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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SECOND HIGHER EDUCATION PROJECT
(GRANT NUMBER: H274-NEP)
February 22, 2007
TO
NEPAL

February 08, 2011

ABBREVIATIONS AND ACRONYMS

DOE	Department of Education
EMIS	Educational Management Information System
EOP	End of Project
GAAP	Governance and Accountability Action Plan
GON	Government of Nepal
IDA	International Development Association
JSDF	Japan Social Development Fund
KPI	Key Performance Indicators
MOE	Ministry of Education
MOU	Memorandum of Understanding
MTR	Mid Term Review
NGO	Non Government Organization
OFMG	Operations and Financial Management Guidelines
PCL	Proficiency Certificate Level
PDO	Project Development Objectives
PIC	Project Implementation Council
PIU	Project Implementation Unit
PMT	Proxy-Means Testing
RMF	Results and Monitoring Framework
QAA	Quality Assurance and Accreditation
SFAFDB	Student Financial Assistance Fund Development Board
SHEP	Second Higher Education Project
TU	Tribhuvan University
UGC	University Grants Commission

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NEPAL
SECOND HIGHER EDUCATION PROJECT
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Restructuring	Status: Submitted to SECPO
Restructuring Type: Level one	
Last modified on date : 02/10/2011	

1. Basic Information	
Project ID & Name	P090967: Second Higher Education Project
Country	Nepal
Task Team Leader	Venkatesh Sundararaman
Sector Manager/Director	Amit Dar
Country Director	Susan G. Goldmark
Original Board Approval Date	02/22/2007
Original Closing Date:	01/15/2014
Current Closing Date	01/15/2014
Proposed Closing Date [if applicable]	
EA Category	C-Not Required
Revised EA Category	C-Not Required-Not Required
EA Completion Date	
Revised EA Completion Date	

2. Revised Financing Plan (US\$m)		
Source	Original	Revised
BORR	0.25	0.30
IDA	0.00	0.00
IDAT	60.00	60.00
OLBC	19.36	17.11
Total	79.61	77.41

3. Borrower		
Organization	Department	Location
Nepal		Nepal

4. Implementing Agency		
Organization	Department	Location
University Grants Commission		Nepal
Ministry of Education		Nepal

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of 03/16/2011		22.94
Fiscal Year	Annual	Cumulative
2010	0.00	22.94
2011	7.53	30.47
2012	15.00	45.47
2013	14.00	59.47
2014	4.37	63.84
	Total	63.84

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	N
Does the restructured projects trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
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.

7b. Revised Project Development Objectives/Outcomes [if applicable]
The objectives of the project 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.

SECOND HIGHER EDUCATION PROJECT

RESTRUCTURING PAPER

A. SUMMARY

1. The Second Higher Education Project (SHEP) was approved in February 2007 with a US\$60 million IDA grants. The SHEP was designed to address systemic issues in the higher education sector through *inter alia* the following: (i) incentive, performance and matching grants to selected institutions and support to strengthen institution level culture of research; (ii) targeted assistance to disadvantaged students using a means tested approach; (iii) support to community higher secondary schools to help expand access and support the gradual phase out of Proficiency Certificate Level (PCL) programs from universities, and (iv) capacity building of implementing agencies.

2. The Ministry of Education (MOE) is the agency responsible for overall implementation of the project. The University Grants Commission (UGC) is responsible for all components and activities that pertain to higher education, and the Department of Education (DOE) is responsible for implementing Component 3, the higher secondary education component. The project has been in operation for 3.5 years, and the project duration is 6.5 years. Implementation progress presents a mixed picture with slow progress on the key component of decentralization, and more satisfactory progress made on the other three components¹. This mixed performance raises serious concerns that the project may not be able to meet its development objectives of enhanced quality and relevance of higher education.

3. A Level 1 restructuring is proposed as there is a need to modify the project development objectives, key performance indicators, and selected implementation arrangements. GON and the implementing agencies support the decision to restructure the project to improve implementation effectiveness, including reallocation of resources to those sub-components that have progressed well in the first three years of the project. The proposed restructuring comprises the following elements:

- (a) Revision of the Project Development Objectives and the Results & Monitoring Framework (indicators and targets);
- (b) Simplification of project design by streamlining components and dropping some activities;
- (c) Modification and strengthening of implementation arrangements;
- (d) Reallocation of Grant funds in line with the above changes; and
- (e) Corresponding amendments in the Financing Agreement.

The combined effect of proposed changes is to enhance ownership, improve the likelihood of achieving project objectives during the remaining implementation period, and enhance the sustainability of reforms.

¹ Component 1 focuses on decentralization and research in the higher education sub-sector, achieved through the provision of leveraged financial assistance; Component 2 supports means tested financial or scholarship assistance to potential beneficiaries and the entity established to oversee this – the Student Financial Assistance Fund Development Board (SFAFDB); Component 3 supports higher secondary education, and Component 4 supports project management, quality assurance, and other similar activities that would need to be tackled in a more systemic manner.

B. PROJECT STATUS

4. The overall performance of the project as of January 10, 2011 presents a mixed picture. The current disbursement stands at US\$ 22.94 million, which is about 36% of the total Grant and about 83% of projected disbursements at this stage of implementation.

Project Achievements

Outcome indicators:

5. Gender Equity: Female participation in higher education has risen from 23% to 38.8% against the MTR target of 26% and the end-of-project (EOP) target of 35%.

