

ZUSAMMENFASSUNG

Jahresaktionsprogramm 2016 für Nepal zulasten des Gesamthaushaltsplans der Europäischen Union

1. ANGABEN ZU DEN PROGRAMMEN

Haushaltslinie	21 02 02 00
Gesamtkosten	81,4 Mio. EUR (EU-Beitrag) Zusätzliche Beiträge zum Aktionsprogramm 1: 20,2 Mio. EUR von der Regierung von Nepal 15 Mio. EUR von der Regierung von Finnland Zusätzliche Beiträge zum Aktionsprogramm 2: 125 Mio. USD von der AfDB 21,8 Mio. USD von GPE-REACH 20 Mio. EUR von der Regierung von Finnland 20,9 Mio. USD von der Regierung von Norwegen 2,5 Mio. USD von der UNICEF
Basisrechtsakt	Finanzierungsinstrument für die Entwicklungszusammenarbeit

2. INFORMATIONEN ZUM LAND

Im Human Development Index der UNDP (2015) nimmt Nepal unter 188 Staaten den 145. Rang mit einem Index von 0.548 ein. Faktoren wie der schwierige Zugang zu vielen Teilen des Landes sowie der Bürgerkrieg mit nachfolgend langwährender politischer Instabilität haben das Land daran gehindert, an der hohen Wachstumsrate seiner größeren Nachbarn teilzuhaben.

Nach einem zehnjährigen Bürgerkrieg führte der Friedensprozess in Nepal 2006 zu einem Umfassenden Friedensvertrag (Comprehensive Peace Agreement) und der Einführung einer neuen Verfassung im September 2015, die den Übergang in eine föderale Regierungsstruktur fordert, das Grundrecht auf Bildung garantiert und die Richtliniengrundsätze des Staates über das Bildungswesen und damit einhergehende Rechte spezifiziert. Dies erfordert strukturelle und funktionale Reformen auch der Politik und der regulatorischen Rahmen. Nepals Parlament verabschiedete eine Änderung des Bildungsgesetzes im Dezember 2015. Sobald in Kraft gesetzt, wird diese Änderung Reformen in Einklang mit der neuen konstitutionellen Vollmacht den Weg bereiten.

Der HDI der ausgewählten Projektbereiche für das Aktionsprogramm Nr.1 in den mittleren und entfernten Westregionen liegt unter dem nationalen Durchschnitt, während der multidimensionale Armutsindex beträchtlich höher liegt. Diese Regionen befinden sich tatsächlich in den entferntesten Gegenden des Landes mit einem unterentwickelten Potenzial. Die geplanten Projektbereiche waren nur geringfügig von den größeren Erdbeben im April und Mai des Jahres 2015 betroffen. Die von den Erdbeben andernorts in Nepal verursachten Schäden haben jedoch den nachhaltigen Bedarf an erdbebensicheren Gebäuden und Infrastrukturen ins Zentrum gerückt.

Nepal verfügt im Verhältnis zur Gesamtbevölkerung über eine wachsende Gruppe im arbeitsfähigen Alter. Diese Veränderung, die voraussichtlich 2025 ihren Höhepunkt erreicht, bietet eine Chance, die soziale und wirtschaftliche Entwicklung in den nächsten zehn Jahren nachhaltig zu verbessern. Das Potenzial dieser demografischen Dividende kann jedoch nur dann genutzt werden, wenn Nepal wesentliche Verbesserungen bei der Bildung und Ausbildung seiner jungen Menschen sicherstellen kann. Gegenwärtig verfügen >60 % der 15-24-jährigen nicht über die Kenntnisse und Fertigkeiten, um diese Chance zu realisieren.

Die Erdbeben im April und Mai 2015 führten zu einer ernsthaften Unterbrechung der Bildungsdienstleistungen, und hatten zur Folge, dass mehr als 35 000 Klassenräume weitgehend oder völlig zerstört wurden und für mehr als eine Million Kinder keine sicheren Schulgebäude zur Verfügung stehen. Dies kehrte den jüngeren Fortschritt in den 14 am meisten betroffenen Bezirken um und ließ die Anzahl der Kinder ohne Schulausbildung in Nepal auf 1,75 bis 2 Mio. oder ca. 15 % der Alterskohorte ansteigen.

3. ZUSAMMENFASSUNG DER AKTIONSPROGRAMME

3.1 Aktionsprogramm 1- wasser- und landwirtschaftsbedingte Dorfverbesserung („Water and Agriculture based Village Enhancement“ (WAVE))

Dieses Projekt wird die Lebensgrundlage von Randgemeinden in schätzungsweise zehn Bezirken der Regionen im mittleren und fernen Westen¹ Nepals nachhaltig verbessern und soll die verschiedenen hauptsächlichen Entwicklungsbeschränkungen wie Energiezugang, Bewässerung, Märkte, Wasser- und Sanitäreinrichtungen sowie die niedrigen Ernteerträge beseitigen. Der geografische Fokus liegt auf den bedürftigsten Teilen der Regionen im mittleren und fernen Westen, die wiederum den Landesanteil mit der höchsten Armutsrate darstellen.

Das Aktionsprogramm steht in Einklang mit dem MIP 2014-2020 für Nepal, insbesondere mit Ziel 1, Nachhaltige Entwicklung des ländlichen Raums, wie es auch zu allen aufgeführten Ergebnissen beiträgt.

Dieses Aktionsprogramm verhält sich komplementär und verstärkt die anderen größeren, den ländlichen Räumen geltenden EU-Entwicklungsmaßnahmen in Nepal, insbesondere (i) die geplante Sektorhaushaltsunterstützung für die (ADS) „Agriculture Development Strategy“ und (ii) die Ernährungspartnerschaft, welche die Umsetzung des Multisektor-Ernährungsplans („Multisector Nutrition Plan“ (MSNP)) unterstützt. Angesichts des Fokus der ADS auf kommerzieller Landwirtschaft und ertragreicheren agro-ökologischen Regionen zielt dieses Aktionsprogramm auf fern- bzw. abseits gelegene und marginalisierte Bereiche und Bevölkerungen mit der Absicht, das Eigenkapital in der ländlichen Entwicklung Nepals zu verstärken und nachfolgend den Weg zu einer regionalen Politik der Kohäsion zu ebnen. Das Aktionsprogramm wird außerdem einen Beitrag zur Nahrungs- und Lebensmittelsicherheit in Bezirken leisten, die nicht durch die EU UNICEF Nahrungspartnerschaft für Nepal erfasst werden. Mit einem ausgeprägten Schwerpunkt auf erneuerbarer Energie bezweckt das Projekt außerdem die Anpassung an den Klimawandel und dessen Abschwächung.

Mit der WAVE-Maßnahme tritt die EU der dritten Phase des getesteten und erfolgreichen Wasser-Ressourcenmanagementprojekts im ländlichen Dorf („Rural Village Water Resource Management Project“, RVWRMP) des Ministeriums für föderale Angelegenheiten und lokale Entwicklung (MOFALD) bei, das bereits seit 2006 von Finnland unterstützt wird. Das Projekt strebt danach, die hauptsächlichen politischen Ziele der Regierung von Nepal in den

¹ Der vorliegende Projektbereich umfasst die Bezirke Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla und die sechs hügeligen VDC's von Kailali (Sahaspur, Khairala, Pandaun, Mahaniyal, Sugarkhal und Nigali)

Bereichen Wasserversorgung und Sanitäreinrichtungen, landwirtschaftliche Entwicklung, Klimawandel und Geschlechtergleichstellung und soziale Inklusion (GESI) zu erreichen. Der EU-Beitrag wird ermöglichen, die Lebenshaltungskomponente nachhaltig nach oben zu skalieren, nicht nur im Bereich der Landwirtschaft, sondern auch des Energiezugangs und der Schwerkraft-Seilbahnen, welche auf die Unterstützung kleiner Unternehmen und einkommensgenerierende Aktivitäten abzielen. Er wird außerdem den politischen Dialog im Hinblick auf einen zunehmend kohärenten Ansatz der Entwicklungshilfe für die am meisten benachteiligten Landesteile fördern.

Das Gesamtziel der vorliegenden Maßnahme besteht darin, die multidimensionale Armut zu verringern und die Widerstandskraft in der Region des mittleren und fernen Westens von Nepal durch Überwindung der Hauptzwänge in den Projektgebieten zu verstärken. Das spezifische Ziel unter dem Programm WAVE besteht darin, die Lebensgrundlagen und die Widerstandskraft abseits gelegener Gemeinden im mittleren und fernen Westen Nepals nachhaltig zu verbessern.

Die voraussichtlichen Ergebnisse sind die folgenden:

1. Nachhaltig verbesserte Lebensgrundlage und Einkommen mit einem besonderen Schwerpunkt auf Frauen und marginalisierte Gruppen durch einen verbesserten Zugang zu Energie, Bewässerung und Märkten, und WASH-Dienste;
2. Vermehrte Widerstandskraft gegenüber Katastrophen und dem Klimawandel, sowie Förderung der Anpassung an und Erleichterung des Klimawandels;
3. Verstärkte administrative Fähigkeit, auf subnationaler Ebene eine ländliche Infrastruktur zu unterhalten und zu steigern, die für eine verbesserte Lebensgrundlage förderlich ist;
4. Fahrplan für eine regionale Politik der Kohäsion, die sich den Nachteilen abseits gelegener Gebiete zuwendet.

Die vorliegende Maßnahme leistet außerdem einen Beitrag zum schrittweisen Erreichen von SDG 1 - „keine Armut“, SDG 2 „Beseitigung des Hungers“, SDG 5 „Geschlechtergleichstellung“, SDG Ziel 6 „reines Wasser und Sanitäreinrichtungen“, SDG 7 – „Erschwingliche und saubere Energie“ und SDG 13 „Klimaaktionsprogramm“.

Die Gesamtfinanzierung des Programms beträgt 55,2 Mio. EUR, die sich aus 20 Mio. EUR von der EU, 15 Mio. EUR von Finnland und 20,2 Mio. EUR der Regierung von Nepal zusammensetzen. Zusätzlich wird sich ein beträchtlicher Beitrag durch die Nutzergruppen, in der Hauptsache durch Naturalien und teilweise durch Bargeld, ergeben. Das hohe Niveau des GON-Beitrags ist ein deutliches Signal der Eigentümerschaft und des Engagements für dieses Projekt.

3.2 Maßnahmenprogramm 2- Unterstützung von Nepals Schulsektor (SuNSS)

Die vorgeschlagene EU-Sektorunterstützung wird die Regierung Nepals bei der Umsetzung ihres neuen Schulsektorplans, des Schulsektor-Entwicklungsplans (SSDP) 2016-2023, unterstützen, indem sie finanzielle und technische Hilfsmittel für die Verbesserung von Management und Dienstleistung im Bildungssektor zur Verfügung stellt. Es wird ein Paket einschließlich Haushaltsunterstützung und ergänzender Hilfe angeboten. Die Regierung hat in den letzten beiden Dekaden eine Reihe von nationalen Programmen im Schulsektor unternommen. Das Schulsektorreformprogramm (SSRP) ist das abschließende Programm des 15-jährigen Maßnahmenprogramms „Ausbildung für Alle“, das im Juli 2016 endet, wenn die Umsetzung des SSDP beginnt. Ausbildung war seit den späten 1990-er Jahren eine Hauptkomponente der finanziellen Unterstützung der EU für Nepal durch Bereitstellung einer Unterstützung des Haushaltssektors über drei Sektorprogramme seit 2007, einschließlich des derzeitigen SSRP. Da die Ausbildung eine der drei vorrangigen Sektoren unter dem

Mehrjahresrichtprogramm (2014-2020) bleibt und die fortlaufende Beobachtung der Zulässigkeit von Haushaltshilfen im Rahmen des laufenden SSRP bestätigt, dass Nepal nach wie vor ein Anwärter für Haushaltshilfen ist, wird die EU weiterhin den neuen Plan und das Programm der Regierung Nepals (GoN) im Rahmen dieser Modalität durch ein Sektorreformabkommen unterstützen.

Ein bestimmtes Niveau an gemeinsamer Finanzierung des Ausbildungswesens wurde seit 1998 praktiziert. Diese hat sich zu einem ausgereiften Verfahren für einen sektorweiten Ansatz (SWAp) entwickelt, in dem sich Entwicklungspartnerschaften auf GoN-Systeme berufen, um die Nutzung der Ressourcen zu verbuchen und zu berichten. Die EU wird sich zusammen mit anderen Entwicklungspartnerschaften und dem Ministerium für Erziehung (MoE) auf die starke Partnerschaftsmodalität des SSRP stützen und einen gemeinsamen ergebnisorientierten Finanzierungsmechanismus einsetzen, der die gemeinschaftlichen Partner (jetzt unter der Bezeichnung „Joint Financing Partners“ - JFPs) die Möglichkeit gibt, das SSDP zu unterstützen. Durch finanziellen Beistand und die Auswahl von Tranchefreigabebedingungen, den politischen Dialog und Maßnahmen als Bestandteil eines komplementären Systems wird die EU insbesondere die Konsolidierung von Gewinnen auf der Basisebene unterstützen, womit sie ähnliche Bestrebungen der Asian Development Bank (ADB), World Bank (WB) und der EU in der Sekundär- und höheren Ausbildung sowie TVET ergänzt.

Durch indirektes Management und eine gemeinsame Kofinanzierung mit der ADB wird die vorgeschlagene komplementäre Unterstützung eine Technische Hilfe (TH) Facility finanzieren, die vorrangigen Kapazitäts- und institutionellen Entwicklungseinrichtungen eine rechtzeitige, qualitativ hochwertige und koordinierte technische Assistenz zur Verfügung stellen wird, um die verschiedenen Richtlinien und Strategien des SSDP zu planen, bewerten, implementieren und zu überwachen (wie jeweils im Kapazitäts- und institutionellen Entwicklungsplan des MoE definiert).

Das SSDP wird auf der Grundlage von Erkenntnissen entwickelt, die im Verlauf des SSRP (und früherer Programme) erworben wurden, einschließlich Änderungen, die sich aufgrund von Jahresprüfungen, den Resultaten der Halbzeitbilanz, einer Reihe von Hintergrund- und Forschungsstudien sowie der EU-SSRP-Bewertung ergaben. Die hauptsächlichen Erkenntnisse umfassen das Folgende:

Qualität: Die Lernergebnisse waren enttäuschend. Nepal befindet sich jetzt an der kritischen Nahtstelle, an der die grundlegende Systemerweiterung im Großen und Ganzen erreicht wurde und die Aufmerksamkeit sich dringenden Verbesserungen der Qualität zuwenden muss. Die nachfragebedingte professionelle Lehrerentwicklung hängt von gut ausgebildeten Lehrern ab, die einem Leistungsmanagement unterliegen, gemessen an einer festgelegten Gruppe von Kompetenzen.

Eigenkapital: Es sind Strategien erforderlich, um die verbleibenden Schulabgänger zu erreichen, und durch Berücksichtigung der soziokulturellen und der ökonomischen Nachfrage-Faktoren den Zugang zu Bildungsebenen der Grundbildung zu erleichtern. Diese können sehr wirksam sein, wenn sie zielgerichtet und auf die Beseitigung bestimmter Barrieren zugeschnitten sind.

