

Document of  
The World Bank

Report No: ICR00002849

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IDA Grant-H274 - NP)

ON A

GRANT

IN THE AMOUNT OF SDR41.6 MILLION  
(US\$60.0 MILLION EQUIVALENT)

TO

NEPAL

FOR A

SECOND HIGHER EDUCATION PROJECT

December 30, 2014

Education Global Practice  
Bangladesh, Bhutan, Nepal Country Management Unit  
South Asia Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2007)

Currency Unit = Nepalese Rupees

NPR. 70.5 = US\$ 1

US\$ 1.5 = SDR 1

(Exchange Rate Effective June 30, 2014)

NPR. 96.28 = US\$ 1

US\$ 1.546 = SDR 1

## FISCAL YEAR

July 16 – July 15

## ABBREVIATIONS AND ACRONYMS

CHSS	Community Higher Secondary Schools
DO	Development Objective
DOE	Department of Education
EMIS	Education Management Information System
GON	Government of Nepal
HDI	Human Development Index
HEI	Higher Education Institution
HEMIS	Higher Education Management Information System
HEP	Higher Education Policy
HERP	Higher Education Reforms Project
HSEB	Higher Secondary Education Board
ICB	International Competitive Bidding
IDA	International Development Association
IRR	Internal Rates of Return
KU	Kathmandu University
MOE	Ministry of Education
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTR	Mid-Term Review
NAAC	National Assessment and Accreditation Council
NLSS	Nepal Living Standard Survey
NPHERD	National Program for Higher Education Reform and Development
NPR	Nepalese Rupee
NVP	Net Present Value
OCE	Office of the Controller of Examinations
PAD	Project Appraisal Document
PCL	Proficiency Certificate Level
PMT	Proxy-Means Testing
QAA	Quality Assurance and Accreditation
RC	Research Council
SDR	Special Drawing Rights
SFAFDB	Student Financial Assistance Fund Development Board
SHEP	Second Higher Education Project
TU	Tribhuvan University
TU-PIO	Tribhuvan University Project Implementation Office

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# NEPAL

## Second Higher Education Project

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<b>A. Basic Information</b>			
Country:	Nepal	Project Name:	Second Higher Education Project
Project ID:	P090967	L/C/TF Number(s):	IDA-H2740,TF-93397
ICR Date:	12/30/2014	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	NEPAL
Original Total Commitment:	XDR 41.60M	Disbursed Amount:	XDR 41.52 M
Revised Amount:	XDR 41.60M		
<b>Environmental Category: C</b>			
<b>Implementing Agencies:</b> University Grants Commission, Department of Education			
<b>Cofinanciers and Other External Partners:</b>			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/21/2005	Effectiveness:	07/27/2007	07/27/2007
Appraisal:	01/17/2006	Restructuring(s):		10/28/2008 03/29/2011 01/15/2013 09/28/2013
Approval:	02/22/2007	Mid-term Review:	02/01/2010	02/01/2010
		Closing:	01/15/2014	06/30/2014

<b>C. Ratings Summary</b>	
<b>C.1 Performance Rating by ICR</b>	
Outcomes:	Satisfactory
Risk to Development Outcome:	Substantial
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

<b>C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)</b>			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
<b>Overall Bank Performance:</b>	Satisfactory	<b>Overall Borrower Performance:</b>	Satisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
Central government administration	6	5
Other social services	6	7
Secondary education	21	27
Tertiary education	67	61
<b>Theme Code (as % of total Bank financing)</b>		
Education for all	20	20
Education for the knowledge economy	40	60
Rural services and infrastructure	20	10
Social safety nets	20	10

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Annette Dixon	Praful C. Patel
Country Director:	Johannes C.M. Zutt	Kenichi Ohashi
Country Manager	Takuya Kamata	-
Sector/Practice Manager:	Halil Dundar	Michelle Riboud
Project Team Leader:	Mohan Prasad Aryal	Rajendra Dhoj Joshi
ICR Team Leader:	Shashi K. Shrivastava	
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## **F. Results Framework Analysis**

### **Project Development Objectives (from Project Appraisal Document)**

The Project Development Objectives are: (a) enhanced quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions; and (b) improved access for academically qualified



under-privileged students, including girls, *dalits* and educationally disadvantaged *janajati* to higher education through financial assistance and enhanced capacity of higher secondary schools.

**Revised Project Development Objectives (as approved by original approving authority)**

The Project Development Objectives (PDO) are (a) enhanced quality, efficiency and relevance of higher education through a set of systemic reforms and incentives to selected institutions; and (b) improved access for academically qualified students from disadvantaged groups in (i) higher education and (ii) higher secondary education.

**(a) PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Number of institutions accredited			
Value (quantitative or Qualitative)	0		6	12
Date achieved	07/27/2007		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 200%. At restructuring (March 2011), this new indicator replaced - Number of campuses/programs completing a cycle of quality assurance.			
<b>Indicator 2 :</b>	Student pass rates at bachelors and masters levels in participating institutions (a) Bachelors level (b) Masters level			
Value (quantitative or Qualitative)	(a) 32.6%		(a) 36%	(a) 29.33%
	(b) 22.3%		(b) 26%	(b) 24.83%
Date achieved	12/31/2009		06/30/2014	12/31/2013
Comments (incl. % achievement)	Base line refers to 2008/09 results; actual value refers to 2012/13 results. Average pass rate varied from 28% at TU to 96% at KU. At bachelors' level, pass rate declined due to rapid expansion. Indicator was added at restructuring.			
<b>Indicator 3 :</b>	Share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating higher education institutions			
Value (quantitative or Qualitative)	34.63%		39%	38.40%
Date achieved	02/18/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 86.3% of the targeted increase in enrollment in three years. The final figure includes enrollment in new and revised programs. This indicator was added at restructuring.			
<b>Indicator 4 :</b>	Share of enrollment from disadvantaged groups in participating institutions (a) Higher education Total Number Girls			

	Dalits and educationally disadvantaged Janajatis			
	(b) Higher secondary education			
	Total Number			
	Girls			
	Dalits			
Value (quantitative or Qualitative)	(a)		(a)	(a)
	74,012		80,000	93,690
	42.97%		44.00%	45.61%
	12.88 %		13.50%	16.69%
	(b)		(b)	(b)
	153,009		163,000	210,100
	52.03%		Over 50%	Over 50.0%
	5.80%		6.20%	7.02%
Date achieved	07/30/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Higher Education data refer to participating institutions as of 2010 (47 community campuses, 10 TU constituent campuses and 3 small universities). All targets were far exceeded. This indicator replaced - Share of graduates from under-privileged groups in the total number of graduates.			

### (b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Number of (a) TU autonomous campuses (b) TU decentralized campuses			
Value (quantitative or Qualitative)	0	6	3	4
	38	48	45	49
Date achieved	02/22/2007	01/15/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	Due to initial delays, the targets were lowered at restructuring. The revised targets were exceeded bringing them closer to the original targets.			
<b>Indicator 2 :</b>	Number of community campuses getting project support			
Value (quantitative or Qualitative)	0	10	90	89
Date achieved	02/22/2007	01/15/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	Due to very high demand, the target was raised by 800% at restructuring (with lower ceilings for grants) to cover at least one campus in all 75 districts. The revised target was met – one campus could not meet all conditions.			
<b>Indicator 3 :</b>	Number of publications in refereed journals by the research grant recipients in approved research areas			
Value (quantitative)	0		20	29

or Qualitative)				
Date achieved	07/30/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Target exceeded. In addition, 45 published in other journals and 6 presented in international conferences. This was a new indicator added at restructuring.			
<b>Indicator 4 :</b>	Number of new programs in science, technology, management, and other employment/economic development focused programs in participating institutions			
Value (quantitative or Qualitative)	0		20	28
Date achieved	07/30/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 140%. Additional programs approved due to high demand. This was a new activity initiated at Tribhuvan University after restructuring.			
<b>Indicator 5 :</b>	Number of students receiving financial assistance from SFAFDB at (a) Higher Education level (b) Higher Secondary Education level			
Value (quantitative or Qualitative)	0 0	3,500 4,300		7,192 7,391
Date achieved	02/22/2007	01/15/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 205% at higher education level; 172% at higher secondary level. Due to high demand, more students were financially assisted within the same available funds. At restructuring, student equity contribution and student loan scheme were dropped.			
<b>Indicator 6 :</b>	Enrollment in community higher secondary schools			
Value (quantitative or Qualitative)	48,000	68,000	256,000	293,075
Date achieved	02/22/2007	01/15/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 114% of the revised enrollment target. Due to rapid increase in community higher secondary schools (partially caused by phasing out of equivalent PCL level from universities), target was raised by 376%.			
<b>Indicator 7 :</b>	Share of enrollment in the science stream in participating community higher secondary schools			
Value (quantitative or Qualitative)	2.37%		2.60%	2.89 %
Date achieved	02/18/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 226% of the targeted improvement. Percentage of science students in community schools is low (limited facilities). In private schools percentage is 27.9%. This was a new indicator added at restructuring.			
<b>Indicator 8 :</b>	Quality Assurance and Accreditation (QAA) System functional			
Value (quantitative or Qualitative)	No	Yes	Yes	Yes
Date achieved	07/27/2007	01/07/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	QAA system functional within UGC. A draft bill for establishment of an independent National Accreditation Board is under review.			

achievement)				
<b>Indicator 9 :</b>	Publication of EMIS reports based on functioning EMIS software/database with campus-level data			
Value (quantitative or Qualitative)	No	Yes	Yes	Yes
Date achieved	07/27/2007	01/15/2014	06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: Original target of publishing annual EMIS is met. Six reports published. Web-based software for National HEMIS is tested in 15 campuses.			
<b>Indicator 10 :</b>	Admissions, exams, and publication of exam results at Tribhuvan University follow published calendar			
Value (quantitative or Qualitative)	No published academic calendar		100% programs follow academic calendar.	57% of TU programs follow academic calendar
Date achieved	02/18/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: About 57% of programs at TU follow published calendar. Delays continue in programs with very large enrollment across over 1000 campuses. New indicator added at restructuring.			
<b>Indicator 11 :</b>	Autonomy packages for Decentralized Campuses developed by TU			
Value (quantitative or Qualitative)	0		10	9
Date achieved	02/18/2010		06/30/2014	06/30/2014
Comments (incl. % achievement)	Achievement: 90% - as per demand. New indicator added at restructuring to facilitate granting of autonomy to campuses.			
<b>Indicator 12 :</b>	Comprehensive higher education policy developed and adopted by government			
Value (quantitative or Qualitative)	Not developed		Adopted	Higher Education Policy developed. Government approval waited.
Date achieved	02/18/2010		006/30/2014	06/30/2014
Comments (incl. % achievement)	New major activity added at restructuring. The Policy is developed based on nationwide consultations. A national higher education reforms program is being developed based on the policy.			

## G. Ratings of Project Performance in ISRs

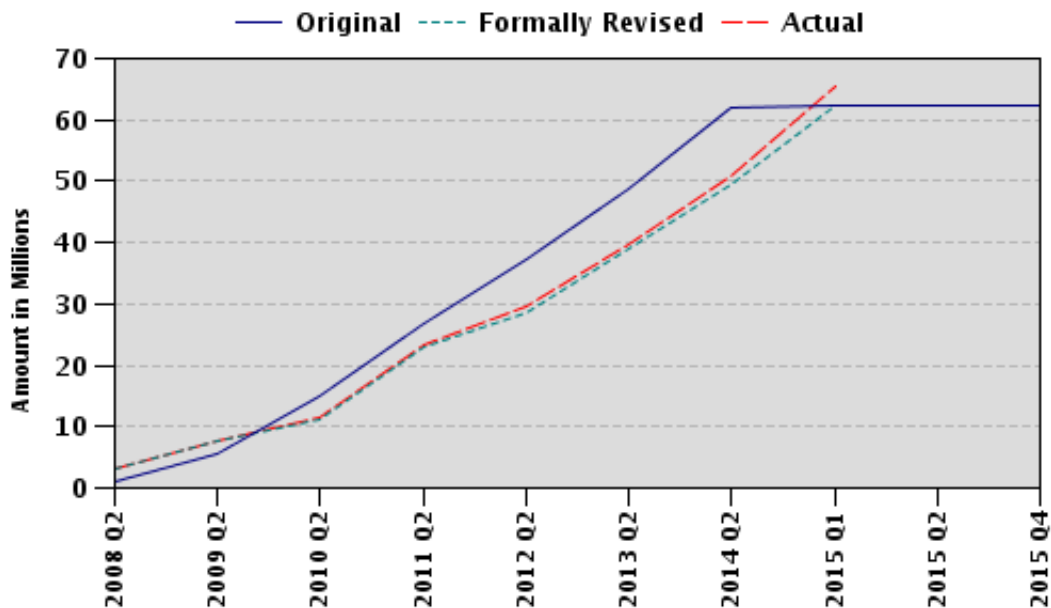
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	09/04/2007	Satisfactory	Satisfactory	0.00
2	02/27/2008	Satisfactory	Satisfactory	3.00
3	08/18/2008	Satisfactory	Moderately Satisfactory	5.09
4	02/21/2009	Moderately Satisfactory	Moderately Satisfactory	7.63
5	08/19/2009	Moderately Satisfactory	Moderately Satisfactory	7.63
6	02/25/2010	Moderately Satisfactory	Moderately Satisfactory	12.00

7	11/08/2010	Moderately Unsatisfactory	Moderately Unsatisfactory	19.73
8	06/07/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	23.26
9	12/26/2011	Moderately Satisfactory	Moderately Satisfactory	28.52
10	06/27/2012	Moderately Satisfactory	Moderately Satisfactory	33.01
11	01/02/2013	Moderately Satisfactory	Moderately Satisfactory	38.85
12	06/24/2013	Moderately Satisfactory	Moderately Satisfactory	41.90
13	09/28/2013	Moderately Satisfactory	Moderately Satisfactory	47.89
14	01/28/2014	Moderately Satisfactory	Moderately Satisfactory	49.46
15	06/24/2014	Satisfactory	Satisfactory	63.84

## H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
10/28/2008	N	S	MS	5.09	Changes in procurement guidelines (NCB)
03/29/2011	Y	MU	MU	22.94	Delays in project implementation until MTR. PDO indicators revised; new subcomponents added; funds reallocated; implementation responsibility extended to TU
01/15/2013	N	MS	MS	38.85	Reallocation
09/28/2013	N	MS	MS	47.89	Extension and reallocation

## I. Disbursement Profile





## 1. Project Context, Development Objectives and Design

### 1.1 Context at Appraisal

Nepal had a late start in development and faced formidable challenges, including a difficult geography and a history that left it extremely poor in terms of physical and human capital endowments. With an average per capita Gross Domestic Product (GDP) of US\$260 in 2004, Nepal remained the poorest country in South Asia and ranked the twelfth poorest in the world. The population of Nepal comprises over 100 diverse ethnic and caste groups. Incidence of poverty is significantly higher among *dalits* (comprising 11.8% of the population) and *janajatis*<sup>1</sup> (indigenous people comprising 37.2% of the population).

