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IMPLEMENTATION COMPLETION REPORT
(IDA-25600)

ON A

CREDIT

IN THE AMOUNT OF SDR 14.2 MILLION (US\$20.0 MILLION EQUIVALENT)

TO THE

KINGDOM OF NEPAL

FOR A

HIGHER EDUCATION PROJECT

June 19, 2002

**Human Development Sector Unit
Nepal Country Unit
South Asia Region**

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CURRENCY EQUIVALENTS

(Exchange Rate Effective 2002)

Currency Unit = Nepalese Rupees (NRs.)
NRs.78.60 = US\$ 1.00
US\$ 0.0127 = NRs. 1.00

FISCAL YEAR

July 16 - July 15

ABBREVIATIONS AND ACRONYMS

CERID	Center for Educational Research, Innovation and Development
COE	Controller of Examinations
CMC	Campus Management Committee
EMIS	Educational Management Information System
HEP	Higher Education Project
HMGN	His Majesty's Government of Nepal
HSEB	Higher Secondary Education Board
ICB	International Competitive Bidding
ICR	Implementation Completion Report
IDA	International Development Association
MM Campus	Mahendra Morang Campus, Biratnagar
MOEC	Ministry of Education and Culture
MOES	Ministry of Education and Sports
MTR	Mid-Term Review
NCB	National Competitive Bidding
PCL	Proficiency Certificate Level
PIU	Project Implementation Unit
PIF	Policy Implementation Fund
PN Campus	Prithvi Narayan Campus, Phokhara
SAR	Staff Appraisal Report
SDR	Special Drawing Rights
SSAIU	School Support Activities Implementation Unit
SLC	School Leaving Certificate
TU	Tribhuvan University
UNDP	United Nations Development Program
WDR	Western Development Region

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NEPAL HIGHER EDUCATION PROJECT

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<i>Project ID:</i> P010454	<i>Project Name:</i> HIGHER EDUCATION PROJECT
<i>Team Leader:</i> Grant G. Sinclair	<i>TL Unit:</i> SASHD
<i>ICR Type:</i> Core ICR	<i>Report Date:</i> June 20, 2002

1. Project Data

Name: HIGHER EDUCATION PROJECT *L/C/TF Number:* IDA-25600
Country/Department: NEPAL *Region:* South Asia Regional Office
Sector/subsector: ET - Tertiary Education

KEY DATES

	<i>Original</i>	<i>Revised/Actual</i>
<i>PCD:</i> 03/13/1992	<i>Effective:</i> 05/12/1994	05/12/1994
<i>Appraisal:</i> 04/23/1993	<i>MTR:</i> 02/19/1998	02/19/1998
<i>Approval:</i> 12/21/1993	<i>Closing:</i> 06/30/2000	11/30/2001

Borrower/Implementing Agency: MIN OF EDU. & SPORTS/TRIBHUVAN UNIVERSITY
Other Partners:

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<i>Vice President:</i>	Mieko Nishimizu	Joseph Wood
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: S

Sustainability: L

Institutional Development Impact: SU

Bank Performance: S

Borrower Performance: S

Quality at Entry: QAG (if available) ICR
S

Project at Risk at Any Time: Yes

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

Tribhuvan University (TU) was established in 1959 as the first and only institution in the country chartered to award higher education degrees. By 1992 it grew into an institution with enrolment of over 150,000 students (including affiliated campuses) making it one of the largest universities in the world. The size of

student enrolment as well as the staff made TU a politically significant entity. Consequently, the government was not keen to introduce reforms that could alienate students. The failure to introduce timely reforms in TU for a long period of time made its policies and management paradigms thoroughly outdated, and its academic environment decline. The characteristic features of the environment in TU, which accounted for over 95% of the Nepal's enrolment in higher education during the preparation of the project were: (a) runaway enrolment growth; (b) chronic under-financing, very low levels of internal resource mobilization, and a high proportion of expenditures on salaries; (c) provision of secondary level education in a tertiary-level system; (d) a highly centralized and unwieldy management structure; (e) outdated curricula; and (f) poor physical condition of facilities, chronic equipment shortages, and very limited maintenance. This environment resulted in low internal efficiency and poor quality of graduates. Given the gravity of problems, resources and knowledge base required for undertaking reforms in TU, the Government, after the restoration of democracy in 1990, sought external support for the initiation of reforms. This project was essentially IDA's response to the wishes of the HMG of Nepal to initiate long overdue reforms in TU with a view to help higher education achieve its mission and, consequently, help Nepal meet its development aspirations.

As a part of preparation of this project the Government formulated the following policy objectives to guide reforms in higher education: (a) regulating enrolment growth; (b) improving resource utilization and mobilization; (c) preparing for higher secondary education reform; (d) improving the organization, planning and management capacity of TU; (e) improving quality, utility and responsiveness of higher education and (f) improving and maintaining physical facilities.

The objective of the project as envisioned in the DCA was "to enhance capabilities and improve facilities of, and upgrade instructional delivery in higher education in Nepal". According to the SAR, the project was aimed at systemic changes in the administrative, financial, and management processes of the university, and making such reforms feasible by improving physical facilities at a limited number of key University campuses. The SAR recognized that implementation of the proposed policy reforms would be a long-term process and it was decided to phase implementation by way of sequential project support. In this sense the underlying focus of the project was to test the responsiveness of the system to reforms rather than accomplishing a given set of reforms. This cautious approach towards reforms was wise because success in implementation of reforms depended as much on broad social acceptance of the reform agenda as on the appropriateness of the reform agenda itself.

Project Status Reports (PSRs) of the Higher Education Project (HEP) refer to project components, which were: (a) institutional development; (b) facilities improvement; (c) instructional delivery and assessment; and (d) preparation of higher secondary education reform, as development objectives of the project, while aide memoires indicate that supervision missions mainly focused on policy objectives for monitoring project achievements. This practice made sense because the project components were designed to facilitate the policy reforms in higher education that the government had articulated.

3.2 Revised Objective:

No changes were made in the development objectives during the implementation period.

3.3 Original Components:

The project components were:

- (a) assisting institutional development with particular emphasis on provision of a management information system, decentralization of management authority and strengthening of

- campus-level management;
- (b) improving selected facilities (particularly libraries and laboratories), at three key campuses and develop institutional maintenance capacity;
- (c) improving instructional delivery and rationalization of student examination system; and
- (d) assisting Ministry of Education and Culture to prepare for higher secondary education reform.

3.4 Revised Components:

With one major exception, project components remained largely unchanged. Initially, the project supported establishment of two clusters - one each in the eastern and western region. These clusters were to have a single lead campus and up to seven satellite campuses each. However, during implementation the Government decided to establish two new universities in each of these regions and the cluster sub-component had to be changed. The Policy Implementation Fund (PIF) – initially a small sub-component aimed at enhancing institutional innovation through small block grants – was expanded, and 24 campuses took advantage of these grants. The PIF grants not only allowed campuses to address needed improvements to the physical plant, but accelerated acceptance of greater autonomy from TU and responsibility for cost recovery at the individual campus level.

3.5 Quality at Entry:

The preparation of the HEP was preceded by the UNDP-sponsored and World Bank-managed Tertiary Education Project, which commissioned a series of studies on decentralization, financing, rationalization, manpower planning, scholarships and fee waivers, physical facilities and education reforms, all aimed at improving the knowledge of and reforms in the sector. This provided a solid foundation for project preparation and subsequent implementation. IDA's involvement in four other projects within the TU prior to this project, including the Institute of Engineering and the Institute of Agricultural and Animal Sciences, were also of great help in project preparation and implementation. Nevertheless, the design of the HEP did pose a formidable challenge because this project dealt with the more problematic and larger part of the university as opposed to the earlier projects which had catered to small, relatively well-organized and -funded faculties. While formulating the project, important lessons concerning deficiencies in project management, implementation, maintenance and sustainability were taken into account. These included lessons from past and on-going projects in engineering and agricultural education, as well as experiences with IDA-financed higher education projects elsewhere. Project objectives were defined to the best possible extent given the understanding of challenges and the situation in higher education and directed towards building capacity to produce quality human resources. Development objectives were in line with social priorities and educational plans of the Government. They were in harmony with the broad policy objectives articulated by the Government to guide the reform and therefore were appropriate to the problems of higher education in Nepal. The HEP fit well with one of the four main areas of focus of IDA's Country Assistance Strategy - population and human resource development.