Intermediate indicators:

6. Mechanisms for Quality Assurance: A Quality Assurance and Accreditation (QAA) system has been established. The Accreditation Cycle of the QAA system has been completed by 4 institutions, and 4 more are under process with four programs in each institute, against the MTR target of 20 institutes/programs and EOP target of 50 institutes/programs².

7. Monitoring in Higher Education: The first EMIS report on the state of higher education has been published in the 3rd year of program implementation, though it was initially slated for publication in Year 2. A draft of the second report has been circulated by UGC.

8. Funding Mechanisms: Performance based funding accepted by 3 Universities, which was the EOP target.

9. Decentralization Efforts: 4 additional Constituent Campuses of Tribhuvan University have been decentralized against the MTR target of 8 and EOP target of 10. Plans are underway to ensure that 3 more are decentralized to meet the revised EOP target of 45 campuses against the 48 in the original design.

10. Expansion of Community Colleges: Reform grants have been given to 47 community campuses against an initial project target of 10³.

11. Research Culture in Higher Education: Research funding has been distributed to 32 PhD students, 13 M. Phil./ Master's students, 77 faculty members and 17 collaborative research proposals against the EOP targets of 80, 300, 300, and 40 respectively.

12. Expansion of Community Higher Secondary Schools: Grants have been provided to over 600 community higher secondary schools. Overall enrollment in this sub-sector has now reached 152,069 against an expected end-of-project target of 68,000.

Challenges/Shortcomings

13. Opting for Autonomy: The TU Senate passed the TU Decentralization Rule, 1997 along the line of its 2020 vision and 38 out of 60 constituent campuses opted for decentralization before the start of the project. TU went further for autonomy by passing TU Autonomous

² The PAD was not clear on whether the QAA applies to campuses and/or programs; the revised results monitoring framework makes it explicit.

³ This expansion has been necessitated by the strong performance of Community Campuses.

Institute/Campus Rule, 2006. Therefore, one of the major focuses of the project was to support TU autonomy initiative.

14. TU autonomy initiative: The original design envisioned six constituent campuses becoming autonomous during the project period. As of October 15, 2010 only one constituent campus had sought autonomy under the TU Autonomous Institute/Campus Rules (2006). There are several reasons as to why progress on the decentralization agenda has been slower than anticipated. This is a highly politicized sub-sector with key political parties supporting different, and often, competing policy planks. Therefore, a major reform, such as, the decentralization and institutional autonomy envisioned in the higher education sub-sector, was bound to have both opponents and proponents. However, effect of decentralization can be observed in terms of increased number of market relevant academic programs and enhanced cost sharing the decentralized campuses have entertained. Another possible reason for slow progress of this component is that the TU, which has a major stake in ensuring that its policy on autonomy moves forward, has had a limited role in implementation. Therefore, responsibility for the implementation of TU reforms will be shifted from UGC to TU, and a PIU has been established at TU to manage implementation.

15. Quality and Relevance of Programs: Till date SHEP has supported systemic decentralization with the implicit belief that this will lead to improvements in quality and relevance of programs in higher education. Indeed, some of the TU decentralized campuses have started very successful market relevant programs⁴ after the promulgation of TU Decentralization Rule 1997. However, SHEP has not provided support for further expansion of similar programs. Therefore, a new window will be added to the TU Reform Grants sub-component, which will finance up to 20 new market relevant academic programs⁵ in autonomous and decentralized campuses as well as faculties, institutes, Central Departments and Campuses opting for decentralization, selected on a competitive basis.

16. Governance in Higher Education: There are serious governance issues in the higher education sub-sector. These manifest in numerous ways. The system is beset with poor internal efficiencies, high levels of dropout and repeaters, very low number of days where actual academic transactions take place, an academic and examinations calendar that is rarely adhered to, and weak linkages to the higher secondary education system, thus imposing enormous burdens on students making the transition from Higher Secondary to Higher Education especially in most of the non-technical programs of four faculties⁶ of Tribhuvan University. Therefore, the implementing agencies in consultation with IDA have developed a Governance and Accountability Action Plan (GAAP) to address binding constraints and to provide a framework for effective monitoring. For example, priority is being given to development and implementation of 'academic calendar' and 'institutional autonomy packages' as a means to address key governance constraints at TU.

17. Weak Research Culture: Research is not prioritized in higher education programs. Even for those degrees where research is a fundamental requirement, these are often inadequately financed and supervised. The research financed under SHEP, at least at the Ph D level, has been

⁴ Some of the market relevant programs in TU are: **Management**: Bachelor of Business Administration, Bachelor of Hotel Management, Bachelor of Information Management, Bachelor of Travel and Tourism Management, Master of Travel and Tourism Management, Post Graduate Diploma in Police Studies; **Science and Technology**: Computer Science, Environmental Science, Bio-technology, Micro-biology.

⁵ Market relevant programs will be in areas: (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

⁶ These four faculties are: (i) Humanities and Social Sciences, (ii) Management, (iii) Education, (iv) Law.

highly skewed towards humanities and may not necessarily reflect the priority areas for Nepal's development. Therefore, the project will support UGC to: (i) prioritize research areas before the next award to support research scholars with proven track records; (ii) improve monitoring of the quality of the research funded by the project.