An uprising in April 2006 led by the Seven Party Alliance of democratic parties supported by Maoists ended the direct rule by the King. The political transition created an ‘open moment’ in Nepal. The enormous popular energy that was mobilized against the old order lifted many social and political constraints, but the political situation remained unstable.

In the education sector, Nepal had made notable progress at the primary education level. At the higher secondary and higher education levels, however, the gross enrollment rate (GER) was only 15% and 6%, respectively, in 2003/04. Of these, the poor (comprised of the lowest two consumption quintiles) had a low participation rate of 1% and 0%. The higher education system in Nepal was relatively young – comprising Tribhuvan University (TU) (with over 120,000 students in 2006 mainly in its 60 constituent colleges and 258 affiliated community or private colleges) established in 1959, and five smaller universities (accounting for less than 10% of total enrollment) established (or upgraded to university status) after 1985. The non-technical areas of humanities, social sciences and management accounted for 88% of enrollment and had low graduation rates.

Key issues facing higher education included: (a) weak contributions from the sector in creating and adopting knowledge to support economic growth and social harmony; (b) poor quality and market relevance of education; (c) poor access for students from under-privileged households, especially girls, *dalits* and educationally disadvantaged *janajati*; (d) deficient internal efficiency, particularly for public provision; (e) weak financial sustainability of public provision; (f) a widening gap between the quality of public and private provisions resulting in segregation of students along income status; (g) negligible public funding for community campuses; and (h) inability of universities to focus on their core functions given that they offered Proficiency Certificate Level (PCL) programs equivalent to higher secondary education (grades 11 and 12).

As articulated in the Tenth Plan (2002-2007), Nepal’s main objectives in higher education were to: (a) contribute to poverty reduction by developing a quality professional work force, and knowledge and technological base capable of supporting economic growth by enabling Nepal to participate in the global economy; and (b) promote equitable access to higher education. The key strategies and policies to achieve these objectives were to: (i) increase cost sharing; (ii) provide scholarships and loans for meritorious and needy students; (iii) move away from grants based on

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<sup>1</sup> *Dalits* belong to one of the Hindu caste groups. Educationally disadvantaged *janajatis* are indigenous groups whose literacy rate is below the national average.

staff positions to block-grant funding; (iv) provide autonomy to TU constituent campuses; and (v) establish an Assessment and Accreditation Council.

The Bank's Country Assistance Strategy (2004-2007) supported Nepal's Poverty Reduction Strategy that was based on four pillars: broad-based economic growth, social sector development, social inclusion and good governance. The higher education sector played a critical role in supporting the first two pillars: broad-based economic growth and social sector development. This project followed up the reforms, such as decentralization of campuses in TU, promoted by the first Higher Education Project (Cr. 2560-NEP); and improved financial sustainability and quality through the Engineering Education Project (Cr. 2044-NEP).

## **1.2 Original Project Development Objectives (PDO) and Key Indicators**

The original Project Development Objectives were: (a) enhanced quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions; and (b) improved access for academically qualified under-privileged students, including girls, *dalits* and educationally disadvantaged *janajati* to higher education through financial assistance and enhanced capacity of higher secondary schools.

The key indicators for measuring achievement of project development objectives were: (i) the number of higher education institutions tracking employment of graduates, (ii) cost sharing level of participating campuses; and (iii) shares of higher secondary and higher education graduates from under-privileged groups - girls, *dalits* and disadvantaged *janajati*.

## **1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification**

The Board approved project restructuring in March 2011 with the following revised PDO: The Development Objectives of the Project were: (a) enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions; and (b) improved access for academically qualified students from disadvantaged groups in (i) higher education, and (ii) higher secondary education.

The key indicators for measuring achievement of project development objectives were revised as follows: (i) number of institutions accredited; (ii) student pass rates at Master's and Bachelor's degree levels in participating institutions; (iii) share of students enrolled in science, technology, management, and other employment and economic development focused programs in participating institutions; and (iv) share of enrollment from disadvantaged groups in participating institutions at higher education and higher secondary education levels (disaggregated by gender, *dalits* and educationally disadvantaged *janajatis*).

The revised PDO shifted the focus of the Project from financial incentives for effective management to broader systemic reforms for quality, relevance and efficiency. Improved access was also better defined in terms of enrollment. Indicators were revised, replaced or retargeted to more closely reflect the desired outcomes of the restructured Project.

## **1.4 Main Beneficiaries**

The Project originally targeted reform grants to Tribhuvan University, three small universities accepting formula-based funding, six campuses opting for autonomy, institutions undergoing review for accreditation, ten additional decentralized campuses, ten selected community



campuses, and 470 community higher secondary schools, including 200 receiving performance grants. About 250,000 students enrolled in the institutions supported by the Project were expected to directly or indirectly benefit from reforms. About 750 research scholars (including M.Phil. and PhD students, and faculty members) were to receive support from the Project. Under poverty-targeted financial assistance, the Project was to support 3,500 meritorious needy students seeking higher education and 4,300 higher secondary students. At the higher education level, the percentage of graduates from *dalits* and educationally disadvantaged *janajatis* was expected to rise from 0.7% and 3.2% to 3% and 7%, respectively. The percentage of female graduates was also expected to rise from 23% to 35%. These targets were later replaced by their larger share in enrollment (44% female and 13.50% *dalits* and educationally disadvantaged *janajatis* at the higher education level).

At project restructuring, the beneficiary student targets were significantly raised covering 90 community campuses (against 10 originally planned) and 52 additional higher secondary schools with a science stream under the Project. Beneficiaries of 20 new market-oriented programs were also added.

Senior administrators, managers of higher education and faculty members were expected to benefit from capacity building, training, reforms and project implementation experience. Employers and communities were to gain from a larger number of qualified graduates from a wider region of the country.

As will be discussed later, the actual number of beneficiaries far exceeded the originally planned and revised targets.

### **1.5 Original Components (as approved)**

The Project consisted of the following components:

#### ***Component 1: Reform Grants (US\$57 million, of which IDA grant US\$40 million)***

The expected principal outcome of this component was improved financial sustainability of participating institutions—i.e., a proxy for ability to compete in the market delivering quality education at a reasonable level of efficiency—and enhanced quality of research outputs. There were two sub-components:

A. Provision of: (a) incentive grants designed to encourage TU decentralized campuses to opt for autonomy, and small universities to accept formula-based funding tied to delivery of outputs; (b) matching grants (one unit of contribution from a participating institution to be matched by one unit of grants from the Project) designed to encourage academic institutions to mobilize resources, and save them for investments in areas such as physical facility upgrading, faculty development and other inputs for quality enhancement; and (c) performance grants designed to reward academic institutions for achievements in relation to indicators reflecting the major policy thrusts of the reforms supported by the Project. To ensure the equitable distribution of resources between participating institutions, ceilings on performance and matching grants with a ceiling on the total grant were set for each type of institution.

B. Promoting research and innovation, including: (i) provision of Research Grants to teaching staff and students; and (ii) strengthening research infrastructure.

***Component 2: Student Financial Assistance (US\$4 million, of which IDA grant US\$4 million)***

This component aimed to help mitigate the constraints being faced by meritorious needy students, including girls, *dalits* and disadvantaged *janajati*, in accessing higher secondary and bachelor's level education. A proxy means testing (PMT) system was to be used to identify needy students. Scholarships and other assistance were to be administered through the Student Financial Assistance Fund Development Board (SFAFDB) to be operationalized.

***Component 3: Higher Secondary Education (US\$16 million, of which IDA grant US\$13 million)***

Supporting higher secondary education was not in itself an objective of this Project. This support became necessary to: (i) permit the better functioning of universities by phasing out Proficiency Certificate Level (PCL) programs; and (ii) allow higher secondary schools to expand their capacity and increase access to students living in rural areas. The Project provided basic grants at the rate of NPR4,000 (around US\$54) per graduate per year to all schools meeting basic accountability requirements<sup>2</sup>. All schools selected were eligible to receive matching grants on average at a ratio of 1:2 (one unit of community contribution to be matched by two units from the Project). Schools that had a good performance track record and the potential for sustainable growth were also eligible for performance grants subject to meeting the minimum requirements. Performance grants were to be provided for up to 200 community higher secondary schools<sup>3</sup>. To ensure regional equity, schools were selected through district-wise competition.

Apart from grants to schools, this component also funded inputs to support the strengthening of curriculum, examinations, Educational Management Information System (EMIS) and capacity development of the Department of Education (DOE) and the Higher Secondary Education Board (HSEB) aimed at expanding enrollment and improving quality of education.

***Component 4: Strengthening System Capacity (US\$3 million, of which IDA grant US\$3 million)***

The expected outcome of this component was enhanced capacity of the University Grant Commission (UGC) and the Ministry of Education (MOE) to facilitate the development of higher education through monitoring and evaluation, policy analysis, building stakeholder consensus on policy issues, timely revision of policies taking into account international trends and national needs, and disseminating policies. The key inputs to be funded were: establishment of a Quality Assurance and Accreditation System; establishment of an EMIS for higher education; training of staff; study visits; policy studies; incremental staff costs; and office equipment, vehicles and supplies for UGC, SFAFDB, HSEB, DOE and MOE.

## **1.6 Revised Components**

In March 2011, the following significant revisions in components were approved. About US\$4 million from IDA financing for reforms grants (for higher education under Component 1) were reallocated to higher secondary education under Component 3.

***Component 1: Reform Grants:***

The original two subcomponents were revised to the following three sub-components:

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<sup>2</sup> The Project envisaged a basic grant of NPR 10,000, which was reduced to NPR 4,000 due to the unexpected steep rise in enrollment.

<sup>3</sup> There were 470 schools eligible to receive basic and matching grants

- (a) Sub-Component 1.1: UGC Reform Grants
- (b) Sub-Component 1.2: Advancing Research in Higher Education
- (c) Sub-Component 1.3: TU Reform Grants

With this change, the division of labor and responsibilities between UGC and TU were clearly identified to improve project implementation. UGC was made responsible for the implementation of: (i) Reform Grants in small universities and community campuses; and (ii) Research. TU was made responsible for the implementation of Reform Grants in TU and constituent campuses.

A window for new programs under the TU Reform Grants was added to finance up to 20 new academic programs at the Master's and Bachelor's degree levels in employment/economic development focused areas. The research subcomponent was also directed more towards the identified areas of national priority.

The number of community campuses to be supported for performance enhancement and reforms was increased from ten to about 90 to meet the high demand and to ensure that all 75 districts were covered. The beneficiary institutions were grouped into four categories. The original ceiling of US\$2.5 million for total grant was retained only for the original ten institutions (Scheme A). The ceiling was reduced to only US\$480,000, US\$245,000 and US\$185,000 for the additional three categories under Schemes B, C and D of institutions, respectively. To account for remoteness, the share of the project resources in matching funds for campuses was increased from 1:1 to up to a maximum of 2:1 in proportion to the Human Development Index of each district.

***Component 2: Student Financial Assistance:***

To simplify and expedite implementation of the Student Financial Assistance Program, the following changes were made: (a) students' equity contributions and the Students' Loan Scheme were dropped; (b) the role of the Program Administrator (a commercial bank) engaged by SFAFDB was limited to grant management; and (c) SFAFDB was to engage and directly supervise consulting firm(s) to manage student selection and monitoring.

***Component 3: Higher Secondary Education:***

Changes made to this component were: (a) MOE/DOE would give priority to schools with science streams when allocating performance grants; and (b) the number of schools receiving performance grants was increased from 200 to 250.

***Component 4: Strengthening System Capacity:***

In addition to strengthening system capacity of MOE, and UGC, funds were made available for strengthening TU capacity through training, technical assistance, and support to the TU Project Implementation Office (PIO). This component also supported development of and adherence to an academic calendar of TU.

As a major initiative, the Project supported stakeholder dialogue and activities related to the formulation of a National Higher Education Policy.

## **1.7 Other significant changes**

The Financing Agreement dated April 30, 2007 was first amended effective October 28, 2008, to: (a) facilitate disbursements for scholarships under Component 2 without waiting for the appointment of an Administrator for SFAFDB; (b) revise some compliance dates which had been missed; (c) accept provisions of the Nepal Public Procurement Act, 2063 (2007) for National Competitive Bidding with modifications; and (d) lower the threshold for prior review individual consultants from US\$25,000 to US\$10,000. In January 2013, reallocation of funds between categories of expenditure was approved. The Closing Date of the IDA grant for the Project was extended in September 2013 from January 15, 2014 to June 30, 2014 to permit completion of some critical activities and to facilitate a smooth transition to a new Higher Education Reforms Project under preparation. A reallocation of funds was also approved for effective utilization of the remaining funds.

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Project Preparation, Design and Quality at Entry**

In Nepal, higher education reforms are politically sensitive, as they often involve the privileges or interests of two of the most politically conscious groups - students and university teachers. The prevailing political fragility added yet another dimension to the challenge. Recognizing these potential obstacles, the Project was developed in close consultation with stakeholders. Consultative meetings listed a number of key issues requiring attention, including decentralization, autonomy, accreditation, public financing, research, and financial assistance to the poor. Despite the focus on quality and relevance in the project development objectives, the Project's design did not directly address the quality and relevance of programs offered based on national needs or international trends. The original key performance indicators also did not reflect any direct focus on quality and relevance. The 2011 project restructuring attempted to address this gap.

A Quality Enhancement Review in October 2005 appreciated the efforts of reforms despite Nepal's difficult political situation, but noted that the Project would be complex and hard to implement. The panel suggested changes in the project development objectives, and significant simplification of the project design, especially in the reforms grant components. It also suggested the prioritization of reforms, keeping some of them on a pilot scale to begin with due to the country context. The project design was reshaped to some extent to respond to these recommendations.

The Project Appraisal Document (PAD) listed major risks and mitigation measures. However, the severity of risks was underrated, and other risks and potential delays from the limited implementation capacity and Nepal's unstable political situation were not foreseen. Some key factors at preparation which influenced the Project's implementation and its outcome were:

- (a) *Major political conflict at project preparation:* Preparation of the Project commenced in January 2005 and it was appraised and negotiated in January/February 2006. However, the popular uprising of April 2006 delayed its presentation to the World Bank Board for approval until February 2007.
- (b) *Low capacity of implementing agency:* At the higher education level, UGC held the primary responsibilities of project implementation, systemic reforms, accreditation, research funding, policy dialogue and M&E. UGC had limited staff and lacked experience implementing externally-assisted projects or major higher education reforms.
- (c) *Rapid expansion:* High demand both for higher and higher secondary education led to a very rapid expansion of affiliated campuses (with more than 100 new campuses added

every year), and community higher secondary schools, mainly in general areas of study such as education, management and humanities.

- (d) *Resistance to change*: Institutional autonomy, a major reform initiated under the Project, was least developed at appraisal. Rules passed by TU in 2005 were relatively new and many issues remained to be resolved. This led to strong resistance to change primarily from employees of the institutions under consideration for granting of autonomy.