Moreover, instead of adopting a 'quick fix' approach, project design aimed at obtaining feedback on the responsiveness of the system to the reforms being introduced. By emphasizing implementation of policies rather than adherence to a set of strictly defined components, the design provided the flexibility needed to meet the challenges presented over the seven year implementation period. The development and ultimate success of the Policy Implementation Fund (PIF) is but one example of the adaptability of this strong project design.

Though some components were modified to better respond to the dynamics of the reform and the evolving situation at Tribhuvan University, the basic project design, with its emphasis on implementing policies, remained valid throughout. Quality at entry is rated satisfactory.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The project was aimed at systemic changes in the administrative, financial, and management processes of the university, thus paving the way for systemic reforms in higher education. The project achieved its objectives satisfactorily by helping TU (including powerful faculty and student unions) internalize the need for initiating reforms with far-reaching implications, such as introduction of block-grant funding and courses based on full cost recovery.

The project components were designed to support *six key* policy objectives for reform in higher education. Achievement of project objectives is assessed based on the contribution of the project toward the implementation of each policy.

The rapid growth of both enrollment and number of campuses had exceeded both the physical and academic capacities of the TU and was one of the major concerns prior to the project. TU succeeded in **regulating enrollment growth** (in spite of the initial strong protest from students) through a variety of measures, including limiting enrollment to the capacity of each campus and department, introducing merit-based entrance examinations for all university-level programs, and regulating new campus affiliations. The achievement of this policy objective is rated satisfactory.

Despite rapid enrolment growth, the share going to higher education had declined over the years – from 35 percent of the total education budget in 1976 to only 21 percent in 1991. This, coupled with failure to recover costs, resulted in serious under-funding of higher education and, in particular non-salary recurrent costs. The project was to improve resource utilization and mobilization by increasing private responsibility for tuition and other fees, outlining policies to cover cost recovery and income generation, and privatizing TU service units. Except for the last of these, the policy was successfully implemented. A drastic increase in examination fees by the central administration in 1997 resulted in full recovery of examination costs. Cost recovery from student fees also increased from 7 percent at the start of the HEP to 24 percent in 1999, then dropped to 15 percent after a significant salary hike in 2000. In the late 1990s, cost recovery policies were articulated and a block-grant system was introduced to stimulate cost recovery. The introduction of new programs with high market demand on a full cost recovery basis is a firm indication of TU's resolve to improve cost recovery. The HEP, together with the Engineering Education Project, (another IDA-financed project supporting TU), was able to transform social attitudes toward cost recovery in public education institutions. Decentralization of authority enabled campuses to retain the resources they generated, creating a sound basis for better utilization of resources. In this context the contribution of the project to improve **resource utilization and mobilization** is rated highly satisfactory.

At the beginning of the project, around 56% of TU enrolment comprised Proficiency Certificate Level (PCL) - equivalent to higher secondary grade 11 and 12 - students. While the proportion of PCL students has dropped a little (to around 45%), other significant measures were taken to strengthen the final two years of secondary education and thus pave the way for full delineation of a three-tiered education system. For one thing, the project helped the Higher Secondary Education Board (HSEB) improve the quality of higher secondary through curriculum revision, teaching materials development, teacher orientation, strengthening of the examination system and the preparation of a plan for transferring proficiency level students to HSEB. HSEB, which accounted for less than 3% of all upper secondary enrollment prior to the project (or about 1,400), now accounts for over 50% (around 80,000). The project also improved the physical facilities of 11 public secondary schools (against the original target of 10) in an effort to establish a framework for upgrading public secondary schools into fully furnished higher secondary schools. Based

on the above-mentioned achievements, which were in part facilitated by the project, achievement of the policy objective **assisting higher secondary education reform** is rated satisfactory.

Prior to the project, size and extensive coverage of TU made it almost ungovernable. Over-centralization of authority in TU inhibited initiative in the individual faculties, making the system very inefficient. The project sought to enhance organizational effectiveness by strengthening policy planning and evaluation functions at the center while decentralizing responsibility for managing the individual faculties and campuses. In spite of broad acceptance of the principle of decentralization, the initiative was also perceived as a ploy to privatize institutions and thus received little support initially. Eventually, the HEP initiative was supported by a strong decentralization campaign launched by the Institute of Engineering (funded by three IDA credits), and this facilitated the adoption by the TU Senate of the landmark Decentralization Rules in 1998. In the final analysis, the pace at which decentralization (including the more advanced block-grant phase) spread across the system was beyond both the scope of HEP objectives and the most optimistic projections by TU authorities. Decentralization is the single most important and far reaching achievement of the project. Though the goal of strengthening the central administration was only partially realized the policy objective of **improving the organization, planning, and management capacity** of TU is rated highly satisfactory, as the success in the decentralization initiative far outweighs the shortfalls in strengthening of central administration.

Within the project period, the Herculean task of introducing a Three-Year Bachelor's degree program in five faculties comprising 386 courses was completed with inputs from the earlier UNDP project. Similarly, although not envisaged in the project, all Master's degree programs of five faculties comprising 862 courses were revised and implemented. The examination system was improved through massive training of the faculty in various aspects of examinations and computerization of the Controller of Examinations. The examination processing time was significantly reduced. All this has helped to change the academic image of TU. Based on the above, the policy objective of **improving quality, utility and responsiveness of higher education** is rated satisfactory.

Under-funded for a long time, the physical facilities of TU were both dilapidated and inadequate in the early 1990s. The project was to address these problems by providing facilities and equipment (primarily for the Kirtipur Campus), developing maintenance plans for facilities and equipment, and establishing capacity at the central level to plan and advise on future facility development and maintenance. Project inputs have significantly improved physical facilities at Kirtipur Campus and -- to a lesser extent -- at Prithvi Narayan and Mahendra Morang Campuses (two major regional satellites). The Policy Improvement Fund (PIF) Program, which was matched by locally-mobilized resources, contributed to improving facilities and equipment in over 24 campuses. Although greater self-reliance in facilities acquisition and resource recovery is likely to engender greater responsibility for facilities and equipment maintenance, the project failed to significantly improve maintenance in TU. However, taking into consideration the significant impact of the project in improving physical facilities in TU, the achievement of **improving and maintaining physical facilities** is rated satisfactory.

4.2 Outputs by Components/Objectives:

A. Institutional Development:

Based on the significant contribution of this component towards making the higher education system responsive to reform ideas, this component is rated highly satisfactory.

Organizational Reform:

This sub-component is rated highly satisfactory as it contributed significantly to the overall project objective of reforming higher education. A number of policy and other initiatives were taken to improve the organization, planning and management capabilities and practices in TU system. The most notable of these was adoption of the Decentralization Rules in 1998, which allowed campuses and research centers to choose between a decentralized or a conventional system. In spite of initial resistance, the eventual response to this decentralization initiative was so positive that 24 out of 45 campuses covered by the project and all four research centers chose this option. Of these, five campuses have chosen the block-grant option, which is an even more advanced stage of decentralization. The response to the decentralization initiative was overwhelming in the case of the technical institutes as well, which were technically outside the purview of the HEP. Now campuses are demanding an even greater degree of decentralization, including academic decentralization. An example of a move in this direction is the introduction of a four-year Bachelor's Degree Program in Business Administration at two campuses under their own initiative. Following the implementation of the Decentralization Rules there is an increasing evidence of change in the perception of stakeholders and particularly campus chiefs with regard to the promises of decentralization. Decentralization has helped to inculcate newfound confidence in the campuses. It is expected that decentralization will help to make campuses more sustainable and facilitate greater mobilization of resources.

