

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 73768-NP

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SECOND HIGHER EDUCATION PROJECT
(GRANT NUMBER: H274-NEP)

FEBRUARY 22, 2007

TO
NEPAL

NOVEMBER 26, 2012

Human Development Unit
South Asia Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

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 Objective
PIC	Project Implementation Council
PIO	Project Implementation Office
PIU	Project Implementation Unit
PMT	Proxy-Means Testing
RMF	Results and Monitoring Framework
QAA	Quality Assurance and Accreditation
SDR	Special Drawing Rights
SFAFDB	Student Financial Assistance Fund Development Board
SHEP	Second Higher Education Project
TU	Tribhuvan University
UGC	University Grants Commission

Regional Vice President:	Isabel M. Guerrero
Country Director:	Ellen A. Goldstein
Sector Manager:	Amit Dar
Task Team Leader:	Mohan Prasad Aryal/Venkatesh Sundararaman

DATA SHEET

Restructuring
Restructuring Type: Level two
Last modified on date : 11/20/2012

1. Basic Information	
Project ID & Name	P090967: NP: Second Higher Education Project
Country	Nepal
Task Team Leader	Venkatesh Sundararaman
Sector Manager/Director	Amit Dar / Jesko Hentschel
Country Director	Ellen A. Goldstein
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
Government of Nepal		Nepal

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

5. Disbursement Estimates (US\$m)		
Actual amount disbursed as of 11/20/2012		37.02
Fiscal Year	Annual	Cumulative
2012	0.00	37.02
2013	16.00	53.02
2014	6.98	60.00
	Total	60.00

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
Project Development Objectives:(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.

7b. Revised Project Development Objectives/Outcomes [if applicable]

**ANNEX 1:
Reallocation of Proceeds**

NEPAL – SECOND HIGHER EDUCATION PROJECT
PROJECT ID: P090967
GRANT

Restructuring Paper

1. Proceeds for Nepal, Second Higher Education Project, Grant No H274-NEP, Project ID P090967 will be reallocated as follow:

Table 1: Reallocation of Proceeds

Category of Expenditure		Allocation, SDR		% of Financing	
Current	Revised	Current	Revised	Current	Revised
(1)					
(a) Subproject Grants under Part 1.A of the Project (UGC)	No change	12,580,000	15,400,000	100%	No change
(b) Research Grants under Part 1.B of the Project (UGC)	No change	2,610,000	1,980,000	100%	No change
(c) Scholarships under Part 2.A of the Project (UGC)	No change	2,770,000	2,770,000	100%	No change
(d) Tribhuvan University Subproject Grants under Part 1.C of the Project (UGC)	No change	9,550,000	7,820,000	100%	No change
(2) Subproject Grants under Part 3 of the Project (DOE)					
	No change	8,920,000	9,480,000	100%	No change
(3)					
(a) Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4.A of the Project (UGC)	No change	1,070,000	1,258,000	100%	No change
(b) Goods, Services, Training and Study Tours for Tribhuvan University under Part 4.B of the Project (UGC)	No change	420,000	510,000	100%	No change
4.Goods, Services, Training and Study Tours under Part 3 of the Project (DOE)	No change	790,000	560,000	100%	No change
(5)					
(a) Incremental Operating Costs under Parts 1.B, 2.B and 4.A of the Project (UGC)	No change	1,050,000	1,192,000	90%	No change
(b) Incremental Operating Costs for Tribhuvan University under Part 4.B of the Project (UGC)	No change	260,000	430,000	90%	No change
(6) Incremental Operating Costs under Part 3 of the Project (DOE)	No change	530,000	200,000	90%	No change
7. Unallocated	No change	1,050,000	0		

Category of Expenditure		Allocation, SDR		% of Financing	
Current	Revised	Current	Revised	Current	Revised
Total		41,600,000	41,600,000		