## **2.2 Implementation**

The project implementation responsibility was shared between the MOE – which oversaw project implementation; UGC along with TU–PIO (from 2011) handling higher education; SFAFDB implementing Component 2 (assisting higher education and higher secondary students); and DOE handling higher secondary school (Component 3). During the initial years of implementation, the Project had to overcome many challenges. Limited progress was made until 2010 due to political instability, the slow release of funds, and delays in filling key positions. It took time both to build consensus on reforms because of the rapidly changing political situation, and to establish new mechanisms for accreditation, performance linked funding, competitive funding of research, poverty targeted selection of students for scholarships, and monitoring.

At the Mid-Term Review (MTR) in February 2010, the overall performance was rated Moderately Unsatisfactory with disbursement, including an advance, reaching only 18.5%. However, there were some positive outcomes. The Project generated significant demand from community campuses for reforms grant under Component 1 (at least one to be supported in each of Nepal's 75 districts), far exceeding its target of only ten campuses. The shares of females both in higher and higher secondary education surpassed the mid-term targets.

Project restructuring in 2011 shifted the focus of the Project from financial incentives to broader systemic reforms for quality, relevance and efficiency along with: (a) the revision of indicators to more closely link them to the desired outcomes; and (b) the strengthening of implementation arrangements to accelerate project implementation and reach most of the enhanced targets at project closing. A nation-wide dialogue from 2012 on Higher Education Policy also helped sharpen focus on major issues and initiate discussions on a National Program of Higher Education Reforms and Development.

## **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

The Project supported four universities, 120 community and constituent campuses and 944 community higher secondary schools spread across the country. Campuses and schools were selected in stages on a competitive basis. It also supported 727 research projects in identified areas at 72 institutions, and 14,583 students with financial assistance. Needy students were selected through proxy means testing with physical verification of the self-reported consumption indicators, starting with 100% in the first year and on a sample basis thereafter.

The PAD included detailed guidelines, including selection criteria, and implementation and monitoring and evaluation arrangements for each activity and implementing agency. As part of the capacity development component, the Project provided support to UGC and later to TU to develop an EMIS for the higher education sector. It also provided some support to DOE to strengthen its existing EMIS section. SFAFDB also developed an effective monitoring mechanism.

It took some time to establish an effective M&E system in all implementing agencies. Much of the progress that was made recorded only after the MTR. UGC has been publishing an annual EMIS report for the past six years and has recently tested a web-based HEMIS. DOE has been able to produce a consolidated report for its project institutions. SFAFDB has developed an effective communication system to provide information to beneficiary students through mobile phones.

Towards closing, the implementing agencies intensified monitoring. This included the monitoring of all schools, desk monitoring of research grants, and field monitoring of Memorandum of Understanding (MOU) compliance on procurement, financial management, and safeguards by all campuses. Implementing agencies also completed impact studies on each subcomponent. While the M&E improved, the timeliness and quality of reporting remained a challenge.

## **2.4 Safeguard and Fiduciary Compliance**

### **Social Safeguards:**

The Project supported underprivileged groups, including female students, *dalits* and educationally disadvantaged *janajatis*, to improve their access. Several measures of social inclusion were identified in the PAD. After a slow start, SFAFDB implemented this part of the Project highly successfully, going beyond the targets and expectations. SFAFDB held consultations with various government and quasi-government agencies to classify 102 different population groups reported in the 2001 census into four categories - upper caste, *janajatis*, *dalits* and others to present information on student support from the initial application stage to graduation. In addition, most beneficiary campuses increased their share of enrollment of disadvantaged groups with financial assistance, as performance grants were tied to the level of enrollment of such groups.

UGC made significant progress in collecting, analyzing, and reporting disaggregated data (based on gender and educational disadvantages) that can be used to track progress and monitor results. Similarly, the EMIS at the DOE now captures enrollment data disaggregated in terms of gender and ethnicity while the HSEB captures data of students who have appeared in examinations and passed out of schools, disaggregated by gender.

### **Environmental safeguards:**

While the Project was classified as category B for environmental safeguards in the PAD, it was categorized as category C in the Integrated Safeguards Data Sheet and in the Bank's database included in this ICR. Notwithstanding this error in documentation, all procedures for category B appear to have been followed. A document entitled 'National Environmental Guidelines for Higher Education Institutions in Nepal' was prepared and used in an Environmental Management Plan for implementation. As the Project did not support large scale construction activities, no significant environmental issues were encountered. Most of the expectations of proper environmental response vis-à-vis ventilation and lighting, etc., of procured works in the planning, design, construction and post-construction phases appear to have been met as per the Code of Practice for Environmental Management Plan (EMP) in School Upgrading Civil Works. However, it was noted that the dissemination and use of the applicable documents by a number of beneficiary institutions could have been improved. There was a need for all institutions to develop a mechanism for enforcing environmental safeguard compliance. Based on the findings

of a study, the implementing agencies intensified monitoring for compliance in the final year of the Project. This resulted in improved safeguards compliance.

### **Procurement:**

At appraisal, the Project's procurement risk was rated 'High' due to limited capacity of the implementing agencies and beneficiary institutions. The Project was required to follow "Guidelines: Procurement under IBRD Loans and IDA Credits" and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" both dated May 2004. A series of training sessions and workshops were conducted to build procurement capacity. The process was further facilitated through a September 2008 amendment to the Financing Agreement permitting the use of National Competitive Bidding (NCB) following the Nepal Public Procurement Act 2063 (2007) with some modifications. It took time to commence procurement activities as institutions were being selected in phases, and most were under community management and using their own procurement regulations. Most procurement activities were carried out after project restructuring. Over 80% of procurement, estimated at about US\$40 million, was for the rehabilitation and expansion of existing buildings or small additions in participating institutions. Laboratory equipment, books, learning materials, computers, etc., amounted to only about 9% of total procurement. This should have been in larger proportion for more direct benefits to students. There were two International Competitive Bidding (ICBs) tenders in the Project, which were not foreseen at appraisal: (a) the procurement of one unit of 128-Slice Multi Detector CT Scanner by Kathmandu University; and (b) the construction of a Central Administrative Building Complex in Pokhara University. A third ICB planned for a campus building was cancelled due to the detection of collusion in the bidding process. Despite a late start, most procurement activities were completed by the Closing Date through intensified monitoring and facilitation by UGC and DOE. No significant issues have been noted in post-procurement reviews carried out by the World Bank. A major outcome of the Project has been good capacity building at UGC for its own activities in supporting institutions and future projects.

### **Financial Management:**

Over most of the Project life, weak financial management by implementing agencies and beneficiary institutions remained a key area of concern and FM was rated 'Moderately Unsatisfactory' over an extended period. After restructuring in March 2011, there was progress on FM, which included: (i) regular desk monitoring and tracking of physical progress, grant release to and utilization of grant by the beneficiaries; and (ii) field monitoring for improved MOU compliance, control deficiencies, and reporting. Despite these steady improvements, there was a need for prioritized focus in improving control systems, strengthened monitoring, and timely reporting, both at the beneficiary and at central levels. Capacity building at the beneficiary level remained a challenge. On the other hand, it is creditable that all agencies coordinated and were able to utilize 99.7% of project financing from the World Bank. Implementing agencies closely monitored the availability of funds, disbursements, and significant devaluation of NPR, and made three requests for fund reallocations to support a much larger number of institutions and students.

## **2.5 Post-completion Operation/Next Phase**

Nepal is launching a National Program of Higher Education Reforms and Development based on the Higher Education Policy. A Higher Education Reforms Project (HERP) proposed to be financed by the World Bank and Government of Nepal (GON) is appraised. Its objective will be: *To support reforms in selected institutions for improving quality, relevance, and efficiency of*

*higher education; and to assist under-privileged students for equitable access.* The project will use results-based financing and focus on (i) more effective public funding of higher education, (ii) institutionalization of a national accreditation system; (iii) greater institutional autonomy; (iv) strengthening of the examination system and adherence to academic calendar; (v) academic reforms for quality and relevance of programs; (vi) equity with poverty targeted financial assistance for students, especially female; and (vii) academic excellence and research in areas of priority for Nepal. At the higher secondary school level, support to community schools would continue from GON. Disadvantaged meritorious students opting for the science stream at the higher secondary level would be supported under HERP. Thus most reform activities initiated under the current Project would be sustained and scaled up with modification for greater effectiveness.

### **3. Assessment of Outcomes**

The key focus of Nepal's Approach Paper for the Thirteenth Plan (2014-16) is on achieving higher economic growth and employment. It seeks to achieve job-centered, poverty-reducing, sustainable and broad-based economic growth, inclusive and equitable development, and to boost economic growth and stability by strengthening the private sector and promoting industrialization, trade and services. The Bank's Country Partnership Strategy for Nepal (2014-18) approved in May 2014 focusses on: (a) increasing economic growth and competitiveness; and (b) increasing inclusive growth and opportunities for shared prosperity. One of the outcomes expected is more equitable access to education and skills development, of higher quality and relevance. It will support major institutional reforms of Nepal's higher education system to improve its quality and the relevance of skills acquired by graduates to better respond to market needs. After restructuring, the SHEP played a key role in facilitating the development of the Higher Education Policy and in pilot testing major reforms planned under the proposed Higher Education Reforms Project. The Project followed the global trend towards building a knowledge-based economy, and emphasis on higher quality, relevance and equity. Therefore, the Project's objectives and design, both original and revised, are rated Highly Relevant to the current country and global priorities, and to the Bank's current Partnership Strategy for Nepal.

#### **3.2 Achievement of Project Development Objectives**

During the first three years, there were anticipated delays because of the: (i) expected resistance to changes; (ii) the competitive selection of institutions and beneficiaries; and (iii) new concepts and reforms being introduced in a fragile post-conflict country environment. After the Board approved restructuring in March 2011, implementation accelerated and the Project met or exceeded most of its targets. The achievement of project outcomes is assessed against both the original and revised objectives with their respective indicators.

***Original Objective1-*** *Enhanced quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions:* The objective was broad-based and the outcome indicators and intermediate indicators were not directly linked to the objective. However, based on the indicators, key achievements are as follows: (a) more than 50 higher education institutions tracked employability of graduates (against a target of 15) by completing a tracer study to receive a part of the performance grants (see Table 2.1 in Annex 2). However, two surveys planned at the central level were not conducted; and (b) the cost sharing rate of autonomous campuses/ universities receiving



support exceeded the target of 30%, mainly through increased fees and new programs. Among intermediate indicators, the targets of decentralization, and financing reforms through formula and performance-based funding were met. However, it took time to initiate new reforms, leading to a lowering of the target of grant of autonomy to TU constituent campuses from 6 to 3 (4 institutions granted autonomy) and accreditation (against the target of 50 institutions completing QAA cycle, 12 became accredited, 6 were under final review, and 60 were at the self-study reporting phase). The Research Sub-Component performed well, meeting all the targets listed in the PAD, although this achievement was not reflected by the indicators. Also, the Project helped in overcoming a lot of resistance to the phasing out of the Proficiency Level Certificate (equivalent to grades 11-12) programs, which constituted a large percentage (about 40%) of total tertiary enrollment and contributing to system inefficiency. The Project supported community-sponsored higher secondary schools to facilitate this transition.

***Original Objective 2- Improved access for academically qualified under-privileged students, including girls, dalits and educationally disadvantaged janajati to higher education through financial assistance and enhanced capacity of higher secondary schools:*** The outcome indicator and strategy were well defined. The percentage of females among higher education graduates increased from 23% to 44%, far exceeding the target of 35%. While data on *dalits* and disadvantaged *janajati* among graduates are not fully tracked, their enrollment exceeded the project targets, with a corresponding impact on their percentage among graduates. The number of students supported through poverty-targeted scholarships exceeded the target.

***Revised Objective 1-Enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions:*** The revised outcome and intermediate indicators (see Data Sheet) matched more closely with the objective. Based on these indicators, the achievements were: (a) the number of institutions accredited exceeded the revised target (12 against 6); and (b) the pass rate varied from 24% to 96% between universities and programs. The target of 36% for average pass rate at the Bachelor's degree level was not met due to the rapid unregulated expansion in general programs (now covering over 1,000 campuses across the country), something which the Project had no control over; (c) the share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating higher education institutions increased from 34.8% to 38.4% (target 39%) in three years. In terms of intermediate indicators (details in Annex 2), the achievements linked to the objective include: (i) the revised target for autonomy exceeded (four against revised target of three); (ii) a far larger number of community campuses (89 against the original target of ten) and higher secondary schools (944 against 470) supported; (iii) 28 new programs (against the target of 20) introduced in science, technology, management, and other employment/economic development focused programs in participating institutions; and many existing programs converted into semester based programs; (iv) research focused more on relevant areas and quality with over 700 research projects supported as planned and resulting in 80 PhD and 300 MPhil scholars, better trained faculty, and 29 publications in refereed journals; (v) Quality Assurance and Accreditation System fully functional and internationally recognized; (vi) 57% programs in TU followed academic calendar, acknowledging that the target of 100% was unrealistic; (vii) EMIS reports published annually and a web-based EMIS tested; and (viii) the formulation of a Higher Education Policy after nation-wide consultations.

***Revised Objective 2- Improved access for academically qualified students from disadvantaged groups in (i) higher education and (ii) higher secondary education:*** Scaled-up targets of total

enrollment in participating institutions and female participation were exceeded. At the higher education level, female enrollment reached 45.6% and at the higher secondary level it reached over 50%. Enrollment of *dalits* and educationally disadvantaged *janajatis* also exceeded the target. This was helped by the number of community campuses and higher secondary schools supported, and by a larger number of poverty-targeted scholarship beneficiaries (14,583 against the target of 7,800), among other factors.

Overall, the Project achievements met or exceeded most of the targets set at appraisal or revised at project restructuring.

### **3.3 Efficiency**

The economic analysis presented in Annex 3 is a retrospective assessment of the benefits and costs associated with SHEP based on actual data at the end of the Project. The costs include direct and indirect ones. Direct costs include private costs (direct household outlays) and project costs; indirect costs are in the form of foregone earnings (opportunity cost of continuing one's education). Project benefits come from three sources: (i) increased access to higher secondary and tertiary education due to project interventions, especially to economically disadvantaged students including girls, resulting in an increased number of graduates who earn higher wages (compared to non-completers); (ii) better quality learning outcomes resulting in higher wage-premium for all higher secondary and tertiary completers; and (iii) improved employability of graduates due to enhanced quality and relevance as a result of project interventions.

In the economic analysis, the Internal Rate of Return (IRR) and Net Present Value (NPV) of the Project were estimated in different scenarios with varying values of key parameters. The findings of the analysis, with the IRR ranging from 12.9% to 56.5% and NPV of benefits ranging between US\$20.6 million and US\$721.5 million, clearly suggest that SHEP has been a sound investment. These estimates are based on close to 100% disbursement of the project grant, including an overall higher amount of US\$4.12 million spent over the original project amount due to the SDR appreciation. In fact, the IRR and NPV values are conservative lower-bound estimates due to: (a) the reform-oriented nature of the Project whose returns are likely to accrue over many years even after project closure; and (b) project benefits will include positive externalities arising from a healthier, more educated and more equitable and inclusive society. These are not factored in the computation of NPV and IRR. In qualitative terms, other major contributions of the Project included: (i) higher secondary schools being able to enroll additional students as a result of Proficiency Certificate Level phase out; (ii) the introduction of new market relevant programs; (iii) enhancement of the research culture; (iv) initiation of HEMIS; and (v) an improving trend in adherence to an academic calendar, among other factors. The efficiency of the Project is rated as 'Satisfactory'.