18. Student Financial Assistance: Student financial assistance program is behind schedule in terms of identifying students and disbursing scholarship grants to them. Based on the implementation experience, it was observed that the Administrator⁷ has limited capacities to execute student selection and monitoring. Therefore, the contract between the Student Financial Assistance Fund Development Board (Board) and the Administrator will be renegotiated whereby the Administrator's responsibilities will be limited to grant management and the Board will engage a firm for student selection and monitoring. Overall responsibility for SFA implementation continues to reside with the Board.

19. Fiduciary Issues: The overall fiduciary environment in the country is weak, with high risks related to financial management, including late submission of audits. This has compounded the problem of timely claim for reimbursement and submission and withdrawal applications. Insufficient internal monitoring and control mechanism has also affected the timeliness of reporting. As implementation arrangements are being modified through establishment of PIUs at UGC and TU, assessments were carried out to determine their fiduciary capacities. The reviews found that procurement regulations of TU have many provisions that are in conflict with the prevalent procurement laws of the land and with Bank procurement guidelines. The TU does not have dedicated procurement unit or staff as well as a set of acceptable bid documents for various procurement methods – except for procurement of very small works. Contract Administration and Monitoring too is a neglected area. Thus, the procurement risk for this project is high, and considered actions to mitigate the fiduciary risks will be incorporated in the GAAP Framework including: (i) revision of UGC Operations and Financial Management Guidelines (OFMG); (ii) development of new Regulations that are anchored in the Public Procurement Law of TU; and (iii) revision of MOU between UGC and TU and formation of coordination committee to oversee implementation.

20. Results Framework: Some inconsistencies were observed with the PDO and results indicators. The first PDO was broader than project activities were designed to deliver, and one of the outcome indicators - 'number of higher education institutions tracking employability of graduates' - was not a meaningful measure of improved quality and relevance of higher education and research. Similarly, the second PDO and its outcome indicators did not adequately capture the progress of higher secondary education the project supports. Intermediate results indicators were also insufficient to capture progress of some sub-components. Therefore, a change in PDO was necessary to accurately reflect the objectives of the project and to better align the key performance indicators and the results framework with the PDO and supported activities.

C. PROPOSED CHANGES

Project Development Objectives

21. The original PDO was: (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-

⁷ Rastriya Banijya Bank (RBB) was selected as an Administrator and the Board signed contract agreement with the Administrator on November 21, 2008.

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

22. For the reasons explained earlier, a revision of the PDO is proposed: *(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.*

Results and Indicators

23. The Results and Monitoring Framework has been revised to better align the indicators with the PDO and restructured components and to ensure realism of end of project targets. The proposed changes are presented in Annex 1.

24. The existing outcome indicators are replaced by three new ones to measure quality, relevance, and efficiency in higher education. The outcome indicator on access of disadvantaged students to higher education and higher secondary education is modified for greater clarity of measurement.

25. Some indicator targets have been revised based on implementation experience to date. For example, the number of TU constituent campuses that are expected to opt for autonomy has been reduced from 6 to 3.

26. Component 1: two intermediate results indicators are added to measure increase of research output and introduction of new relevant programs.

27. Component 2: the output indicator is modified to indicate student beneficiaries at the (a) higher education and (b) higher secondary education levels [disaggregated by gender, caste/ethnic groups and consumption quintile for both (a) and (b)].

28. Component 3: the focus of intermediate results indicators is shifted to the number of students enrolled (both in total and in science stream) from the number of community higher secondary schools funded.

29. Component 4: two existing indicators are modified for clarity. Three more indicators are added which link directly to reforms: (a) adherence to academic calendar by TU, (b) development of institutional autonomy packages for TU decentralized campuses, and (c) development and adoption of a National Higher Education Policy.

Component Level Changes

Component 1: Reform Grants:

30. This component comprises three sub-components. These include:

- (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.

31. Division of labor and responsibilities between UGC and TU has been revised to improve implementation. Now, UGC will be responsible for the implementation of: (i) Reform Grants in small universities and Community Campuses and (ii) Research Funding. TU will be responsible

for the implementation of Reform Grants in TU institutes and constituent campuses, and new window programs.

32. A new window under the TU Reform Grants will finance up to 20 new academic programs at the Master's and Bachelor's levels in priority areas, such as (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas. This financing will be available for autonomous and decentralized campuses as well as Faculties, Institutes, Central Departments, and TU constituent campuses opting for decentralization.

33. Implementation of the research subcomponent will be directed more towards identified areas of national priority. In addition, procedures for the allocation of research grants will be improved through improved performance based monitoring.

34. The number of community campuses to be supported for performance enhancement and reforms will be increased from 10 (as per the original project design) to about 90. However, at present 47 community campuses are already being financed (with IDA approval) to meet the high demand by increasing the numbers to ensure that all 75 districts are covered.

35. To account for remoteness, the share of the project resources in the matching fund for campuses will be increased from 1:1 up to 2:1 in proportion to the Human Development Index of each district. In addition to this, the indicators for selection of institutions will be periodically reviewed.

36. TU will take proactive measures to support institutions in their quest to complete the process of transition to autonomous institutions.

Component 2: Student Financial Assistance:

37. To simplify and expedite implementation of the Student Financial Assistance Program, the following changes are to be made:

- (a) Students' equity contributions, Students' Loan Scheme are to be dropped.
- (b) Role of the Administrator will be limited to grant management.
- (c) The Board will engage and directly supervise firm(s) to manage student selection and monitoring.

Component 3: Higher Secondary Education:

38. MOE/DOE will give priority to schools with science streams when allocating performance grants. The number of schools receiving performance grants will be increased from 200 to 250.