Governance/PFM: Ein breit gefasster Bezugsrahmen für Bildungspolitik und hochrangige Gremien für die Überwachung der Strategie und Qualitätssicherung haben sich als kritische Lücken herausgestellt, die in Angriff genommen werden mussten.

Die Koordinationsmechanismen für das SSDP werden auf den vorhandenen Stärken des SWAp aufbauen, während sie bestrebt sind, weiterhin die Harmonisierung hinsichtlich der finanziellen Freigabekriterien und Berichtsanforderungen und einen zunehmend koordinierten

Ansatz bei der technischen Hilfe zu stärken. Dieses Programm ergänzt das Abkommen Nepal-EU über 105 Mio. EUR für die Sanierung und Wiedererrichtung von Regierungsgebäuden, den IcSP-Vertrag über 4 Mio. EUR zum Zweck der Errichtung vorübergehender Schulzentren nach den Erdbeben, und die EU-Maßnahme unter der Bezeichnung „TVET - Practical Partnership for Nepal“, die sich auf 20 Mio. EUR beläuft.

Gemäß der vorliegenden Maßnahme besteht das allgemeine Ziel darin, die Regierung in ihrem Entwicklungsvorhaben und der Armutsmilderung durch eine bessere Dienstleistung im Bildungswesen zu unterstützen. Die EU-Sektorunterstützung wird die Regierung Nepals bei der Umsetzung ihres neuen Schulsektorplans unterstützen, indem sie finanzielle und technische Hilfsmittel für die Verbesserung von Management und Dienstleistung im Bildungssektor zur Verfügung stellt. Die Maßnahme leistet einen Beitrag zum schrittweisen Erreichen der SDG-Ziele für Gesamtziel 4 - Sicherung einer integrativen und gerechten Qualitätsausbildung und Förderung lebenslanger Lernmöglichkeiten für alle.

Die voraussichtlichen Ergebnisse sind:

- Vermehrter und gerechterer Zugang zu einer qualitativ hochwertigeren und sichereren Schulausbildung, insbesondere in der frühen Kindheit und Grundschulausbildung (Stufen 1-8).
- Verbesserte Sektoreffizienz und Leistung.
- Verbesserte Kapazitäts- und institutionelle Entwicklung, insbesondere im Bezirk und auf den Schulebenen.

Die für Budgethilfe zugewiesene Mittelausstattung beträgt 56,5 Mio. EUR und für ergänzende Unterstützung 4,9 Mio. EUR. Dieser Betrag geht von einer weitgehenden Aufrechterhaltung des derzeitigen und früheren Unterstützungsniveaus des nepalesischen Schulsektors aus, und trägt der nachweislichen Fähigkeit des Schulsektors Rechnung, die ihm zugewiesenen Mittel auszuführen (Auszahlungsquote generell über 90 % im Verlauf des SSRP-Zeitraums).

4. KOMMUNIKATION UND SICHTBARKEIT

Die Kommunikation und Sichtbarkeit der EU ist eine rechtliche Verpflichtung für alle externen, von der EU finanzierten Maßnahmenprogramme.

Dieses Programm soll auf Kommunikation und Sichtbarkeit abzielende Maßnahmen enthalten, die auf einem entsprechenden Plan basieren, der zu Beginn der Implementierung auszuarbeiten ist.

Gemäß den rechtlichen Verpflichtungen zur Kommunikation und Sichtbarkeit sind die Maßnahmen von der Kommission, dem Partnerland, den Auftragnehmern, den Stipendienempfängern und/oder den betrauten Einrichtungen zu implementieren. Geeignete vertragliche Verpflichtungen sind jeweils in die Finanzierungsvereinbarung, die Beschaffungs- und Vergabeverträge, und die Delegationvereinbarungen einzubeziehen.

Es ist das Handbuch für Kommunikation und Sichtbarkeit im Bereich der Außenhilfe zu verwenden, um den Kommunikations- und Sichtbarkeitsplan des Programms und die geeigneten vertraglichen Verpflichtungen aufzustellen.

5. KOSTEN UND FINANZIERUNG

Nachfolgende Tabelle gibt den jedem vorgeschlagenen Projekt zugewiesenen Betrag wieder, aufgliedert nach Prioritätssektor oder Kooperationsbereich; folgen Sie dem Aufbau der Programmdokumente.

Programm 1:	20 000 000 EUR
Programm 2:	61 400 000 EUR
EU-Gesamtbeitrag zu der Maßnahme	81 400 000 EUR



EN

This action is funded by the European Union

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2016 for Nepal

1. Title/basic act/ CRIS number	Water, energy, Agriculture: Village livelihoods Enhancement in the Mid-West and Far West (WAVE) - CRIS Decision number: 38029 financed under Development Cooperation Instrument			
2. Zone benefiting from the action/location	Asia, Nepal The action shall be carried out at the following location: Mid-West and Far Western Regions of Nepal			
3. Programming document	Multiannual Indicative Programme for Nepal 2014-2020			
4. Sector of concentration/ thematic area	Sustainable Rural Development			
5. Amounts concerned	<p>Total estimated cost: EUR 55 200 000</p> <p>Total amount of EU budget contribution EUR 20 000 000</p> <p>The indicative contribution from the Government of Nepal is EUR 20 200 000.</p> <p>This action is co-financed in joint co-financing by:</p> <p>- Government of Finland for an amount of EUR 15 000 000.</p>			
6. Aid modality(ies) and implementation modality(ies)	<p>Project Modality</p> <p>Indirect management with the Ministry of Foreign Affairs of Finland</p>			
7. DAC code(s)	140030 – Basic water and Sanitation; 31120 – Agriculture development.			
a) sector				
b) main delivery channel	13000 - Third Country Government (Delegated co-operation).			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	governance			
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship				

SUMMARY

This project will improve significantly the livelihoods of marginal communities in indicatively ten districts¹ of Mid-West and Far West regions of Nepal by addressing various key constraints in their development like access to energy, irrigation, markets, water and sanitation as well as low agriculture yields. The geographic focus is on the neediest parts of the Mid-West and Far West regions, which are the regions of the country with the highest level of poverty.

This action is complementary to and reinforcing the other major EU rural development interventions in Nepal, notably (i) an envisaged sector budget support to the Agriculture Development Strategy (ADS) and (ii) the nutrition partnership which supports the implementation of the Multi-sector Nutrition Plan (MSNP). Given the focus of ADS on commercial farming and more favourable agro-ecological regions, this action targets remote and marginalised areas and populations with a view to reinforce equity in rural development in Nepal and subsequently pave the way towards a regional cohesion policy. The action will also contribute to nutrition and food security in districts not covered by the EU- United Nations Children's Fund (UNICEF) nutrition partnership for Nepal. The action has a strong focus on gender equality and social inclusion (GESI) as well as on renewable energy targeting climate change adaptation and mitigation.

With the Water, energy, Agriculture: Village livelihoods Enhancement in the Mid-West and Far West (WAVE) action, the EU joins the third phase of the tested and successful Rural Village Water Resource Management Project (RVWRMP) of the Ministry of Federal Affairs and Local Development (MOFALD), already supported by Finland since 2006. The EU contribution allows to significantly scale up a livelihoods component, in particular access to energy and gravity ropeways directed at supporting small businesses and income generating activities and to foster

¹ The present project area covers the districts of Achham, Baitadi, Bajhang, Bajura, Dadeldhura, Dailekh, Darchula, Doti, Humla and the six hilly VDC's of Kailali (Sahaspur, Khairala, Pandaun, Mahaniyal, Sugarkhal and Nigali)

policy dialogue towards a more cohesive development approach to the most disadvantaged parts of the country.

The total funding of the programme is EUR 55.2 million (indicative) that is composed of EUR 20 million from EU, EUR 15 million from Finland and EUR 20.2 million from Government of Nepal. In addition significant contribution will be coming from the user groups mostly in kind and partly as cash. The high level of the Government of Nepal contribution is a clear signal of ownership and commitment to this project.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

The UNDP's Human Development Index (2015) ranks Nepal 145th among 188 countries with an index of 0.548. The HDI of the selected project areas Mid-West and Far West regions is below the national average, while the Multidimensional Poverty Index (2011) is considerably higher. The planned project areas have not been affected by the major earthquakes of April-May 2015. The destruction caused by the earthquake elsewhere in Nepal has however emphasized the need for earthquake proofing the structures, especially sanitation infrastructure.

Nepal emphasizes the development of the agriculture and rural sector as one of the engines of economic growth. The Government of Nepal saw that the agriculture sector – and indeed, each of its cropping, livestock, forestry and fishery sub sectors - was not delivering adequately to the production of food and fibre, to materials for processing and manufacturing and to employment and incomes. The sector compares very unfavourably with that in the South Asia region and more so with those of the dynamic economies and agricultural economies of East and South East Asia. Especially concerning was that the performance of Nepal's agriculture sector was, in addition to comparing badly to those of nearby countries and regions, a long way below its apparent potential, inadequate access to energy, irrigation and markets being among the key impediments.

The Census 2011 reports that 85% of the population in Nepal have physical access to basic drinking water supply and 62% to basic sanitation. Yet, in the Mid-West and Far Western Regions the coverage is below the national average. Access to water supply in the Mid-West is 75% and the Far West 82%. Similarly, sanitation coverage is 51% in Mid-West and 47% in the Far Western Region. The WASH coverage in these two regions ranks the lowest amongst the five development regions.

Furthermore, the coverage data does not reflect the actual situation on the ground as many of the water supply schemes are only partly functional or not in use. The functionality of the schemes is estimated at 57% (National Management of Information project 2011). To reach universal coverage in providing safe drinking water, basic sanitation and hygiene, the Government set a goal to provide these services to all citizens by 2017. Poor sanitation and access to clean water, poor nutritional standard and low awareness level contribute to ill health and high infant mortality.

In the project areas, the main sources of livelihoods are subsistence farming combined with livestock breeding and non-timber forest products collection. Food insufficiency is chronic. Household size is relatively large and landholdings are small or none at all. The average household farmland size is less than 0.5ha. Most villages are physically isolated, with poor

communication facilities and infrastructure. In the Mid-West only 45% and in the Far West 55% of the total households have access to electricity.

Social discrimination based on ethnicity and caste plays a significant role in keeping people poor and marginalized. Most of the landless households are Dalits, Janajatis and other marginalised groups. Many rural women live in extreme poverty, without any means of improving conditions for themselves and their households.

The nutritional status of children varies geographically with poorest rates reported in the Mid-Western region (37% underweight and 50% stunted) and Far Western region (33% underweight and 46% stunted). Poor nutritional status of women, lack of skilled attendants during delivery, infections, birth injuries, low birth weight and general lack of access to health services contribute to the high maternal and infant death rates in the Far and Mid-Western regions. Women's low educational level has a major impact on health and nutritional status and mortality.

Nepal's remoteness, undulating terrain, fragile landforms, diverse landscapes and unevenly distributed resources pose specific climate change challenges. According to the Government of Nepal, Nepal is ranked as one of the most climate vulnerable countries in the world. Climate change has been posing additional challenges to the country's socio-economic development. The project areas are vulnerable to climate related risks, in particular changing rainfall patterns leading to droughts or floods, landslides in addition to earthquakes. The activities foreseen address these risks through strengthening of water supply and irrigation schemes and adapting project investments to meet Disaster Risk Reduction standards.

1.1.1 Public Policy Assessment and EU Policy Framework

Currently, Nepal does not have in place a comprehensive multi-sector policy towards a more cohesive development approach for the benefit of the most disadvantaged parts of the country. Policy dialogue of the present action will aim to contribute towards a more integrated approach. The action is, however, related to several interlinked country policies which are implemented at local level.

The Local Self Governance Act (1999) is a critical law for the reform of local governance, including the rural water resources related work. The Act has formed the basis for the Rural Water Supply and Sanitation National Policy and Strategy, outlining the operating framework for rural water supply and sanitation in Nepal.

The Amendment of Some Nepalese Acts to Establish Gender Equality Act (2006), known as the "Gender Equality Act", repealed and amended 56 discriminatory provisions and incorporated other provisions to ensure women's rights.

The Agriculture Development Strategy (ADS) adopted in 2015 has a 20 years vision and a 10 years plan. The stated objective of the ADS is to help Nepal successfully go through a process of agricultural transformation from a sector largely based on low-value cereals and subsistence production to "a competitive, sustainable, and inclusive agriculture that brings economic growth, improved livelihoods, and food and nutrition security". With its focus on commercialization and competitiveness, the ADS will target primarily the commercial farmers (defined in ADS as farmers with at least 1 ha of land, which represent only 25% of farmers). Trickle down effects are expected, in particular by the creation of jobs in rural areas, however this will be indirect and progressive. Most of these farmers are located in average or high potential areas, and consequently remote and disadvantaged areas will de facto not be the main target, at least in the beginning. This focus is logical and justified, however there is a need for the EU, in supporting

ADS, to balance this with more targeted actions like the present to ensure the inclusiveness of its support.

The Multi-Sector Nutrition Plan (MSNP, 2014), in particular through its "nutrition sensitive" interventions, includes actions related to water and sanitation, food security and nutrition sensitive agricultural issues. This plan is also supported by the EU.

The Rural Water Supply and Sanitation National Policy, Strategy and Action Plan (2004) shows that a high priority is given to water related issues. The Strategy is ambitious and aims to provide water supply and sanitation services to 100% of the population by 2017. This objective will however probably not be reached in time, in spite of significant progress. The implementation of this policy is decentralized, down to districts and mainly Village Development Committees.

The Climate Change Policy (2011) has the objective of improving livelihoods by mitigating and adapting to the adverse impacts of climate change, adopting a low-carbon emissions development plan. The National Adaptation Programme of Action (NAPA, 2010) identifies the implementing priority actions and has launched a process to formulate and implement the National Adaptation Plan (NAP).

The proposed action falls under the first focal sector of the EU Multi-annual Indicative Programme 2014-2020: sustainable rural development. It will contribute to achieving the following expected results and objectives of the MIP:

Specific objective 1: Profitable agricultural commercialization with improved connectivity and market infrastructure;

The project will contribute to this through support to energy connectivity, cooperatives and the construction of ropeways to link villages high-up to market places lower down.

Specific objective 2: Efficient and sustainable agriculture sector guaranteeing food security in rural areas;

The project will contribute to this by developing irrigation, promoting vegetables cultivation and other higher value crops.

Specific objective 3: Improve maternal, infant and child nutrition in rural areas;

The project will contribute to this through reduction of water-borne diseases in the Far West region.

Specific objective 4: Strengthen response, preparedness and recovery capacities of communities exposed and vulnerable to recurrent and predictable disasters;

The project will contribute to this by enhanced community organization, better resilience through higher and more diversified incomes.

Specific objective 5: Maximise the development impact of migration and to minimise its negative consequences in rural areas.

The project will contribute to this by offering better business opportunities locally (among other by the availability of electricity) which can both allow for a sound investment of remittances and also motivate potential migrants to stay.

The action will also significantly contribute to achieving the objectives of the EU Food Security Policy Framework (2012), the Resilience Communication (2012) and the Nutrition Communication and Action Plan (2013-2014).