### **3.4 Justification of Overall Outcome Rating**

Rating: Satisfactory

For this restructured Project, its outcome is assessed against both its original and revised project objectives. For the overall outcome rating, separate outcome ratings (against the original and revised project objectives) are weighted in proportion to the share of actual disbursements made in the periods before and after approval of the Project's restructuring.

The outcome of the original Project is rated ‘Moderately Satisfactory’ due to its high relevance and efficient achievement of both development objectives which met all three outcome indicators at project closing, but fell short in two of nine results indicators. The shortfalls related to the granting of autonomy and accreditation to higher education institutions.

The outcome of the revised Project is rated ‘Highly Satisfactory’ due to its high relevance and the efficient achievement of most targets of outcome and intermediate indicators directly linked to project interventions. The Project had no control over a shortfall in improving the average pass rate which was caused by very rapid expansion of the higher education system. With significant capacity building and consensus achieved on the Higher Education Policy, the Project has paved the way for major systemic reforms over the coming years.

		Original PDOs	Revised PDOs	Overall
1	Rating	MS	HS	S
2	Rating value	4	6	
3	Total disbursed - US\$ million	22.94 (Match 2011)	40.90 (from March 2011)	63.84
4	Weight (total disbursed/final disbursed amount of US\$63.84 million)	36%	64%	100%
5	Weight value (2 X 4)	1.44	3.84	5.28
6	Final rating			S

Note: HU (1); U (2); MU (3); MS (4); S (5); HS (6)

Based on the above, the final overall outcome rating is ‘Satisfactory’.

### 3.5 Overarching Themes, Other Outcomes and Impacts

#### (a) Poverty Impacts, Gender Aspects, and Social Development

The Project’s second development objective focused primarily on enhancing the participation of poor meritorious students from educationally disadvantaged communities, and females at the higher and higher secondary education levels. By design, it concentrated first in remote areas of Nepal. With a relatively modest investment of only 5% of project funds, it succeeded in supporting 14,583 students (nearly 87% more than planned) across Nepal through a well-tested transparent Proxy Means Testing (PMT) approach. This approach is now being adopted by the Ministry of Co-operatives and Poverty Alleviation for its major schemes. In addition, under the formula-based funding, the three universities provided 20% of seats to needy meritorious students with tuition-fee waivers. All community campuses supported under the Project were also required to use 20% of project funds to support scholarships or tuition-fee waivers for poor and female students. The number of community campuses in remote areas supported also increased significantly. Female participation reached over 45% in 2013 from about 25% in 2005 at the higher education level and over 50% at the higher secondary level. Participation of *dalits* and disadvantaged *janajatis* increased four-fold from about 4% (2005) to 16.69% (2013).

**(b) Institutional Change/Strengthening:**

The Project helped develop significant capacity at the UGC in policy planning, directing institutional reforms, project design, implementation (including financial management, procurement, safeguards and governance), and monitoring and evaluation, including use of a web-based HEMIS. UGC is now playing a leading role in institutionalizing the quality assurance and accreditation system, and in supporting research. Tribhuvan University, which suffered over extended durations from periodic disturbances from union activities which sometimes halted its academic functions, is now able to focus on major academic and institutional reforms, including the promotion of autonomy and the introduction of new programs of high quality and relevance. It is also developing several modules for its EMIS. A notable development with potential impact on research is its Central e-Library with networking capacity. As a part of the accreditation requirement, about 80 community campuses have developed capacity for strategic planning and self- evaluation. The Project also helped develop project management and monitoring capability at the Department of Education. The SFAFDB, established with project support, is now emerging as an efficient forward looking lean organization making extensive use of technology for its nation-wide PMT, offering instant access to results and quick fund transfers using e-banking and information sent to students through SMS.

**(c) Other Unintended Outcomes and Impacts (positive or negative)**

A significant unintended impact of the Project has been nation-wide consultations and focus on major issues and agreement on reforms in higher education – supported at the highest level of Government. (The final open consultative meeting in June 2013 was chaired by then Chairman of the Interim Government). There is high level commitment from universities and management committees of community campuses for urgent reforms. Visible support for reforms and better quality education is also noted from student unions during the past two years.

**3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

No formal surveys or workshop were conducted for this core ICR. During the ICR mission, students, teachers and management of institutions who were visited appreciated the much needed support provided under the Project for improving infrastructure. Accredited institutions were proud to show significant changes as a result of self-assessment and guidance provided by Peer Review Teams. Students expressed an urgent need for major higher education reforms in general, and examination and the academic calendar reforms in particular. Poor students, especially females supported through scholarships, were grateful for the support and wanted the scheme to be continued and expanded in years to come. Teachers were looking for greater support for research and new programs. Campus management would like more autonomy and quicker response from their university management. Due to significant demand, many affiliated campuses want to start Science and Technology and market-oriented programs. All implementing agencies wanted simpler procedures, further capacity building, and regular and adequate fund flows from the Government. A summary of findings from the impact studies facilitated by the implementing agencies is presented in Annex 5.

**4. Assessment of Risk to Development Outcome**

Rating: Substantial

The Project has successfully tested many reforms on a pilot scale and generated a lot of interest in their scaling-up. It has also helped to focus on major issues facing higher education in Nepal. Sustenance and expansion of the project gains and ongoing activities will depend on major

academic and institutional reforms proposed over the coming years. This needs strong political commitment, visionary leadership at UGC and universities, continued stake-holder support, and significant financial and technical inputs in the coming 5-10 years both from internal resources and from international assistance. The proposed HERP is expected to meet some of the financial and technical needs. Support from communities and the private sector are also forthcoming. However, the reforms proposed are dependent on some early key decisions (i.e., the approval of a National Higher Education Policy; National Program of Higher Education Reform and Development; agreement on areas of priority; the establishment of an independent National Accreditation System; measures for strengthening UGC and SFAFDB; and changes in regulations of universities to support major reforms). Most community campuses and schools have limited capacity, faculty, infrastructure, and resources for introducing programs in priority areas. At the same time, enrollment is growing at an unprecedented rate of 20% annually, mainly through community or private institutions. If the key decisions (as mentioned just above) are taken and the proposed HERP is approved in the coming months, the risk to development outcomes would be moderate. Otherwise, it would be substantial/high in the normal course of development.

When viewed from the investment being made in higher education by the public, community, private sector and families, the per capita investment seems comparable to that of any middle income country. However, in Nepal, the system is suffering from huge inefficiencies and wastage. For the medium to long term sustainability of reforms initiated and being planned under HERP, it is critical that: (a) there is clear policy support for quality human resource development at higher levels with public, community, and private partnership; (b) there is transparency in financing and appointments at public institutions; (c) institutions (and all individuals responsible for teaching, research, and management) take greater responsibility and accountability; and (d) employers have a say in shaping of academic programs. The Bank could play a significant role in capacity building through technical assistance.

## **5. Assessment of Bank and Borrower Performance**

### **5.1 Bank Performance**

#### **(a) Bank Performance in Ensuring Quality at Entry**

##### **Rating: Moderately Satisfactory**

As noted earlier, the Project was prepared during 2005 and negotiated in February 2006 in a highly volatile political environment. Board consideration was delayed by a year following the popular uprising leading to the end of direct rule by the former King in April 2006. It is creditable that despite these circumstances, there were extensive stake-holder consultations during Project preparation – which analyzed the higher education system well, and identified major key issues requiring attention. A large team of experts helped in the preparation of an extensive PAD, including significant detailed guidelines for implementation of each sub-component. The PAD thoroughly covered fiduciary and safeguards requirements and included details for monitoring and evaluation during implementation.

The Project mainly addressed issues of decentralization/autonomy, accreditation, public financing, research, and financial assistance to the poor. Despite a focus on quality and relevance in the project development objectives, the project design did not directly address quality and relevance of programs offered (though it did note that more than 88% students were pursuing non-technical programs). The key indicators also did not reflect an impact on quality and relevance of higher education. The PAD listed major risks and mitigation measures but the

severity was underrated and many risks and potential delays were not foreseen from the limited capacity of UGC, and time needed to set up new entities like SFAFDB and a Quality Assurance and Accreditation System. It did not anticipate delays in decision making by the Government in the prevailing political situation. Potential resistance to the autonomy of institutions was underestimated. There were also some inconsistencies within and between documents. While appreciating the reform efforts despite a difficult political context, a quality enhancement review panel noted that the project design was complex and would be hard to implement. The final project design responded to some suggestions of the panel but both appraisal and negotiations were completed in a rush. The team could have used the time from Negotiations to the Board presentation (February 2006 - February 2007) to update the PAD in consultation with the new government and implementing agencies to address these short-comings and ensure better quality at entry.

#### **(b) Quality of Supervision**

Rating: Satisfactory

The Bank team faced significant challenges in supervision and implementation support throughout the project period. In the initial phase, the team had to closely monitor and provide technical support for building capacity at UGC to initiate the Quality Assurance and Accreditation System, the performance-based funding of institutions, and competitive funding of research. The team also worked closely with TU management to help modify regulations for the granting of autonomy to campuses, and for the large-scale phasing out of PCL programs. Establishment of the SFAFDB was not easy. In the initial years, some progress was achieved in the Project despite political instability. At the Mid-Term Review, the Project was rated 'Moderately Unsatisfactory' with only 18% of funds disbursed. This raised a question of its continuation. The team identified many critical issues and took immediate action to restructure the Project with the World Bank Board's approval to focus attention on quality and relevance and to give more direct responsibility to TU. After restructuring, the team established closer linkages with all four implementing agencies for monitoring and providing support on a continuous basis. Regular high-level meetings were held with the Ministry of Finance (MOF), MOE, and implementing agencies. After putting the Project back on track, the team facilitated nation-wide discussions on Higher Education Policy and design of the proposed Higher Education Reforms Project. During the final year, the team responded well to a much accelerated pace of project implementation. This helped make up for time lost during the first four years, allowing the Project to reach or exceed most targets with only a five-and-a-half months extension. The fiduciary team provided continuous support for capacity building at all implementing agencies and facilitated progress with an early amendment in the Financing Agreement. The team paid close attention to reports from all participating institutions and provided timely constructive comments. Safeguards and governance teams also participated in each implementation support mission and provided guidance.

The Project received close attention and support from the country and sector management.

#### **(c) Justification of Rating for Overall Bank Performance**

Rating: Satisfactory

The overall rating is based on a 'Moderately Satisfactory' rating for ensuring quality at entry, a 'Satisfactory' rating for supervision and a 'Satisfactory' rating of achievement of the project development objectives.

## **5.2 Borrower Performance**

### **(a) Government Performance**

Rating: Moderately Satisfactory

During its seven year life, the Project saw six transitions in government. These changes often delayed key decisions, including appointments at high levels (for example, over an extended duration, there was no chairperson or member-secretary of UGC; the TU Vice Chancellor position remained vacant for months; the Executive Director position of SFAFDB remained vacant for years), as well as delaying the timely release of necessary funds to implementing agencies.

However, successive governments expressed commitment to higher education reforms and supported the Project. The Interim Government facilitated the development of the Higher Education Policy, commencement of a dialogue on the proposed Higher Education Reforms Project and helped accelerate implementation of SHEP. The present government is taking these initiatives forward and has promised early decisions on key issues mentioned earlier. This would help ensure the sustainability of gains under SHEP.

### **(b) Implementing Agency or Agencies Performance**

Rating: Satisfactory

At the start of the Project, implementation responsibility was with UGC for the higher education component and with DOE for the higher secondary education component. DOE performed its function well throughout the project period, utilized extra-funds and covered a much larger number of schools than planned. This was facilitated by the simplicity of interventions at the higher secondary level, and the engagement of DOE in other Bank-financed projects. On the other hand, UGC established in 1995 was still a relatively young organization with a small number of staff, and limited executive authority over universities which were all governed by their own acts and regulations. It took time to create capacity in UGC to handle a major Bank-supported project and to establish units to handle its responsibilities, including implementation of three components, many sub-components, coordination with all participating universities and campuses, the development of HEMIS and policy dialogue. It is creditable that its dedicated teams succeeded in establishing an internationally recognized Quality Assurance and Accreditations System, a transparent competitive funding mechanism for research, a performance-based funding process for institutions and a web-based HEMIS. It also led development of the Higher Education Policy. TU shared implementation responsibility after project restructuring and has performed its role well in promoting autonomy of selected campuses and in the introduction of new programs. It has also conducted studies and initiated major reforms. SFAFDB is proving to be a highly efficient lean organization with transparent processes. All agencies facilitated impact evaluations of project sub-components.

After a slow start, all agencies succeeded in reaching or exceeding their project targets and provided necessary support to beneficiaries. Timeliness and the quality of financial reporting remained a major problem with UGC. DOE's monitoring reports took longer to produce than expected. The reports presented to missions by the implementing agencies could have been timelier and better presented and could have included analysis of key issues and main achievements. This also could have resulted in implementing agencies taking more credit for their efforts and successes.

Given the overall steady satisfactory performance of the implementing agency both before and after restructuring, the overall rating is ‘Satisfactory’.

**(c) Justification of Rating for Overall Borrower Performance**

Rating: Satisfactory

The overall Borrower performance is rated ‘Satisfactory’ based on the ‘Moderately Satisfactory’ rating of the Government, a ‘Satisfactory’ rating of the implementing agencies, and a ‘Satisfactory’ rating of the achievement of the project development objectives.



## 6. Lessons Learned

This Project was developed and implemented in a fragile country environment with limited resources and connectivity but with high demand for higher education from its young population. The Project holds many rich lessons for other low-income countries facing similar issues:

- **With appropriate recognition and catalytic support, community-run institutions can out-perform public-funded institutions.** In SHEP, a small contribution made through transparent, competitive performance-based funding and accreditation helped transform many institutions, even in remote areas, and enabled their students to compete in academic performance with those from well-funded university constituent campuses.
- **For national development, human resources are critical and access to higher education should not be limited to a select few.** The success of the poverty-targeted scholarship scheme showed the abundance of human resource potential for higher learning among the poor who are often denied such opportunities.
- **Wide-spread consultations with all stake-holders are important for major reforms and full ownership.** SHEP was successful in implementing some reforms and in opening discussions on major reforms despite many political changes during its implementation. Extensive consultation during the Project's preparation and policy formulation helped galvanize stakeholder support and avert resistance from those who may have had vested interests in maintaining the status-quo.
- **Academic autonomy, research, development and innovation are key elements of growth in higher education.** The focus of Nepal's higher education has largely been on classroom teaching. The Project's support to new market-oriented programs and competitive research in areas of priority generated much interest and led to notable results, including publications. A small investment of US\$3.8 million supported over 700 projects and scholars, many of whom would become better teachers and innovators as a result of this project support.
- **The education system must be dynamic and forward looking.** The EMIS implemented during the Project has highlighted serious issues concerning program relevance and the examination system in Nepal. Most students are admitted in low investment non-technical programs having low employment potential. The higher education programs and evaluation system are outdated. A review of all the programs and examination system has now commenced. This should lead to significant changes and better utilization of scarce public and private resources.
- **Features of good project design** - These include: (a) a direct linkage between development objectives, outcome indicators and Project activities, keeping the overall system dynamics and constraints in mind; (b) clearly defined roles, responsibilities, and the accountability of implementing agencies with deliberate capacity building measures; (c) project simplicity and realistic expectations, especially when undertaking significant reforms in a country with limited capacity; and (d) the identification of major risks and early mitigation measures. The original project design of SHEP suffered from shortcomings in this regard, and, consequently, it faced many issues during the first four years of implementation. Without the restructuring and close monitoring, the Project might have ended with unsatisfactory outcomes.