The Policy Implementation Fund (PIF) was conceived by the project as a tool for providing small incentives of US\$20,000 to US\$50,000 for policy reforms to campuses not targeted for physical inputs under the project. The individual grant amount was later increased to US\$100,000 - 200,000 per campus. While seemingly negligible compared to the amounts targeted at Kirtipur and the two regional clusters, these small grants were instrumental in spreading organizational reform throughout TU. Ironically, in terms of facilitating reforms, the PIF seems to have paid off more than HEP's heavy inputs to Kirtipur and the cluster campuses, indicating that appropriately targeted incentives can play a large role in promoting reforms.

Decentralization, resource generation and phase out of proficiency level (PCL) programs were the main policy focus areas of the PIF. Altogether 24 campuses benefited from the PIF. In broad terms, the tangible outcomes of PIF were the introduction of the concept of stakeholder participation in management of campuses through Campus Management and Development Committees, and the realization that the campus level initiative for improvement of campuses makes a difference. Although levels of resource mobilization differed from campus to campus, achievements in this respect were significant. Three campuses and Faculty of Law managed to fully phase out PCL programs; others either decreased it or arrested its growth.

Following the Mid-Term Review (MTR) recommendations TU, with inputs from the HEP, prepared and its Senate adopted a strategic vision and long-term plan for the TU. This was a significant step forward in providing a road map for continuing reforms in TU.

Education Management Information System (EMIS)

This sub-component is rated marginally satisfactory. The EMIS was another important initiative under the management improvement scheme. The EMIS was designed and installed at the Office of Controller of Examinations (COE), Personnel Administration and Financial Administration divisions. The COE seems to have benefited the most from the EMIS. Expansion of the EMIS to regional campuses and within Kirtipur Campus was not accomplished.

Regional Cluster Development

This sub-component is rated unsatisfactory in this ICR. According to the SAR, regional cluster development was aimed at promoting greater decentralization of authority, and eventually autonomy, to eastern and western regional clusters. After long efforts this concept was abandoned in 1999. The perceptions within TU about the reasons contributing to the failure of the cluster concept are diverse, and include:

- Introduction of the cluster concept without adequate acceptance by stakeholders, including insufficient understanding of geographic, political and social factors, and rivalries between cluster campuses.
- Imposition from the top of a 'lead' campus without due consideration of the limitations of the institutions so designated or the potential acceptance by the cluster or 'satellite' campuses.
- Widely held perceptions that the establishment of Purbaanchal (Eastern Region) and Pokhara (Western Region) Universities, although unfunded, made the cluster concept redundant.
- Lack of clarity about the concept and its implications.

Abandoning the cluster concept did not adversely influence outcomes of HEP, as the designated cluster campuses were allowed to join the PIF, and the limited inputs that were provided through the block grants benefitted the cluster campuses. As a matter of fact, the spread of the PIF concept -- which had wide acceptance -- helped to speed up abandonment of the cluster concept without much controversy.

B. Facilities Improvement

Overall achievement of this sub-component is rated satisfactory in view of the significant contribution that it has made in upgrading facilities of 26 campuses of TU.

Maintenance Capacity Development

The sub-component is rated marginally unsatisfactory. The primary purpose of this sub-component was to develop maintenance capacity in each of the three principal campuses – Kirtipur, Prithvi Narayan and Mahendra Morang – through development of maintenance centers. As a consequence of abandoning the cluster concept, maintenance capacity development was focused on Kirtipur only. A Physical Planning and Development Unit (PPDU), Facility Management Office (FMO) and Center for Instrumentation Services (CIS) were established in Kirtipur with a view to develop maintenance capacity. However, at the time of this ICR, none of these units is operational. Weak commitment to routine maintenance is the apparent reason these three units have failed to function as envisaged, although some TU officials feel that the units do not fit into the overall organizational structure of Kirtipur and this prevented them from becoming operational and effective. They believe that the project efforts have helped to raise general awareness in TU about the importance of maintenance and note that many campuses are starting to operate maintenance funds. One indication of such awareness improvement is the initiative of Patan Multiple Campus – one of the participant campuses of PIF – to develop a campus maintenance plan. This may be an indication of increased realization of the importance of maintenance induced by decentralization.

Facilities Improvement

Overall achievement of this sub-component is rated highly satisfactory .

Civil Works: The achievement in civil works is rated highly satisfactory. Physical facility improvements were designed mainly for Kirtipur Campus and two other lead campuses, Prithvi Narayan (PN) Campus and Mahendra Morang Campus in the Western and Eastern Development Regions, respectively. Minor facilities improvements were also financed through the PIF, cluster development sub-components, and the higher secondary education component. The scope of civil works in clusters was reduced owing to the abandonment of the cluster concept.

Under PIF arrangements and the block-grant option, physical facilities in 24 TU Campuses have been improved. Eleven Higher Secondary Schools were upgraded with the provision of laboratory buildings, equipment and books. User reaction from Higher Secondary Schools and PIF campuses was found to be positive (Site visits to PIF Campuses, Nepal Commerce Campus and Patan Campus and Project feedback).

All planned maintenance and new construction including laboratory buildings at PN Campus were completed. All the facilities have been equipped and furnished as planned. Although most of the construction was substantially completed within the contract periods, some contracts were delayed, affecting the procurement and installation schedules of furniture and equipment, and necessitating an extension of the Closing Date.

Along with the preparation of a master plan and maintenance of existing buildings, the following facilities at the Kirtipur Campus were improved or extended: the Library, Controller of Examinations, Girls' Hostel, Central Administration, Institute of Sciences, and Faculties of Humanities, Education and Management. Although, the SAR accorded priority to expanding and upgrading science and library facilities only, a wider construction program was made possible through diversion of some resources from the Consultants and Fellowships Category to Works. The decision to expand the coverage of the construction program was wise because it effectively broadened the project's constituency, which in turn, helped to promote the reforms throughout the university. In fact, expansion of the civil works component may have inadvertently helped create the Policy Implementation Committee, a powerful body comprised of deans that came to play a crucial role in securing the success of HEP.

Consultant performance was generally satisfactory, with some problems noted concerning on-site supervision -- a factor that seems to have led to inconsistent quality of construction. However, except for one block (Zoology, where the defects are being rectified), the quality of construction is satisfactory. Even though some site development activities (such as construction of a by-pass road and a boundary wall) have been achieved, lack of attention to minor ground and landscape improvement next to the complex of newly refurbished academic buildings gives an air of incompleteness.

In a number of campuses PIF resources for civil works were supplemented by resources generated internally.

Goods: Overall achievement in procurement of goods is rated satisfactory. Although the delayed building schedule appears to have delayed the procurement of goods - equipment, furniture and books - all the planned equipment and furniture have been supplied and installed. The awards of a few bids were cancelled towards the end of the project to avoid delays and/or cost overruns. PCU performance in procurement of equipment, preparation of specifications, bidding and award processes, and installation management was satisfactory despite intermittent delays.

Except for shortfalls in maintenance capacity development, the implementation of the physical facilities components -- as designed or as they evolved over the project period -- has been satisfactory. These

physical outputs should enable achievement of other educational and management policy objectives. Routine maintenance is likely to improve as a result of decentralization initiatives.

C. Instructional Delivery and Assessment

The achievement of this component is rated highly satisfactory.

Examinations

The achievement of this sub-component is rated satisfactory. HEP inputs for improving the examination system included construction of a new building, provision of equipment including computers, staff training and commissioning of EMIS. All these activities were accomplished as planned. These inputs have helped the COE to conduct examinations more efficiently, reducing the time taken to declare results as well as improving the quality of examinations.

Curriculum Development and Textbook Revision

The achievement of this sub-component is rated highly satisfactory. The HEP complemented the UNDP-supported Tertiary Education Project in curriculum development for the three-year Bachelor's Degree programs. It supported core activities necessary for implementation of these programs such as teacher orientation and procurement of equipment, textbooks, and reference materials. In addition, the HEP provided support for preparation of instructional manuals for 76 courses and question item banks for 6 courses.