1.1.2 Stakeholder analysis

The main stakeholders engaged under this action are:

- **The Ministry of Federal Affairs and Local Development (MoFALD)** as the lead agency for this project, well placed as it is the key actor for all decentralised activities, including small and medium irrigation schemes;
- **The Department of Local Infrastructure Development and Roads (DOLIDAR)** under MoFALD is indicatively responsible for overall coordination of RVWRMP at the national level;
- Key district level stakeholders are **the District Development Committees (DDC)**, the District Water, Sanitation and Hygiene Coordination Committees (D-WASH-CC) and the District level Department of Agriculture (DDA).
- Relevant agencies at village level include notably the **Village Development Committees (VDC)**. These local authority bodies are responsible for scheme selection, project approval and monitoring at their respective levels. Finally the users' groups will be managing and implementing part of the schemes at community level and be responsible for their maintenance and sustainability. These users' groups in many cases have a majority of women as members.
- **The direct beneficiaries** are the present and future residents of the VDCs whose livelihoods, health and nutrition will be improved as a result of the Project. Through a participatory approach they will be empowered to: a) plan and manage infrastructure activities, b) identify and improve livelihood options, and c) strengthen group organisation and financial management.

Genuine involvement of the beneficiaries and stakeholders will be secured under various frameworks like the Citizen Forum, at the VDC-level Citizen Awareness Centres (CAC). Since women are largely responsible for tasks related to water and livelihoods, it is expected that they will derive special benefit from improved water supply and sanitation and livelihood development.

The expected number of beneficiaries is between 700 000 and 900 000, with a large proportion of de facto women-headed households, as the rate of – especially seasonal – out-migration of men in this region is very high. During phase II of the project, 31.9% of the beneficiaries were Dalit or Janajatis (marginalised castes/ethnic groups).

1.1.3 Priority areas for support/problem analysis

The Mid West and Far West regions of Nepal are economically the least developed region of Nepal. There are several constraints and weaknesses in key areas that maintain the high level of poverty in the region, including lack of adequate access to energy, irrigation and markets as preconditions for better livelihood opportunities, a low quality of WASH services, and weak administrative capacity at the local level. Significant change cannot be achieved by addressing only one constraint, while others remain a limiting factor. Critical constraints like lack of water,

low agriculture yields, livestock health, access to markets, access to energy, credits, etc. need to be addressed jointly.

Lack of livelihoods opportunities: The introduction of renewable energy technologies (micro-hydro, improved water mills, improved stoves, gravity ropeways) is key for facilitating economic initiatives, improving the well-being of the local population while also contributing to both climate change adaptation and mitigation. The additional support of the EU will allow the project to further significantly expand its activities, and in particular the livelihoods related activities.

Access to and quality of WASH services: Water related interventions are essential to reduce the burden of labour on women and open new livelihood improvement opportunities. The constitution of water users' groups, essential to ensure the sustainability of investments, is an opportunity for the development of the area, as the peoples' organisations turn their attention to other issues and investments like irrigation, energy supply, livestock, ropeways. Strengthening the links of these groups with cooperatives (generally existing) offers a great potential for savings, credit, disaster preparedness, agriculture related services and commercialisation.

Capacity: In the Mid-West and Far West regions the Government line agencies are thinly staffed. Due to the high staff turnover in these agencies, sustainability of development work is difficult to achieve as officials can change every six months. In addition, many of the gazetted official positions remain vacant for long periods.

Cohesion policy: Currently there is no comprehensive policy in place which fosters the development of the most disadvantaged districts towards more cohesion across the country and which would allow cooperation via sector budget support.

The table below shows indicatively the impact of EU funding on some of the investments of the project (to be confirmed).

Type of investment	with EU support	Existing RVWRMP Phase III
Water supply schemes with irrigated home gardens and water points for cattle.	900	600
Irrigation – Multi-use systems	300	100
Micro- hydropower	20	1 (on-going)
Gravity Ropeways	15-20	3
Improved cooking stoves	100,000	20,000
Improved water mills	130	50

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Governance risks:	M	The project specifically focuses on

Local Government remains under-resourced and not fully responsive to the needs of women, the poor and excluded.		disadvantaged groups, and TC/NGO support is there to facilitate this process, by tools like social auditing and high beneficiaries participation.
Political risk: The perspective of local elections to be held soon is at the same time a risk and a positive perspective. In a first instance, it may create some difficulties.	M	The District administration, and currently the Local Peace Committees are anchors in the decentralised structure of Nepal, and will remain key actors for development activities also in the new set-up. The development of capacities at district level by the project will not be in vain.
Sustainability risk: Other rural light infrastructure schemes have become unusable after some time due to lack of maintenance.	L	The project promotes reliable technology, as well as a strong involvement (including financially) of users. Sustainability of previous schemes under this project has been good.
Sustainability risk: This is the last phase of foreign support to this project, is there enough local capacity for the follow-up?	L	Capacities have been built since already 10 years and will continue to be developed during this last phase. Moreover, the channels used are to a large extent the Government systems that will continue to operate after the project. It is however important that EU support be approved for a 5 year period to ensure this.
Assumptions: The political situation remains more or less stable in Nepal, in particular local elections do not lead to significant tensions and disturbance.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The Joint Sector Review (JSR II) of the Water and Sanitation sector (2014) pointed to the huge resource and capacity constraints to provide the unreached populations with access to safe water supply and effective sanitation coverage. The review recognized the challenge of reducing the non-functionality of water supply schemes, delivering higher service levels, managing sustainable open defecation free (ODF) zones, and promoting total sanitation and hygiene. These general sector challenges are applicable in the RVWRMP project area. The JSR II also emphasized the need for “sector harmonization” and “One WASH Plan” in the country.

Despite the mentioned constraints, the RVWRMP Phase II has overachieved most of its objectives, reaching 555 000 beneficiaries. More than 90% of beneficiaries have now access to clean water within 15 minutes, more than 70% have an irrigated kitchen garden and 20% benefitted from a new employment opportunity. At least 50% of leadership positions in community institutions are held by women.

The main lessons learned that will be addressed under Phase III include:

- Proper initial preparation to address the weak coordination within the sector. This will also require enhanced emphasis on policy dialogue towards more cohesion in the development across Nepal with specific focus on the most disadvantaged regions;
- Capacity building of key persons and financial sustainability of the cooperatives will be given emphasis. The project allows for a multi-stakeholder approach that includes the government, local authorities, beneficiaries to work jointly to consolidate results in water and sanitation and livelihoods sectors;
- A continued strong focus on sustainability and functionality of infrastructure schemes through capacity development of users' groups will be also an important element.

3.2 Complementarity, synergy and donor coordination

The proposed action is complementary to the support to the **Multi Sector Nutrition Programme (MSNP)**² decided under the Annual Action Plan 2014, as well as to other EU supported programmes addressing climate change, private sector development and technical vocational education and training, which are largely related to the agricultural sector. A few ongoing projects supporting non-state actors are also active in the Far West region and will contribute to stimulate commercialisation of agriculture, food security and nutrition.

With the rolling out of MSNP, the integration of water, sanitation and nutrition sensitive activities of RVWRMP within this multi-sector framework will be given due emphasis, including close coordination with large nutrition related programmes like the Suahaara programme of USAID. Even though Water and Sanitation are included as key components in the MSNP programme to address nutrition needs, the project also works on nutrition sensitive activities like kitchen gardens, favouring consumption of vegetables, etc. All districts covered by RVWRMP-WAVE are not covered by the pilot districts under the MSNP project, though there is an extension of the impact of nutrition.

Asian Development Bank (ADB) – Building Climate Resilience of Watersheds in the Mountain Eco-Regions (BCRWME) is a five-year project of EUR 23.5 million, includes parallel financial support from the Nordic Development Fund (NDF, EUR 3.6 million grant) for technical assistance. It covers six districts of the RVWRMP in the Far West (Achham, Baitadi, Bajhang, Bajura, Dadeldhura and Doti), and provides access to reliable water resources for domestic purposes and irrigation. At the district level, the project is implemented by the district Soil Conservation Offices. The project provides opportunities for mutual learning and further development of modalities and cooperation in climate change mitigation and soil conservation aspects. BCRWME will be very important partner and RVWRMP should actively keep in contact with this project and seek synergies in terms of Water Use Masterplans (WUMPs), trainings and other capacity building activities in the district level. BCRWME has already benefited of the RVWRMP experience especially in terms of community procurement practices.

Alternative Energy Promotion Centre (AEPC), with which the EU cooperated earlier, is an autonomous organization that promotes renewable and alternative energy technologies,

² The action applies in the following districts: Achham, Bajura, Kapilvastu, Jumla, Nawalparasi, Parsa, Saptari, Rautahat, Dhanusha, Mahottari, Mugu, Dolpa, Humla, Jajarkot, Kalikot, Rukum, Baitadi, Doti, Bajhang, Dadeldhura

including: 500 KW of electricity and TA up to 1 MW, biogas, pico hydro and micro hydro power, biomass energy, improvements to cooking stoves, solar energy and wind energy.

Nepal Climate Change Support Programme (NCCSP, 2014) is funded by the EU under the Global Climate Change Alliance Facility (GCCA) aimed at building climate resilience. The objective of the NCCSP project is to enhance the capacity of the Government of Nepal, NGOs and private sector institutions to implement climate change policy and immediate adaptation actions to increase resilience of the climate vulnerable people. The project focuses on 14 districts of the Mid-West and Far West regions.

Synergies

It is important that RVWRMP continues its close partnership with **UNICEF** that is working e.g. on ODF and school-led total sanitation in the Project districts of Dailekh and Humla in the Mid-Western Region and Accham, Bajhang, Bajura and Dedeldhura in the Far-Western Region. Also Baitadi and Doti have recently started receiving support from UNICEF and the resources available for sanitation in these districts is quite extensive. UNICEF has also developed IEC materials that are used by the RVWRMP.

Donor coordination

Agriculture and rural development is supported by a large number of donors. This calls for effective coordination and stronger leadership from the Government. Currently donors and other development partners meet in the **Food Security Donor Group**, which has been used mainly as a forum for information sharing and less as a strategic platform for coordination or policy dialogue.

There is an **Agriculture Sector Forum** led by MoAD (Ministry of Agriculture Development), but includes all main actors for Rural Development including MOFALD. This forum has been convened irregularly, but it is expected that with the entry into force of ADS, this forum will be formalised and revived. WASH has a separate Donor Group, quite active and involving actively Government counterparts. Finland is presently chairing this donor group.

3.3 Cross-cutting issues

The project mainstreams the following cross-cutting issues:

a) **Improved governance at local level** (district and VDC level): The Project's key stakeholders will be expected to benefit from their involvement in the planning, implementation and management of various activities, involving diverse capacity building events. At the local level the stakeholders include the Water Users and Sanitation Committees (WUSCs), VDCs, District Development Committees (DDCs) and other relevant line agencies at the district level.

b) **Increased resilience of beneficiary** households to shocks through improved incomes, better health and community organization. The Project will focus on marketing channels development and promote agricultural products collection centres to be established as selling points for farmers and linked with traders (gravity ropeways). Diversified agriculture development requires setting up multi-purpose nurseries that will also provide some job opportunities for local people. Disadvantaged people who are landless and/or *Dalit*, *Janajati* or from other minority groups will be prioritised for training as service providers.

Strategic training of trainers and the quality of training will be paid special attention to in Phase III. The Project will focus on developing regular refresher and more advanced training in various agriculture technologies, methods and services activities, in savings, cooperative management and business development, and other knowledge and skills required for sustaining continuing livelihoods improvement.

c) **Gender** issues are also addressed in many ways. Around 70% of women are employed in agriculture, compared to around 56% of men due to high out-migration of the latter. Therefore, the context requires that initiatives to increase agricultural productivity should consider particular challenges that female farmers face. For example, the high illiteracy rate amongst women should envisage that training in new agricultural methods and technologies be designed in a way accessible to farmers who cannot read. A patrilineal inheritance system means that less than 20% of women own property or land, leaving them at a disadvantage when it comes to accessing credit or making important decisions around land use. Taking into account the above, the RVWRMP is a gender sensitive project, not only because water and sanitation is an area where women's involvement is in particular important, but it also addresses specific discriminative practices against women, in particular many restrictions imposed on women, like the chaupadi huts tradition and seeks to promote their participation at the community level management of project's investments. A number of indicators of the programme under the livelihoods objective specifically address gender issues like:

- At least 50% women participate in livelihood related trainings;
- At least 50% of leadership positions in community owned institutions are held by women.

d) **Environment preservation, climate change adaptation and disaster risk reduction (DRR)** would be promoted through measures to preserve and protect water catchment areas while the water supply and irrigation schemes will be conceived in such a way to withstand natural disasters like floods and earthquakes. Hydropower plants will be designed to minimize impacts on environment and natural resources. The promotion of climate change resilient technologies in agriculture is an integral part of the project's livelihoods component for both home-gardens and commercial agriculture. It includes technologies such as: raised planting beds, use of plastic and organic mulch, use of compost (both solid and liquid) drip-irrigation and other water saving techniques. Further ways to use compost will be looked at so as to contribute not only to maintaining soil organic matter levels, but also in terms of organic carbon stocks and water retention elements. The promotion of sustainable practices in agriculture such as crop selection, erosion protection, encouraging low-input agriculture and efficient use of water in home gardening, as well as multiple use water systems (MUWS) are other activities under climate change adaption that would be considered.

Climate change mitigation activities are also envisioned such as reducing greenhouse gas emissions by promoting more efficient cooking stoves, while the establishment of micro-hydropower plants will provide sustainable off-grid energy with a focus on poor rural households.

Possible DRR measures that could be promoted via the present action are: early warning systems for climate hazards such as floods and droughts and promotion of safe storage of seeds in case of natural hazards. The project investments will be built so as to meet DRR standards.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes to the progressive achievement of SDG 1- "no poverty", SDG 2- "zero hunger", SDG 5 "gender equality", SDG 6 "clean water and sanitation", and promotes progress towards SDG 7 – "Affordable and clean energy" and SDG 13 "climate action".

The overall objective is to reduce the multi-dimensional poverty and enhance resilience in the Mid-West and Far West regions by tackling key constraints in the project areas.

The specific objective under WAVE is to improve significantly the livelihoods and resilience of marginal communities in the Mid-West and Far West regions of Nepal.

Expected results are as follows:

1. Sustainably improve livelihoods and incomes, with a specific focus on women and marginalised groups, through enhanced access to energy, irrigation and markets, and WASH services;
2. Increased resilience to disasters and climate change as well as promotion of climate change mitigation and adaptation;
3. Enhanced administrative capacity at sub-national level to maintain and increase rural infrastructure conducive for improved livelihoods;
4. Roadmap for a regional cohesion policy to address disadvantages of remote areas.

The indicative Logical Framework of WAVE is an appendix to this Action Document. It highlights the added value of the EU contribution to the overall project, RVWRMP. At later stage, RVWRMP will have only one Logical Framework that will be followed in the project's results based reporting.

