**Nepal’s Proposed School Sector Reform Plan (2009 – 2015):**

**Background and Issues for Discussion**

**7 November 2008**

**1. Background**

Australia is a relatively small donor in Nepal with modest financial, technical and administrative resources to apply. Australia started its support of education in Nepal in 2007 with the signing of an agreement for Australian $10million ($8.25 million from Budget Measure funding and $1.75 million from the Nepal bilateral country program) for a four year period from FY 2007/08. The support is provided to Nepal’s basic education sub-sector program. The principle is to work in partnership with the Government of Nepal (GoN), donors and other key actors to support the already well established SWAp. Financial resources are provided to a pooled fund which is managed by the GoN.

Because of the timing of the Australia’s financial contribution, the already committed support will span two program periods. The current multi-donor funded Education for All (EFA) program will be completed in June 2009. In the next phase the GON is planning to merge the EFA program with work currently being undertaken through projects in the secondary sub-sector. The next phase will be called the School Sector Reform (SSR) program and will cover a six year period from July 2009 to June 2015.

Almost $6.5 million is already committed by Australia for the first two years of the next program phase (almost $6 million from Budget Measure funding and $0.5 million from the bilateral budget). The expectation of the GON is that all donors will make pledges of financial support for the full 6 years of the new program.

The GON has developed and submitted to the donor consortium an ambitious plan for the upcoming program. The School Sector Reform Plan 2009-2015 outlines a comprehensive program covering pre-primary, primary, nonformal and secondary education. The estimated cost of the plan is US$5.68 billion, of which the donors’ share is expected to be approximately US$1.9 billion. This is a significant increase over the budget of the current program.

A multi-donor pre-appraisal mission is planned for 1 – 12 December 2008 alongside a brief mission to look at the Joint Financing Arrangement (JFA) for the upcoming program. It is expected that an appraisal mission will be fielded in February 2009.

**2. Preliminary Assessment of Proposed Plan**

The plan presents a clear outline of GON’s intentions for the next program. The plan builds on the achievements and lessons learned during the implementation of the EFA program. A major emphasis is on structural reform and decentralisation. While the plan gives a broad idea of what the program will cover, none of the components are described in detail. At this stage the document is more like a concept note than a full-fledged plan. More details of the strategies, budgets and activities will hopefully be forthcoming during the pre-appraisal and appraisal missions.

**2.1 Objectives**

The overall goals of the proposed program reflect the emphasis on structural reform and local ownership. The document contains chapters on the various components of the program. In the chapters there are specific objectives for each component. In general the objectives are closely aligned with AusAID education policy. The alignment with other donors and the emphasis on working through and improving local Government structures is in keeping with the Paris Declaration.

**2.2 Monitoring and Evaluation**

The EFA program has a well established system of half-yearly reporting to the donor consortium. However, the reports tend to be a compilation of information rather than an analytical description of progress and areas of concern. The proposed plan recognises some of the weaknesses of the current system and there are proposals for enhanced monitoring processes.

The specific objectives along with expected outputs and outcomes in the component chapters provide scope for determining measurable indicators. The 15 key indicators and targets for the program provide criteria for tracking and analysing progress in several areas. However, learning achievement is mentioned only for Grades 5 and 8. A logframe and/or M and E framework using results based indicators needs to be adopted for the program and added to the plan.

**2.3 Sustainability**

The proposed program shows progression in the use of Government systems and is intended to introduce further reforms and structural changes in order to make the systems more effective and efficient. The Government is clearly in the lead, and all inputs from donors will be used to maintain and strengthen the system.

The plans are very ambitious and the budget is a substantial increase over the budgets of the current programs. There is the question of whether or not the Government system can be strengthened in order to introduce and maintain all the proposed activities, and this should be looked at during pre-appraisal. There should also be during pre-appraisal an analysis of whether or not the GON will be able to sustain the budget levels in order to maintain the activities in future years. If it is determined that the capacity does not exist to implement the full program as planned and/or if the funding is likely to be insufficient, there will be the need to prioritise activities in order to plan a realistic program which can be implemented effectively with the available resources.