Implementation Progress

2. The project is currently rated moderately satisfactory. Notable improvements have been recorded after the project was restructured (level 1) in March 2011. It is likely that project will meet its revised targets related to the Key Performance Indicators and Intermediate Result Indicators by the closing date (January 15, 2014). Some of the key achievements are: (i) increased participation of Tribhuvan University constituent campuses in opting for autonomy, and decentralization, and in conducting new market relevant programs, (ii) phase out of Proficiency Certificate Level programs (equivalent to Grades 11 and 12) from Tribhuvan University to Higher Secondary Schools (HSSs), and participation of about 800 community HSSs with focus on the Science Programs in project supported reforms; (iii) establishment of Quality Assurance and Accreditation System (QAAS), and Higher Education Management Information System (HEMIS) at the University Grants Commission; (iv) introduction of formula based funding of universities; (v) establishment of targeted approach for scholarship using Proxy Means Testing (PMT) approach; and (vi) participation of 90 community campuses in project supported reforms..

Progress on KPIs

Outcome indicators

3. Of the 10 project indicators, 6 have already met the project targets¹; higher secondary education has exceeded the original, revised and new targets. One outcome indicator – pass rate at bachelors level in participating institutions - is close to the target (93%) ; three other outcome indicators: (i) *enrollment of HE students in market relevant programs* (a new sub-component added in 2011) with 16 (of 20) new programs already started, – is also expected to meet the target; (ii) *girl share in HE*: original target of girls' share (35%) is already met (40.36%); with current progress trend, project is likely to meet the revised target of 44% by the closing date; and (iii) *share of higher education enrolment in participating institutions*, with growing number of participating institutions in the project, will also meet the target.

Intermediate Result Indicators (IRIs)

4. Component 1: There are 5 IRIs under this component and the progress status is as follows: (i) Campus Autonomy: Three TU constituent campuses obtained autonomy meeting the revised project target; three others have submitted strategic plan to obtain autonomy²; (ii) Campus Decentralized: 47 TU constituent campuses obtained decentralization against the project target of 45; (iii) number of community campuses getting project support reached the revised project target of 90 (the original target was only 10 campuses); (iv) project target of pass rate (26%) met for Master program, and close to meet (35.76% against the target of 36%) for Bachelor program; (v) Publication in referred journals: 10 papers published in Refereed Journals (RJ) and 13 more in Professional Journals (PJ) against the project target of 20 (in RJ) by the research awardees; (vi) Start of new program windows: 16 programs started against the project target of 20 and 6 others are in immediate pipeline.

¹ These 6 indicators (achievement/project targets) are: (i) Number of institutions accredited 6/6; (ii) student pass rate at Master level (27.2%/26%); (iii) share of enrollment from dalits/disadvantaged groups in participating HE institutions 15.21%/13.50%; (iv) share of enrollment in participating Community Higher Secondary Schools: (a) total 201,256/16,3000; (b) girls 51.14%/50%; (c) dalits (7.20%/6.20%).

² Autonomy is a policy of the Government/Tribhuvan University, and SHEP has been supporting it through Incentive, Matching and Performance Grants.

Component 2 (targeted scholarship)

5. The number of beneficiaries receiving the Proxy Means Testing (PMT) based financial assistance has reached 6,602 students against the project target of 7,800 (Bachelor: 3,476 students against 3,500 target; and Plus 2: 3,126 against 4,300). With the improved PMT administration³, student selection/monitoring in 2011/12 have significantly improved and the project is likely to exceed its targets.

Component 3 (Higher Secondary Component)

6. Two intermediate result indicators mapped to this component have already met or exceeded the project targets: (i) enrollment in the community higher secondary schools has reached 342,720 against original target of only 68,000 and the revised target of 256,000, and (ii) share of enrollment in the science stream in participating community higher secondary schools already met the project target of 2.6%.