4.2 Main activities

For each result the main activities include:

R1: Sustainably improved livelihoods and incomes, with specific focus on women and marginalised groups, through enhanced access to energy, irrigation and markets, and WASH services;

- investment with people's participation in hydro-power plants, ropeways, water supply, irrigation systems and sanitation;
- investment with people's participation in irrigation and multiple water use systems, including water for kitchen gardens and water points for cattle;
- promotion of kitchen gardens as well as vegetable and spices production for commercialisation;
- development of small scale businesses – improved water mills, small agro-processing industries and other business initiatives stimulated by the availability of electricity;

- strengthening of cooperatives, with services related to savings and credit, agriculture and marketing;
- improving access to markets through collection centres, training of agro-vets, and other means like for example gravity ropeways;
- reinforce the democratic and transparent functioning of the committees and of the cooperatives they are also members of.

R2: Increased resilience to disasters and climate change as well as promotion of climate change mitigation and adaptation:

- investment in micro-hydro power plants with the Government of Nepal and with the participation of beneficiaries;
- promotion of tree and fodder plantation;
- project investments are built so as to meet DRR and climate adaptation standards and criteria;
- beneficiaries are trained for increased resilience to disasters and climate change.

R3: Enhanced administrative capacity at sub-national level to maintain and increase rural infrastructure conducive to improved livelihoods in the project districts:

- capacity development of Districts for supporting and monitoring community level investments and activities;
- establishment of Water Use Master Plans (WUMP) in all VDCs and adoption of the WUMP methodology as a national policy;
- reinforce awareness on key aspects such as on the importance of maintenance of project's outputs, group savings practices, climate change risks, disaster risk reduction in the districts covered by the project;
- creation or revitalisation of users committees for the investments planned;
- establish User Committees (UCs) for the Project and reinforce their capacity to maintain service level as verified by presence of a paid maintenance worker of the micro hydro-power plants.

R4: Roadmap for enhanced regional cohesion to address disadvantages of remote areas in mountainous and hilly districts.

- policy dialogue at national level aiming at ensuring adequate strategies/ policies to deal with poverty challenges in remote and mountainous areas;
- draft Roadmap for a regional cohesion policy.

The funds are channelled through the District Development Committees, therefore using local systems and support is in place to ensure that there is sufficient capacity to manage them adequately. This capacity has already increased significantly since the beginning of the project phase I. This approach supports the development of technical knowledge and ownership meant to ensure the sustainability of the project after its completion.

4.3 Intervention logic

With water resources as an entry point the project works at three interlinked levels: with the ultimate beneficiaries specifically through the provision of infrastructure and training for better

livelihood opportunities, at the intermediate level through strengthening administrative capacity and at the policy level through dialogue about cohesion policy. This will lead to an environment more conducive for enhanced economic growth perspectives and better health of the beneficiaries, therefore better living conditions in the medium to longer term supported by an overall policy approach sensitive to most vulnerable people in the project districts.

The WAVE component complements the original RVWRMP design -which emphasises health- with a strong additional focus on new livelihood and job opportunities, thus economic poverty reduction for selected communities.

The project promotes reliable technology, as well as a strong involvement (including financially) of users. Sustainability of previous schemes under this project has been good. Capacities have been strengthened over the last 10 years and will continue to be developed during this last phase. Moreover, the channels used are to a large extent the Government systems that will continue to operate after the project.

The gradual transfer of responsibilities to local authorities is planned to take place during the last two years of the project. The project will support the DDCs and VDCs to improve their planning, coordination and monitoring and evaluation, as well as technical support to implementing WUSCs. As the fate of districts is not clear in the new administrative system of Federal People's Republic of Nepal, and therefore, the exit strategy will be further developed taking into consideration the mandate and competences of emerging provinces (Provinces 6 and 7). The final version of the exit strategy will be prepared in 2018.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented is 60 months from the date of adoption by the Commission of this Action Document.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities – project modality

The programme will be implemented under indirect management.

5.3.1. Indirect management with a Member State

This action may be implemented in indirect management with the Ministry of Foreign Affairs of Finland in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This

implementation entails the management of EU contribution to the Rural Village Water Resource Management Project (RVWRMP).

This implementation is justified because the Ministry of Foreign Affairs of Finland is managing the RVWRMP, currently in its third phase, which has been identified as the most effective option to achieve significant improvements of livelihoods in remote and marginalised rural areas of Nepal. RVWRMP has an excellent track record as also verified by an independent performance audit carried out in 2014.

The Ministry of Foreign Affairs of Finland has undergone a pillars assessment concluded in 2010 (note Ref. Ares (2010)260255 - 17/05/2010).

The entrusted entity would carry out the following budget-implementation tasks: conducting procurement and grant award procedures and managing the resulting contracts, as well as supervising the expenditure of funds channelled through selected District Development Committees.

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Budget Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

The Commission authorises that the costs incurred by the entrusted entity may be recognised as eligible as of the date of the adoption of the Decision provided that a duly justified request for financing has been presented to the Commission, because phase II of the project already started in the first half of 2016, and any further delay would jeopardize the long cycle investments, in particular the micro-hydro power plants.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in Euro
5.3.1. – Objective/Result of Rural Village Water Resource Management Project (RVWRMP) composed of	20 000 000	
5.3.1. – Indirect management with Finland	20 000 000	15 000 000 Finland 20 200 000 The

		Government of Nepal
Totals	20 000 000	35 200 000

5.6 Organisational set-up and responsibilities

The indicative responsibilities and organisational set-up are prospectively as follows:

The Ministry of Foreign Affairs of Finland (MFA) has an Agreement with the Government of Nepal and is the main delegate of this project managing both EU and their own contributions.

The main tasks of the Finnish partner are envisioned as follows:

- Manage technical assistance including by contracting, supervising experts and covering costs such as fees, housing, airfares and other staff costs;
- Invest towards water supply, irrigation, renewable energy activities;
- Provide capacity building support and supervise the Project staff at district level;
- Manages the transfer of funds directly to DDCs ensuring financial continuity when the financial flow from the Government is weak at the beginning of the Fiscal Year.
- Manage and supervise the role of Project Support Unit, located in Dadelhura, including by covering the operating costs such as acquisition of computers and office equipment.

Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) within the Ministry of Federal Affairs and Local Development is the executing agency of the Project. Its indicative function is to maintain overall coordination together with the Embassy of Finland and European Union as regards to project execution. It will assign its Senior Divisional Engineer of Rural Water Supply, Sanitation and Building Section to work as a part-time National Project Director (NPD) to execute and provide leadership to the Project. The specific roles of DOLIDAR are:

- Coordination with other departments and ministries for central level project interventions specially capacity building;
- Coordination with Steering Committee and Supervisory Board;
- Preparation of directives to the Project Support Unit (PSU) to comply with the national policies and project operation al guidelines; and
- Preparation of directives to District Technical Offices (DTOs) to provide technical support to the project at the district level for survey, design, estimation, supervision of NGO partners, monitoring of project activities for payment, etc.

The Supervisory Board (SvB) is the highest decision making body of the Project. The main duties of RVWRMP Supervisory Board would consist in:

- approve major strategic and policy issues directly relevant to the Project;
- approve any changes in the Project Document including the scope and objectives, organizational structure and management and other modifications that will have major financial implications;
- approve the annual work plans, reports and budgets; and
- decide on matters which have implications on the Project's budget.

The decisions of the Supervisory Board are clearly recorded in the meeting minutes.

The Project Steering Committee (PSC) is organized annually in one of the Project districts. The Project Steering Committee will focus on monitoring the progress of the Project and enhance coordination among the stakeholders. The main duties of the PSC would be:

- recommend the Project policies and implementation principles developed during the implementation;
- monitor the progress of the Project;
- solve any problems encountered in Project implementation; and
- decide on any other issues of urgency and importance that are not included within the Supervisory Board's mandate.

The EU will participate to the PSC as a member and to the SvB as an observer.

Budgeting with partner country follows the local regulation and investment funds enter into the official budgets of the national agencies at district level. The investment funds are channelled via the project account directly to the District Water Resource Development Fund (DWRDF) which is a consolidated account of Government of Finland (GoF), which includes EU contribution, the Government of Nepal and District's contributions. The DWRDF is the operational account which covers the expenses for investments and contracting entities in the service delivery process. The use of the investment funds is audited by the Nepal's Office of the Auditor General and supervised by the Project Support Unit, under the leadership of the international team leader contracted by the Embassy of Finland. In this context, the role of the PSU's team leader is to monitor expenditures undertaken with GoF funds, including EU contributions, and verify the validity of fund requests from the districts.

The Supervisory Board of the project can call for a separate external audit if at least one competent authority makes such a request. Also the National Audit Office of Finland has the mandate to audit use of Finnish government funds.

There will be at least three public auditing and hearing during the construction of each scheme as per the step by step implementation guideline of the Project. The first public audit will be organised immediately after the contract with the Users Committees; the second will be conducted during the construction activities and third audit after completion of the scheme.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The regular Project progress reports will consist of:

- Biannual Progress Reports covering period July 16 – January 15 the following year.
- Annual Progress Report covering a Nepali Fiscal Year July 16 – July 15 the following year.

The Project has, during previous phases, established a Management Information System (MIS), which is integrated at the PSU level. The team leader is contracted by the Embassy of Finland from an international consulting firm with the mission to manage all data collection, analysis and reporting. This MIS shall be reviewed and revised, and distributed in an appropriate form to districts to support their existing information systems, in order to help them manage and update relevant data and share the data with other stakeholders. The monitoring functions of the Project are carried out at least at the following levels: National Planning Commission (NPC); MoFALD/DoLIDAR; DDC; VDC and the Project (PSU).

The information is collected at the level of User's Committees and VDCs. It flows in the form of various reports to DDCs for assessment, verification and further reporting. PSU assesses and analyses the information and forwards it in a form of regular and/ or ad hoc reports to MOFALD/DoLIDAR, MFA and PSC.

PSC is the focal point of the monitoring system; it approves the regular plans and (monitoring) reports, discusses them and steers the Project to the right direction also in the changing working environment. This mechanism also serves the National Planning Commission (NPC) and MOFALD in their long term development planning.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, a mid-term and a final evaluation will be carried out for this action or its components via an implementing partner.

The mid-term evaluation will be carried out for learning purposes, in particular with respect to objective analysis and assessment of the value, worth and merit of the project achievements (intended and unintended).

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that evidence on the long-term sustainability of the project interventions, key lessons learned that may be useful for future programmes and feed into policy development.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on

the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ³

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators. The Project Support Unit is responsible for ensuring data collection. With the EU funding for this project confirmed, the current data collection system will be expanded so as to include data needed for the indicators below. The corresponding targets for indicators are subject to an agreement among the project partners as well as to the feasibility of the process of identifying reliable data.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Reduced multi-dimensional poverty and enhance resilience in the Mid-West and Far West regions by tackling key constraints in the project areas.	<p>1. Proportion of population living below national poverty line at district or region/province level (gender disaggregated);</p> <p>2. Improvement in the HDI in the project districts;</p> <p>3. Prevalence of stunting in children under 5 years old has reduced in the Project districts.**</p>	<p>1. to be established;</p> <p>2 District HDIs in 2011: Accham: 0.378 Baitadi: 0.416 Bahjang: 0.365 Bajura: 0.364 Dadeldhura: 0.436 Dailekh: 0.422 Darchula: 0.436 Doti: 0.407 Humla: 0.376</p> <p>3. to be established</p>	<p>1. to be established</p> <p>2. Index improvement by an average increase of 0.05 by 2021 HDI;</p> <p>3. Reduction of 30% in the prevalence of stunting in children under 5 in the project areas.</p>	<p>1. Micro-census of the Central Bureau of Statistics; Nepal Human Development Report</p> <p>2: Nepal Human Development Report</p> <p>3: District Health Office Statistics/ Ministry of Health reports;</p>	<p>Issues assumed not to seriously hamper achieving the overall objective:</p> <ul style="list-style-type: none"> -Security issues -Disasters -Absence of local elected officials -GoN Policy changes -Establishment of Provincial mandates and bodies; <p>Many ODF-VDCs and districts are at risk to regress to pre-ODF status, if movement towards total sanitation not continued. D-WASH-CCs have strong leadership and committed members thriving both towards ODF and post-ODF.</p>

³ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Outcome	A significant improvement in the livelihoods and resilience of marginal communities in the Mid-West and Far West regions of Nepal	<p>1. Project areas declared Open Defecation Free (ODF);</p> <p>2. Increased household income with EU support (gender disaggregated);</p> <p>3. Percentage of population using safely managed drinking water services (SDG 6.1);</p> <p>4. Mw/hours of free energy consumed monthly by beneficiaries in the project districts by end of project;</p> <p>5. Percentage of developed cooperatives who achieve an operational self-sufficiency of 110% or more</p>	<p>1. Baseline exists for Doti and Darchula 2014</p> <p>2: 0</p> <p>3. tbc</p> <p>4: tbc</p> <p>5: tbc</p>	<p>1. 90% of the population</p> <p>2: increase by 30% by 2021</p> <p>3: 90%</p> <p>4: tbc</p> <p>5: 90% by 2021</p>	<p>1: District Health Office Statistics/ Ministry of Health reports;</p> <p>2 : Project reports</p> <p>3: MoFALD annual reports D-WASH-CC DWSS/NMIS DTO annual progress reports DADO annual progress reports V-WASH-CC District WASH MIS Project bi-annual and annual progress reports</p> <p>4: tbc</p> <p>5: Biannual progress reports, Annual progress reports, MTR</p>	
	1. Sustainably improved livelihoods and incomes, with a specific focus on women and marginalised groups, through enhanced access to energy, irrigation and markets, and WASH services;	<p>1.1 Number of people provided with access to sustainable energy sources with EU support in the project districts;</p> <p>1.2 Number of people receiving rural advisory services with EU support;**</p>	<p>1.1: 0</p> <p>1.2: 0</p>	<p>1.1 at least 40 000</p> <p>1.2: 700.000-900.000</p>	<p>1.1 Project reports</p> <p>1.2: Project reports and MoFALD annual reports D-WASH-CC DWSS/NMIS DTO annual progress reports DADO annual progress reports V-WASH-CC District</p>	<p>Elections for local bodies don't have negative impact on project implementation</p> <p>Capacity and willingness of DDCs and VDCs; Communities' willingness to participate; Timely funding and adequate availability; Conducive socio-political environment prevails through-</p>

					WASH MIS Project bi-annual and annual progress reports 1.3: Project reports;	out the country Prevalence of favourable localized political, social, economic and natural environment throughout the project period
		1.3: 0	1.3: 78%			
		1.4: 0	1.4: 275.000		1.4&1.5&1.6: MIS/RVWRMP monitoring reports, Biannual progress reports, Annual reports, MTR	Availability of electricity will provide potential for new micro-enterprises
		1.5: tbc	1.5: 50%			
	1.3 Percentage of households who have been provided with an improved water supply who have a functional home garden;	1.6: 0	1.6: In proportion to disadvantaged groups in the VDCs			
	1.4 Number of home garden beneficiaries;	1.7: tbc				
	1.5 Percentage of home garden training recipients and/or lead farmers/ trainers of trainers (TOTs) who are women	1.8: 0				
	1.6 Proportion of participants in home garden training who are Dalits and other socially excluded groups.	1.9: 82%water supply				
	1.7 Percentage of irrigation scheme beneficiaries practicing	1.10: tbc	1.7: 70%		1.7&1.8: MIS/RVWRMP monitoring reports,	

