution of planning and decision-making authority.

30. At the moment decentralisation and devolution of the kind indicated above relates to basic and primary education only. But expectations are that in coming years Government will work out and decide devolution procedures also for secondary education levels. When rules and regulations are in place in this regard, transfer to decentralised bodies of SESP funds and other programme implementation responsibilities, currently resting with the central administration, will be considered and mutually decided by the three partners. The timing of this will be based partly on the annual reviews, proposed to take place in March (in connection with ASIP review, and to coincide with the regularly scheduled BPEP reviews), and partly on the Mid-term Review of SESP.

31. Progress indicators, incorporated into the Core Document, are as few in number as possible, addressing key aspects of programme development. The basic principle applied for this purpose, has been the structure of the 18 Education for All (EFA) indicators (which will be used in the National EFA Plan of Action in the context of the 10th National Plan). These have been modified to comply with secondary level education.

32. Indicators of progress in regard to development of institutional capacities at all levels of operation to effectively and efficiently implement the SESP are of particular importance as this will be seen as a prerequisite for achievement of sustainability. This applies both to public administration and the technical sector institutions, and the elected bodies at decentralised levels. The notion of a policy and process driven approach is of particular importance in this respect. The requirement for indicators to reflect this approach is partly met in the logical framework for SESP, and partly by the implementation schedule (both annexed to the Core Document).

33. Technical Assistance (TA) will be of three kinds: (i) long-term advisers, (ii) institutional linkages, and (iii) specialist consultancies. Existing expertise and capable institutions in Nepal will be prioritised for involvement. This will determine the degree to

which external TA is required. The basic prerequisite will be that TA is integrated into the relevant technical and administrative entities and operate in a direct counterpart fashion with them. The strategy of institutional linkage, in which national and, where required, external institutions enter into longer-term collaboration arrangements, will be central to development of capacity in both technical and management institutions (relating, for example, to teacher education and decentralisation respectively).

34. Development and management of the SESP will be an integral function of the education system. At central level implementation responsibility will be anchored in DOE, with MOES as the executing agency. Other responsibilities at central level will involve the various divisions of MOES. It is expected that DOE will develop a unified Education Division to incorporate both basic/primary education and secondary education.

35. At district levels the DEOs will have direct management and supervision responsibilities. Further dissemination of management responsibilities will be subject to legislation and development of bylaws, rules and regulations. Decentralisation and devolution of authority, including administration of finance, has so far been granted only in regard to basic and primary education. Secondary education is still managed from central ministry level.

36. The basic principle in all aspects of implementation and institutional capacity building will be that existing structures will be utilised in a coordinated and holistic manner. Provision and dissemination of training and educational development programmes will, at decentralised levels require effectively coordinated utilisation of Secondary Education Development Units, Resource Centres, Primary Teacher Training Centres and Tribhuvan University campuses.

37. Central level technical responsibilities, especially for development and delivery of teacher education, will be concentrated in the existing National Centre For Educational Development (NCED). This will be developed into an apex institution for the decentralised structure through the merging of Distance Education Centre and Secondary Education Development Centre. The Recurrent Teacher Training Section of the DOE is also expected to be part of the merged apex institution. Its main responsibility will continue for some time to be teacher education, especially to clear the backlog of untrained teachers; but in the future more broadly defined educational development activities is expected to be carried out by this apex institution.

38. Textbook and other educational materials development will continue on the already initiated basis (until mid-2002 assisted by DFID). The only press in existence at the moment with a capacity large enough to print on the required quantity scale is Government owned. This will continue to be the case for some time to come.

Funding modalities

39. Coordinated budgeting and utilisation of funding will be a basic principle. *The basket funding modality*, with the modifications required by ADB (especially in regard to counterpart funding, and the definition of the modality as co-financing), will be adopted for the SESP, implying that funds will be allocated jointly to the national budget for development expenditures. This modality has also been designated as the *Core Investment Programme (CIP)*, which is also the term used in the BPEP II context. The main basis for budget line allocation will be the broadly defined four components (see paragraph 26).

40. The counterpart funding required for ADB co-financing, has been set at 20%. At the conclusion of the appraisal mission in Nepal, it was confirmed, that this Government funding can and will be made available through a recently decided donor budget support provision.

41. In addition to the basket, or CIP, funding to be reflected in the national development budget, part of the Danida funds will be provided in the form of *direct funding*. This will be used mainly for the purpose of ensuring availability of financing for institutional capacity building requiring institutional linkages and other activities, which do not lend themselves to financing from the basket. In this context, reference is made to the similar arrangement for direct Danida funding for BPEP II. The distribution of Danida funds between basket and direct funding was estimated at 80% and 20% respectively, and was in the final analysis established at 79% and 21%.

Main findings of the appraisal

42. The overall conclusion is that the SESP, as defined in the draft Core Document, provides a well-structured and realistic long-term development strategy for support to the national educational reform process. The SESP Core Document supplemented by the (Summary) SPSD is therefore **recommended** for approval by the Danish authorities as the conceptual and operational framework for provision of future support to programme implementation.

43. The SESP strategy has a strong potential for supporting poverty reduction, and is thus in line with Danish development objectives as these are expressed in Denmark's policy and strategy document, referred to as 'Partnership 2000.' This includes, in particular, its section on 'Children and Young People.' The SESP is also in line with Danida's policy on assistance for educational development.

44. The appraisal confirmed that SESP can, and should, be seen as an extension of ongoing Danish support to BPEP II. This will be a further step towards adoption of a more broadly defined sector programme approach to development assistance.