The implementation of Three-Year Bachelor's degree programs took place amid great scepticism. However, it was a great leap forward for a resource-starved and institutionally stagnant university. This would have hardly been possible without HEP support.

Commensurate with the Three-Year Bachelor's level curriculum, a new Master's level curriculum was designed and implemented in faculties of Humanities and Social Sciences, Management, Education, Law, and Institute of Science and Technology. The curriculum was disseminated and teachers/instructors were also oriented to the new curriculum. While developing curricula, the market needs, global trends and quality upgrading were taken into account. It has helped to standardize the Master's programs with similar programs in other countries.

TU has taken notable initiatives to formulate market-oriented courses in order to be responsive to changing market situations. Examples of such courses are Bachelor's Degree programs in Computer Applications, Library Science, Business Administration, Information Technology, Information Management and Rural Development, and Master's degree programs in Computer Applications, Food Technology, Environmental Science, and Rural Development. These developments -- though not anticipated under HEP -- resulted from the reform process and are an indication of enhanced responsiveness to market needs.

D. Preparation for Higher Secondary Education Reform

This component is rated satisfactory. The Higher Secondary Education Act had been promulgated in 1989 with an objective of phasing out Proficiency Certificate Level (PCL) programs from universities to the Higher Secondary Education Board (HSEB), then known as the Council for Higher Secondary Education (CHSE). Due to the lack of adequate conceptualization, this phase-out plan did not proceed as planned. The parallel delivery of the higher secondary level program and lack of progress in developing higher

secondary education programs in public or community institutions/schools created significant confusion in the education system. The objective of this component was limited in that it aimed at finding a pragmatic approach for phasing-out PCL programs, rather than phasing-out a finite portion of PCL enrolments from TU.

Support for upgrading of 10 secondary schools by adding higher secondary classes, refurbishing two satellite campuses within clusters that would receive PCL students exclusively, and providing instructional materials and equipment for higher secondary schools were the specific activities designed to test approaches for PCL phase-out.

HEP successfully supported 11 public secondary schools (against the SAR target of 10 and the revised MTR target of 60) either upgrading to higher secondary level or strengthening/expanding of higher secondary programs through civil works, books, computers and, in some cases, equipment. In retrospect, the MTR target of upgrading 60 schools was overly-optimistic in the context of the recurring management problems in the HSEB. The following valuable lessons were learned through this exercise:

- Compared with urban areas, upgrading secondary schools in rural areas was a more promising approach to phasing out PCL programs from university campuses.
- Creating stand-alone higher secondary schools (containing grades 11 and 12) is a less sustainable approach from both financial and academic perspectives than integrating all secondary grades into a single institution. Consequently, modalities for system-wide integration at the secondary level and the transfer of management of higher secondary education to the Department of Education needs to be developed.
- Defining a realistic funding framework for public secondary schools offering higher secondary grades (or "+2 programs") is a prerequisite for successful PCL phase-out.

Refurbishing of two satellite campuses and supply of instructional materials and equipment to six higher secondary schools was accomplished as planned.

With a view to support phasing-out of PCL programs in 1994, the HEP supported preparation of a Transition Plan and, in 1999 preparation of micro-plans. The Transition Plan remained largely unused, whereas the micro-plans were partially used to identify the 11 schools subsequently upgraded.

Other important project contributions in support of higher secondary education reform were:

- Assistance to HSEB in curriculum revision, teaching materials development, teacher orientation in revised curriculum and training in examination procedures. These inputs seem to have contributed toward expansion of HSEB.
- The drive for phase-out/stabilization of PCL programs through PIF.
- A TU policy of not affiliating new PCL campuses or programs.

The implementation of this component had to overcome a lot of difficulties associated with student resentment, management difficulties in the HSEB, inconsistency with respect to Government support for higher secondary education reform and, at times, strained relations between the HSEB and TU.

E. Unanticipated Project Results

Although the main targets for physical improvement under HEP were the science programs, the library at Kirtipur, and the lead campuses of the two clusters, the project ultimately provided assistance well beyond this limited scope to 23 other campuses as well as to the faculties of education, management, law and

humanities, and social sciences at Kirtipur. This expanded upgrading program provided incentives for additional stakeholders to support the reforms and added considerable impetus to the pace of reform. Other substantive achievements not anticipated at Appraisal (in terms of widespread adoption of controversial policies or enhanced pace of reform) are summarized below:

- The gradual but steady transformation of social attitudes toward acceptance of cost recovery in public institutions, making acceptable even full cost recovery with respect to programs with high market demand. Though the credit for introducing this concept goes to the Institute of Engineering, the HEP played an important role in spreading acceptance across the entire university community.
- The rapid acceptance of the concept and pace of decentralization of individual institutions once concerns about ulterior motives were overcome and the PIF was in place to provide some incentives.
- The potency of the PIF concept, which proved even more effective than originally visualized and greatly contributed to enhanced generation of campus-level reform initiatives.
- The preparation of a strategic vision and plan for guiding future reforms in TU.

4.2 Outputs by components:

n.a.

4.3 Net Present Value/Economic rate of return:

n.a.

4.4 Financial rate of return:

n.a.

4.5 Institutional development impact:

The institutional development impact of the project is rated as substantial. The most important achievement is the adoption of the Decentralization Rules in 1998, and the speedy implementation thereof. Implementation of the Decentralization Rules entailed a change in the management culture of TU from an organization managed from the central office to an organization that recognizes the role of campuses in management, and which seeks active participation of stakeholders in its management. Although the process of this transformation is far from complete, the decentralization initiative has already generated significant dividends. Local initiatives for campus development include campus improvement plans, local resource mobilization, and the offering of new market-driven academic programs. Initiatives for local resource generation, which are TU-wide, is expected to continue to improve the financial sustainability of TU.

The project helped to transform TU from an institution that shied away from reforms to an institution which is ready and willing to promote further reforms. The decentralization initiative made a key contribution toward this transformation. Rather than sticking to past practice of attempting university-wide reforms in a "one size fits all" approach -- which had proven counterproductive owing to the heterogeneity of TU campuses -- decentralization sparked initiatives and involvement by allowing individual reforms to take place at the level of the individual campus in a form and at a pace that fit local capacity.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

HEP implementation began in 1994, and implementation during the first year was relatively smooth. However, beginning with the election of a hung parliament in 1995 and for the next four years, HEP operated in an environment of political instability and frequent changes of government, which made implementation of the reform agenda much more difficult, with consistent political support hard to come by. The project was also affected by political infighting within TU and frequent changes in management of

HSEB. Political turmoil within the institution and the country partly explains the delay in initiating reforms. Overall, the political atmosphere during implementation was not conducive to consensus building and adoption of a reform agenda, which makes the significant gains made under the project even more impressive.

5.2 Factors generally subject to government control:

The project had no problem getting counterpart funding from HMG of Nepal. Other actions, however, taken or not taken by the Government, had an impact on the pace of implementation and the ultimate reform outcomes. Government's decision to establish Purbaanchal and Pokhara universities was inconsistent with the cluster concept supported under the project and contributed to the sad demise of this concept. Because of the large size and national scope of the TU system, certain elements of the project's reform agenda -- like PCL phase-out, cost recovery improvement, and regulation of enrolment growth -- had serious political implications nationwide and required committed support of Government. HEP-supported reforms were facilitated by the fact that they were consonant with the national framework for higher education reform enunciated in the Ninth Five-Year Plan and the recommendations of the High Level National Education Commission, 1999. Nevertheless, the lack of tangible Government support to the TU throughout implementation hampered widespread adoption of some of the more far reaching reforms.

5.3 Factors generally subject to implementing agency control:

Although the Project Coordination Unit (PCU) experienced initial turnover of key staff, subsequent continuity and strong commitment of project staff was a major factor contributing to HEP's success. On balance, the technical assistance to support project implementation was effective and effectively utilized. While disagreement over the selection of the EMIS consultant somewhat delayed implementation of that component, HEP implementation overall benefited from availability of in-house project management specialists throughout the majority of the implementation period. Another helpful factor was being able to draw upon experience of implementing reforms under the IDA-supported Engineering Education Project.