Component 4 (System Capacity Strengthening)

7. Results on this front are also improving, except the adherence of academic calendar by some TU Bachelor programs: (i) the Quality Assurance and Accreditation System is established and functional at UGC; six institutions accredited meeting the project targets, and 41 others have shown interest for accreditation and 8 of them are under review. This is one of the key achievements of the project. Draft documents related to the establishment of an independent National Accreditation Board (NAB) are under review by MOE. (ii) Higher Education EMIS is functional at UGC; Annual EMIS Reports have been regularly published for the last 3 years; UGC hired a Consulting firm for the development of web-based software/database EMIS, and TU-PIO is also closely working towards developing TU level EMIS; (iii) UGC is coordinating 5 sub-committees which have been engaged in developing a coherent Higher Education Policy; UGC plans to bring out the first draft by December 31, 2012. (v) Autonomy packages for Decentralized Campuses developed by TU: 6/10; project is likely to reach the target by the closing date.

8. Despite numerous efforts TU has failed to follow its published academic calendar in most of the Bachelor and some Mater programs of Humanities and Social Sciences, Education, and Management faculties that cater a large number of students. TU therefore has started reform for improved examination EMIS. This is a critical intervention towards timely conduction of exams and results publications – key bottlenecks towards maintaining the academic calendar; project is also supporting this reform.

Disbursement

9. Fund release to the beneficiary institutions is linked with performance of predefined tasks under each component / sub-component of the project. Fund flow is therefore lagging behind the physical progress, owing to the fact that each release demands verification of completed tasks. Total project disbursement as of October 2012 is SDR 23.96 million/US\$ 36.87 million; (57.6%). Tables 2 and 3 below indicate the trends of category-wise as well as annual disbursements. With the claims in the pipeline and proposed reallocation, the funds are expected to be fully utilized by the closing date.

Table 2: Category-wise allocation and Disbursement, SDR, million

Category	Category Description	Allocated	Disbursed	Undisbursed
1A	Subproject Grants under Part 1.A of the Project (UGC)	12.58	9.53	3.05

³ Student Financial Assistance Fund Development Board has developed web-based administration.

Category	Category Description	Allocated	Disbursed	Undisbursed
1B	Research Grants under Part 1.B of the Project (UGC)	2.61	0.68	1.93
1C	Scholarships under Part 2.A of the Project (UGC)	2.77	0.59	2.18
1D	TU Reform Grants under Part 1.C of the Project (UGC)	9.55	1.36	8.19
2	Subproject Grants under Part 3 of the Project (DOE)	8.92	8.68	0.24
3	Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4.A of the Project (UGC)	1.07	0.61	0.46
3B	Goods, Services, Training and Study Tours for TU under Part 4.B of the Project (UGC)	0.42	0.05	0.37
4	Goods, Services, Training and Study Tours under Part 3 of the Project (DOE)	0.79	0.46	0.33
5	Incremental Operating Costs under Parts 1.B, 2.B and 4.A of the Project (UGC)	1.05	0.44	0.61
5B	Incremental Operating Costs for TU under Part 4.B of the Project (UGC)	0.26	0.04	0.22
6	Incremental Operating Costs under Part 3 of the Project (DOE)	0.53	0.04	0.49
7	Unallocated	1.05	0.00	1.05
DA-A	Designated Account	0.00	0.85	-0.85
DA-B	Designated Account	0.00	0.63	-0.63
	Total	41.60	23.96	17.64

Table 3: Annual and Cumulative Disbursement

FY	Febr- July 2007	Aug 2007- July 2008	Aug 2008- July 2009	Aug 2009- July 2010	Aug 2010- July 2011	Aug 2011-October 31, 2012
Annual Disbursement, US\$, million ⁴	0.00	5.09	2.54	7.99	7.64	12.98
Cumulative Disbursement, US\$ million	0.00	5.09	7.63	15.62	23.26	36.87 (SDR 23.96 million)

Risk and Risk Mitigation

10. Three implementation risks are: (i) possible delays in budget release from the government to UGC and subsequently to the beneficiaries due to the fact that full budget for FY 2012/13 yet to be passed is affected by political uncertainty; (ii) possibilities of fund demand by the beneficiaries on Matching Grants, which may exceed the project allocation; (iii) weak project monitoring by the implementing agencies. On (i), the Bank task team is in close coordination with the recipient including MOE and MOF to ensure government commitment of timely fund

⁴ Based on the expenditure of respective FYs (between July 16- July 15 next year)

release for project funded activities, and also to take immediate actions. On (ii), UGC and TU-PIO will finalize the beneficiaries' Procurement Plan for FY 2012/13 taking into account the possibilities of available project resources. On (iii), Bank task team has intensified supervision for improved monitoring and reporting by the implementing agencies.