		<p>double or triple cropping ;</p> <p>1.8 Number of families trained in income generating activities;</p> <p>1.9 Percentage of community members in the Project Village Development Committees who have improved water supply systems;</p> <p>1.10 Proportion of population with access to improved sanitation services**;</p>		<p>1.8: 12000</p> <p>1.9: 97%</p> <p>1.10: 90% of the population</p>	<p>Biannual progress reports, Annual reports, MTR; Biannual progress reports, Annual progress reports, MTR</p> <p>1.9&1.10: MoFALD annual reports D-WASH-CC DWSS/NMIS DTO annual progress reports DADO annual progress reports V-WASH-CC District WASH MIS Project bi-annual and annual progress reports MIS/RVWRMP and District MIS; District Health Office Statistics/ Ministry of Health reports;</p>	
	<p>2. Increased resilience to disasters and climate change as well as promotion of climate change mitigation and adaptation;</p>	<p>2.1 Renewable energy source of 500 Mw is created through micro-hydro power plants;</p> <p>2.2 GHG emissions mitigated by the use of sustainable technologies e.g. cooking stoves, improved watermills, gravity ropeways;</p> <p>2.3 No of trained beneficiaries on disaster risk reduction;</p> <p>2.4 Project investments meet DRR standards and criteria;</p>	<p>2.1: to be defined</p> <p>2.2: 0</p> <p>2.3: 0</p> <p>2.4: N/A</p>	<p>2.1: to be defined</p> <p>2.2: tbc</p> <p>2.3: tbc</p> <p>2.4: DRR standards present in all project investments</p>	<p>2.1: Project reports</p> <p>2.2: Project reports measured by number of schemes; Impact assessment</p> <p>2.3: Project reports; attendance lists per unit;</p> <p>2.4: Project reports;</p>	

	3. Enhanced administrative capacity at district and sub-district level to maintain and increase rural infrastructure conducive to improved livelihoods	3.1 No of trained local bodies on local governance to promote effective access to energy, market access, irrigation, and WASH;	3.1: 0	3.1: all local bodies	3.1: Project reports	O&M capacity building provided by the Project will be adequate for the VDCs to manage the schemes in a sustainable way;
		3.2 User Committees are technically capable to take care of minor O&M;	3.2: 0	3.2: 90% UCs with trained Village Maintenance Workers	3.2: Project monitoring and reports	Local communities are able to have consensus and ownership of the irrigation schemes with technical support from the project. If the associated water supply schemes have a Village Maintenance Worker then this person will also maintain the irrigation schemes
		3.3 UCs have access to adequate finance for operational management through the maintenance funds and cooperatives;	3.3: 0	3.3: 90% of UCs collect tariffs regularly and 50% are affiliated with cooperatives	3.3: Project monitoring and reports	
		3.4 Percentage contribution by DDCs to the costs of the scheme;	3.4: 0	3.4: 1% by 2021	3.4 & 3.5: District MIS; APRs WUMP reports Scheme reports District Annual financial report	DADO and CSIDB collaborate in LH activities through budget, training, technical and material support as planned in each AWP;
		3.5 Percentage utilisation of the annual budget allocated by Cottages & Small Industries Dev Board (CSIDB) and District Agricultural Development Office (DADO) for joint livelihood activities in the project Village Development Committees (VDCs)	3.5: tbc	3.5: 80% by 2021		Community willingness and interest continued to participate in activities;
		3.6 Percentage contribution in cash and kind from communities towards investments of the project e.g. water systems, power plants	3.6: 20% as the Government of Nepal rule	3.6: 25% by 2021	3.6: Project reports	
		3.7 Percentage of User Committees for the project micro-hydro schemes which are active and able to maintain service level;	3.7: 0	3.7: 90%	3.7&3.8: Scheme monitoring, impact monitoring, UC annual reports, Project biannual progress reports, Project	

		<p>3.8: Percentage of key positions (chair, vice chair, secretary, joint secretary and treasurer) in User Committees of improved water supply schemes in the Project VDCs are held by women;</p> <p>3.9 Percentage of key positions in User Committees held by marginalised groups;</p>	<p>3.8: 0</p> <p>3.9: 0</p>	<p>3.8: 50% for women</p> <p>3.9: 25% (to be established per district)</p>	<p>annual reports Scheme monitoring, impact monitoring, UC annual reports, Project biannual progress reports, Project annual reports</p> <p>3.9: Project reports</p>	
	4. Roadmap for enhanced regional cohesion to address disadvantages of remote areas	<p>4.1 Status of Roadmap for multi-sector regional cohesion policy: Specific policy designed for poverty reduction in remote and mountainous areas either under ADS or at provincial level;</p> <p>4.2: Number of new Water Use Master Plans prepared ;</p>	<p>4.1: Roadmap not yet prepared</p> <p>4.2: 0</p>	<p>4.1: draft Roadmap for multi-sector regional cohesion policy by 2021;</p> <p>4.2: 100 by 2021</p>	<p>4.1&4.2: Project report</p>	<p>Conducive socio-political environment prevails throughout the country Community willingness and interest continued to participate in activities;</p>



EN

This action is funded by the European Union

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2016 for Nepal

1. Title/basic act/ CRIS number	<u>Supporting Nepal's School Sector(SuNSS)</u> - CRIS number: <u>ACA/2016/038-030</u> , financed under Development Cooperation Instrument			
2. Zone benefiting from the action/location	Asia, Nepal The action shall be carried out at the following location: all over Nepal			
3. Programming document	Multiannual Indicative Programme for Nepal 2014-2020			
4. Sector of concentration/ thematic area	EDUCATION	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost (for School Sector Development Plan - SSDP): (Indicatively) USD 5 981 000 000 (5 years) Total amount of EU budget contribution EUR 61 400 000 of which EUR 56 500 000 for budget support and EUR 4 700 000 for complementary support. EUR 200 000 for evaluation, audit, communication and visibility This action is co-financed in joint co-financing by (indicatively): ADB for an amount of USD 125 000 000 GPE-REACH (administered by WB) for an amount of USD 21 800 000 Finland for an amount of EUR 20 000 000 Norway for an amount of USD 20 900 000 UNICEF for an amount of USD 2 500 000 The discrepancy between the total estimated cost and funds provided by donors, will be covered by Nepal’s national budget.			
6. Aid modality(ies) and implementation modality(ies)	- Direct management – Budget Support: Sector Reform Contract; procurement of services (M&E) - Indirect management for complementary support (technical assistance) with ADB			
7 a) DAC code(s)	110 Education (mainly 112 Basic Education and 11240 Early Childhood but also 113 Secondary education)			
b) Main Delivery Channel	10000 Public sector institutions			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good	<input type="checkbox"/>	X	<input type="checkbox"/>

	governance			
	Aid to environment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	X	<input type="checkbox"/>
	Trade Development	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	N/A			

SUMMARY

The proposed EU sector support will assist the Government of Nepal in implementing its new school sector plan, the School Sector Development Plan (SSDP) 2016-2023, through providing financial and technical support towards improving the management and service delivery in the education sector. The specific objectives are:

- Increased and more equitable access to better quality and safer school education, particularly early childhood and basic education (grades 1-8).
- Improved sector efficiency and performance.
- Improved capacity and institutional development, especially at district and school levels.

A package including budget support and complementary support is proposed. Education has been a key component of the EU's financial assistance to Nepal since the late 1990s and through the provision of sector budget support via three sector support programmes since 2007, including the current School Sector Reform programme (SSRP). As Education remains one of the three priority sectors under Multi-Annual Indicative Programme 2014-2020 and as the continuous monitoring of budget support eligibility under the on-going SSRP confirms that Nepal remains eligible for budget support, the EU will continue to support the Government of Nepal's new plan and programme in this modality through a Sector Reform Contract. The Development Partners (DPs) and the Ministry of Education (MoE) aim to build on the strong partnership modality as developed through the Joint Financing Arrangement (JFA) of the SSRP, and are developing a similar joint modality, including a results-based financing mechanism, to enable the pooling partners (now renamed joint financing partners - JFPs) to support the SSDP. The EU's support will be part of this modality. Through financial assistance and the selection of tranche release conditions, policy dialogue, and measures taken as part of complementary support it will in particular support consolidation of gains at the basic level, complementing that of Asian Development Bank (ADB), World Bank (WB) and the EU in secondary and higher education, and TVET.

Through indirect management and joint co-financing with the ADB, the proposed complementary support will fund a Technical Assistance (TA) Facility that will provide timely, good quality and coordinated TA support to identified capacity and institutional development priorities to design, assess, implement and monitor the various policies and strategies of the SSDP (as defined in an MoE capacity and institutional development plan). Provision is also made for the procurement of monitoring, evaluation, audit and communication services through direct management.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Country and Sector Context:

Nepal has a growing working-age population as a proportion of its total population. This change, which is projected to peak in 2025, offers an opportunity to significantly improve social and economic development over the next ten years. However, this potential demographic dividend will only be realised if Nepal can secure major improvements in the education and training of its young people. Currently, >60% of 15-24 year olds do not have the knowledge and skills to realise this opportunity.

Earthquakes in April and May 2015 seriously disrupted education services, leaving over 35,000 classrooms mostly or totally damaged and over one million children without safe permanent places to learn. This reversed much of the recent progress in the 14 most affected districts and increased the number of out-of-school children in Nepal to between 1.75-2 million, or about 15% of the age cohort. This is why the EU is funding transitional learning centres with funding from the Instrument contributing to Stability and Peace.

After a decade of civil war, Nepal's peace process led to the Comprehensive Peace Agreement in 2006 and the promulgation of a new Constitution in September 2015, requiring a transition to a federal structure of government, guaranteeing the fundamental right to education, and specifying the Directive Principles of the State on education and concurring rights. This requires structural and functional reforms, including of policy and regulatory frameworks. Nepal's Parliament discussed an amendment to the Education Act in December 2015. Once promulgated, this Amendment will pave the way for reforms in line with the new constitutional mandate.

Constitution-related political agitation in the Terai temporarily led to school closures in nine districts, putting an estimated 1.6 million children at risk of not completing their primary education.

1.1.1 Public Policy Assessment and EU Policy Framework

Education is a priority sector for the Government of Nepal, as well as the EU MIP 2014-20, receiving c.16% of the government budget since 2009. While this declined to 12% in FY 2015/16, education still receives the single largest share of the Government of Nepal's budget. Over 80% of this is allocated to the school sub-sector each year. Public investment in education grew from 2.9% gross domestic product (GDP, 1999) to 4.0% in 2015. As GDP grew at c.4.4% per year during this period, these investments represent a very significant increase in absolute terms. In addition, DPs' share of the education budget has decreased over the SSRP period from 31% in 2009/10 to 12% in 2015/16.

The government, with support from the EU and other DPs, has undertaken a series of national programmes in the school sector over the past two decades. The most recent, the School Sector Reform Plan (SSRP) programme (2009-2016) is fully consistent with the Government of Nepal's development strategy and directly supports the following strategies: enhancing access and improving the quality of education; strengthening sector governance; empowering disadvantaged groups; and developing basic education as a priority sector. The SSRP, the final programme of the 15 year Education for All National Programme of Action, will end in July 2016.

Before mid-July 2016 the Government of Nepal will finalise its new Education Sector Plan, the School Sector Development Plan (SSDP). The MoE SSDP Steering Committee¹ has provided guidance to a Technical Committee in developing the plan, with MoE Joint Secretaries acting as coordinators of 14 thematic working groups (TWGs). The MoE has received a Global Partnership for Education (GPE) Education Sector Plan (ESP) development grant to support the SSDP development process. DPs have supported the Joint Evaluation of the SSRP and a range of background studies², which fed into the design of the SSDP.

The SSDP will run from July 2016 to 2023, in line with Nepal's vision to graduate from least developed country status. It will build on lessons and gains of the SSRP, continuing the Government of Nepal's aim to ensure universal access to quality education, in line with SDG 4, and improve the quality, equity, relevance, efficiency and effectiveness of education service delivery. It will reform and develop the education sector in line with the new constitutional mandate, by revising policies, rules, regulatory frameworks and procedures to enable the transition to a decentralised, federal structure of governance.

The SSDP will also address the post-earthquake reconstruction and recovery needs of the country, as identified in the Government of Nepal's Post Disaster Recovery Framework (PDRF, 2016), which will require building back better in earthquake-affected areas, reaching out to marginalised populations, strengthening planning and management capacities at all levels, and ensuring better quality teaching and better learning outcomes.

Following TWG background papers, studies, a Concept Note, an Approach paper, the Joint Evaluation of the SSRP, a Sector Analysis and wide consultations at national, regional, district, community and school level, the zero draft of the SSDP document was shared with DPs in December 2015. Consolidated DP comments and continued stakeholder consultations contributed to the first costed SSDP draft, which was shared in February 2016, prior to the joint pre-appraisal mission that was held from 29 February to 4 March 2016.

¹The Steering Committee has representation from MoE (including the Department of Education and other central agencies); other line ministries (including Ministry of Finance; the National Planning Commission; DPs; I/NGOs; and other stakeholders.

²Including a gender gap analysis; Disaster Risk Reduction (DRR) and school safety; inclusive education (with a focus on children with disabilities); curriculum, textbooks, and assessment; fiduciary risk management (funded by the EU); Information and Communication Technology (ICT); medium of instruction and languages; and scholarships. The GPE consultancy firm has conducted studies on ECED; quality issues; non-formal and lifelong learning; TVET; and policy issues.

In April an external appraisal of the SSDP document was conducted through the GPE ESP Development Grant on behalf of the Local Education Development Partner Group. The external appraisal identified the need to ensure a sound action plan, clear definition of roles and responsibilities and adequate attention to capacity development. The external appraisal findings suggested the need for prioritization and sequencing of strategies and key results to allow proper implementation of the SSDP and the need to address the lack of clarity in the indicators measuring key interventions. The Plan document has been revised following these suggestions. The Appraisal report states that *"considering the very difficult environment caused by the earthquakes and the economic blockade in 2015, the preparation process must be seen as very commendable and far better than...for SSRP. In addition and perhaps even more importantly, the consultative ...process paves the way for a participatory approach and processes in SSDP implementation"*. The Government of Nepal aims to complete its own Plan approval processes by the end of the SSRP (15 July 2016) and to start SSDP implementation on 16 July 2016.

The goal of the SSDP (May 2016 draft) is *'to contribute to socio-economic development and reduce disparities within the country through a continuous and inclusive development of its human resources capacity by facilitating all citizens with the opportunity to become functionally literate, numerate, and develop the basic life skills and knowledge required to enjoy a productive life, taking into account the diversity of context and needs and with regards to the forthcoming federalization of the country'*.

The purpose of the SSDP (May 2016 draft) is to improve equity, quality, efficiency, governance and management of the education sector as elaborated below:

- Ensure the education system provides inclusive and equitable access, participation and better learning outcomes, with a special focus on reducing disparities in these areas.
- Enhance relevance and quality, and develop a disaster-resilient system.
- Strengthen governance and management to ensure effectiveness and accountability, together with agreed minimum standards in the learning environment and in teaching and learning processes; and develop sustainable financing by introducing cost-sharing modalities between central, provincial, and local governments.
- Accommodate the political and administrative restructuring of the education sector in line with identified needs and a federal structure.