Finally, the project benefited from close cooperation among key university executives and valuable support from the Consultative Committee comprising senior TU faculty. The formation of a Policy Implementation Committee following the MTR contributed significantly to project success by rallying the crucial support of Deans. As noted elsewhere, their support was facilitated when the scope for improving physical facilities was broadened to include minor improvements to their faculties.

5.4 Costs and financing:

The project, estimated at US\$23.1 million, was to be financed through a US\$20 million IDA credit and a US\$3.1 million equivalent allocation from HMG of Nepal. In 2000, US\$1.6 million of the IDA credit was cancelled because of slow disbursement. When the disbursement later picked up unexpectedly because of financial pressure, one equipment bid had to be cancelled and other contracts scaled down. The credit in US\$ equivalent also decreased substantially due to the appreciation of US\$ against SDR. At the time of writing the ICR, total disbursement stood at US\$16.97 million, which left about US\$0.31 million of the credit unutilised. Total project costs were estimated at US\$ 19.52 million.

6. Sustainability

6.1 Rationale for sustainability rating:

Project sustainability has been rated as likely even though the maintenance component failed to take hold, because additional resources for operation and maintenance of facilities are likely to become available as cost recovery improves and the full impact of decentralization (including responsibility for maintaining assets) is understood. Enhanced potential for cost recovery is associated with: (a) better physical facilities, especially up-to-date laboratory equipment; (b) improvement of management capabilities; (c) improved curricula that is more responsive to the market needs; (d) the move towards enrolment that is consistent with capacity; and (e) the drive to introduce market-driven courses. Sustainability could be at risk if Government continues to cut back funding to higher education willy-nilly, in absence of sound funding criteria. In fiscal year 2001/02, the share of the public education budget going to tertiary education exclusively (excluding PCL programs), was only around 8 percent.

The reforms introduced with support from the HEP are likely to be sustained because they evolved through extensive dialogue with the stakeholders and backed by national policies. However, the needed reforms in higher education are far from complete. Without deepening and widening these first level HEP reforms, it is unlikely that the mission of developing Tribhuvan University into a university of international repute capable of supporting national aspirations for building a prosperous Nepal will be accomplished. To pursue further the reforms that the project helped initiate, a commensurate level of investment in higher education would be required. Moreover, investments needed to develop an infrastructure befitting a university of repute are still substantial, and a major infusion of resources is required due to the fact that overall physical facilities have been neglected for so long. These needs were clearly identified in the SAR.

Further investments in higher education (including TU) combined with focus on asset management, utilization, and periodic maintenance could continue to foster long-term reform in the tertiary education sub-sector. Additional initiatives that TU in particular needs to fully exploit include the benefits derived from HEP-supported investment pertaining to raising the level of staff commitment to the vision of the institution, enhancing the academic and professional qualifications of staff, ensuring supremacy of academic values over political values, and supporting further decentralization and delegation within the individual faculties.

6.2 Transition arrangement to regular operations:

The project was not involved in the regular operations of the university. HEP's role was managing specific project investments and creating an enabling environment for reforms through these investments. All key project staff were regular TU staff on deputation to the project. Experiences gained through implementation will be retained in TU and are likely to be adequate for sustaining the reform initiatives facilitated by HEP.

All investments in PIF campuses, except for equipment procurement, were managed by regular campus administration, as the cost of investments in these campuses was relatively small. Nevertheless, the enhanced management capacity developed through decentralization reforms should assist in maintaining the improvement in regular operations for each of the campuses affected.

Kirtipur Campus, the apex campus that also received the lion's share of project investment, benefited least from decentralization reforms. Hence, enhancement of management capacity in Kirtipur campus is moderate. Further rationalization of management of the Kirtipur Campus will be key in fully utilizing the

potential of the project investments.

The main challenge in transitioning to regular operations is assuring a continued flow of resources to maintain the infrastructure developed under the project. As explained in Section 6.1, TU is likely to be able to generate the required resources internally. Given this, transition to regular operation is not likely to pose a problem.

7. Bank and Borrower Performance

Bank

7.1 Lending:

The project concept was developed by TU faculty with assistance from the Bank staff and fully owned by TU. The Bank was effective in project preparation and the project was prepared and financed over a 15 month period. In retrospect, the cluster concept and decision to focus most of project investments on the science programs in Kirtipur were not in consonance with the objective of major reform at the tertiary level. Such apparent errors of project design are understandable given that this was the first attempt at university-wide systemic reform in Nepal and there were scant experiences to guide such a complex venture. In all events, this initial weakness in the project concept was later redressed through development of and enhancements to the all-important block grant program, or PIF. In order to complete all activities, the project needed two extensions of one year and five months, respectively. Extensions were due in large part to the turbulent political atmosphere during the bulk of implementation.

7.2 Supervision:

Bi-annual supervision by the IDA was thorough and effective. Supervision was facilitated by the excellent relationship between the borrower and the IDA supervision team. Supervision became more frequent at a later stage in project implementation and was matched by effective inputs from IDA country staff. Continuity of the Task Team Leader throughout the project was unusual and also greatly assisted implementation of the project. On a few occasions delays in procurement review by IDA affected project implementation, but this was eventually addressed in a satisfactory manner.

7.3 Overall Bank performance:

Overall Bank performance was satisfactory. Bank performance was greatly enhanced by the ability to make use of the rich experience of TU faculty. The ability to make quick but measured responses to challenges and changing circumstances was remarkable in the IDA supervision team. The IDA team played an important role in the satisfactory completion of the higher secondary component of the project in spite of persistent problems in TU and HSEB. Finally, the Bank's decision to grant two extensions came at critical junctures in the final stages of implementation. Without these extensions, successful completion of the project would not have been possible.

Borrower

7.4 Preparation:

The UNDP-funded, IDA-managed Tertiary Education Project made a substantial contribution to the preparation of the project. Nearly all studies for the Tertiary Education Project were conducted by TU staff. Similarly, the contribution of TU staff in preparation of the project was significant. Overall the performance of the borrower in preparation of the project was highly satisfactory.

7.5 Government implementation performance:

The Government was generally supportive of the project and made important contributions by deputizing its representatives to the Project Board and always providing adequate counterpart funding for the project.

Government's decision to establish universities in the eastern and western regions was unanticipated and inconsistent with the project design; it necessitated substantial accommodations in implementation, including abandonment of the cluster concept. Government failure to take the initiative in supporting higher secondary education reform slowed both implementation and the uptake of reform. Government's political contribution to furthering the reform agenda in general was rather limited -- owing possibly to the autonomous status of TU or to the significant internal turmoil within the Government itself. On balance, however, the Government's implementation performance was satisfactory.

7.6 Implementing Agency:

Tribhuvan University was the implementing agency for the project. The Project Coordination Unit (PCU) implemented the project on behalf of TU. The PCU was assisted by the Project Board, which included representatives from the Government, the Consultative Committee and Policy Implementation Committee. The initial relationship between the PCU and TU central administration was problematic. Later, however, TU administration became closely involved in the project and provided crucial support for the eventual success of the project. Overall project management by the PCU was satisfactory, particularly after external support for systematizing the project accounts was provided. The satisfactory performance of the PCU -- evaluated in the context of the difficult and complex environment faced -- was in significant measure due to the commitment of the PCU staff.

7.7 Overall Borrower performance:

The project benefited from all three teams of key university executives, who were entrusted with management of the TU system. All three Vice Chancellors were positive towards the project. The present Rector, who was involved in the project from the preparation stage to completion, together with a host of other faculty, ensured commitment and continuity for the project. The Borrower was able to significantly improve implementation at the latter period of the project leading to its successful completion and closure.