Component 4: Strengthening System Capacity:

39. This component will be used to strengthen the system capacity of MOE, UGC and UGC-PIU through: (i) establishment of the Quality Assurance and Accreditation System; (ii) establishment of the Educational Management Information System; (iii) training, study tours, policy studies, communications and other support activities; and (iv) Monitoring TU-PIU in the implementation of TU Reform Grants.

40. As TU will play a major role in the implementation of the TU Reform Grants, including *inter alia* TU policy research and other activities, funds will be made available for strengthening TU capacity through training, technical assistance, support to TU PIU etc.

41. This component will provide support for an improved communications strategy to be adopted by TU to improve the overall flow of information on policies. This component will also support the development and adherence to an Academic Calendar of TU.

42. For an institution and its key stakeholders to opt for autonomy, these stakeholders need to have full information on what will be the benefits and costs of opting for autonomy. This component will support the development of institutional autonomy packages for TU decentralized campuses.

43. The Project will also support stakeholder dialogue and activities related to the formulation of a National Higher Education Policy by NPC/MOE/UGC. Any technical assistance required will also be funded under this component.

Implementation Arrangements

44. The overall responsibility of project implementation will continue to lie with the MOE. The UGC will be responsible for all components and activities that pertain to higher education, and the Department of Education (DOE) will be responsible for implementing Component 3, the higher secondary education component. In the case of the UGC, executive leadership would be exercised by the UGC Chairperson and Member Secretary, although *ad hoc* arrangements may be used as per the provisions of the UGC Act when such positions are vacant. In the case of the DOE, leadership will be vested in the Director General.

45. The PIU established within the current administrative structure of the UGC will be functional with delegated authorities and responsibilities by March 31, 2011. This PIU will handle the UGC Reforms Grant, Research Component, and the UGC component of Strengthening System Capacity (Component 4.A) with focus on MOE and UGC.

46. A dedicated PIU has been established under TU management to implement the TU Reform Grants which will cover: (i) TU Incentive Grants; (ii) Reform Grants for autonomous campuses, decentralized campuses and new window programs; (iii) Strengthening System Capacity of TU. TU will receive project funds through the UGC and will report back to UGC.

47. UGC will channel earmarked government grants to Autonomous campuses within grants to TU, and TU will channel the earmarked grants to Autonomous Campuses in two weeks time after such grants are received by TU from UGC.

48. The Board will be responsible for selecting and monitoring of students for component 2, taking over this function from the Administrator (RBB). The Administrator's revised responsibilities will consist of: (i) disbursement of grants to students selected through Proxy-Means Testing managed by SFAFDB with the help of firm(s), (ii) confirmation of the beneficiary-students' academic progress with the documents submitted by the students, and (iii) progress reporting on grant disbursement. The current contract between Board and RBB will be revised to reflect this reduced scope of responsibilities and will expire on November 20, 2011. The contract may be renewed based on satisfactory performance against agreed benchmarks in the contract, or it may be-bid. The Board will hire firm(s) to assist with student selection and monitoring.

49. Operations and Financial Management Guidelines will be revised by UGC in consultation with TU to reflect the changes in the implementation arrangements by March 15, 2011. UGC has completed the first draft of the revision and has submitted for IDA comments.

50. Project staff recruited before by UGC will work for UGC PIU. TU-PIU is staffed with dedicated and qualified team, which includes *inter alia* a Project Coordinator, a Procurement Officer, a Finance Officer, and an M & E Officer. Assuming satisfactory performance, the Recipient shall ensure that these key staff are not transferred to other positions during the project period (and in the case of the Accounts and Finance Officers, until six months following the closing date or until submission of the final audited Financial Statements, whichever occurs later), except with prior notice to and consultation with the World Bank and as required by the applicable laws of the Recipient.

51. The earlier Memorandum of Understanding (MOU) between UGC and TU has been revised defining the roles and responsibilities of both agencies. UGC and TU will sign the MOU within two weeks of signing the restructuring amendment letter to the Financing Agreement. The purpose of the MOU is to ensure effective coordination between these agencies and to specify the transfer of UGC responsibilities including ongoing activities under the existing MOUs between UGC and TU/autonomous/decentralized campuses to TU. A joint coordination committee will also be formed to facilitate the implementation of agreed arrangement of fund flow and reporting between UGC and TU.

52. The implementing agencies have prepared a Governance and Accountability Action Plan (GAAP) framework that addresses governance challenges that could adversely affect project implementation and achievement of objectives. GAAP actions will be integrated in the annual work programs and monitored as part of regular program management. To improve the implementation aspects including, *inter alia* fiduciary issues.

Financial Management

53. Financial management arrangements will remain largely unchanged after project restructuring, but with increased emphasis on financial performance and accountability responsibilities. The budget for the Second Higher Education Project will be reflected under the budget codes currently provided by the government in the “Red Book”. UGC-PIU, TU-PIU, SAFADB will be responsible for preparing their annual work plans and budgets, and getting the necessary approvals from their respective authorized bodies.

54. UGC will play the coordinating role for all the programs and activities under UGC, TU and SFAFDB. It will be responsible for consolidating the work programs for these three entities—UGC, TU and SFAFDB—and will be responsible for submitting to MOE/MOF/NPC and other institutions as required on behalf of all three implementing entities based on inputs received from each entity.