45. Based upon experience of BPEP, late release of funds, particularly in first trimester, has resulted in significant problems in programme execution, and undermined annual work plan schedules. The appraisal mission found that early release of funds is a

prerequisite for the successful implementation of the programme. More sophisticated mechanisms for the release and accountability of funds will be identified to ensure their release.

46. Various options and modifications in the originally proposed budget were thoroughly discussed during the appraisal in Nepal. The final version, as included in the SESP Core Document, was prepared on that basis.

47. The appraisal confirmed that the Core Document form the common framework for future collaboration between HMG, ADB and Danida in support of secondary education development. Agency specific documentation has been were prepared on the basis of the Core Document and checked for consistency with it. The agreed reference to the Core Document is, moreover, expected to help ensure donor coordination during the course of programme implementation. This is further reflected in the proposed, and accepted in principle, procedure of annual reviews jointly carried out with BPEP.

48. It was established that SESP will be an integral part of the national 10th 5-year Plan to support implementation of the Education Act, 7th Amendment, and the Local Self-Governance Act. The latter is not in itself an education act, but involves significant changes in the existing structures for educational provision in Nepal. Other key aspects of the 10th Plan, with significant implications for education, are the Poverty Reduction Strategy and the MTEF. With its focus on poorer districts and marginalised population groups, and its planning and funding modalities, the SESP is equally relevant in these contexts, especially because of its potential to support realisation of the Poverty Reduction Strategy. Further, the SESP gives attention to girls' education, and addresses this issue in the context of equity in access to secondary education.

49. There is a large and pressing demand for capacity building to ensure the necessary institutional development. This is partly to do with the very limited availability of professionally qualified personnel, and partly with the current restructuring within the education system, and in public administration as a whole.

50. It was confirmed that implementation will be flexible with possibilities of adjustment of budget allocations, and that the established ASIP/AWPB and joint annual review procedures will be the basis for planning, budgeting and monitoring of programme development. Because of the complexity of the programme, and the demands it will put on the Government, implementation will need to take place in a sequential and cautiously planned manner.

51. The largest proportion of TA will be funded through the Danida grant. This is in line with the clearly stated Government position that TA must primarily be funded by grant money. It was agreed that institutional linkages would be the key strategy for intensive capacity building, with particular emphasis on institutional development. Since Danida will be the main provider of TA support services, especially through the direct funding facility, this is further addressed in the annex to this appraisal report.

52. The potential impact of HIV/AIDS on the provision of education in Nepal is not addressed directly in the SESP. However, a thorough study in this respect is underway in the BPEP context. Implementation of recommendations from that study will be ensured through the ASIP/AWPB process, which as explained earlier is expected to also incorporate secondary education.

Sustainability

53. The SESP Core Document makes the distinction between *technical, institutional and financial sustainability*.

54. Institutional capacity development and strengthening is the most important means to ensure sustainability. This requires intensive training and institutional linkage provision. The recently developed Human Resource Development (HRD) Plan for BPEP II, when revisited to incorporate capacity development needs relating to secondary education will be of particular importance in this context.

55. Economic deterioration with fiscal and budgetary implications for the Government, and with increasing costs incurred, the prospects of SESP being financially sustainable are extremely limited in the short term. Financial sustainability of SESP at the local level is an integral element of the school improvement plan process in the long term.

56. Achievement of technical, institutional and financial sustainability of SESP will require long-term and consistent external support over a long period of time. This is reflected in the Core Document (executive summary) in the following way: 'It is the first 5-year phase of a development programme that subject to the achievement of a satisfactory outcome, may be extended for a further 10 years.'

Assumptions and risks

57. SESP has been developed on the assumption that it will be an integral part of the national education system. The appraisal confirmed this basic principle.

58. The Core Document sums up the risks associated with SESP by stating that there are particularly '... high risks emanating from the lack of capacity on the part of the Government, a weak fiscal base and the deteriorating security situation.' The appraisal confirmed this observation, and recommended that conflict assessment be incorporated into the institutional capacity of districts. Furthermore, the macro-economic and fiscal consequences of the conflict need to be an integral part of the planning process.

59. The main risk and assumption analyses are found in the Core Document, which also clearly points to the deteriorating security situation caused by the Maoist insurgency and conflict with Government. The Summary SESP includes five short paragraphs, based on the Core Document, with the following sub-headings: security situation; capacity;

decentralisation; and instability (the latter reflecting, in particular, risks and assumptions associated with frequent changes of key staff, which is an issue also addressed in BPEP).

Next steps in Danish preparation for programme initiation

60. **Finalisation of Summary SPSD.** This is now (mid-July 2002) available in a final draft form awaiting approval by HMG and Danida authorities.

61. **Submission to the Danida Board and the Finance Committee of the Danish Parliament.** This two-stage process is planned to take place during the course of the autumn of 2002.

62. **Programme initiation.** Provided the result of the above approval procedures is positive, and the timing is accepted, the process of preparing for the Government-to-Government Agreement could begin late in 2002 with the view to signing of it and programme initiation in the spring of 2003. This would then coincide with the conclusion of similar ADB procedural requirements, and preparations for FY 2002/03 in Nepal.

63. **Interim Project.** This was initiated immediately after appraisal in Nepal in June 2002. International consultancies are expected to be involved as from September 2002. The project is funded by Danida and is intended to undertake a range of preparatory activities to support initiation of SESP. A preparatory workshop with key responsible MOES/DOE staff should be arranged at an early stage to address the processes and expected outcome of the Interim Project. It should be noted that the Interim Project is not intended to pre-empt the approval procedures, but will be necessary in any event to begin to address important issues pertinent to public secondary education in Nepal.