8. Lessons Learned

8.1 Government establishment of two new universities and consequent failure of the cluster concept, which had been quite central to the overall higher education reform strategy, was unexpected. The HEP was able to shelve the concept and adapt without appreciable damage to the Development Objectives because of timely enhancement of the block grant system under PIF. This demonstrated two things. Firstly, projects of high complexity -- such as university reform -- are unlikely to capture all the intricacies of the system or anticipate every eventuality, no matter how well prepared or designed the investments. Project implementers and supervisors should be able to make the necessary adjustments to project design with the support of IDA management and Government. Secondly, in highly complex and reform-oriented projects, it is better to link the achievement of Development Objectives to the implementation of policy reforms rather than to a specific set of predetermined activities.

8.2 Policy reforms in higher education have serious socio-political implications. At the beginning of the project, many did not believe that the objectives of decentralization and cost recovery were achievable in the then prevailing political environment. These objectives also generated a lot of suspicion from the stakeholders, who questioned their motivation. Only through extensive and sustained dialogue with stakeholders was the HEP able to convince stakeholders that these policy objectives were actually in their interest. Experience with the Regional Cluster sub-component demonstrates what can happen without wide social acceptance. The lesson is that profound systemic reform needs to evolve in an atmosphere of patient discourse with and broad dialogue among all stakeholders. In young democracies such as Nepal, where consensus-building is difficult, it is especially important to incorporate extensive public dialogue into project design, in order to enhance the role of citizen participation in the design of local institutions.

8.3 Cost recovery and decentralization initiatives in TU became successful largely due to incentives provided to the campuses in terms of retention of resources generated internally and grant funds from the PIF. This demonstrates that appropriate incentives can make a significant difference when promoting reforms in higher education systems. Incentives surpass complex and well resourced plans in achieving the goals and objectives of reform oriented projects.

8.4 Higher education policy reform is a long-term process that needs continued support over a protracted period. Interruptions of support mid-way in reform process can obstruct the full mobilization and use of benefits accruing from the reforms already implemented. The Government has not yet been able to mobilize necessary resources to support further reforms in higher education. Considering the significant potential of reform initiatives facilitated under the project and non-involvement of other donors in this sub-sector, IDA should be open to a Government request for assistance to higher education.

8.5 The project improved cost recovery in TU, but these gains have been offset by the unexpected and unplanned cutback of Government support. Continuing decline in Government allocations to higher education may even erode the gains made by the project and undermine the sustainability of the quality enhancements resulting from improvements to cost recovery. The failure to stabilize funding levels is due to lack of agreement between TU and the Government on funding principles. Therefore, in order for cost recovery initiatives to produce sustainable improvements in the quality of education programs, they must be accompanied by a strong commitment for continued public support.

8.6 Donor assistance to the education sector, which constitutes a lion's share of the development budget, has been guided by sub-sector considerations rather than by holistic sector-wide considerations. As a result allocation of resources between the sub-sectors has been strongly influenced by donor assistance. For example, the current unacceptably low share of higher education in public expenditure for education is a result of increased interest of donors in primary and secondary education, but little interest in higher education. Earlier the Government was able to maintain the share of higher education in the public expenditure for education at around the Government target largely due to IDA assistance to higher education. To avoid distortion of allocations between the sub-sectors it would be desirable to reach a broad understanding on sectoral allocations between the Government and donors.

9. Partner Comments

(a) Borrower/implementing agency:

The Borrower's comments to the Draft Implementation Completion Report (ICR) have been incorporated. The Tribhuvan University has communicated to us that they do not have further comments. The Borrower's ICR is presented in Annex 8.

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

10. Additional Information

Kathryn T. Johnston, Senior Education Specialist (EASHD), contributed to this report as Peer Reviewer.

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR	Actual/Latest Estimate
<p>Regulation of enrolment growth</p> <p>Limiting enrolment to the capacity</p> <p>Devising measures to enrol students on merit basis</p> <p>Regulating new campus affiliations</p>	Yes	<p>Enrolment capacity defined by Planning Division. Actual enrolment in 2000 was around 127,000 (excluding affiliated campuses) whereas the SAR projection for the same year, without intervention, was around 337,000.</p> <p>Entrance examinations introduced for all Bachelor's and Master's level programs, and some proficiency certificate level programs.</p>
<p>Improving resource utilization and mobilization</p> <p>Developing policies for cost recovery and income generation</p> <p>Privatising service units within TU</p> <p>Increasing private responsibility for tuition and other fees</p>	Yes	<p>Permanent affiliation criteria published. De-affiliation of Proficiency Certificate Level-only campuses ongoing. New affiliations severely restricted.</p> <p>High Level National Education Commission 1998 articulated policies for cost recovery. Block grant system introduced to stimulate cost recovery.</p> <p>Limited progress during project period, e.g., food services.</p> <p>Cost recovery in examinations improved to beyond 100%. Overall cost recovery improved to 24% from 7% at the beginning of the project. All new programs being introduced as full cost recovery programs. Cost recovery concept has become socially acceptable.</p>
<p>Preparation for higher secondary education reform</p>	Yes	<p>Significant expansion of higher secondary education program. HSEB accounts for over 50% of the PCL/HSE level enrolment in 2001 compared to less than 3% before the project.</p>
<p>Improving the organization, planning and management capacity of TU</p> <p>Increasing organizational effectiveness through decentralizing managerial responsibility</p> <p>Strengthening central administration to perform policy planning and evaluation functions</p>	Yes	<p>Implementation of Decentralization Rules 1998 in 25 campuses out of 45 within the purview of HEP and all 4 research centers have improved organizational efficiency. Five campuses and four research centers have moved to block grant funding.</p> <p>Establishment of Planning Council, commissioning of EMIS, and preparation of Twenty-Year Vision and Strategic Plan have enhanced capacity of central administration.</p>
<p>Improving quality, utility and responsiveness of higher education</p> <p>Establishing three-year Bachelor's degree programs</p>	Yes	<p>Three-year Bachelor's degree programs introduced. All Master's degree programs revised. Four-year Bachelor's degree program in Business Administration started.</p> <p>Quality of examinations improved,</p>

Improving examination system		examination results processing time reduced.
Improving and maintaining physical facilities	Yes	
Rectifying serious facilities and equipment deficiencies		Significant upgrading of physical facilities and equipment in Kirtipur Campus, moderate improvement in PN and MMA campuses, and some improvements in other 22 campuses.
Developing maintenance plans for facilities and equipment		Maintenance plan developed for Patan Multiple Campus.
Establishing the capacity in central administration to plan and advise on future facility development and maintenance		Not accomplished.

Output Indicators:

Indicator/Matrix	Projected in last PSR	Actual/Latest Estimate
<p>Institutional Development Organizational reform: (a) studies related to organizational structure, decentralization (b) managerial staff training (c) improving capacity to process information (d) developing staff performance standards (e) introducing PIF to stimulate self-reliance, resource mobilization and improvements in campus operation</p>	No	<p>(a) Accomplished (b) accomplished (c) partially accomplished (d) accomplished (e) PIF implementation was more successful than envisioned. Twenty-four out of 45 campuses within the purview of HEP participated in the PIF program.</p>
<p>Educational management information system: EMIS establishment in Kirtipur and at least two regional campuses</p>		<p>EMIS introduced in Controller of Examinations Office and Central Administration in Kirtipur as planned. Benefits from EMIS were significant in the COE Office. EMIS not introduced in regional campuses.</p>
<p>Regional cluster development: formation of two regional clusters</p>		<p>Regional clusters did not materialize though the program contributed to some physical facility development of cluster campuses. Some of the regional cluster campuses converted to PIF campuses.</p>
<p>Facilities Improvement Maintenance capacity development: workshops on preventive maintenance; development of maintenance centers at 3 principal campuses; staff training; maintenance and testing equipment</p> <p>Facilities improvement at Kirtipur: expansion and upgrading of science and library facilities; upgrading of humanities, education and management facilities</p>	No	<p>Facility Management Office and Centre for Instrumentation Services established in Kirtipur. Both units are close to non-functional. Maintenance centres were not developed in two other campuses.</p> <p>All planned facility improvement completed. Facility improvement in PIF campuses were superior to the original expectations.</p>
<p>Instructional delivery and assessment Examinations: to replace unsuitable premises for COE Office, equip it and train its staff</p> <p>Curriculum development and textbook revision: revision of undergraduate and graduate curriculum in about 20 specialties and procurement of books</p>	No	<p>Fully accomplished.</p> <p>All planned activities completed. In addition, curriculum developed for 50 additional specialties.</p>