**2.4 Implementation and Risk Management**

At the time of the signing of the agreement to support the EFA program Nepal had an interim Government after years of conflict. It is a credit to the EFA program that most of the activities continued and quite significant progress was made even during the conflict period. With the transition to a democratically elected Government, the risk of political disturbances disrupting the program appears to be considerably less than before.

One of the strengths of the EFA program is the twice yearly reviews of progress jointly by the GON and donors and the revision of plans according. The SSR plan proposes to reduce the joint reviews from twice to one time a year. This proposal needs to be considered carefully. While it is desirable to cut down on transaction costs for both Government and donors, there needs to be an assurance that activities will be closely tracked and that plans will be adjusted as needed.

The EFA program has proven financial control mechanisms with regular internal and external audits. The World Bank plays an informal role in feeding back information on the accounts and audit reports to other donors. The financial management system is detailed in the SSR plan, but it does not appear to include external audits. It would be useful to check with other donors as well as the GON to see if any changes have been suggested in the financial management procedures.

**2.5 Analysis and Lessons**

The mid-term review and the twice yearly reviews have provided opportunities to discuss achievements as well as challenges. One of the issues identified during the EFA program implementation was the need to have a comprehensive program covering the full sector. This has been fully incorporated in the SSR plan.

The EFA program is currently in the early stages of a final external evaluation, which is not expected to be completed until March 2009. It is unfortunate that the evaluation was not completed before the planning of the SSR program, but it is hoped that preliminary findings of the evaluation may be shared before the completion of the appraisal of the SSR program so that lessons learned may be incorporated into the final plan.

**3. Issues for Discussion**

During the pre-appraisal and appraisal missions there should be opportunities to discuss with the GON and other donors all the plans, and adjustments may be made according to the views of the various partners. It will be important for AusAID to be clear on its own position before taking part in the exercises.

Some of the issues which need to be discussed and decisions made internally, ideally before the pre-appraisal mission, are as follows:

* *Participation in the pre-appraisal and appraisal missions:* Currently it is planned that the Country Program Manager and the Regional Education Adviser will be members of both missions. This needs to be confirmed and arrangements for back-up (to address issues as they arise) agreed. Will also need to discuss CBR participation.
* *Feedback on the proposed SSR plan:* It has been agreed that all donors will provide their feedback by 13th November so that a consolidated list of comments can be sent from the consortium to the GON. Agreement is needed on the type of comments needed from AusAID and on the process for providing them.

The education donors met on 07 November ’08 and have agreed to form five thematic groups, to assess the following themes of the SSR plan:

1. Access (including non-formal + ECD): UNICEF, JICA, Embassy of Japan
2. Institutional arrangement / governance : Norway, Denmark (EC – tbc)
3. Inclusion and gender : Denmark, Finland, Norway
4. Quality, including teacher management: AusAID, ADB, Finland, Embassy of Japan
5. Financing : WB, DFID.

The groups are expected to prepare notes by end of next week, which will be used to inform the pre-appraisal by the DPs. Post has tentatively indicated AusAID interest to be in the “Quality” group. We need to agree whether Quality would be the right theme for us.

* *Period of Australian funding for the SSR program:* Currently about Australian $6.5 million is committed for the next program (approximately $3.2 million for each of the next two financial years). First of all, we need to confirm that AusAID can commit to providing at least this amount each year for the full program period.
* *Possible increase in Australian funding:* The proposed contribution from donors for the SSR program is US$1.6 billion for the first five years. While it is unlikely that the program will be fully funded, most of the other donors are providing much higher yearly amount than AusAID for the current program, and it is unlikely that their contributions will decrease. This makes Australia an extremely small donor in comparison. It is inevitable that the influence which can be exerted is minimal. Consideration should be given to the size of Australia’s contribution for the future program. The possibility of becoming at least a medium size donor could be considered. While it may not be possible to make a commitment until the next Budget Measure funding is announced, at least a case could be made internally for increasing the amount available for education in Nepal.