55. TU- PIU and SFAFDB will be responsible to report to UGC based on the guidelines which will be spelled out in the revised Operational and Financial Management Guidelines of UGC. UGC will consolidate all reporting from UGC-PIU, TU-PIU and SFAFDB under the UGC component, and will submit a consolidated trimester Progress Report.

56. Under the revised implementation arrangement, each entity will be accountable for timely reporting, and UGC will ensure timely consolidation and submission of accounts.

Procurement Management

57. Procurement arrangements will remain largely unchanged after project restructuring with the exception that TU will take over responsibility for some procurement transactions that were previously executed by UGC. All implementing agencies will conduct procurement in accordance with the IDA Guidelines as stipulated in the Financing Agreement.

58. A capacity assessment of TU was carried out and currently observed areas where TU requires improvement include: (i) procurement planning and monitoring, (ii) conducting pre-bid meetings, (iii) developing standard bidding documents that are acceptable to the Bank, (iv) preparing specifications, (v) evaluation of bids (particularly Consultant's proposals), (vi) contract management, (vii) improved documentation and filing, and (viii) observance of code of ethics by personnel involved in procurement as mandated by the new law.

59. To strengthen TU capacity, it has been agreed that the project implementation unit at TU will include a dedicated procurement officer who has acceptable experience and knowledge of public procurement. This procurement officer will be involved in all steps of procurement management including monitoring, supervision, guiding participating institutes/campuses/ programs on procurement related matters and monitoring their procurement to ensure compliance with agreed procedures. In addition, TU will develop new Regulations that are anchored in the Public Procurement Law to ensure that university procurement using domestic resources fully complies with the law. These regulations will be approved by TU's apex body and come into force with effect from March 31, 2011.

60. Beneficiary campuses, in consultation with the procurement officer at the PIU, will be required to obtain external support, possibly through the hiring of procurement specialist(s), to help conduct the procurement function. Further, in order to perform the above functions efficiently, formal and on the job training for the procurement handling personnel of the PIU and campuses would also be required.

61. At the Campus levels, external support, possibly through the hiring of procurement specialist(s) to help conduct the procurement function would be required in consultation with the procurement officer. Further, in order to perform the above functions efficiently, formal and on the job training for the procurement handling personnel of the PIU and campuses would also be required.

Financing Plan

62. Based on a detailed costing exercise the total project cost is estimated at US\$ 77.41 million. The IDA grant is SDR 41.60 million (US\$ 60 million equivalent)⁸, GON and beneficiary/community contributions are US\$ 0.3 million and US\$17.11 million respectively; beneficiary/community contribution is leveraged in the form of Matching Grants. The updated project costs and financing plan is presented in Table 1, with component level details.

Reallocations

63. Project funds are proposed to be reallocated as shown in Table 2. Key considerations guiding the reallocations include:

- (a) Division of funds under Components 1 and 4 between UGC and TU.

⁸ This is based on original exchange rate at the beginning of the project.

- (b) Adequate distribution of funds required for reforms managed by TU (for decentralization and introducing new programs) and by UGC (for supporting other universities, community campuses, research, QAA, EMIS, and higher education policy development).
- (c) Addition of US\$ 3 million to support community higher secondary schools.
- (d) Necessary support for enhanced activities under Component 4.

Eligible Expenditures for TU-PIU

64. Incremental operating costs, goods, and consultancy services incurred by Tribhuvan University under Part 4.B (System Capacity Strengthening) of the Project, up to an aggregate amount of thirty five thousand dollars (US\$35,000) equivalent prior to the date of signing of the amendment to the Financing Agreement but on or after August 25, 2010 shall be eligible for IDA reimbursement.

D. REVISED OUTCOMES

65. Overall change in EOP results will be in the form of systemic reform as well as improvements in selected institutions as follows:

- (a) A comprehensive higher education policy will be developed and adopted by the government.
- (b) Number of new programs in science, technology, management, and other employment/economic development focused areas will be increased.
- (c) Share of student enrollment in science, technology, management, and other employment/economic development focused programs in participating institutions will be increased.
- (d) Student pass rate at bachelor and master levels of the participating institutions will be increased.
- (e) Number of community campuses getting project support will be increased.
- (f) Number of publications in refereed journals by the research grant recipients will be increased.
- (g) Share of enrollment in the science stream in participating community higher secondary schools will be increased.
- (h) TU will publish academic calendar for admissions, exams, and publication of exam results, and will follow the published calendar.
- (i) TU will develop autonomy packages for Decentralized Campuses.

66. **Beneficiaries:** 90 Community Campuses are expected to benefit from the project as against the target of 10 campuses in the original design. Constituent Campuses of TU are expected to offer 20 additional market relevant programs. By the end of the project 4,300 higher secondary and 3,500 higher education students are expected to receive financial assistance from the project. About 800 Community Higher Secondary Schools will benefit from the project and enrollment in CHSS is expected to reach 256,000 by EOP compared to 68,000 in the original design. To support the GON policy of phasing out PCL from universities, 52 additional higher secondary schools with science stream will benefit from the project through Performance Grants on top of 200 schools in the original design.