## 7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

### (a) Borrower/implementing agencies

The Borrower's ICR prepared by UGC in coordination with DOE and other implementing agencies is attached in Annex 7. The summary presents some additional and updated information

on the project status at closing. The Project is rated highly successful. No issue is raised. A strong recommendation is made for continued support from the Government of Nepal and IDA for higher education reforms and development.

**(b) Cofinanciers:** Not applicable.

**(c) Other partners and stakeholders:** Not applicable

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Reform grants	56.60	55.24	97.8
Student financial assistance	4.01	4.20	104.7
Higher secondary education	16.01	18.40	116.1
Strengthening system capacity	3.00	3.12	104.0
<b>Total Project Costs</b>	<b>79.62</b>	<b>80.96</b>	<b>101.7</b>
<b>Total Financing Required</b>	<b>79.62</b>	<b>80.96</b>	<b>101.7</b>

### (b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower	Grant	0.26	0.3	115.4
International Development Association (IDA)	Grant	60.00	63.86	106.3
Local Sources of Borrowing Country	Matching funds	19.36	17.00	87.8

## **Annex 2. Outputs by Component**

The following discussion refers to the outputs from the restructured Project. Indicator-wise achievements may be seen in the Data Sheet. For achievements against the original project indicators, see Table 2.1 of this Annex.

### **Component 1: Reform Grants**

This component originally included two sub-components: (a) Reforms Grants, and (b) Research Funding. At restructuring in 2011, a third sub-component (TU Reforms Grant) was added to support new academic programs at Master's and Bachelor's level in priority areas. This component has met or exceeded all the revised targets, and far exceeded some original targets.

Reforms grants included incentive grants, performance grants and matching grants to encourage financial sustainability of participating institutions, which was used as a proxy for the ability to compete in the market for delivery of quality education at a reasonable level of efficiency. Under this component: (i) four decentralized TU campuses opted for and were granted autonomy against a revised target of three and an original target of six; (ii) three small universities (Kathmandu University, Purbaanchal University and Pokhara University), as proposed, accepted the funding framework and opted for formula-based funding tied to the delivery of outputs; (iii) the number of TU decentralized campuses increased from 38 to 49, exceeding the original target of 48 and revised target of 45; and (iv) 30 TU constituent campuses were supported to undertake reforms against the ten originally planned.

In 2012/13, affiliated campuses established by communities accounted for 30.21% of all higher education enrolment. This is compared to the enrollment of 36.84% in university constituent campuses (which accounted for 64% of total enrollment at appraisal), and 32.95% in private campuses. Responding to a large country-wide demand, the Project supported, through competitive reforms grants, 89 community campuses which met eligibility conditions, compared to only ten originally planned. The scope was increased to cover all 75 districts and support lagging regions. This was achieved partially by lowering the ceiling of support to institutions added and by utilizing gains from appreciation of the SDR against the US Dollar, and depreciation of the NPR against the US Dollar during the project implementation period.

With a limited investment of only US\$4.5 million, achievements under the research funding sub-component have been significant. Research activities which were largely confined to a few university campuses have spread to over 80 campuses. The focus is also now gradually shifting to research in areas of priority for Nepal's development. Notable achievements include: (i) 29 papers published in refereed journals, 45 in professional journals, and six in international conference journals compared to the project target of 20 publications in refereed journals; (ii) 303 Master's degree dissertations (target 300); (iii) 80 PhD scholars supported as per the target; (iv) 303 individual faculty research projects (target 300); (v) 41 institutional research grants (target 40); (vi) 56 workshops on research methodology (target – 30); (vii) 28 workshops on culture of inquiry (target- 30); (viii) establishing or upgrading research management cells in 72 institutions (target 50); and (ix) carrying out of 24 university–industry dialogues (target 26). In addition, Tribhuvan University received support for strengthening its library with the addition of an e-library and networking. The only shortfall was 30 post-doctoral fellowships. Eight were selected, but grants were withheld due to a lack of support from institutions to provide the required facilities. To ensure the quality of research, the UGC has established a rigorous process

for the evaluation of research proposals and research outputs by the Research Council established at UGC.

Under the third sub-component, TU selected 28 new market relevant programs (including seven at the Bachelor's degree level) since 2011 through a highly competitive process against a target of 20. Academic autonomy, adherence to an academic calendar, effective delivery and high employability are key dimensions of these new programs. Institutions have successfully set and applied admission criteria, fixed the number of students in a class and set fees at levels of high recovery along with fee waivers for poor and meritorious students. Noting the good performance of these programs amid significant opposition from faculty members and students, 31 central departments of TU have converted 38 Master's degree programs from the annual system to the semester system with revised curricula, delivery system, evaluation schemes and tuition fees, as well as introducing a competitive admission system.

### **Component 2: Student Financial Assistance**

This component aimed to mitigate constraints faced by meritorious needy students, including females, *dalits* and educationally disadvantaged *janajatis* in accessing higher secondary and Bachelor's degree-level education. PMT was used to identify needy students. While selecting students, preferential treatment was given to female students and students from disadvantaged groups. The component originally included scholarships, equity contribution from students, income from work-study programs, and loans from commercial banks. At restructuring, due to the limited capacity of the newly established SFAFDB, inadequate support from a national bank acting as administrator, and poverty levels among a large number of applicants, the scheme of equity contribution from students and the loan scheme were dropped. After restructuring, SFAFDB took more direct responsibility of PMT and scholarship administration, and made rapid progress.

About 14,583 students (7,192 at the Bachelor's degree level, 7,391 at the higher secondary level) have received scholarships against the project target of 7,800 (3500 at the Bachelor's degree level, 4300 at the higher secondary level). This 187% increase was achieved within the same budget through a technology based-implementation mechanism and from currency exchange gains. A web-based scholarship administration system has been established and is fully functional. The system simplifies the process of student identification, final selection, fund transfers, progress monitoring and fund utilization. A web-based on-line reporting system is also in place. This has been done by linking the SFAFDB with 145 branches of a national bank in 63 districts. The e-banking facilities are being extended to release scholarships to individual students' bank accounts.

Going beyond the original design, SFAFDB has taken up implementation of PMT directly and not through an agency. This has brought the operating cost to only 4% from over 50% in the first year. Coordination with central-level agencies under MOE and the autonomous agencies such as the Higher Secondary Education Board (HSEB), the Council for Technical Education and Vocational Training, Nepal Telecom and Rastriya Banijya Bank Ltd., has significantly improved. Students can now access key information quickly through mobile phones.

MOE and its line agencies have now taken ownership of the PMT system. Similarly, GON agencies, including the Poor Household Identification and Poverty Card Distribution Office under the Ministry of Co-operatives and Poverty Alleviation have also embraced the approach. This is a significant achievement of the Project. As the PAD (page 96) noted, a PMT targeting

approach could prove to have high administrative costs and therefore a gradual scaling up from selected regions to the whole country was recommended.

### **Component 3: Higher Secondary Education**

The component was designed to improve access to higher education for rural students by increasing their access to higher secondary education and assisting community higher secondary schools to expand enrollment and improve the quality of education. The Project made steady progress in this area. Keeping in view very fast growth (due to phasing out of PCL level education from universities) and a large demand from community schools, targets for the number of schools supported and enrollment were increased significantly at restructuring. Priority was also given for performance grants to schools offering science programs.

A total of 944 community Higher Secondary Schools (CHSS) have received project grants against the project target of 470. Of these, 576 schools received basic grants, 592 got matching grants and 361 (against a revised target of 250) won performance awards. These included 214 schools supported for science stream after restructuring. All recipient schools satisfied the prescribed eligibility criteria. Enrollment in the participating CHSSs has reached 210,100 compared to an original target of 68,000 and a revised target of 163,000. Girls' share in total enrollment has reached the project target of over 50%. *Dalits* constitute 7.02% of total enrollment (target - 6.20%). The share of enrollment in the science stream in the participating schools is 2.90%, higher than the target of 2.60%. Currently most science programs are offered by private higher secondary schools with 27.8 % of their enrollment in science. These are not accessible to the rural poor.

### **Component 4: Strengthening System Capacity**

The expected outcome of this component was to enhance the capacity of UGC and MOE to facilitate the development of higher education through monitoring and evaluation, policy analysis, building stakeholder consensus on policy issues, the timely revision of policies taking into account international trends and national needs, and disseminating policies. Key inputs to be funded were: the establishment of a Quality Assurance and Accreditation System; the establishment of an Education Management Information System (EMIS) for higher education; staff capacity development; and policy studies. At restructuring, greater emphasis was placed on the development of a national policy for higher education. TU was also included in capacity enhancement.

As planned, a Quality Assurance and Accreditation System has been established at UGC guided by a Quality Assurance and Accreditation Committee. After a slow start as anticipated in any new initiative of this dimension and importance, accreditation is gaining a firm footing in Nepal. UGC has received national and international recognition for its QAA work and has become a member of the Asia Pacific Quality Network and International Network of Quality Assurance Agency in Higher Education. UGC has further improved collaboration with UGC India and its National Assessment and Accreditation Council (NAAC). So far, 12 institutions have been accredited against the target of six; six more are at the peer review phase and 60 are in the Self Study Report (SSR) preparation phase. The main issue now is the timely formation of peer review teams with at least one senior expert from abroad. A higher education Quality Assurance and Accreditation Act is under review by the Government.

To support monitoring and evaluation of the higher education sector, a computerized EMIS has been established at UGC. Over the past six years, EMIS reports have been published regularly.

The Sixth HEMIS Report (2012/13) was published in June 2014. Going beyond the project target, a web-based monitoring system has also been tested at 15 campuses as a pilot. This will be scaled up over the coming months to cover most campuses and universities. A dedicated EMIS for TU is also being tested. Kathmandu University (KU) already has a well-developed website which keeps its data continuously updated.

A National Higher Education Policy (HEP) has been developed through a rigorous consultative process by organizing national and regional workshops and engaging a wide range of stakeholders since 2012. The Policy is under review by the Government.

Under this component, while all targets were met, provisions for capacity development at UGC and MOE were not fully utilized.

**Table 2.1: Project Performance with Original Project Development Objective:**

The Project Development Objectives are: (a) enhanced quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions; and (b) improved access for academically qualified under-privileged students, including girls, *dalits* and educationally disadvantaged *janajati* to higher education through financial assistance and enhanced capacity of higher secondary schools.

<i>Outcome Indicators</i>	<i>Baseline</i>	<i>Original Target - YR6</i>	<i>Actual –at closing</i>	<i>Comment</i>
Number of higher education institutions tracking employability of graduates	0	15	At least 50	Campuses received performance grants for completing first round of tracer studies of their graduates
Cost sharing rate of autonomous campuses/ universities receiving support	15%	30%	More than 30%	Data being collected. In addition, most community campuses share more than 50% of recurring costs
Share of graduates from under-privileged groups in the total number of graduates				
<b>Higher education</b>				
Girls	23%	35%	45.61%	Reached 38.8% (target 26%) at MTR Segregated data is not collected for <i>Dalits</i> and <i>Janajatis</i> – combined enrollment has reached 16.69%
<i>Dalits</i>	0.7%	3%	16.69%	
Disadvantaged <i>janajati</i>	3.2%	7%	(combined)	
<b>Higher secondary education</b>				
Girls	34%	43%	50%	Reached 48% (target 37%) at MTR Reached 4% (target 2%) at MTR Segregated data is not collected for <i>Janajatis</i>
<i>Dalits</i>	1%	5%	7.02%	
Disadvantaged <i>janajati</i>	4%	8%	NA	
<b>Results Indicators for Each Component</b>				
<b>Component One :</b>				
Number of TU constituent campuses becoming autonomous	None	6	4	
Number of TU constituent campuses becoming decentralized	38	48	49	
Number of universities entering into formula-based funding agreement	None	3	3	
Number of community campuses getting project support	None	10	89	
<b>Component Two :</b>				
Number of students receiving financial assistance from SFAFDB (disaggregated by gender, dalits and disadvantaged janajati)				
Higher education	None	3500	7,192	
Higher secondary education	None	4300	7,391	
<b>Component Three:</b>				
Enrollment in community higher secondary schools	48,000	68,000	293,075	Reached 138,000 at MTR.
<b>Component Four:</b>				
Number of campuses/programs completing a cycle of quality assurance	None	50	12 accredited	Six more are at Peer Review stage; 60 campuses are completing Self- Study Reports.
Publication of EMIS report	None	Yes	Yes	Six annual reports published



### Annex 3. Economic and Financial Analysis

This economic analysis presents a retrospective assessment of the benefits and costs associated with the Second Higher Education Project (SHEP) using realized data at the end of the Project. The main methodology used for the economic analysis included: (a) a cost-benefit analysis; and (b) a sensitivity analysis. Costs include direct and indirect costs- direct in terms of private costs (direct household outlays) and project costs and indirect cost in the form of foregone earnings (opportunity cost of continuing education). Benefits come from three sources: (i) increased access due to project interventions especially to economically disadvantaged students, including girls, resulting in increased number of graduates who earn higher wages (relative to non-completers); (ii) better quality of learning outcomes resulting in higher wage-premium for all higher secondary and tertiary completers; and (iii) improved employability of graduates due to the enhanced quality and relevance as a result of project intervention.

SHEP implemented a wide range of demand and supply side interventions to improve quality, equity, efficiency and access for economically disadvantaged students through a set of systemic reforms and incentives to selected institutions.

The cost-benefit analysis uses the following set of actual *direct beneficiaries*:

1. The number of pro-poor stipend recipients at the higher secondary and tertiary levels selected annually from 2008 to 2012 (data source: SFAFDB reports)
2. Enrollments in participating higher secondary schools for the years 2010-2012 (data source: DOE and HSEB reports and publications)
3. Enrollments in participating campuses for years 2009-2013 (data source: UGC and TU-PIO)

Further, the CBA exercise makes the following underlying *assumptions*:

1. An average working life is of 35 years.
2. Annual wage increases are close to average annual increase in real growth in GDP for the last few years. (Data source: Economic Survey, various issues).
3. A discount rate of 10% is assumed to calculate net present value of project benefits (same as at appraisal, but 8% is also for sensitivity analysis, which reflects more accurate movement in real interest rate in the recent years).
4. Graduation rate at higher secondary and tertiary levels- 45% and 30% of those who registered for respective exams of that year, based on pass rate of 43% and 28% respectively. (Source: HSEB report and EMIS Report 2012/13 of UGC).
5. Probability of employment at higher secondary and tertiary levels – 71% and 78% respectively (NLSS 2010/11).
6. Prices are in 2010 real terms.
7. Quality premium is assumed to be 3.5% (also used 3% and 4% for sensitivity analysis).
8. Additional employment attributable to the Project is 3 percentage points, and they get the treatment wages.
9. Average annual household expenditure for higher secondary and tertiary levels- NPR 10,398 and NPR 13,914 respectively (NLSS 2010/11).
10. Average annual returns to graduates of higher secondary and tertiary levels- NPR 120,822 and NPR 184,789 respectively (NLSS 2010/11).