Reasons for the proposed reallocation

11. The IDA task team and the implementing agencies carried out detailed disbursement estimates under each of the components/categories. The estimates take into account the already disbursed grants and committed funds by the project closing date including the evaluation of US dollar against the Nepalese Rupee (NPR)⁵. While some of the components/categories are in budget shortfall, others are in surplus. It was therefore critical to reallocate the funds between components / categories and from unallocated funds.

12. To meet the demand of Matching and Performance grants from a number of participating community campuses and small universities, funds have been reallocated to UGC Reform Grant (Category 1A); the fund will also cover the additional demand for Quality Assurance and Accreditation (QAA) of institutions due to demonstrative effect of the project supported QAA system⁶. Research sub-component will meet the project target, there will however be a surplus of SDR 0.63 million in Research funding (Category 1B) due to 30% (approx.) exchange gain of US\$ against the local currency.

13. To address the demand of PMT based scholarship and in the environment of improved PMT based scholarship administration, number of beneficiaries for scholarship has been increased from 7,800 to 12,500; the original fund allocation of SDR 2.77 million will cover the additional students owing to: (i) USD exchange gain; and (ii) beneficiary attrition trend of about 25%. With the above arrangement, beneficiary students completing the prescribed academic programs would be around 9,375, about 20% more than the project target.

14. The project met the target of participation of TU campuses in autonomy. Similarly, some demonstrative effect of the autonomy also observed⁷. However, due to delayed participation, these campuses would not be able to claim the allocated Reform grants; there would be a surplus of SDR 1.73 million allocated for this sub-component (Category 1D).

15. Given that UGC and TU-PIO have enhanced activities on project monitoring, capacity building, EMIS development, strengthening of QAA system, and developing a coherent higher education policy, additional funds would be needed for these tasks under respective categories of UGC and TU-PIO (Categories 3, 3B, 5, 5B). However, in the case of DOE (Component 3), part of the funds under categories 4 and 6 would be in surplus due to the fact that existing DOE administration management system/resources are being used for these activities.

16. Higher Secondary Education (Component 2) has already disbursed about 97% of the grant (SDR 8.68 million disbursed) including SDR 2.12 million that was reallocated in the level 1 restructuring in May 2011. There was no possibility of further reallocation from higher education (Component 1, 2, and 4) to this component even though it was discussed in the last two consecutive Consultations that such possibility would be explored so that additional science

⁵ The project beneficiaries receive grants @ US\$ 1 = NPR 65 that was agreed in the beginning of the project in 2007, while the current exchange rate is @ NPR 84 (adopted for calculation); this exchange gain has been accounted in the restructuring/reallocation.

⁶ Each interested constituent and community campus (CC) including Scheme B through D (CC) will receive incentive grant of US\$ 3,000.00 to prepare the Self Study Report (SSR) in 2 installments, and an additional Performance Grant of US\$ 5,000.00 (each) once they complete the due process of QAA cycle.

⁷ TU constituent campuses are also engaged in restructuring after PCL phase out, and in decentralization - both are performance indicators leading towards reforms and autonomy, project is supporting.

running schools would also be supported through matching and performance grants to absorb the shock of additional burden in science stream after PCL phase out from TU. A part of the undisbursed fund under categories 4 and 6⁸ will however be used for this purpose.

⁸ These 2 categories are: (i) Category 4: Goods, Services, Training and Study Tours under Part 3 of the Project (DOE); and (ii) Category 6: Incremental Operating Costs under Part 3 of the Project (DOE).