**TABLE 1
REVISED PROJECT COSTS AND FINANCING PLAN⁹**

Component	GON	IDA	Beneficiary / Community	Total
Component 1: Reform Grants	0.02	35.68	15.76	51.46
Sub-Component 1.1: UGC Reform Grants	-	18.14	10.09	28.23
Sub-Component 1.2: Advancing Research in Higher Education	0.02	3.77	-	3.79
Sub-Component 1.3: TU Reform Grants	-	13.77	5.67	19.44
Component 2: Student Financial Assistance	0.01	4.76	-	4.77
Component 3: Higher Secondary Education	0.09	14.77	1.35	16.21
Component 4: System capacity Strengthening	0.19	3.28	-	3.47
Component 4.A: UGC System Capacity Strengthening	0.15	2.31	-	2.46
Component 4.B: TU System capacity Strengthening	0.04	0.97	-	1.01
Unallocated	-	1.51	-	1.51
Total of Components 1, 2, 3 and 4)	0.30	60.00	17.11	77.41

⁹ These figures in US\$ are indicative. The actual figures are to be accounted in SDR based on the original exchange rate at the beginning of the project. A JSDF funded Trust Fund (TF93397) is linked to the IDA Grant H274. However, implementation arrangements for the TF are different from the IDA supported activities. Therefore, the Financing Plan for the TF is not included in the Table.

**TABLE 2
IDA PROPOSED REALLOCATION**

Category of Expenditure		Amount of the Grant Allocated (US\$ million)		Amount of the Grant Allocated (SDR million)		Percentage of Expenditure to be Financed
Current	Revised	Current	Revised	Current	Revised	
(1) (a) Subproject Grants under part 1.A of the Project (UGC)	(1) (a) Subproject Grants under Part 1.A of the Project (UGC)	31.67	18.14	21.96	12.58	100% of amounts disbursed
(b) Research Grants under Part 1.B of the Project (UGC)	(b) Research Grants under Part 1.B of the Project (UGC)	3.77	3.77	2.61	2.61	
(c) Scholarships under Part 2.A of the Project (UGC)	(c) Scholarships under Part 2.A of the Project (UGC)	4.00	4.00	2.77	2.77	
	(d) TU Reform Grants under Part 1.C of the Project (UGC)		13.77		9.55	
(2) Subproject Grants under Part 3 of the Project (DOE)	(2) Subproject Grants under Part 3 of the Project (DOE)	9.86	12.86	6.84	8.92	100% of amounts disbursed
(3) Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4 of the Project (UGC)	(3) (a) Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4.A of the Project (UGC)	1.58	1.55	1.10	1.07	100%
	(b) Goods, Services, Training and Study Tours for TU under Part 4.B of the Project (UGC)		0.61		0.42	
(4) Goods, Services, Training and Study Tours under Part 3 of the Project DOE)	(4) Goods, Services, Training and Study Tours under Part 3 of the Project (DOE)	1.16	1.14	0.80	0.79	100%
(5) Incremental Operating Costs under Parts 1.B, 2.B and 4 of the Project (UGC)	(5) (a) Incremental Operating Costs under Parts 1.B, 2.B and 4.A of the Project (UGC)	1.72	1.51	1.19	1.05	90%
	(b) Incremental Operating Costs for TU under Part 4.B of the Project (UGC)		0.37		0.26	
(6) Incremental Operating Costs under Part 3 of the Project (DOE)	(6) Incremental Operating Costs under Part 3 of the Project (DOE)	0.79	0.77	0.55	0.53	90%
(7) Unallocated	(7) Unallocated	5.45	1.51	3.78	1.05	
TOTAL AMOUNT		60.00	60.00	41.60	41.60	

E. Annex 1 - Results Framework and Monitoring

NEPAL: Second Higher Education Project Results Framework

Project Development Objectives		Outcome Indicators		Use of Outcome Information
Original	Revised	Original	Revised	
To enhance quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions	A. Enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions	Number of higher education institutions tracking employability of graduates ¹⁰ Cost sharing level of participating campuses	A1. Number of institutions accredited A2. Student pass rates in bachelors and masters levels in participating institutions A3. Share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating institutions ¹¹	Year 4-6: Use to supervision missions to assess quality of educational institutions Year 4- 6: Use to evaluate efficiency Year 4-6: Use to assess relevance of higher education
To improve access for academically qualified under-privileged students, including girls, Dalits and educationally disadvantaged Janajatis to higher education through financial assistance and enhanced capacity of higher secondary schools	B. Improved access for academically qualified students from disadvantaged groups in (a) higher education and (b) higher secondary education	Share of graduates from underprivileged groups (disaggregated by gender, Dalits and educationally disadvantaged Janajatis ¹²) in the total number of graduates	B1. Share of enrollment from disadvantaged groups in participating institutions at (a) higher education and (b) higher secondary education levels [disaggregated by gender, Dalits and educationally disadvantaged Janajatis for both (a) and (b)]	Year 4-6: Use to assess effectiveness of inclusion policies on access to higher educations Year 6: Use to inform the process of mainstreaming interventions and modalities used in the project

¹⁰ Improvement in employability of graduates is a long-term impact, and hence it cannot be evaluated within the project duration. Some initial results are expected to be available from the graduate employment tracking system to be established with assistance from the project.

¹¹ More specifically, in the following areas: (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

¹² Defined as Janajati groups with literacy rates below the national average.