<p>Preparation for higher secondary education reform:</p> <ul style="list-style-type: none"> (a) civil works for higher secondary classes in about 10 schools (b) refurbishing of two PCL-only cluster campuses (c) TA for curriculum textbook development (d) TA for developing HS School Leaving Certificate (e) instructional materials and equipment for higher secondary education schools against matching fund (f) TA for transition plan for PCL phase-out 	<p>No</p>	<ul style="list-style-type: none"> (a) Accomplished in 11 school (b) accomplished (c) fully accomplished (d) not accomplished in the absence of legal provisions (e) accomplished (f) fully accomplished
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End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

Project Cost By Component	Appraisal Estimate US\$ million	Actual/Latest Estimate US\$ million	Percentage of Appraisal
Institutional Development	7.70	6.06	82.73
Facilities Improvement	8.60	10.76	134.47
Instructional Delivery and Assessment	2.00	1.74	93.6
Preparation for Higher Secondary Reform	1.30	0.96	76.31
Total Baseline Cost	19.60	19.52	
Physical Contingencies	1.00		
Price Contingencies	2.50		
Total Project Costs	23.10	19.52	
Total Financing Required	23.10	19.52	

Source: Higher Education Project and Staff Appraisal Report.

Project Costs by Procurement Arrangements (Appraisal Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method			Total Cost
		NCB	Other	N.B.F.	
1. Works	0.00 (0.00)	9.30 (7.40)	0.00 (0.00)	0.00 (0.00)	9.30 (7.40)
2. Goods	4.70 (4.40)	2.60 (2.40)	0.50 (0.40)	0.00 (0.00)	7.80 (7.20)
3. Services	0.00 (0.00)	0 0	0 0	0.00 (0.00)	0.00 (0.00)
3. Local Training	0.00 (0.00)	0.00 (0.00)	0.61 (0.58)	0.00 (0.00)	0.61 (0.58)
4. Consultants and fellowships	0.00 (0.00)	0.00 (0.00)	2.94 (2.94)	0.00 (0.00)	2.94 (2.94)
5. Incremental Salaries and Operating Costs	0.00 (0.00)	0.00 (0.00)	2.45 (1.88)	0.00 (0.00)	2.45 (1.88)
Total	4.70 (4.40)	11.90 (9.80)	6.50 (5.80)	0.00 (0.00)	23.10 (20.00)

Source: Staff Appraisal Report and Development Credit Agreement. Some adjustments made because categories in the DCA do not match with the categories in the SAR.

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US\$ million equivalent)

Expenditure Category	ICB	Procurement Method			Total Cost
		NCB	Other	N.B.F.	
1. Works	0.00 (0.00)	8.92 (7.13)	0.09 (0.07)	0.00 (0.00)	9.01 (7.20)
2. Goods	5.15 (5.10)	1.69 (1.55)	1.32 (1.10)	0.00 (0.00)	8.16 (7.75)
3. Services	0.00			0.00	0.00

	(0.00)	0	0	(0.00)	(0.00)
3. Local Training	0.00	0.00	0.03	0.00	0.03
	(0.00)	(0.00)	(0.03)	(0.00)	(0.03)
4. Consultants and fellowships	0.00	0.00	1.44	0.00	1.44
	(0.00)	(0.00)	(1.44)	(0.00)	(1.44)
5. Incremental Salaries and Operating Costs	0.00	0.00	0.88	0.00	0.88
	(0.00)	(0.00)	(0.55)	(0.00)	(0.55)
Total	5.15	10.61	3.76	0.00	19.52
	(5.10)	(8.68)	(3.19)	(0.00)	(16.97)

Source: Higher Education Project

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US\$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Institutional Development	7.81	1.07		5.16	0.91		66.1	85.0	
Facilities Improvement	8.72	1.19		9.30	1.45		106.7	121.8	
Instructional Delivery and Assessment	2.26	0.05		1.67	0.06		73.9	120.0	
Secondary Education Reform	1.61	0.40		0.84	0.11		52.2	27.5	

Source: Higher Education Project. In appraisal estimates contingencies distributed to components by prorating.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating		
	Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation	12/1991	8	Implementation Specialist, Educators, Education Financial Specialist, University Facilities Specialist, Cons (3-unknown spec)		
	05/1992	6	Implementation Specialist, Educators, Education Financial Specialist, University Facilities Specialist, Librarian, Cons (1 unknown spec)		
Appraisal/Negotiation	11/1993	7	Education Specialists, Education Finance Specialist, Architect, Management Information System Specialist, Librarian		
Supervision	01/1994	3	Educator, University Facilities Specialist, Library Consultant		
	06/1994	4	Educators, University Facilities Specialist, Higher Education Finance Specialist		
	02/1995	3	Educators, Higher Education Finance Specialist	S	S
	03/1996	3	Educators, Higher Education Finance Specialist	S	S
	05/1996	2	Education Specialist, Social Sector Specialist	S	S
	10/1996	2	Education Specialists	U	S
	02/1997	2	Education Specialists	S	S
	02/1998	3	Education Specialists	U	U
	12/1998	5	Education Specialists, Architect	S	U
	06/1999	4	Education Specialists, Procurement Specialist, Architect	S	S
	12/1999	7	Education Specialists, Financial Management Specialist	S	S
	01/2000	6	Education Specialists, Financial Management Specialist	S	S
	06/2000	7	Education Specialists, Financial Management Specialist, Procurement Specialist	S	S
11/2000	4	Education Specialists, Financial	S	S	

ICR	11/2001	2	Management Specialist Education Specialist, Financial Management Specialist	S	S
	12/2001 - 6/2002	5	Operations Specialist, Education Specialist, Management Specialist, Architect		

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US\$ ('000)
Identification/Preparation	79.2	191.9
Appraisal/Negotiation	35.1	89.7
Supervision	95.0	171.8
ICR	9.2	21.1
Total	218.5	474.5

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	<i>Rating</i>
<input checked="" type="checkbox"/> <i>Macro policies</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Sector Policies</i>	<input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Physical</i>	<input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Financial</i>	<input checked="" type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Institutional Development</i>	<input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Environmental</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
 <i>Social</i>	
<input checked="" type="checkbox"/> <i>Poverty Reduction</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Gender</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input checked="" type="checkbox"/> <i>Private sector development</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA
<input checked="" type="checkbox"/> <i>Public sector management</i>	<input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA
<input type="checkbox"/> <i>Other (Please specify)</i>	<input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance

Rating

Lending

HS S U HU

Supervision

HS S U HU

Overall

HS S U HU

6.2 Borrower performance

Rating

Preparation

HS S U HU

Government implementation performance

HS S U HU

Implementation agency performance

HS S U HU

Overall

HS S U HU

Annex 7. List of Supporting Documents

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Additional Annex 8. HMG - MOES, Tribhuvan University: Implementation Completion Comment

Nepal : Higher Education Project (Cr. 2560-NEP.)

Borrower's Implementation Completion Comment

(April 2002)

A. Project Objective and Components:

Nepal : Higher Education Project (HEP) was implemented to help the Government initiate policy changes in higher education and reform administrative, financial and management in TU and improve physical facilities at its three key constituent campuses.

The objective of the project as envisioned in the Development Credit Agreement (DCA) was "to enhance capabilities and improve facilities of, and upgrade instructional delivery in higher education in Nepal."

The policy objectives of the project were to assist TU to : (a) regulate enrollment growth; (b) improve resource mobilization and utilization; (c) improve organizational effectiveness; (d) improve quality, relevance and responsiveness of higher education; (e) improve physical facilities and their maintenance; and (f) help implement higher secondary education reform.