Under the assumptions listed above and actual data on enrollments and completions, the estimated **IRR is 35%** and **NPV** of net economic benefits is about **US\$237 million** assuming 10% discount rate.

Table below presents a sensitivity analysis of IRR and NPV under different scenarios, allowing for varying quality premium and discount rate.

**Table 3.1: Sensitivity analysis of IRR and NPV under multiple scenarios**

<i>Quality Premium</i>	<i>IRR</i>	<i>NPV (US\$ mil)</i>	
		at 8 % discount rate	at 10 % discount rate
Lower Case (3%)	12.9	47.6	20.6
Base Case (3.5%)	35.1	367.0	237.2
Higher Case (4%)	56.5	721.5	475.6

When the quality premium is 3.5% and discount rate is 10% (our base case scenario), the IRR is 35.1% and NPV is US\$237.2 million. As seen in the table above, actual IRR could vary anywhere between 12.9% and 56.5% and NPV between US\$20.6 and US\$721.5 million.

#### **Project ICR and Project Appraisal estimates**

At appraisal, the Net Present Value (NPV) was estimated at US\$284 million and Internal Rate of Return (IRR) at 11.8%, which are now estimated to be to US\$ 237.2 million and 35.1% respectively, with a 10% discount rate. Such a sharp increase in IRR is due to the fact that, at appraisal, only 135,000 students from the higher secondary level and 140,000 students from the tertiary level were assumed to benefit from the Project, whereas in fact, a total of more than 400,000 and 270,000 students benefitted directly, respectively from these two levels. On the other hand, there was an increase in the cost stream by US\$4.12 million due to appreciation of the SDR against the US Dollar. Moreover, ex-post data is used that are more accurate on both physical (enrollment) and financial aspects (actual data on costs, wage premiums, etc.) of the completed Project.

In terms of equity, enrollment from the bottom two consumption quintiles at higher secondary and tertiary levels reached from 3% and 0% to 4.8% and 3.7% respectively (NLSS II, 2003/04 and NLSS III 2010/11). Altogether 14,583 higher secondary and tertiary level students from the bottom two quintiles (some female beneficiaries also came from the third quintile due to positive discrimination) benefitted directly from stipends. Additionally, only community and constituent campuses were eligible for Project funds and since most poor students attend these types of campuses because of low fees, it can be inferred without doubt that the Project was pro-poor.

#### **Summary**

The above results, including the sensitivity analysis, with the IRR ranging from 12.9% to 56.5% and NPV of benefits ranging between US\$20.6 million and US\$721 million, clearly suggest that the SHEP has been a sound investment. However, since this Project has introduced many systemic reforms in the higher education sub-sector, for example the introduction of accreditation in the country; the initiation of a system of granting autonomy to campuses and promoting decentralization; enhancing a culture of research from the existing stage of infancy; introducing new market-relevant programs; initiation towards the establishment of a higher

education management information system; improvement in the adherence to an academic calendar; etc., whose monetary valuation is difficult, real benefits from the Project will accrue for many years to come. In fact, these are conservative lower-bound estimates, given that the analysis does not account for externality benefits arising from healthier, more educated and a more equitable/inclusive society. Also, it does not estimate additional benefits to those higher secondary level completers who would have gone on to complete even higher levels of education and receive higher wage-premiums. This analysis confirms that, overall, the financing of the Project has been *efficient* in terms of its cost and benefit evaluations.

## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Rajendra Dhoj Joshi	Senior Education Specialist	SASHD	Task Leader
Mark LaPrairie	Education Specialist	SASHD	Internal Peer Reviewer
Julie-Anne Graitge	Program Assistant	SASHD	
Sushila Rai	Program Assistant	SASHD	
Leopold Remi Sarr	Economist	SASHD	Economist
Dilip Parajuli	Extended Term Consultant	SASHD	Economist
Hiroshi Saeki	Extended Term Consultant	SASHD	M&E
Alenoush Saroyan	Consultant	SASHD	Accreditation
Jane Elizabeth Nicholls	Consultant	SASHD	Student Fin. Assist.
Chandra Shekar Jha	Consultant	SASHD	Research Funding
Dharma Vir Sharma	Consultant,	SASHD	Higher Secondary Edu.
John Fielden	Consultant	SASHD	Institutional Autonomy
Purush Ratna Bajracharya	Consultant	SASHD	Political Economy
Mohan Prasad Aryal	Consultant	SASHD	Education Specialist
Padma Bahadur Khadka	Consultant	SASHD	Means Testing
Vinod Kumar Shrestha	Consultant	SASHD	Institute 1 Accountability
Kedar Lal Shrestha	Consultant	SASHD	Research
Parthbeshwor Prasad Timilsina	Consultant	SASHD	Decentralization
Lumb Dhoj Mahat	Consultant	SASHD	Student Finan. Assist.
Tirth Raj Khaniya	Consultant	SASHD	Higher Secondary Edu.
Shiva Raj Lohani	Consultant	SASHD	Financial Analyst, EMIS and Monitoring
Bharat Badadur Karki	Consultant, Legal	SASHD	Student Finan. Assist.
Gopal Dhoj Shrestha	Consultant, Legal	SASHD	University Rules
Manmohan Raj Kafle	Consultant	SASHD	Financial Management
Tapas Paul	Environmental Specialist	SASES	
Bigyan Pradhan	Senior Financial Management/ Operations Specialist	SARFM	
Kiran Ranjan Baral	Senior Procurement Specialist	SASPR	
Lynn Bennett	Lead Social Development Specialist	SACNA	
Deborah Bateman	Country Coordinator	SACNA	
Hiroko Imamura	Senior Counsel	LEGMS	
Renee M. Desclaux	Senior Finance Officer	LOAG2	
William Saint	Peer Reviewer		
Jamil Salmi	Sector Manager	HDNED	QER Panel Member
Soren Nellemann	Sr. Education Specialist	MNSHD	QER Panel Chair
Keiko Miwa	Senior Education Specialist	ECSHD	Peer Reviewer
Rosita Maria van Meel	Senior Education Specialist	ECSHD	
Chingboon Lee	Sector Leader	LCSHD	QER Panel Member
Emmanuel Skoufias	Senior Economist	LCSPP	QER Panel Member

<b>Supervision/ICR</b>			
Mohan Prasad Aryal	Operations Officer	SASED	Task Leader (since June 2012)
Purush Ratna Bajracharya	Consultant	SASED	
Kiran R. Baral	Senior Procurement Officer	SARPS	
Uddhav Kumar Bhandari	Economist	SASED	
Khagendra Prasad Bhattarai	Consultant	SASED	
Drona Raj Ghimire	Environmental Specialist	SASDI	
Julie-Anne M. Graitge	Program Assistant	SASHD	
Sangeeta Goel	Senior Economist	SASED	
Rajendra Dhoj Joshi	Senior Education Specialist	SASHD	Task Leader (till Feb 2010)
Padma Bahadur Khadka	Consultant	SASED	
Nagendra Nakarmi	Senior Program Assistant	SARFM	
Dilip Parajuli	Senior Economist	SASED	
Bigyan B. Pradhan	Senior Financial Management Specialist	SACNP	
Sushila Rai	Program Assistant	SASHD	
Hiroshi Saeki	Operations Officer	SASED	
Leopold Remi Sarr	Senior Economist	SASED	
Neena Shrestha	Procurement Assistant	SARPS	
Shashi Kant Shrivastava	Consultant, Higher Education & Operations	SASED	ICR team Leader
Venkatesh Sundararaman	Senior Economist	LCSHE	TTL (March 2010 – May 2012)
Jayakrishna Upadhyay	Junior Professional Associate	SASED	

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
<b>Lending</b>		
FY05		138.04
FY06		145.50
FY07		62.32
FY08		1.06
<b>Total:</b>		<b>346.92</b>
<b>Supervision/ICR</b>		
FY07		16.18
FY08		83.93
FY09		93.66
FY10		115.37
FY11		125.42
FY12		120.09
FY13		55.52
FY14		81.47
<b>Total:</b>		<b>591.64</b>

## **Annex 5. Beneficiary Survey Results**

No formal surveys or workshop were conducted for this core ICR. During the ICR mission, students, teachers and management of institutions visited appreciated the much needed support provided under the Project for improvement in the infrastructure. Accredited institutions were proud to show significant changes as a result of self-assessment and guidance provided by the Peer Review Teams. Students expressed an urgent need for major higher education reforms in general and on examination reforms and academic calendar in particular. Poor students, especially females supported through scholarships, were grateful for the support and wanted the scheme to be continued and expanded in the years to come. Teachers were looking for greater support for research and new programs. Campus management would like more autonomy and quicker response from university management. Due to the significant demand, many affiliated campuses want to start Science and Technology programs and market oriented programs. All implementing agencies wanted simpler procedures, further capacity building, and regular and adequate fund flow from the Government. The Project supported a number of impact studies by independent consultants during December 2013- April 2014. These studies included visits to a sample of participating institutions, and discussions with beneficiaries and stake-holders. Following is a summary of these impact studies.

**Summary of the Impact Studies** (extracted from Final Mission Aide- Memoire, June 2014):

**Reform Grants:** The reform grants made available as incentive, performance and matching grants have had the most visible output in the creation and consolidation of physical facilities, library, communication and computing facilities, and teaching media. Higher Education Institutions (HEIs) are now working with strategic plans of development and management of educational programs, faculty, and facilities. The level of performance grants received directly reflects quantified achievements in the areas of QAA cycle and tracer study completion. The other areas are annual increment in performance indicators, e.g., applications per student place, enrollment expansion, student employment within six months, cost sharing rate, pass rate, new programs, publication of research, gender parity index and percentage of disadvantaged students. Some or all of these indicators have brought positive impact. Utilization of matching grants shows that the campuses are able to raise significant level of resources, and continued support of student and local community can be expected. Reform Grants have helped to reach a common understanding among the government officials, UGC and academia that funding to academic institutions should be formula-based and linked to performance.

**Decentralization:** Decentralization has shown positive results in quality and efficiency in education and a very high level of cost recovery on some campuses, while at others a marginal increase in mobilization of resources. A highly competitive admissions process and an increased enrollment of students have also been observed. In some institutions that are decentralized, however, the same kind of positivity is not apparent. It has been their experience that they could not make gains with decentralization due to the lack of support and pro-activity of TU central management, particularly in matters of utilization of local resources and hiring of competent Human Resources. Based on this feedback from the impact study, TU officials are taking corrective measures to promote decentralization.

**Autonomy:** Four constituent campuses of TU gained autonomous status under SHEP. The single most important achievement of SHEP support to autonomy has been the erasure of the state of suspicion projected by some interest groups among students, faculty and their political units that

autonomy was an indirect move towards privatization. The key impact of autonomy has been in generating vision, energy and commitment in the faculty and management of the campuses. Motivation and participation of local stakeholders in planning, management, development, and improved ownership in the institution building are other positive dimensions. Significant gains were made in local resource mobilization and greater allocation of resources for faculty development. Autonomy has brought greater confidence in designing and introducing new academic programs of high relevance to the local economy.

**New Programs:** Twenty-eight new programs were introduced at TU with innovative contents and enhanced relevance to the market and the economy. HEIs have successfully set and applied admission criteria, fixed the maximum number of students in a class, and set fees at levels of high cost recovery along with fee waivers for poor and meritorious students. The major impact of the new programs has been the development of a heightened sense of confidence, academic authority and capability of the HEIs in designing, offering and delivering new programs with interdisciplinary content.

**Research Grant:** The research grant aimed at improving the quality and relevance of education through availing research grants, methodology training, industry-academia dialogue and setting up of research management infrastructure. It supported the research of over 700 students, leading to masters' and doctoral degrees and faculty and institutional research projects on a competitive basis. The achievements have been significant in terms of the number of research projects supported and research management cells set up. This has resulted in publications of recognizable quality. A clear research environment and practice is evidently building up in many HEIs. The injection of freshly qualified M. Phil. and Ph. D. faculty created by the research support has also brought vigor to the teaching process. Effective monitoring of research quality and stronger prioritization for research projects relevant to national development, local industry and employers would heighten the impacts.

**Pro-poor Targeted Scholarship:** The Student Financial Assistance Scheme (SFAS) sought inclusion of disadvantaged groups in higher education through financial assistance using a pro-poor targeting method. A perception survey showed that parents of poor students are encouraged by the provision of financial assistance to send their children for studies in higher secondary and higher education levels. Only a small portion of students have been from the Science subject area (8.18% at higher secondary and 2.99% at higher education levels). Revision of priority targeting to support students in Science subject area is recommended. It is evident that the scholarships have improved based student attendance and performance and reduced dropout rate. Beneficiaries have strongly recommended continuity of the scheme clearly indicating its effectiveness.

**Accreditation:** The project support for Quality Assurance and Accreditation has resulted in the acceptance of the academic community that QAA is essential to quality higher education. This has brought about visible positive changes in attitude and accountability and in the teaching learning and research environment. Although only 12 HEIs have been accredited and the process has been slow, the emerging trends of impact have been observed in the wider academic community covering over 100 institutions which have applied for accreditation. Intermediate visible outcomes have been: a broader vision of academic development; improvement of physical facilities; teaching, research, and use of multi-media. A heightened sense of motivation and commitment to quality education among the stakeholders is also noted. The peer review

process with participation of international experts has significantly contributed towards these outcomes.



**Annex 6. Stakeholder Workshop Report and Results**  
(if any)

No formal stakeholder workshop was conducted as part of this core ICR.

## Annex 7. Borrower's Implementation Completion Report



### *Assessment of the Operation's Objective, Design, and Implementation*

The SHEP, which started in July 2007, was successfully completed in June 2014. The Project scheduled to close on January 15, 2014 was extended to June 30, 2014.

The MTR carried out in 2010, suggested Project restructuring in view of the difficulties faced at the initial phase of implementation. The Project disbursement was only 28% by the end of 2009, and the educational system continued to be overwhelmed by the then political quagmire in the country that even threatened the reform initiatives. The Project restructuring, which came into effect in March 2011, included adjustment in the PDOs and targets, and funds reallocations across the Categories. TU Central Office was given full responsibility for implementing and monitoring whole of the TU sub-component covering TU Central Office as well as its constituent campuses through the TU Project Implementation Office (PIO). The changes made the PDOs more explicit and specific. The targets were strategically set to refresh aspirations and motivation, and at the same time challenging to achieve.

### *Objectives*

The revised objectives of the Project were:

- a) enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions; and
- b) improved access for academically qualified students from disadvantaged groups in (i) higher education and (ii) higher secondary education.