Intermediate Results		Results Indicators for Each Component		Use of Results Monitoring
Original	Revised	Original	Revised	
<p>Component One: TU constituent campuses acquire autonomous status</p> <p>TU constituent campuses become decentralized</p> <p>Universities enter into formula-based funding agreement</p> <p>Community campuses qualify for project support</p>	<p>1.1 Decentralization of TU constituent campuses enhanced</p> <p>1.2 Community campuses qualify for project support</p> <p>1.3 Improved quality of research</p> <p>1.4 Improved relevance of programs</p>	<p>Number of TU constituent campuses becoming autonomous</p> <p>Number of TU campuses becoming decentralized</p> <p>Number of universities entering into formula-based funding agreement</p> <p>Number of community campuses getting project support</p>	<p>1.1 Number of (a) autonomous campuses and (b) decentralized campuses</p> <p>1.2 Number of community campuses getting project support</p> <p>1.3 Increase in the number of publications in refereed journals by the research grant recipients</p> <p>1.4 Number of new programs in science, technology, management, and other employment/economic development focused areas¹³</p>	<p>Year 4-5: Provide information on decentralization progress to determine whether adjustments to policy framework are needed</p> <p>Year 6: Use to mainstream interventions and modalities used in the project</p>

¹³ These programs include courses in (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

Intermediate Results		Results Indicators for Each Component		Use of Results Monitoring
Original	Revised	Original	Revised	
Component Two: Student Financial Assistance Trust Fund established and functional	2.1 Student Financial Assistance Trust Fund established and functional	Number of students receiving financial assistance from the Fund (disaggregated by level of education, gender, caste/ethnic groups and consumption quintile)	2.1 Number of students receiving financial assistance from the Fund at (a) higher education and (b) higher secondary education levels [disaggregated by gender, caste/ethnic groups and consumption quintile for both (a) and (b)]	Year 4-6: Use to assess progress in inclusive access in higher secondary and higher education Year 6: Use to mainstream interventions and modalities used in the project
Component Three: Community higher secondary schools receive grants	3.1 Strengthened community higher secondary schools	Number of schools receiving performance grants Increase in Enrollment in community higher secondary schools	3.1a Enrollment in community higher secondary schools 3.1b Share of enrollment in the science stream in participating community higher secondary schools	Year 4-6: Use information to assess progress of community higher secondary schools in accommodating students affected by PCL phase out from universities
Component Four: Quality assurance system starts to function EMIS for higher education established	4.1 Functioning independent Quality Assurance and Accreditation System established 4.2 Strengthened M & E system 4.3 Confidence building measures implemented by TU 4.4 Development of comprehensive policy for higher education	Number of campuses/ programs completing a cycle of quality assurance Publication of EMIS report	4.1 Independent Quality Assurance and Accreditation System functional 4.2 Publication of EMIS report based on functioning EMIS software/database 4.3 Admissions, exams, and publication of exam results at TU follow published calendar 4.4 Autonomy packages for Decentralized Campuses developed by TU 4.5 Comprehensive higher education policy developed and adopted by government	Year 4-6: Use to assess progress in enhancing the quality of higher education institutions Year 4-6: Use information for monitoring and evaluation of higher education. Year 5-6: Use information to improve accountability of higher education institutions Year 6: Use policy information for adjusting the current higher education strategic vision

Arrangements for Results Monitoring

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values					
			UoM	Value (actual at the time of restructuring)	Value (original)	Pre-restructuring			Post-restructuring		
						YR 1	YR2	YR 3	YR4	YR5	YR6
Indicator One Number of institutions accredited	<input type="checkbox"/>	N	Absolute no.	1		-	-	-	2	4	6
Indicator Two Student pass rates at bachelors and masters levels in participating institutions ¹⁴ Bachelors level Masters level	<input type="checkbox"/>	N	%	32.6 22.3		-	-	-	34 24	35 25	36 26
Indicator Three Share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating higher education institutions ¹⁵	<input type="checkbox"/>	N	%	34.63		-	-	-	35	37	39
Indicator Four Share of enrollment from disadvantaged groups in participating institutions (a) Higher education	<input type="checkbox"/>	N	Absolute								

¹⁴ For each level, computed as the proportion of students from all years who passed the exams (out of all students who registered for the exams).

¹⁵ More specifically, in the following areas: (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values					
						Pre-restructuring			Post-restructuring		
			UoM	Value (actual at the time of restructuring)	Value (original)	YR 1	YR2	YR 3	YR4	YR5	YR6
Total			no.	74,012		-	-	-	76,000	78,000	80,000
Girls			%	42.97		-	-	-	43.20	43.40	44.00
Dalits and educationally disadvantaged Janajatis ¹⁶			%	12.88		-	-	-	13.00	13.20	13.50
(b) Higher secondary education			Absolute								
Total			no.	153,009		-	-	-	157,000	160,000	163,000
Girls			%	52.03		-	-	-	>50	>50	>50
Dalits			%	5.80		-	-	-	5.90	6.00	6.20
Dropped Indicator 1											
Number of higher education institutions tracking employability of graduates.	<input type="checkbox"/>	D	Absolute no.		None		3	6	9	12	15
Dropped Indicator 2											
Cost sharing rate of autonomous/decentralized campuses receiving support	<input type="checkbox"/>	D	%		15%	15%	15%	15%	20%	25%	30%
Dropped Indicator 3											
Share of graduates from under- privileged groups in the total number of graduates	<input type="checkbox"/>	D	%								
Higher education											
Girls					23%				26%		35%
Dalits					0.7%				1%		3%
Disadvantaged janajatis					3.2%				4%		7%

¹⁶ Defined as Janajati groups with literacy rates below the national average.