The overarching strategic foci for the SSDP include: reform rules and regulations to align school governance and management with the new constitutional mandate; prioritise improving the relevance, quality and equity of basic education; ensure access to quality secondary education; focus on skills-oriented occupational and vocational education; better link education with livelihoods, health needs and occupation needs; and build safe, secure schools. The evolution from the SSRP is in line with the transition from the MDGs to the SDGs, shifting emphasis from access to inclusive and equitable quality education.

1.1.2 Stakeholder analysis

The SSDP has been well informed by the various stakeholder consultations undertaken, including with government officials; parents and guardians; head teachers, teachers, and teachers representing various teacher associations; members of the school management committees; resource persons; social leaders; representatives from NGOs and civil society; political stakeholders; private sector organizations; and institutional schools. There is much consensus around the need to: improve quality of service delivery and learning outcomes; ensure the most disadvantaged groups are reached, especially children with disabilities; include early childhood education as part of the school system; develop capacity at all levels but particularly at school level and for teachers; improve teacher professional development; set minimum education standards, including for teacher qualifications and capacities; and leverage more resources for education.

The final beneficiaries of the Action are the children and young people of Nepal, including those currently within the public education system, those who will attain the age of 4+ during the life of the programme; those currently - or at risk of becoming - 'out-of-school' children; and those in school but at risk of not learning. Other beneficiaries include parents and communities who will benefit from early childhood support; members of school management committees; teachers and head teachers in c.32,000 schools, 75 district education teams and over 11,000 Resource Persons who will benefit from increased capacity development and resourcing to implement and monitor effective service delivery.

The key 'duty-bearing' stakeholders are the MoE, responsible for policy and strategy, and line agencies such as the Department of Education (DoE), responsible for implementation and monitoring; the Ministry of Local Development with its lead role in local governance strengthening and decentralisation; the National Planning Commission (NPC); District Education Offices and implementing agencies including NGOs and CSOs.

1.1.3. Priority areas for support/problem analysis

Quality: Many schools have yet to achieve the minimum enabling conditions (MECs). Previous gains have been lost because of the earthquake, including classrooms, toilets, water supplies, textbooks and teaching and learning materials. Limited resources and capacities mean achieving MECs, and so ensuring all schools are inclusive, child-friendly and promote learning, remains a major challenge.

Progress in most SSRP performance measures has yet to translate into improved learning outcomes. The National Assessment for Student Achievement (NASA), the Early Grade Reading Assessment (EGRA) and the School Leaving Certificate (SLC) all indicate very weak results, including in reading competence. Mother Tongue Education (MTE) and Language of Instruction (LOI), together with teaching-learning processes, are crucial enablers – or disablers – of learning achievement. The current trend of using English as the LOI to compete with private schools is a concern. The SSDP will need to accelerate implementation of the National Early Grade Reading Programme (NEGRP) and NASA Action Plan. Promulgation of the Amendment of the Education Act, and the institutionalisation of the NASA, will be the first step in achieving this.

With student learning at the centre of the SSDP, there is a need to improve the availability and quality of teaching-learning material as well as build the pre-service and in-service training capacities. The SSDP will need to address the widespread failure to translate teacher training into meaningful classroom practice, including by strengthening teacher professional development and management. While the continuous assessment system (CAS) is seen as key to improving the quality of teaching and learning, few teachers have been trained and few students are being assessed. Multi-grade and multi-level teaching includes appropriate use of CAS, and these two initiatives need to be promoted together.

Large disparities in student-teacher ratios impact on the quality of education. Shortage of secondary teachers, as well as subject teachers in science, maths, English and technical subjects, has a direct bearing on learning outcomes. The MoE, the DoE, and the Teaching Service Commission (TSC) will need to better coordinate reallocation of teacher positions according to district needs before the next recruitment announcement for permanent teachers.

PFM/Governance: Late release of funds, ineligible expenditure, reporting delays and lapses in financial record-keeping by schools persist. Social and financial audits are conducted but have not led to the desired improvement in school financial management. The availability of textbooks remains a key issue in terms of timely printing and distribution. Effective implementation of school improvement plans (SIPs) is lacking along with a mechanism of allocating district budgets to schools according to SIPs.

Reconstruction: Over 35000 classrooms are in need of repair or reconstruction and most schools do not meet minimum safety standards. There is an urgent need to ensure that new and existing buildings are safe. However, the focus must be balanced between the post-earthquake recovery needs and those that remain to be addressed, such as strengthening public financial management (PFM) and implementing the amendment of the Education Act. A balance is also needed in responding to post-earthquake recovery needs alongside addressing historic disparities in the education sector, and preparing students to become active and resilient citizens in a federal, decentralized nation.

Access and Equity: Addressing the needs of the 1.75-2 million out-of-school children requires sound data and evidence to support children in earthquake-affected areas, and other disadvantaged children, such as those with disabilities. It is vital to ensure all children have quality learning opportunities.

1.2 Other areas of assessment

1.2.1 Fundamental values

Nepal is a young democracy still consolidating the comprehensive peace accord of 2006. It has ratified many of the key international human rights instruments and abolished the death penalty. The national elections in 2013 were successful and lead to a historic opportunity for the country to consolidate its peace process and to promulgate a new Constitution in September 2015. Local elections could possibly still be held in 2016.

Citizens are more able to exercise their political freedom and political will as well as economic rights than a decade ago and poverty reduction in the country is overall remarkable. At the same time, there has been, however, little progress in enhancing accountability over the provision of state services and public goods notably at the local level. Although Nepal has independent rule of law institutions, they are underperforming notably due to a lack of sufficient resources. Case backlogs and enforcement of court decisions remain critical issues.

The 2015 Constitution stipulates the right of every citizen to education. However, the progress that has been observed with regards to access and quality of the education system has been disproportionally distributed across the population. This is especially true for certain geographical areas, girls, children with disabilities and children from specific castes or ethnic groups.

1.2.2 Macroeconomic policy

The earthquakes of April/May 2015 followed by prolonged unrest and an informal blockade of the country from late September 2015 until February 2016 slowed down economic activities, affecting the macroeconomic situation in general and humanitarian recovery and reconstruction plans in particular. This results, according to IMF, in an estimated GDP growth of only 0.5% to 1.1% for FY2015/16, down from the pre-earthquake growth estimate of 4.6%. However, since March 2016 the situation is gradually improving and IMF estimates a significant rebound to 4.5% in FY2016/17.

The earthquakes affected the industrial and service sectors the most. Subsequent losses in government revenue due to this situation amounted to around -3% compared to revenue in the first eight months of FY2014/15. However, in the first quarter of 2016 imports have started to recover, which will also lead to increased customs duties. Remittances increased by 7% during the same period but have been slowing down since March 2016 due to a decline in the number of workers leaving Nepal to work abroad. Macroeconomic resilience was nevertheless in particular secured by remittances as they represent a major contribution to the balance of payments for Nepal, which reached 29% of GDP in FY2014/15.

While the earthquakes have added urgency to increase and expedite capital expenditure the subsequent crisis held this back till March 2016. Year on year, as of March 2016, saw only an increase of 1%. However, since then the large scale reconstruction campaign has started, which will improve the situation. Structural budget execution delays still require further PFM reform efforts and enhanced implementation capacity of government agencies in the perspective.

A two-digit inflation rate and its deteriorating exchange rate corollary has been notably the consequence of supply shortages due to the trade disruptions. The IMF Art IV mission of 2015 recommended that monetary policy focus on supporting the exchange rate and containing inflation. Inflation eased to 10.2% in March 2016, down from a recent peak in January 2016 (12.1%), but increased reconstruction expenditure could add new inflation pressure and also lead to a deficit in the balance of payments. The international community response has been strong and large inflows of assistance are expected to counter-balance the effects of the earthquakes and subsequent disruptions, as long as the inflows are productively spent and do not generate further budget surplus and liquidities.

Multidimensional poverty increased due to the crises of 2015, pushing, according to the Post Disaster Needs Assessment (PDNA), an additional 2.5 to 3.5% of the Nepalese into poverty. This translates into at least 700,000 additional poor. The negative effects include lack of adequate water and sanitation services, disruption of school and health services, and the possibility of a rise in food insecurity. The poor and vulnerable are particularly dependent on local infrastructure (roads, bridges, health posts, and schools) for access to labour and commodity markets, and for accumulation of human capital (especially those of children). Reviving local economic activities and resumption of basic public services along with an accelerated implementation of reconstruction projects will be critical in making up for the

setback in poverty reduction caused by the earthquakes. The final outlook for FY2015/16 is largely contingent upon the scope and pace of post-earthquake reconstruction works.

1.2.3 Public Financial Management (PFM)

Enhanced service delivery requires continued PFM reform at national and subnational level including in the education sector. However, there has been progress in improving PFM in Nepal and the country appears to be gradually moving away from a high fiduciary risk environment. The 2015 repeater Public Expenditure and Financial Accountability (PEFA) assessment concluded that Nepal has made tangible achievements in deepening the structures and improving PFM processes (19 upwards, 2 downwards and 10 unchanged indicators out of 31), notably through the use of information technology to enhance transparency and accountability. Improvements were also observed in the areas of credibility, comprehensiveness and the budget formulation process as well as in accounting, reporting and auditing. At the same time, in particular, three areas were identified for further improvements: budget execution (specifically of capital expenditure) and control, parliamentary scrutiny and enhanced control on extra budgetary funds.

The Government of Nepal is committed to continue technical reforms notably on policy budgeting, accounting and reporting, public procurement and external audit.

The earthquakes have not substantially damaged PFM infrastructure. Instead, they have offered the opportunity and financial resources to reinforce them. Based on the PDNA and the National Portfolio Performance Review (NPPR) 2015, the country understands better what challenges it faces and which areas need to be strengthened. The 2014 PEFA and draft 2015 sub-national PEFA, as well as the Public Expenditure Tracking Survey (PETS), inform national and international stakeholders in their collective efforts to elaborate sound plans to be implemented from FY2016/17 onwards. A next phase of PFM reform (PFM RP-II) is being conceptualised.

The EU continues to support PFM through a programme that addresses both national and sub-national PFM, respectively through a WB MDTF and jointly ADB.

PFM is also acknowledged by all stakeholders as a top priority of the education sector reform. Since 2011 the MoE with development partners' support has pursued the implementation of a Financial Management Integrated Action Plan (FMIAP) and this work will continue in the SSDP context. The main focus is on: 1) ICT based financial management reporting and information systems, 2) recovery of ineligible expenses, 3) electronic database of students and teachers and payment through bank accounts, 5) enhancement of financial and social audits at school level, 6) enhancing school financial record keeping, and 7) enhancement of procurement procedures.

To date, notable progress has been made on a student database for scholarship transfer, school mapping and teacher management information system and establishing linkages with the Financial Management Information System (FMIS) for timely and accurate preparation of reports; and payment of salaries to teachers through banking systems.

1.2.4 Transparency and oversight of the budget

Nepal's score of 24 on the 2015 Open Budget Index was substantially lower than its score in 2012. However, the regression in transparency observed in Nepal appears to be temporary in nature: the decline in Nepal's score was largely due to its failure to make the fiscal year 2013/2014 Executive's Budget Proposal publicly available by 14 July 2014 (Open Budget Survey research period ended on 30 June 2014). After this date Nepal returned to its previous practice of publishing the Executive's Budget Proposal in a timely manner. By producing the Executive Budget law on time, Nepal would have performed at the same level of previous assessments. Nevertheless, when since 2012 the Government of Nepal has increased the availability of budget information notably by improving the comprehensiveness of the Enacted Budget, the Government of Nepal has failed to make progress over the years by not producing a Pre-Budget Statement and a Citizens Budget.

The information included in the budget documentation is fairly comprehensive and includes most of the information required under the PEFA framework, except data on debt stock and financial assets. Overall, there has been no real decline in performance in budget transparency for Nepal comparing previous open budget survey (OBS) assessments even if the criteria/definitions were applied in a more stringent manner than the 2012 Survey.

The PEFA updated assessment undertaken in 2014 also records overall progress compared to 2008, notably in improving budget openness. 3 out of 6 PEFA indicators related to the availability and comprehensiveness of the budget showed an upward trend while 2 indicators remained unchanged. Good achievement has been notably made in enhancing public access to key fiscal information as reflected by the improved PI-10. Public access to fiscal information has improved since 2008. In particular, the Ministry of Finance (MoF) makes the Budget Speech and the annual budget appropriation book (Red Book) available to the public and the NPC provides program and project information. Ministries provide additional information as needed.

Looking forward, there is scope for further enhancing the comprehensiveness of the in-year and end of the year reporting, expanding the coverage of the external audit and reinforcing the follow-up of the external audit by the Parliament. Transparency could be improved further by prioritising the timely publication of the Budget and the production and publication of a Pre-Budget Statement and Citizens Budget. Increased International Budget Partnership (IBP) attention on Public Engagement should also lead the Government of Nepal to improve public participation by establishing credible and effective consultation mechanisms and support the Office of the Auditor General (OAG) in their mission, particularly in the context of the new Constitution granting extended scope to audit functions.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Further delays in amending Education Act and thus in activating high level bodies and implementing restructuring plans.	L	DPs already engaged in joint policy dialogue to press for progress on the Act and associated legislation.
More political disruption as a result of actions to implement the new Constitution.	M	Continued joint policy dialogue around schools as zones of peace and to limit impact on service delivery.
Challenges in transitioning smoothly to a federal system during programme period, including the decentralisation process moving at different paces and promoting further inequities between different parts of the country.	M	Mid-term review to be conducted during 3 rd year of implementation and course corrections made. Focusing greater capacity and institutional development efforts on school, district and community levels. Identification in Policy and Strategy what will be overarching national directives and what will be discretionary. The MoE's planned Medium of Instruction and Language of Education (MILE) policy will support federal states to make appropriate LoI choices. Implementation of the Equity strategy to reduce inequities.
<p>Potential misuse of funds at the school level and inadequate transparency of fund allocations and distribution, especially at the school level.</p> <p>Fiduciary risk is due to weak financial management and internal controls in the sector, which have led to qualified audits, ineligible expenditures, and delays in the submission of financial reports.</p>	M	The SSDP JFA between the Government of Nepal (GoN) and JFPs includes a provision for strengthening fiduciary oversight and support to MoE in implementation of actions to strengthen financial monitoring and supervision at all levels. Some issues are addressed in JFA as actions GoN need to implement as preconditions for DP disbursements, some are addressed through disbursement linked indicators (DLIs) on governance and financial management, and some captured through specific review procedures. GoN and the DPs jointly prepare the FMIAP, and a GON-DP joint PFM working group regularly reviews implementation progress and will continue to closely monitor progress and push for implementation of actions reflected in plan. In addition, DPs will commission Annual Fiduciary Reviews (AFR) to address recurring AG observations, propose remedial actions and annually review outcome of implementation. Recommendations from AFRs will be included in FMIAP for follow up by working group. Also TA will build PFM capacity.
Inadequate and/or delayed attention	L	JFA stipulates that WB (IDA) will serve as

from WB as fiduciary supervisor for SSDP.		Focal Point for JFPs specifically for oversight of financial management related to SSDP and monitoring of financial reporting, reviews and audits in compliance with JFA. In addition, as financial management is a joint responsibility, JFPs will fund and implement (possibly through the TA Facility) AFRs according to a ToR to be agreed to between JFPs each year.
Political factors hinder implementation of equity and language policies	M	Development and implementation of communications strategy, supported by TA if necessary, focusing on dialogue on sensitive/complex areas of reform including MILE policy
Teacher management reform is not sufficient for critical improvements in classroom teaching-learning processes	M	Continued efforts to press for and support implementation of Teacher Management Strategy. Increased focus on instructional leadership training for head teachers.
Abrupt transfer of civil service staff periodically.	H	The Government and DPs are working together through NPPRs to improve monitoring and analysis of civil servant rotations
Another earthquake/natural disaster	M	Focus on DRR-school safety in SSDP. Continued efforts to support Government in ensuring safe schools – both infrastructure and 'software' components.