The first objective supported national development needs through reforms in higher education aimed at developing exemplary higher education institutions. The second objective addressed the equity and inclusion aspects with a view to facilitate social transformation.

### *Project Components and Implementation Arrangements*

The project has the following four components: 1. Reform Grants; 2. Student Financial Assistance; 3. Higher Secondary Education; and 4. Strengthening System Capacity. While the UGC had overall responsibility for project implementation, the SFAFDB, DOE and UGC were specifically responsible for implementation of components 2, 3 and 4 respectively. Component 1 was further divided into three sub-components: UGC Reform Grants; Advancing Research in Higher Education; and Tribhuvan University (TU) Reform Grants. While UGC implemented the first two sub-components, the third was implemented by TU.

The project implementation was guided by the Project Appraisal Document (PAD), Financing Agreement (FA), UGC Operational and Financial Management Guidelines (OFMG), DOE Guidelines for Higher Secondary Education Component, Student Financial Assistance Guideline, Research Funding Guidelines, and Quality Assurance and Accreditation (QAA) Guidelines. The PAD contained detailed description of operational aspects of the Project including implementation framework, progress monitoring, formula for funding and guidelines for

disbursement with quantifiable indicators, and schemes for verification. This arrangement helped track the project implementation.

### **Assessment of the Outcomes of Operation Against the Agreed Objectives**

The Project implementation progressed with major reform initiatives including establishment of the SFAFDB through a formation order of the Cabinet, and a structural change at the UGC with the establishment of the Research Council and the Quality Assurance and Accreditation (QAA) Committee supported by the Research Division and QAA Division respectively serving as their secretariat. In addition, a Reform Unit and an EMIS Section were also established at the UGC. The TU Rules for operation of autonomous constituent campuses and institutes (2006) were revised in 2011 on the basis of the experience and feedback from the initial implementation.

The project implementation has brought encouraging achievements in terms of the key project indicators: i) number of accredited institutions reached 12 starting from 0, against the target of 6; ii) the number of students enrolled into science, technology, management, and other employment/economic development focused programs increased from the baseline value of 34.6% to 38.4%; iii) the share of girls enrolled increased from 42.9% to 47.4% in the participating HEIs surpassing the target of 44%; and iv) the share of disadvantaged groups in the total higher education enrollment increased from 12.8% to over 16.6%. Pass rates at Bachelors level and Masters level, however remained below the targets of 36% and 26% respectively. The low achievement in improving the pass percentages relates to many aspects not covered by the scope of the project activities. Despite many efforts, TU was unable to reform the examination system and to enforce academic calendar fully.

In terms of the physical progress, as well as financial disbursement, the project implementation was a very good success: all of Project activities under the components 1, 2, 3 and 4 were completed, and 99.7% of the total budget available for the Project has been disbursed.

Studies were commissioned through independent experts to assess the impact of various components, subcomponents and programs. The studies included Higher Secondary Education, Student Financial Assistance, Reform Grants, Research Funding, QAA, Institutional Autonomy and Decentralization, TU Examination Reform, and Market Oriented New Programs. These studies provided critical understanding regarding the implementation of these activities, their effectiveness, and the implications for further higher education reforms.

A brief account of achievements of SHEP implementation by component is presented below.

### **Component 1: Reform Grants**

#### *Autonomy Institutionalized*

Four TU constituent campuses have attained the status of autonomy against the target of three. These included Mahendra Ratna Multiple Campus, Ilam (2009), Central Technology Campus, Dharan (2012); Mahendra Ratna Campus, Kathmandu (2013) and Ayurveda Campus, Kirtipur (2013). TU had adopted Autonomy Rules in (2006). These four autonomous campuses, in accordance with the Autonomy Rules, have formed Boards of Governors to take the responsibilities and the authorities. They have prepared strategic development plans and mobilized internal resources for the implementation of the plans. They now receive grants earmarked by UGC through TU.

SHEP had supported interested TU campuses to conduct institutional self-analysis identifying strengths, weaknesses, and challenges of attaining institutional autonomy. This helped ten additional TU constituent campuses become decentralized, moving towards attaining full autonomy.

#### *Formula-Based Funding for Universities*

Agreeing to Formula-Based funding was the main basis for participation of KU, Pokhara University and Purbaanchal University in the SHEP Reform Grants. Accordingly, regular GON grants to these universities have been determined on the basis of an agreed formula since 2011. In the case of KU the formula-based funding is currently applicable to Masters level programs only whereas for other two universities it is applicable to both Masters and Bachelors level programs. The proposed Higher Education Policy Framework recommends adoption of formula-based funding for public grants to all universities, autonomous campuses and community managed campuses.

#### *Strategic Planning and Compliance with Rules And Regulations*

All 123 HEIs participating in the SHEP reform grants prepared their five-year strategic plans, which was a prerequisite for accessing these grants. For the first time in the history of higher education such a significant number of HEIs have prepared strategic plans with participation of stakeholders. They also prepared procurement plans for the implementation of strategic plans complying with the Procurement Act and Regulations of the country as well as the World Bank Procurement Guidelines. These institutions reviewed their procurement plans annually.

#### *Matching Grants for Resource Mobilization and Sustainability of Institutional Development*

Benefiting from the provision of matching grants, participating institutions implemented a large number of reform/development sub-projects, particularly for improving physical infrastructure. Out of 123 participating HEIs, 98 HEIs including 13 TU constituent campuses, 82 affiliated community campuses and 3 other universities received matching grants by mobilizing their share (at the ratio of 1:1) of resources from stakeholders. Following the project restructuring, the matching grant provision was revised in favor of campuses in the remote rural areas by prorating the grants in proportion to the Human Development Index (HDI) of the district where the campuses are located. A campus from the least developed district (with the lowest HDI) received two times their share in matching grants.

The Project activities proposed by HEIs that got approval for matching grants under the UGC and TU reform grants subcomponents amounted to Rs. 2,408 million (US\$28.3 million<sup>4</sup>) and Rs. 495.5 (US\$5.8 million) respectively. The total cost of project activities completed by HEIs under UGC Reform Grants was Rs. 1,132 million (US\$13.3 million), of which Rs. 604 million (US\$7.1 million) was financed through UGC matching grants. TU disbursed Rs. 112.4 million (US\$1.4million) in matching grants.

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<sup>4</sup> Using an exchange rate of Rs.85 per US\$, which is around the median exchange rate within the Project period.

### *System of Performance-Based Grants (PG) Provision Established*

The SHEP helped to institutionalize performance based grants for HEIs. Overall 126 HEIs, which includes 3 universities, 4 autonomous and 30 decentralized TU constituent campuses, and 89 community campuses, participated in the performance-based grants scheme. Under the performance-based grants provision baselines for pre-agreed 13 performance indicators were established for all participating HEIs and subsequently performance on these indicators were assessed every year. Performance-based grants were disbursed to HEIs based on the progress made on the agreed performance indicators. During the Project period 9 scheme A<sup>5</sup>, 10 scheme B, 28 scheme C, and 42 scheme D community campuses have undergone through 6, 5, 5 and 3 rounds of performance progress analysis respectively. Similarly, four TU autonomous constituent campuses and 9 TU decentralized constituent campuses have claimed 5 and 4 rounds for performance grants respectively. The other TU constituent campuses that claimed PG include 1 for 3 rounds, 7 for 2 rounds and 13 for 1 round. UGC subcomponent alone disbursed about Rs. 1.405 billion (US\$16.5 million) in performance grants. The performance grants were used for undertaking reform activities including infrastructure and human resource development as per strategic plans.

### *Support to Needy and Meritorious Students using Performance Grants*

The participating HEIs were required to set aside 20% of the performance grants they received to create institutional student financial assistance fund. The institutions are free to manage the scholarships and fee waivers as per their institutional rules and regulations but are emphasized to ensure that the funds are made available to needy students, basically the poor, *dalit*, ethnic minority, and female.

### *Incentive Grants for Undertaking Reform Initiatives*

Incentive grants were provided to HEIs for encouraging them to subscribe to reforms promoted by SHEP. These reforms included granting autonomy to TU constituent campuses and institutes, and formula-based funding for universities. Under incentive grants support was also provided to HEIs for undertaking institutional analysis and strategic planning, and participation in the quality assurance and accreditation process. In total Rs. 81.25 million (US\$0.96 million) was disbursed under incentive grants.

### *Curriculum Reform and New Programs*

Twenty eight market oriented new academic programs under the "new program window" were launched by 23 HEIs. A total of 39 Masters level programs were converted into the semester system from the annual system: 10 programs under the Central Departments of the Institute of Science and Technology; 1 Program under the Central Department of the Faculty of

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<sup>5</sup> Scheme A includes community campuses selected according to the original design of the Project. More community campuses were selected later in three phases, which have been classified as scheme B, C and D campuses. The maximum amount of funds available under scheme B was smaller than that for scheme A, under scheme C was smaller than that for scheme B, and under scheme D was smaller than that for scheme C.

Management; 18 Programs under the Central Departments of the Faculty of Humanities and Social Sciences; 10 Programs under the Central Department of the Faculty of Education.

Participating community campuses launched 53 new programs - 20 at the Bachelor level and 33 at the Master level, of which 7 Bachelors and 2 Masters level programs were related to science and technology field. Of the remaining Bachelors level programs 1 was in Education, 8 in Management, and 4 in Humanities. Similarly, at the Masters level 12 were in Education, 10 in Management, and 9 in Humanities and Social Sciences.

#### *Tracer Studies Conducted*

Thirty participating community campuses conducted tracer studies. The tracer studies focused on employment status of graduates, their perception regarding relevance of the knowledge and skills they acquired, their satisfaction with the program they attended, and feedback for improvement of academic programs. Tracer studies helped to develop the culture of student alumni, and establish a forum for networking of graduates.

#### *Competitive Research Funding Support*

With support from SHEP the Research Division at the UGC was established, and its capacity to implement Research Funding following the Research Funding Guidelines was developed. Key steps involved in research funding were as follows: invitation of proposals through public announcements; evaluation of proposals following a three-stage process (expert review, evaluation committee review, and presentation); and monitoring the progress following a four-stage process -three desk monitoring and one presentation/interaction. The UGC conducted orientation programs for all the recipients of the research funds.

Emphasis was given to the research activities that focused on the country needs, issues, and priorities as well as the needs and opportunities of interfacing research with teaching and learning activities.

The research support activities envisioned by the Project were found to be of high demand and the Project targets were exceeded in many cases. Fifty six research training programs were conducted against the target of 50; 303 faculty research accomplished against the target of 300; 41 institutional research accomplished against the target of 40; 72 HEIs received awards for strengthening research management cells against the target of 50; and 303 Master's degree level thesis supported against the target of 300. Other activities accomplished as targeted include 28 workshops for promoting culture of inquiry; and 24 industry-academia dialogues.

More than 5,000 faculty members and students had opportunity to participate in the research activities, training, workshops and seminars. The Research Division at the UGC has set up a system of tracking research articles published by the recipients of SHEP research funding. Seventy five articles were published in professional journals, of which 29 were published in indexed/refereed journals with impact factors.

The TU Central Library prepared and implemented its strategic development plan aimed at developing it as a National Research Repository. Similarly, TU Institute of Science and Technology (IOST) strengthened research facilities in laboratories of central departments, prepared guidelines for maintenance and servicing of laboratory equipment and facilities, and took an initiative to enhance sustainability of operation of laboratories. The Central Department of Library Science initiated computerized networking of university libraries in the country to develop a coordinated system of pooling and sharing of resources including journals, research reports, and books for supporting research and professional development.

## **Component 2: Student Financial Assistance**

A Student Financial Assistance Fund has been established under the SFAFDB for supporting academically qualified poor and disadvantaged students including girls, *janaajatis*, and *dalits*. The SFAFDB has developed a PMT system for identification of needy students and their ranking based on consumption data drawn from PMT forms filled by applicants for financial assistance. The SFAFDB collaborates with the Office of the Controller of Examinations (OCE) and HSEB to confirm the academic eligibility of the applicants. Scholarship was deposited to the individual bank accounts of selected students through the designated commercial bank – Rastriya Banijya Bank of Nepal, which has an e-banking facility. Five cohorts of Higher Secondary and Bachelor’s level students have received financial assistance. A total of 14,583 disadvantaged students enrolled into general as well as technical programs have received the support, of which 43.6% are female. In terms of the number of beneficiaries as well as the disbursement amount the Project targets were surpassed by 87% and 53% respectively.

Over the Project period the efficiency of the student financial assistance fund administration increased gradually. Operating costs as a share of scholarship disbursed decreased to about 4%. The distribution of scholarship recipients by development region is as follows: 25.2% from the Far-Western Region, 34% from the Mid-Western Region, 18.2% from the Central Region, 11.5% from the Eastern Region, and 11.2% from the Western Development Region. The high shares of recipients from the Far-Western and Mid-Western Region is partly associated with roll-out of the program from those two regions and partly with higher incidence of poverty in those regions. In terms of topographical zones the distribution of recipients was as follows: 57.4% from the hilly zone 26.8% from the mountainous zone and 14.8% from the Terai zone. The share of recipients from the mountainous region is much higher than the share of population of this zone. This is associated with relatively higher incidence of poverty in the mountainous region. In terms of distribution by social groups 14.9% of the recipients were from dalits and 29.3% from disadvantaged ethnic groups<sup>6</sup>. The above distribution of recipients indicates at the good capacity of PMT to target poor students.

A Fund Raising Committee has been formed to help expand the fund and sustain the system. Similarly, a Work Study Committee has been formed to help needy students get some supplementary earning with part time work while studying. A framework has been developed for the Work Study Program. In order to ensure more effective and efficient implementation of the SFA plan, SFAFDB has developed a communication outreach and monitoring strategy with the use of an Information Booklet, a website, an automated voice as well SMS telephone response system, and an online access to information on the PMT score and final selection result. The scholarship distribution and record keeping have been automated with notification system; automated short message service to the beneficiary cell phones once the grants are deposited. A website has been maintained with updated data.

## **Component 3: Higher Secondary Education**

The SHEP envisioned supporting higher secondary education as a means to enhance access of rural population to higher education through increased access to higher secondary schools to students from rural areas. This support also helped to phase out the Proficiency Certificate Level Program<sup>7</sup> from universities thereby allowing universities to focus on their core functions -

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<sup>6</sup> Includes ethnic groups with literacy rates below the national average.

<sup>7</sup> Equivalent to grades 11-12.

knowledge transfer, application skill, research, innovation and development. The Project provided Basic Grants<sup>8</sup> of Rs. 4,000 (US\$47<sup>9</sup>) per graduate to all community higher secondary schools meeting basic accountability requirements. It also provided Performance Grants to selected schools with a good performance track record and potential for sustainable growth based on their achievements with respect to 5 pre-agreed performance indicators. Matching grants (one rupee of community contribution matched by two rupee of Project contribution) were provided to all schools eligible for basic grants. The basic grants and matching grants were initially provisioned for 470 community higher secondary schools and performance grants for up to 200. On the basis of the successful participation of schools and in view of the enthusiasm of the community the allocation for this component was increased and basic grants were provided to 575 schools and matching grants to 592 schools. Performance grants were provided to 210 schools offering science programs, and 168 schools offering other programs.