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values					
			UoM	Value (actual at the time of restructuring)	Value (original)	Pre-restructuring			Post-restructuring		
						YR 1	YR2	YR 3	YR4	YR5	YR6
Higher secondary education Girls Dalits Disadvantaged Janajatis					34%			37%			43%
					1%			2%			5%
					4%			5%			8%
Intermediate Results											
Original Intermediate Results (Component one): TU constituent campuses acquire autonomous status, TU constituent campuses become decentralized, Universities enter into formula-based funding agreement, and Community campuses qualify for project support											
Revised Intermediate Results (Component one): Decentralization of TU constituent campuses enhanced, Community campuses qualify for project support, Improved quality of research, and Improved relevance of programs											
Intermediate Result Indicator One											
Number of (a) TU autonomous campuses	<input type="checkbox"/>	R	Absolute no.	1	None	1	3	6	2	3	3
(b) TU decentralized campuses				42	38	40	42	46	43	44	45
Intermediate Results Indicator Two											
Number of community campuses getting project support	<input type="checkbox"/>	R	Absolute no.	47	None	4	8	10	60	75	90
Intermediate Results Indicator Three											
Number of publications in refereed journals by the research grant recipients in approved research areas	<input type="checkbox"/>	N	Absolute	0		-	-	-	2	8	20

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values					
			UoM	Value (actual at the time of restructuring)	Value (original)	Pre-restructuring			Post-restructuring		
						YR 1	YR2	YR 3	YR4	YR5	YR6
Intermediate Results Indicator Four Number of new programs in science, technology, management, and other employment/economic development focused programs in participating institutions ¹⁷	<input type="checkbox"/>	N	Absolute no.	0		-	-	-	3	5	6
Dropped Indicator 1 Number of universities entering into formula-based funding agreement	<input type="checkbox"/>	D	Absolute no.		None	1	3	3	3	3	3
Original Intermediate Results (Component Two): Student Financial Assistance Trust Fund established and functional											
Revised Intermediate Results (Component Two): Student Financial Assistance Trust Fund established and functional											
Intermediate Results Indicator One Number of students ¹⁸ receiving financial assistance from the Fund at (a) Higher Education level (b) Higher Secondary Education level	<input type="checkbox"/>	R	Absolute no.	811 631	None None	- -	300 300	1,100 1,300	1,900 2,300	2,700 3,300	3,500 4,300

¹⁷ However, in the discussion with the TU it has been agreed that up to a maximum of 20 market relevant programs will be introduced by EOP.

¹⁸ Disaggregated data will be reported. The disaggregation will be done by gender (males and females), caste/ethnicity Dalits/disadvantaged Janajatis and others), and consumption quintile.

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values					
			UoM	Value (actual at the time of restructuring)	Value (original)	Pre-restructuring			Post-restructuring		
						YR 1	YR2	YR 3	YR4	YR5	YR6
Original Intermediate Results (Component Three): Community higher secondary schools receive grants											
Revised Intermediate Results (Component Three): Strengthened community higher secondary schools											
Intermediate Results Indicator One Enrollment in community higher secondary schools	<input type="checkbox"/>	R	Absolute no.	231,670	48,000	48,000	48,200	49,000	240,000	248,000	256,000
Intermediate Results Indicator Two Share of enrollment in the science stream in participating community higher secondary schools	<input type="checkbox"/>	N	%	2.37		-	-	-	2.42	2.50	2.60
Original Intermediate Results (Component Four): Quality assurance system functioning and EMIS for higher education established											
Revised Intermediate Results (Component Four): Functioning independent Quality Assurance and Accreditation System established, Strengthened M & E system, Confidence building measures implemented by TU, Development of comprehensive policy for higher education											
Intermediate Results Indicator One Quality Assurance and Accreditation System functional	<input type="checkbox"/>	N	Qualitative	No		-	-	-	Yes	Yes	Yes
Intermediate Results Indicator Two Publication of EMIS reports based on functioning EMIS software/database with campus-	<input type="checkbox"/>	R	Qualitative	No ¹⁹	No	-	-	-	No	Yes	Yes

¹⁹ EMIS report based on university-level data published; but EMIS software/database with campus-level data not developed.

Project Outcome Indicators	Core	D=Dropped C=Continued N= New R=Revised	Baseline			Cumulative Target Values						
			UoM	Value (actual at the time of restructuring)	Value (original)	Pre-restructuring			Post-restructuring			
						YR 1	YR2	YR 3	YR4	YR5	YR6	
level data												
Intermediate Results Indicator Three Admissions, exams, and publication of exam results at TU follow published calendar ²⁰	<input type="checkbox"/>	N	Qualitative	0%		-	-	-	25%-50%	50%-100%	100%	
Intermediate Result Indicator Four Autonomy packages for Decentralized Campuses developed by TU	<input type="checkbox"/>	N	Absolute no.	None					3	6	10	
Intermediate Results Indicator Five Comprehensive higher education policy developed and adopted by government	<input type="checkbox"/>	N	Qualitative	Not developed		-	-	-	Not developed	Developed	Adopted	
Dropped Indicator 1 Number of campuses/programs completing a cycle of quality assurance	<input type="checkbox"/>	D	Absolute no.		No		5	10	20	30	50	

²⁰ Implementation means following the published calendar for admissions, exams, and publication of exam results. 0% means none of the programs implement their respective calendars; 25%-50% means between 25% and 50% of the programs completely implement their respective calendars; 50%-100% means between 50% and 100% of the programs implement their respective calendars; and 100% means 100% of the programs implement their respective calendars.