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

An EU-funded Joint SSRP Evaluation and an evaluation of the current EU sector budget support programme both found that the main achievements of the SSRP include improved access across the board, sustained maintenance of gender parity at all levels, the continued increase in new entrants in grade 1 with early childhood experience, and improved participation of the Dalit population at primary level. The evaluations found the SSRP was designed with clearly-defined programmes, objectives and targets that were relevant to the context, but suffered to some extent from gaps in conceptualisation, prioritisation, sequencing and linkages.

The SSDP is being developed on the basis of lessons learned during the SSRP (and previous programmes), including changes made as the result of annual reviews, the findings of the Mid Term Review, a series of background and research studies, the Joint SSRP Evaluation, and the EU SSRP Evaluation. The main lessons include the following:

QUALITY: Access/enrolment outcomes are encouraging but learning outcomes have been disappointing. As in many other developing countries, Nepal is now at the critical juncture where basic system expansion is largely achieved and attention needs to shift towards urgent improvements in quality.

Creating ‘enabling conditions’ and ‘child friendly’ learning environments is not enough to guarantee improved learning outcomes: there must be a direct focus on classroom pedagogical processes that have a direct impact on learning outcomes.

Demand-driven teacher professional development depends on well informed teachers who are subject to performance management against a defined set of competencies, until these become the norm there is a need to define and communicate a minimum quality level of teacher competencies and prioritising inputs and actions that enable increasing numbers of teachers to attain the competencies necessary to fulfil their responsibilities.

EQUITY: A multi-project approach has not been sufficient to introduce mother-tongue based and multilingual approaches - a comprehensive strategy is required to address educational, technical, political and operational aspects of planned and sequenced change.

Strategies to reach the remaining out-of-school children and increase access to post-basic levels of education through addressing both socio-cultural and economic ‘demand’ factors can be very effective if well targeted and tailored to specific barriers.

GOVERNANCE/PFM: A broad Education Policy Framework and high-level bodies for policy monitoring and quality assurance have been critical gaps. These need to be addressed to optimise progress in the sector.

Training is not enough to achieve sustainable capacity development, there is a need for systematic capacity and institutional development that embraces individual and team capacity development needs, PFM, systems (including ICT), structures and human resource development concerns.

The SIP is a useful tool for school development but only if it goes beyond a ‘mechanistic’ approach and is supported by ‘instructional leadership of head teachers, facilitating a participatory, whole school and whole community approach to change’.

3.2 Complementarity, synergy and donor coordination

Some level of joint funding for education has been practiced since 1998. This has evolved into a well-developed sector-wide approach (SWAp) modality where DPs rely on the Government of Nepal systems to account for and report on the use of resources. The SSDP will also be jointly financed by the Government of Nepal and JFPs under the SWAp, with the partnership arrangements endorsed in a JFA similar to SSRP. The JFA, signed between the government and all JFPs, provides a basis for the overall financing and monitoring/reporting arrangements under the SWAp. Negotiations for the SSDP JFA are ongoing.

SSDP planned contributions from the JFPs through results-based financing are ADB (USD 125 million for 5 years in addition to USD86.3 million support to school reconstruction), Finland (EUR 20 million for 5 years), Norway (USD 20.9 million for 3 years), and UNICEF (USD 2.5 million for 5 years). Contributions from Australia and JICA are not yet known. WB support is expected by 2018. UNICEF, JICA, UNESCO, USAID and USAID will continue to provide funds and support, focusing respectively broadly on child rights, equity, water, sanitation and hygiene and early childhood development (ECD); school management committee and district level support; adult literacy and mother tongue education; early grade reading and school meals programmes.

In May 2015, the GPE Board approved a grant of USD 59.3 million for FY 2015/16 – FY 2017/18, covering the last year of the SSRP and the first two years of the SSDP. The WB is the supervising entity for the GPE grant. In addition, USD4 million was approved for the Nepal school sector from the Results in Education for All Children (REACH) Trust Fund. This grant is funded by Norway and administered by the WB. Negotiations between the Government of Nepal and the WB concluded in January 2016 with the signature of the combined GPE and REACH Grant Agreement. For the GPE grant USD 41.5 million will be disbursed in FY 2015/16 as a fixed tranche. The remaining amount will be disbursed under the SSDP as variable tranches upon achievement of results in three pre-defined 'stretch' indicators³. The REACH grant will also be disbursed in variable tranches based on results in the areas of monitoring and accountability and financial management⁴.

The working relationship between the Government of Nepal and DPs is collegiate and supportive and the education sector is increasingly looked upon as a model for other sectors in terms of aid effectiveness. All DPs⁵ are a part of the DP Education Group, together with representation from the Association of International NGOs (AIN) and the National Campaign for Education in Nepal (NCEN). All participate alongside government partners in the Local Education Group in well-established mechanisms of joint reviews and meetings as well as in thematic TWGs for more focused technical dialogue. Whilst DPs have different emphases on particular areas, there has been broad agreement over the most critical priorities and issues. Coordination mechanisms for the SSDP will build on existing strengths, whilst seeking to further strengthen harmonisation in terms of financial release criteria and reporting requirements, and a more coordinated approach to technical assistance.

³Which are: (i) implementation of single subject certification in the SLC and higher secondary school examinations; (ii) community schools where standardized classroom-based early grade reading assessments for grades 2 & 3 are conducted by teachers, observed by parent representatives, and results are shared and discussed with parents; and (iii) development of the Equity Index and its utilization for providing targeted support to districts.

⁴ The REACH indicators are : (i) independent verification of EMIS data and (ii) strengthening of financial management capacity at school level

⁵ JFPs are ADB, Australia, EU, Finland, JICA, Norway, WB and UNICEF. Other DPs include UNESCO, USAID and WFP.

The SSDP is in line with the post-earthquake recovery needs as identified in the PDRF through ensuring that all children have access to quality and safe learning environments (building back better) including resilient infrastructure, strong disaster resilient management at school level and ensured preparedness and disaster risk reduction awareness of communities, parents, school management, teachers and students. As such this programme complements the EUR 105 million Nepal-EU Action for Recovery and Reconstruction state building contract and the EUR 4 million grant to UNICEF to build 650 Transitional Learning Centres. It also complements the EU's action entitled TVET Practical Partnership for Nepal worth EUR 20 million.

3.3 Cross-cutting issues

Gender and equity: The SSDP will continue and intensify the focus on gender and equity issues in the education sector. There will be mainstreaming of gender, ethnicity, poverty and geographic factors across all programmes, supported by disaggregated monitoring. Carefully targeted and tailored programmes will be implemented in areas of low enrolment to bring in out-of-school children, using an Equity Index to improve the identification of districts facing different kinds of disadvantage. The SSDP will implement a policy for multilingual education and language of instruction to address the various language contexts across Nepal and ensure that Janajati children are equally able to receive a quality education experience. An inclusive education policy for children with disabilities will also be developed and implemented.

Good governance: Steps will be taken to reduce fiduciary risk, improve monitoring through further automatisisation and application of ICT, create a public grievance system for education and strengthen civil society partnerships for empowerment of communities, women and disadvantaged groups in educational decision-making and accountability processes. The jointly agreed FMIAP will continue to be a key tool to monitor and strengthen good governance across the SSDP. The DPs will commission AFRs to address recurring AG observations, propose remedial actions and annually review the outcome of implementation. Recommendations from the reviews will be included in the FMIAP for follow up by the working group.

Environment/climate change and resilience: The Government of Nepal flagship programme on Disaster Risk Reduction sets out key areas of support and investment in the education sector including retrofitting schools to ensure earthquake resilience, emergency preparedness for natural disasters such as floods and landslides and community/school awareness and preparedness. The education emergency cluster co-led by UNICEF and Save the Children also supports preparedness for education in emergencies (as well demonstrated after the earthquakes of 2015).

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG targets for Goal 4 - Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all - but also promotes progress towards Goals 1 and 5⁶. This does not imply a commitment by the country benefiting from this programme.

General objective: to support the Government of Nepal in its development strategy and poverty alleviation through better education service delivery.

Purpose: EU sector support will assist the Government of Nepal in implementing its School Sector Development Plan, through providing financial and technical support towards improving the management and service delivery in the education sector.

The **specific objectives** are:

- Increased and more equitable access to better quality and safer school education, particularly early childhood and basic education (grades 1-8).
- Improved sector efficiency and performance.
- Improved capacity and institutional development, especially at district and school levels.

The objectives of the EU's complementary support are indicatively identified as: there is adequate capacity at all levels of the system to effectively implement SSDP strategies to achieve the SSDP objectives; capacity is developed to ensure that all funding (including budget support) is used effectively and accountably; capacity is institutionalised reducing dependence on external assistance over the medium term; sector coordination mechanisms work effectively, thereby ensuring clarity on shared priorities, effective policy dialogue, shared learning and improved institutional memory and improved aid effectiveness.

4.2 Main activities

4.2.1 Budget support

The main activities to implement the budget support package are **policy dialogue, financial transfer, performance assessment and reporting**.

- Preparation of disbursement files and monitoring and assessment of performance targets and indicators to be used for disbursement;
- Strategic policy dialogue with the Government of Nepal, emphasizing the specific objectives, results and disbursement conditions of the sector reform contract (and JFA) as well as the adequate implementation of the complementary measures;
- Regular technical policy dialogue with the relevant governmental agencies/institution/ministries as part of the SWAp to address key issues of concern, including education quality, languages of education and inclusive education; resource allocation and expenditure; decentralisation; PFM and fiduciary risk management; capacity development needs; and school safety and DRR;
- Coordination with JFPs, DPs and other stakeholders involved in the school sector at all levels;
- Participation in sector meetings, reviews and technical working groups.

⁶ Respectively "End poverty in all its forms everywhere" and "Achieve gender equality and empower all women and girls".

4.2.2 Complementary support

Activities to be implemented as a part of complementary support indicatively include the setting up of a technical assistance (TA) facility that i) supports the MoE, DPs and other stakeholders in the development of a SSDP capacity and institutional development plan as well as a common framework for TA linked to this plan. The intention is that this framework will be developed and agreed by the MoE and all contributing DPs, and will include operational guidelines to ensure that all provision of TA, whether supported by JFPs or other DPs, is coherent with this framework; ii) provides high quality, timely TA that will directly support implementation and monitoring of priority areas of the sector strategy, in particular in relation to, for example, basic education, equity mainstreaming, capacity development for effective decentralisation, the taking forward of the MILE policy, PFM support, annual fiduciary reviews, and implementation of prioritised actions for institutional strengthening; and iii) provides technical support to the DPs, including the EUD, to policy dialogue, review and technical forums, in particular ensuring that effective links are maintained between technical expertise/ field experience and high-level strategic dialogue.

The complementary support includes services for monitoring the disbursement conditions, to support the Government of Nepal in tranche release documentation, as well as for evaluation, audit and visibility needs.

4.3 Intervention logic

The intervention logic centres on financing for results and capacity development. Financial support will leverage policy dialogue around demonstrating results (in particular via the variable tranches). Together with the JFPs the EU will agree a common set of results-based tranche release indicators (DLIs, a sub-set of the SSDP programme results framework). The DPs and the MoE aim to build on the strong partnership modality as developed through the JFA of the SSRP, and are developing a similar joint modality to enable the JFPs to support the SSDP in the continued spirit of aid effectiveness and harmonisation. The JFA sets forth the jointly agreed terms and procedures for the JFPs' support to the SSDP and serves as a coordinating framework for consultations with the Government of Nepal, for joint reviews of performance, for common procedures on disbursement, reporting, procurement and audits. The EU's support will be part of this modality.

Capacity development will be provided for the implementation of specific interventions aimed at improving key indicators of service delivery, particularly for the benefit of the most marginalised. The critical capacity development needs are for policy development, especially on education quality, languages of education and inclusive education; improved resource allocation and efficiency savings; effective decentralisation as stipulated in the new Constitution; improved partnerships for support to targeted programmes; implementation of a range of institutional actions recommended in the Institutional and Capacity Development Study⁷; and support to PFM and fiduciary risk management, particularly at local level. In addition to providing support to implementing agencies to plan, implement, and monitor SSDP activities and DLI achievement, technical assistance will be provided to support DP coordination, specifically JFPs, on required review missions each year.

The evaluation/formulation mission recommended the further improvement of DP coordination for the provision of TA as well as for policy and technical dialogue. It highlighted the need for the development of a common framework for TA, linked to a capacity and institutional development plan. The SSDP states that "*a Joint Steering Committee will be formed to identify, coordinate and align externally-provided TA in line with a common TA framework, linked to the SSDP capacity and institutional development plan. The latter will include definitions of the types and purposes of TA, and the establishment of a TA cooperation pool*". This is where the EU's complementary support is positioned.

Such a framework will indicatively include definitions of the types and purposes of TA, priority areas, MoE roles in ToR development, selection and management of TA, criteria to identify when external TA is necessary, expectations of mentoring approaches and the capacity and institutional development outcomes of TA. A TA facility will be developed, preferably MoE-based, that works to a common framework linked to the sector plan. All external TA should be provided in line with the proposed TA framework and capacity and institutional development plan.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

⁷ Bajracharya, Bhatta, Mainali and Moriani, *School Sector Reform Plan Nepal Institutional Analysis and Capacity Development Plan Study*, Sept 2013, ADB/MoE Nepal

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for the budget support component is EUR 56.5 million, and for complementary support EUR 4.7 million. This amount is based on maintaining the current and previous level of support to Nepal's school sector, recognising the proven capacity of the education sector to spend its budget (expenditure generally over 90% during SSRP period). Over the SSRP period EU budget support to the sector amounted to EUR 60.7 million (over three decisions). Indicative annual disbursements of EUR 9.2 million for SSDP are of slightly less magnitude to the total annual tranches under SSRP. The Ministry of Finance is expected to request release of the first fixed tranche immediately on signature of the financial agreement (indicatively end of 2016) as an advance for the first year of the SSDP. An indicative timetable is given below:

Nepal Fiscal Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/2022	Total
EU Year	Q1 2017	Q1 2018	Q1 2019	Q1 2020	Q1 2021	Q1 2022	
Fixed tranche	10 500 000	2 420 000	2 420 000	2 420 000	2 420 000	2 420 000	22 600 000
Variable tranche	0	6 780 000	6 780 000	6 780 000	6 780 000	6 780 000	33 900 000
Total (EUR)	10 500 000	9 200 000	9 200 000	9 200 000	9 200 000	9 200 000	56 500 000

5.3.2 Criteria for disbursement of budget support

a) *The general conditions for disbursement of all tranches are as follows:*

- Satisfactory progress in the implementation of the School Sector Development Plan and continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the existing PFM reform programme and its successor;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) *The specific conditions for disbursement that may be used for variable tranches are the following:* variable tranche disbursements will be based on achievement of specific results defined in the common DLI matrix that is drawn from the SSDP programme results framework, in the following result areas: i) more effective teachers; ii) better and safer school facilities; iii) better (equitable) access to education; and iv) good governance and management. As in the SSRP the EU will be a signatory to the JFA and therefore a JFP. The JFPs will base their support on the results achieved by the Government of Nepal in

implementing the SSDP. The amount to be disbursed each year will be contingent on the number of DLIs achieved during the previous year.