The funding support helped improve infrastructure, laboratory set up, professional development and academic environment. During the Project period the enrollment at the higher secondary level increased very rapidly. Significant improvement has also been noted in terms of gender parity in the enrollment. Similarly, the Project support helped improve curriculum and examinations, and strengthen the EMIS. All Project targets related to this component were met or surpassed. The progress was supported by favorable reallocation of fund as well as the appreciation of US Dollar against Nepalese Rupee.

#### **Component 4: Strengthening System Capacity**

##### *Quality Assurance and Accreditation System*

The QAA system has been established at UGC by fulfilling basic necessary requirements. A QAA Committee has been formed, QAA Regulation and Guidelines prepared, a Technical Committee formed, and a regularly reviewed roster of peer reviewers maintained. UGC has been regularly inviting Letter of Intent from HEIs interested to participate in the QAA process. The UGC has been maintaining collaboration with a number of QAA agencies. It has renewed the Memorandum of Understanding with the National Assessment and Accreditation Council of India, which has been extending technical support for development and implementation of QAA in Nepal. It is a member of Asia Pacific Quality Network for Higher Education and International Network for Quality Assurance Agencies in Higher Education. It has also established linkages with other international organizations such as Australian Universities Quality Agency and Council of Higher Education for Accreditation of Higher Education Institutions in the USA.

So far 12 institutions have been accredited including ten community campuses participating in the SHEP (8 Scheme A, 1 scheme B and 1 scheme C) and two schools of Kathmandu University (School of Engineering and School of Science and Technology). Further, three have completed the QAA cycle including two SHEP scheme B campuses and one TU autonomous constituent campus (Mahendra Ratna Multiple Campus, Ilam). Five HEIs are in the process of peer review. Many HEIs have undertaken preliminary self-assessment, submitted draft self-study report and are revising them based on the preliminary comments and feedback from the UGC. To date 103 HEIs have participated in the QAA process.

Formation of an autonomous National QAA Board is under government consideration.

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<sup>8</sup> Basic grants were provided as public financing of community higher secondary schools was grossly inadequate.

<sup>9</sup> At the exchange rate of NPR87 to US\$1.



### *Higher Education EMIS*

With support from the SHEP an EMIS for higher education has been established at the UGC. To date six issues of Annual Higher Education Management Information System Reports have been published. UGC Annual Reports are also being published on regular basis. Data from HEMIS feeds into education statistics of MOE.

A framework for a dynamic website, which supports posting of data forms and collection of data for progress monitoring and calculation of performance grants, has been launched. The performance progress reports are prepared annually.

The UGC HEMIS is based on comprehensive software, which has been uploaded into the website <http://ugc.nitc.gov.np>. The software was piloted in 7 HEIs - 5 TU affiliated campuses, Institute of Engineering, and Pokhara University. In order to make it more effective and efficient the UGC is currently collaborating with other HEIs.

TU has developed a comprehensive software based EMIS consisting of modules for the examination system, teacher and staff records, financial management, student records, and overall planning and monitoring.

### *Financial Management System Development*

A computerized Financial Management System has been installed at the TU Financial Management Division. Activities were launched to strengthen the capacity in the areas of internal audit, settlement of irregularities reported by auditors, procurement, financial management, planning and program development, and monitoring and evaluation.

### *Higher Education Policy Framework*

A draft of a comprehensive national Higher Education Policy Framework was prepared and submitted to the MOE for Government endorsement on April 16, 2014.

This draft policy framework was prepared through extensive stakeholder consultations. Consultations were held at the central level for the policy level stakeholders (current and former ministers, National Planning Commission members, Vice Chancellors, Registrars and Rectors, UGC members, members of academic committees, etc.), and in five development regions for different stakeholders including HEIs, local government bodies, industry and business communities, employers, students, teachers, administrative staff, local leaders, educationists, etc. Further consultations were held with unions of students, faculty and administrative staff. The UGC also solicited comments on the draft Policy Framework through national dailies and the UGC website. The draft policy framework was presented to the National Consultation Workshop on August 14, 2013 in the presence of the then Chairman of the Council of the Ministers and finalized based on comments received.

The UGC adopted participatory approach for formulation of the Higher Education Policy Framework. A 22 member Policy Committee represented by various stakeholders and five expert task groups were mobilized to formulate the policy. And a Core Committee of the thematic group coordinators synthesized the Draft Higher Education Policy Framework based on the recommendations of the Policy Committee and thematic groups.

## **Evaluation of the Borrowers' Own Performance**

By the Project Closing Date almost all envisaged tasks were accomplished. The total disbursement was 99.7% of the total Project allocation. Most of the Project targets in terms of Key Project Indicators as well as Intermediate Result Indicators were achieved. Even in terms of the original outcome indicators the Project has fairly achieved the targets. Overall the SHEP implementation has helped to achieve satisfactory level of the PDOs—enhancing quality, efficiency and relevance in participating institutions and beyond, as well as improving equity and inclusiveness in access. Thus, in terms of the physical progress and disbursement, the Project implementation is fully satisfactory. The World Bank rating has also listed the Project outcomes as satisfactory. This is a great achievement given the fact that at the time of MTR the Project was rated moderately unsatisfactory.

The initial implementation issues were mainly related to the political milieu that remained non-conducive to reforms in governance and management. This was exacerbated by the fact that the UGC remained without the executive heads during July 2010 - April 2011. The SHEP implementation momentum picked up after the new Chairman and Member Secretary were appointed. As a result, the Project implementation progress rating was upgraded initially from moderately unsatisfactory to moderately satisfactory and thereafter from moderately satisfactory to satisfactory.

The increased progress rate in the later part of the project implementation shows that proactivism with calculated risk taking particularly on the part of the institutional leadership, is important in ensuring success of Project implementation and undertaking reform initiatives.

The Project was a good success also in terms of responding to the popular demand from stakeholders to extend support to more HEIs. Successful endeavors by community campuses and decentralized campuses created high demand for SHEP reform participation among the rest of the community campuses as well as TU constituent campuses. In response to this demand, the provision of SHEP reform grants was expanded to 89 community campuses across all districts compared to the initial provision for 10 community campuses. Similarly, Project support was extended to 30 decentralized TU constituent campuses from the initial provision for 10.

The SHEP support has contributed to expansion of higher secondary school education in Nepal. The enrollment in community higher secondary school increased tremendously from 48,000 in 2007 to 293,075 (against the target of 256,000) in 2014, out of which 210,100 (71.7%) were enrolled in the SHEP participating schools (the target was 163,000). The girl's share in the enrollment reached over 50% compared to the Project target of 43%.

Successful drafting of the Higher Education Policy Framework (HEPF) through participatory approach and by building consensus is an important outcome of the Project. Although it was an intermediate result indicator, the Policy Framework has brought significant changes in the concept of higher education reforms including the development of National Program for Higher Education Reform and Development (NPHERD) by UGC, and IDA preparation of the HERP.

### *Remaining Challenges:*

The Project has come to a very successful end. The Project closing activities focused on: 1) completing the remaining tasks; and 2) sustaining the outcomes of the Project through continued engagement with extended reforms. The first task has been accomplished as planned. The second task is challenging in view of the fact that its accomplishment required government decision on systemic reforms including regular operation and management with additional personnel, and capacity development.

A ground work has been laid for addressing the second task namely the preparation of the draft Higher Education Policy Framework and the National Program Higher Education Reform and Development. However, there is a need for expanding government commitment to higher education so that the activities initiated by the Project could be continued.

A system of progress assessment of HEIs based on performance indicators has been established at the UGC and performance grants are based on this assessment. Participating HEIs have realized the need for a robust EMIS; however they still lack capacity to feed data into the EMIS. There is a need to continue supporting HEIs to build a data culture.

The SHEP has supported setting up a comprehensive system of monitoring comprising desk monitoring, issue-based follow-up, field-based monitoring, and technical support/supervision. In the process it was realized that the capacity of implementing agencies as well as the beneficiaries were stressed to the limit in ensuring that the MOUs are complied with and procurement is accomplished in a technically sound and process-wise correct manner. There is a need for expanding the capacity to address these challenges.

As per the strategy for reform in research funding, consultation meetings were held with the major stakeholders. It has been felt necessary that research activities produce tangible outcomes useful for addressing the national priorities for improving teaching and learning. In this line the research activities must be tied up with the user. It is desirable that ownership is developed among the research users and their role be ensured in research monitoring.

Sustainability has been a crucial concern of SFAS. There is still need to develop and implement effective strategy to address this issue.

It is also noted that Environmental Screening with Environmental Management Plan and Social Safeguards Assessment for the construction works remained a challenging task for the participating HEIs.

Coordination among the implementing agencies has been identified as an important factor for ensuring implementation progress. UGC and TU coordination was arranged through a joint-coordination committee to address the challenges associated with developing an integrated EMIS, inducting QAA system in TU and coordinating performance-based progress monitoring. Further efforts are needed to enhance the coordination between the UGC, the MOE and SFAFDB.

### **Evaluation of the World Bank's Performance in SHEP Implementation**

The IDA's grants support along with the technical support has worked as a core thrust for successful implementation of the SHEP with tangible outcomes and also set momentum for more comprehensive higher education reform initiatives in the country. The SHEP scheme of incentives for bold reforms, performance-based grants, and matching grants to leverage resource mobilization has worked well. These are identified as essential elements for furthering reforms in higher education.

The successful establishment of the system of QAA and remarkable participation of HEIs in the QAA process indicate that it is possible, with supporting provisions of SHEP, to start and achieve success in challenging reform actions in a limited time. Same is the case of implementing the poverty targeted student support system (SFA scheme) and EMIS system development.

Regular joint review missions provided strategic feedback for adjustments/revisions. Trimester implementation progress reporting helped to review the progress more minutely. The robust implementation arrangement along with the technical support of the World Bank, particularly

from the Country Office, effectively helped to ensure successful SHEP implementation. Personal touches to the technical support by the World Bank officials as well as consultants helped to in making the project activities more inspiring and lively.

Regular portfolio meetings provided platform to reflect on the implementation status critically. In the early years when the Project was facing difficulties, portfolio meetings were rather anxious. However the meetings provided assurance of support and encouragement for formulating new strategies of project implementation in addressing the contextual challenges. Clinical workshops on technical aspects, financial management, procurement, and monitoring helped enhance capacities of the project implementation personnel to address implementation challenges with expanded practical knowledge and skill.

In Nepal it has been noted that time and persistent efforts as well as perseverance are important in achieving success in higher education reform and development activities. It was noted that sustained efforts from the SHEP helped to develop confidence and capacity of beneficiary institutions in resource mobilization and in following the procedures in compliance with the MOU and the procurement regulations. HEIs have gradually become aware of the fiduciary requirement of public procurement namely the Public Procurement Act and Regulations. Earlier, they had been performing their procurement activities as per their own procedures and practice. Preparation of specifications and bid documents were new practice for them and they did not have sufficient knowledge and experience in such practices. This is a very important development towards establishing regulation based credible system of institutional management and governance. All through this process, understanding time factor in complete mutuality between World Bank, Implementing Bodies and the Beneficiaries remained one of the most challenging aspects in the project implementation. There is a need to take up the task of ensuring continuity to the efforts made in the SHEP and the fund flow, if the efforts and the funding support provisions are not extended there is chance of sliding back to the earlier situation. The World Bank assurance of consistent and continued cooperation, on long term basis, is very important in this light.

### **Proposed Arrangements for Future Operation of the Project**

Government of Nepal has started a comprehensive approach for reforms in line with the proposed Higher Education Policy Framework. A draft National Program for Higher Education Reform and Development is prepared in line with the Policy Framework. The proposal is also based on the experiences and lessons learned from the SHEP, taking into account the current issues and challenges of higher education in the country, national needs and priorities. It has also taken account of the extensive exercise undertaken by TU in developing a comprehensive proposal for its long term development and strategic reform. Similarly it has taken account of the strategic plan of SFAFDB for sustainable development. The Government of Nepal has already requested the World Bank for supporting the next phase of higher education reform – for which the HERP is under preparation to support the National Program.

Improvement of higher secondary level education is one of the important aspects of reforms in higher education. Therefore its development should be listed as crucial aspect of overall national educational development. Special emphasis should be given to this aspect in the School Sector Reform Program.

## **Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders**

Not applicable.

## **Annex 9. List of Supporting Documents**

### ***World Bank Documents:***

1. Nepal – Country Assistance Strategy 2004-2007, The World Bank, Report 27783.
2. Nepal – Country Partnership Strategy, 2014-2018, The World Bank, 83148-NP, May 2014.
3. Project Appraisal Document, Second Higher Education Project, Rep. No. 34916-NEP, January 2007.
4. Financing Agreement between Nepal and IDA, Second Higher Education Project, Grant 274-NEP, April 2007.
5. Integrated safeguards datasheet (appraisal stage), AC2134, February 2006.
6. Project information document (appraisal stage), AB1498, December 2005.
7. Quality enhancement review panel report, November 2005.
8. Implementation completion report, Higher Education Project, 23713, June 2002.
9. Amendment to Financing Agreement, SHEP, Sept. 2008.
10. Restructuring paper, Second Higher Education Project, 56499-NP, February 2011.
11. Amendment to Financing Agreement, SHEP, April 2011.
12. Restructuring Paper, Second Higher Education Project, 73768-NP, November 2012.
13. Restructuring Paper, Second Higher Education Project, RES11592, Sept 2013.
14. Mission Aide- Memoire and Management letters: (a) Mid-Term Review, February 2010; (b) Project –Restructuring Consultations, June 2010; (c) Implementation Completion Review and Results consultation, November 2013; (d) Final Implementation Review and Support Mission, June 2014.
15. Implementation Status and Results Reports (earlier Project Status Reports), Second Higher education Project (P090967) – Sequence Number 1- 15, 2007-2014.
16. ICR Guidelines, OPCS, 74536, August 2006 (updated October 2011).
17. Project Concept Note, and Project Information Document- Nepal - Higher Education Reforms Project, March 2014.

### ***Borrower's Documents:***

1. An Approach Paper to The Thirteenth Plan (FY 2013/14 – 2015/16), National Planning Commission, GON, July 2013.
2. Higher Education Policy Framework (draft), UGC, April 2014
3. National Program for Higher Education Reforms and Development (draft), May 2014.
4. Nepal Higher Education Accreditation Act (draft), July 2011.
5. Education Management Information System, Report on Higher Education 2011/12 A.D., UGC, Nov 2013
6. Education Management Information System, Report on Higher Education 2012/13 A.D., UGC, June 2014.
7. Project Status Reports presented at the ICR mission Nov 2013 and Final Review mission June 2014 by UGC, TU, DOE and SFAFDB.
8. SHEP -Impact Study Reports on (a) Reforms Grants; (b) Accreditation; (c) Research; (d) New Programs; (e) Autonomy and decentralization; (f) Student financial assistance; and (g) Higher secondary schools, April- June 2014.
9. National Living Standard Survey II (2003-04) and III (2010-11), GON.



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# NEPAL

- SELECTED CITIES AND TOWNS
- ZONE CAPITALS
- ⊕ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- ZONE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