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Government of Nepal, MoF, may submit a request to the Commission for the targets and indicators to be changed. After consultation with other JFPs, signatories to the JFA, the changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

The programme will be financed through untargeted budget support with both fixed and variable tranches.

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Nepalese Rupees will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

5.4 Implementation modalities for complementary support of budget support.

5.4.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Monitoring & studies	services	1-5	3T 2017

5.4.1.2 Indirect management with an international organisation.

A part of this action may be implemented in indirect management with the Asian Development Bank (ADB) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the setting up of a TA Facility that will provide timely, good quality and coordinated TA support to identified capacity and institutional development priorities to design, assess, implement and monitor the various policies and strategies of the SSDP (as defined in an MoE capacity and institutional development plan).

One of the main actors to coordinate the implementation of the TA facility is ADB as the major donor in providing TA to the sector and through which EU and others' TA assistance will be channelled. This implementation is justified because a TA facility administered by one of the JFPs on behalf of participating DPs would meet the Government's desire for more aligned and coordinated TA, is in the spirit of aid effectiveness and reduces transaction costs for the MoE in particular reporting requirements. Of the potential JFPs to the SSDP, ADB is the most relevant implementing partner due to their extensive experience with the school sector in Nepal, and an excellent relationship with the MoE and DPs, combined with a

comparative advantage in providing PFM support (both within the school sector and more broadly⁸). ADB has wide experience in Nepal at local level and the foreseen action entails in particular an urgent strengthening of PFM at local level (at District Education Offices and in schools). The TA facility will, *inter alia*, support a series of actions to ensure an improvement of financial management systems at local level.

The entrusted entity would carry out the following budget-implementation tasks: tasks consisting of carrying out procurement and grant award procedures, and awarding, signing and executing the resulting procurement contracts and grant contracts, notably accepting deliverables, carrying out payments and recovering funds unduly paid, where two conditions are met: i) works, services, supplies and other benefits are directly provided to the partner country or to any other relevant beneficiary population of the Action; and ii) a margin of discretionary power (not involving policy choices) is delegated to implement the Action.

The entrusted international organisation is currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.1.3.

5.4.1.3 Changes from indirect to direct management mode due to exceptional circumstances

In case the above mentioned technical assistance cannot be implemented due to circumstances outside of the Commission's control, one alternative option to working with ADB, would be the procurement of services in direct management.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance	services	1	1T 2017

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

⁸ i.e. through the EU-funded Strengthening Public Management Programme that is working on local PFM

5.6 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution (in EUR)
5.3 Budget support: Sector Reform Contract	56 500 000	172 796 481
5.4 Complementary Support composed of		
5.4.1.1– Procurement (direct management)	700 000	N.A
5.4.1.2– Indirect management with ADB	4 000 000	Not Known
5.9 Evaluation / 5.10 Audit	100 000	N.A
5.11 Communication and visibility	100 000	N.A.
Total	61 400 000	

5.7 Organisational set-up and responsibilities

The indicative responsibilities and organisational set-up are as follows:

Overall steer and direction of the SSDP will be provided by the **Local Education Group** (LEG), particularly via the two annual meetings organized and chaired by MoE that will be held in March (Budget Review Meeting - BRM) and November (Joint Review Meeting - JRM). The LEG is composed of a broad range of agencies and networks, representing the Government (including National Planning Commission, Ministry of Finance and line ministries), the Local Education Development Partner group (including joint financing DPs, non-joint financing DPs and (I)NGOs), Civil Society Organizations (CSOs - including federations representing women, minorities, people with disabilities, disadvantaged groups and teacher unions) and universities/research institutions.

The MoE, through the DoE, is responsible for SSDP programme implementation based on an agreed programme results framework, a JFA signed by the government and the JFPs, and Annual Strategic Implementation Plans (ASIP), and Annual Work Plans and Budgets (AWPB). The DoE prepares the ASIP/AWPB and executes the AWPB by implementing activities assigned to the DoE and sending authorizations for activities assigned to other agencies, including to the regional education directorates (REDs) and district education offices (DEOs), which are responsible for executing the programme at the regional and district levels. At the beneficiary school level, where most of the SSDP expenditures are made, the main frontline actors are the community schools, responsible for managing the school-level activities through school management committees (SMCs). Parent-teacher associations (PTAs) function as watchdogs. Education training centres (ETCs) and resource centres (RCs) provide training, management and monitoring support to schools.

Policy direction is entirely the purview of the MoE. Responsibility for **overall programme monitoring** is shared between the DoE and the MoE. Other institutional agencies within MoE include the New Technical Boards Inspectorate, the National Examination Office, the

National Council for Education Development, the Non-Formal Education Centre, the Curriculum Development Centre, the Higher Secondary Education Board and the Office of the Controller of Examinations. The MoE also oversees aid-coordination.

An SSDP Coordination and Review Committee may be established in the Foreign Coordination Section and the Management and Evaluation Division of MoE. The committee may be supported by a Technical Support Unit (TSU). Technical assistance, including the envisaged EU complementary measure, would support the TSU. The SSDP Coordination and Review Committee would support the functioning and management of TA. It would be chaired by the Secretary of MoE with membership from MoE Under-Secretaries, DoE, central agencies, development partners, Planning Division and ERO. An Operations manual would be produced on the procurement of services and goods and financial management.

5.8 Performance monitoring and reporting

Through the BRM and JFM, there is a comprehensive overall framework for monitoring and reporting on the implementation of sector policies and strategies as set out in the JFA, which has been revised based on the lessons learned from the SSRP and to align with the results-based funding mechanism.

The BRM will review the SSDP plans and budget (ASIP/AWPB) for the next fiscal year; assess overall programme performance and implementation progress based on the reports specified below; assess and confirm the achievement of any DLIs not assessed in the previous DLI review during the JRM in November and for which evidence has been submitted; assess progress towards meeting the current year DLIs and identify steps to remove obstacles if any; review compliance with financial management responsibilities and procurement procedures as mentioned in the JFA; assess outcome of other reviews.

The JRM will assess overall programme performance and implementation progress based on the reports specified below; assess and confirm the achievement of annual DLIs for which evidence has been submitted; agree on the actions to be taken and the evidence to be submitted to fulfil the DLIs for the current year; review compliance with financial management responsibilities and procurement procedures as mentioned in the JFA; and assess outcome of other reviews.

The Government of Nepal will provide all information relevant to the implementation of the SSDP including the following: financial monitoring reports (FMRs) for each trimester; the ASIP and AWPB for the next fiscal year two weeks before the BRM each year; a Consolidated Status Report two weeks before the JRM each year, among others, presenting progress in achievement of results as per the SSDP programme results framework; a report on progress in achievements of DLIs before the JRM and BRM each year with evidence of achievement of each DLI two weeks in advance of the meetings in which the DLIs will be assessed; an annual audit report from the external audit; reports from other reviews.

As part of an annual fiduciary review process the JFPs will implement an Annual Fiduciary Review according to Terms of Reference to be agreed to between the JFPs each year and will include post procurement reviews. Actions to be implemented and progress in their implementation will be presented in the FMIAP to be implemented by the Government of Nepal with the assistance of the JFPs.

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring

system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the log-frame matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components through a joint mission contracted by the Commission and / or other Joint Financing Partners or via the implementing partner (the Government of Nepal).

The mid-term evaluation will be carried out for learning purposes, in particular with respect to taking stock of the decentralisation process and to make any course corrections as required as well as feed in to the programming and financing needs for the last years of the SSDP.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the decentralisation process will still be ongoing and the deadline for Nepal's graduation from least developed country status is approaching.

The Commission shall inform the implementing partner at least a month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract either in the third or final year of implementation.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract in the final year of implementation.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Indicatively, one contract for communication and visibility activities shall be concluded in 3T 2017.

Acronyms and Abbreviations

ADB	Asian Development Bank
AFR	Annual Fiduciary Review
AG	Auditor General
AIN	Association of NGOs
ASIP	Annual Strategic Implementation Plan
AWPB	Annual Work Plan and Budget
BRM	Budget Review Meeting
c.	circa / around
CAS	Continuous Assessment System
CSO	Civil Society Organisation
DEO	District Education Office/ Officer
DLI	Disbursement Linked Indicator
DoE	Department of Education
DP	Development Partners
DRR	Disaster Risk reduction
ECED	Early Childhood Education and Development
EGRA	Early Grade Reading Assessment
EMIS	Education Management Information System
ERO	Education Review Office
ESP	Education Sector Plan
ETC	Education Training Centre
EU	European Union
EUD	EU Delegation
FMIAP	Financial Management Improvement Action Plan
FMIS	Financial Management Information System
FMR	Financial Monitoring Report
FY	Fiscal Year/ Financial Year
GDP	Gross Domestic Product
GoN	Government of Nepal
GPE	Global Partnership for Education
IBP	International Budget Partnership
ICT	Information and Communication Technology
INGO	International Non Governmental Organization
JFA	Joint Financing Arrangement
JFP	Joint Financing Partner
JICA	Japan International Cooperation Agency
JRM	Joint Review Mission
LEG	Local Education Group
LoI	Language of Instruction
M&E	Monitoring and Evaluation
MDTF	Multi-Donor Trust Fund
MEC	Minimum Enabling Conditions
MILE	Medium of Instruction and Language of Education
MoE	Ministry of Education
MoF	Ministry of Finance
MTE	Mother Tongue Education
NASA	National Assessment of Student Attainment
NCEN	National Campaign for Education in Nepal
NEGRP	National Early Grade Reading Programme
NER	Net Enrolment Rate
NGO	Non Governmental Organisation

NPC	National Planning Commission
NPPR	National Portfolio Performance Review
OAG	Office of the Auditor General
OBS	Open Budget Survey
OOSC	Out of School Children
PDNA	Post Disaster Needs Assessment
PDRF	Post Disaster Recovery Framework
PEFA	Public Expenditure and Financial Accountability Assessment
PETS	Public Expenditure Tracking Survey
PFM	Public Financial Management
PFM-RP	Public Financial Management Reform Programme
PTA	Parent Teacher Association
RC	Resource Centre
REACH	Results in Education for All Children
SDG	Sustainable Development Goal
SIP	School Improvement Plan
SLC	School Leaving Certificate
SMC	School Management Committee
SSDP	School Sector Development Plan / Programme
SSRP	School Sector Reform Plan / Programme
SuNSS	Supporting Nepal's School Sector
SWAp	Sector Wide Approach
TA	Technical Assistance
TVET	Technical and Vocational Education and Training
TSC	Teacher Service Commission
TSU	Technical Service Unit
TWG	Thematic Working Groups
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VDC	Village Development Committee
WB	World Bank

APPENDIX - Indicative list of result indicators (for Budget Support) (max. 2 pages)

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (2015/16)	Targets (2020/21)	Sources and means of verification
Overall objective: Impact	Significant progress achieved in the implementation of the development and poverty alleviation strategy of the Government of Nepal through better education and service delivery.	Increase in basic education cycle completion rate by gender Increase in survival rate to grade 8 and grade 10 by gender	69.6% (G: 70.5%) B: 68.8%) 76.6% (G:77.4% B:75.9%)& 37.10% (G:38.9% B:37)	85% (G: 86% B: 84%) 92% (G:93% B:91.2%)& 65% (G:66.7%B:63.5%)	MoE and DoE SSDP annual reports including Flash Reports, Annual Consolidated report and Annual Status Report; Programme Steering Committee minutes
Specific objective(s): Outcome(s)	Successful implementation of the School Sector Development Plan, leading to improved management and service delivery in the education sector, through the provision of financial and technical support.	Increase in net enrolment rate at basic and secondary levels by gender Increase in grade 1 new entrants with at least 1 year early childhood education experience Increase in student learning achievement scores in grades 5 and 8 Increase in % of female teachers at basic level % increase in education budget	89.4% (G: 89.6% B: 89.2%) & 37.7% (G: 37.6% B: 37.8%) 62.4% (G: 62.3% B: 62.5%) Grade 5: Maths 48.3%, Nepali 46.3%, English 46.8%; Grade 8: Maths 35%, Nepali 48% and Science 41% 38.8% 12.04%	96% (G: 96.2% B: 95.8%) & 55% (G: 49.8% B: 50.2%) 86% (G: 85.9% B: 86.2%) Grade 5: Maths 57%, Nepali 60%, English 55%; Grade 8: Maths 58%, Nepali 60% and Science 55% 45% 17%	As above

Ind outputs	Increased and more equitable access to better quality and safer school education, particularly early childhood and basic education (grades 18).	Increased provision of qualified and trained subject teachers in English, Science and Maths in upper basic and secondary schools	EMIS data collects info on schools and on teachers but not yet possible to identify through EMIS how many schools have full complement of subject teachers	50% of upper basic and 30% of secondary schools have full complement of trained Maths, Science and English subject teachers	As above
		# of classrooms (re)constructed as per revised technical standards	18310 (based on budget provision but will be adjusted based on completion reports at end of FY)	94000	
	Improved sector efficiency and performance.	Gender parity in basic and secondary education	GPI 1 & 0.99	GPI 1 & 1	
	Improved capacity and institutional development, especially at district and school levels.	Reduction in % of out-of-school children in basic education by gender	10.6% (G: 10.4% B: 10.8%)	5% (G: 4.9% B: 5.1%)	
		Improving school management capacity and accounting system	All schools have SMCs characterised by low and unequal capacity in some geographic and population groups. Poor quality of financial record-keeping at school level.	All schools have had SMC and Head teacher capacity strengthened	
		Improving school grants management and financing system	Limited management information system in school grant compliance and utilisation, resulting in recurring incidence of audit observations	Grants MIS is available in full online Annual decrease in no/% of recurring audit observations (from previous year)	

Direct outputs	Effective and efficient technical assistance provides a high quality service and better coordinated capacity development support to the government and timely quality information to the EU	Quality and timeliness of programme delivery. System and institutional strengthening and capacity building	Many capacity gaps, particularly at district and school level. No capacity and institutional development (CID) plan. Ad hoc TA. No common framework for coordinated TA.	Common TA framework aligned to CID plan being implemented resulting in harmonized TA being provided supporting identified agreed priorities.	As above Project reports (Pagoda)
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