The policy objectives were grouped into four components: (a) institutional development; (b) facilities improvement; (c) instructional delivery and assessment and (d) higher secondary education reform.

The HEP became effective from May 12, 1994 and the Credit closed on November 30, 2001, with two extensions: one of one year and another of five months. The grace period ended on March 31, 2002, four months from the credit closing date.

The project cost was Special Drawing Right (SDR) 14.2 million equivalent to US\$ 20 million. The cancelled credit amount was US\$ 1.6 million. The undisbursed balance at the end of the project was US\$ 0.3 million, which is 1.8% of the total credit after cancellation. His Majesty's Government (HMG) Counterpart Fund was US\$ 2.54 million.

B. Achievement of Project Policy Objectives:

Objective I: Regulation of Enrollment Growth

TU has regulated the enrollment growth (i) by introducing entrance tests and granting admission on merit basis; (ii) by reducing shifts and sections of Proficiency Certificate Level (PCL) programmes from Policy Implementation Fund (PIF) recipient constituent campuses; and (iii) by resetting levelwise enrollment capacity based on available classrooms, labs, libraries and teachers in campuses.

TU has stopped providing affiliation to PCL programmes. TU rules relating to affiliation for Bachelor and Master Level have been revised and the expansion of Bachelor and Master-level programmes is granted to the constituent campuses only on self-sustaining local support basis and on the condition of PCL Phase-out.

Objective II : Improve options for resource mobilization and utilization

With the implementation of TU Decentralization Rules 1998, the Campus Management Committees (CMC) have generated income in the campuses through various schemes such as: development fees, special programme fees, library fund, lab fund, full-fee paying programme, and mobilized resources by raising funds from local business communities, local administrative authorities and District Development Committees; and leasing out commercially valuable real estate for the development of commercial complex.

The Controller of Examinations (COE) has succeeded in raising examination fees substantially achieving cost recovery rate to 120% of the operating cost. TU had attained the overall cost recovery to 20% by FY 1999/2000. However, after the new revised salary scale of TU 2000/2001 (2057/58), the overall cost recovery rate has dropped to about 15% and about 100% in examination.

Objective III : Higher Secondary Education Reform (Implement Higher Secondary School Programme)

To facilitate higher secondary education reform HEP has helped the Higher Secondary Education Board with office equipment and transport vehicles. It has supported the HSEB to develop curricula and instructional materials and to organise dissemination/orientation seminars and workshops. HSEB was also provided with regional-level technical assistance to develop a micro transition action plan for phase-out and phase-in of PCL students from the TU PIF Campuses and HSE Schools in respective districts.

The Inter Agency Agreement (IAA) between HEP and the HSEB' was signed on December 1, 1999 to facilitate Higher Secondary Schools and following the IAA, School Support Activities Implementation Unit (SSAIU) was established at the HSEB to implement the micro transition plan. On July 5, 2000, the Inter Agency Agreement between HEP and HSEB was amended, and HEP funneled necessary fund to SSAIU. SSAIU completed the physical facility development in 11 schools to accommodate phased out PCL students from TU PIF Campuses.

Objective IV : Improving Organization, Planning and Management of TU.

TU reviewed and made necessary amendment in TU Rules in 2056 (1998) to decentralize TU system in all institutes, research centers, and constituent campuses. The amendments provided increased organizational effectiveness through decentralizing management responsibility to institutes, research centers, and constituent campuses. TU adopted TU Decentralization Rules (1998) from the fiscal year 1998/1999, and Campus Management Committees (CMC) have been formed in twenty-four constituent campuses. Of them, five campuses have adopted Block Grant System from the fiscal year 2000/2001.

One cluster in the Western Development Region was formed, and it completed Stage 2 (pp16 Project Component, Regional Cluster Development, SAR) implementation. Science lab building was constructed and furniture and equipment installed in the laboratory in Prithivi Narayan Campus, the lead campus in Pokhara. A vehicle was provided, a computer lab was installed and the management plan was developed for its implementation.

In the Eastern Development Region, though late, a mini cluster was formed with MMAM and PG campus as members in Biratnagar, and Stage 1 (pp16 Project Component, Regional Cluster Development, SAR) funding was completed. A proposal for management plan was developed.

The TU Twenty-year Strategic Vision was completed and distributed among TU Senate members for comment and approval.

Educational Management Information System (EMIS), Student Information System, Personnel Management, Financial Management and the Inventory of facility, have been set up and implemented in order to strengthen the central management to perform planning and evaluation functions effectively at TU

Central Office, Kirtipur.

Objective V : Improve Quality, Relevance and Responsiveness of Higher Education

The formulation of Three-Year Bachelor programmes, development and printing of new curricula and course catalogue, workshop for dissemination and orientation of teachers, preparation of teachers guide for Bachelor-level courses in some selected subjects, improvement of test and evaluation and development of prototype item bank have been completed.

Master level curricula were revised and orientation programmes were organized. Textbooks and reference books were procured and distributed to concerned departments, Libraries and Campuses.

TU has reformed the examination system. The project constructed a new building for the Office of the Controller of Examinations (COE) at Balkhu in Kirtipur to help reform and strengthen examination at TU. The new premises of the COE are fully equipped with Student Information System and Computer Network. The project has also installed an Offset Printing Machine. Now the COE does not have to go out for printing purposes. The COE has established a Research Unit with five professionals trained in the USA on Educational Measurement. The Student Information System Unit processes examination results and prepares result Statistics and distributes them to Campuses.

The project has supported to upgrade the TU Central Library. The Library building was extended by 1122 sq.m. along with furniture, fittings and shelving. A package of 1500 titles of precious reference books incorporating all the subjects of all Faculties and Institutes were supplied. The Library is now equipped with a computer unit and communication network. The computers for library automation have been installed and commissioned. A book binding machine and the Library Security System have been installed and commissioned. Ten Junior Librarians and four Senior Librarians were awarded scholarships to study Bachelor and Masters in Library and Information Science in India and twenty junior librarians to study Bachelor in Library and Information Science in TU. Professional Library staffs were provided local training on Information Retrieval and Sustainability of Library Service in TU Central Library.

Objective VI : Improvement and Maintenance of Physical Facilities

Physical Planning and Development Unit in TU Planning Division, Facilities Management Office, Central Instrumentation Service in the University Campus have been established. Master planning and conceptual designs of Kirtipur Campus were developed. Constructions were completed phasewise. Site development works and renovation works at Kirtipur were completed. Site development included construction of Access Road to Kirtipur, Boundary Wall on west side, Sports Complex (Basket Ball, Volley Ball, and Tennis Court), Deep Boring Water Supply (including underground water tank and Water Treatment Plant). Renovation and External Power Distribution Network of TU Complex were completed.

The installation and commissioning of equipment for the new laboratories at University Campus Kirtipur, Postgraduate Campus Biratnagar, Prithivi Narayan Campus Pokhara and equipment for 15 PIF constituent Bachelor-level Campuses at different districts have been completed. Computer Laboratories have been established with necessary equipment (hardware and software) and accessories at 15 different campuses. Computers, fax machines and photocopiers were distributed to constituent campuses.

C. Unanticipated Achievement:

- The Policy Implementation Fund was enhanced and extended from the original set of three to fifteen constituent campuses across the country. The motivation of PIF has succeeded in spreading TU Decentralization Rules, 1998 to 24 out of 45 TU general campuses by regulating gradual PCL Phase out programmes. Of PIF recipient campuses Shanker Dev and Nepal Commerce Campus (faculty of

management) totally phased out PCL Programmes and started Bachelor in Business Administration (BBA) on full cost recovery principle.

- Patan Multiple Campus has leased out its real estate for 30 years for the development of a commercial complex near Hotel Narayani.
- Five constituent campuses have adopted block grant scheme under TU Decentralization Rules, 1998.
- Increasing awareness was generated among Campus Management Committees and stakeholders on the urgency of income generation and optimum mobilization and utilization of campus resources.
- Tribhuvan University Twenty-Year Strategy Vision Plan was prepared to chart future course of action.

D. Lessons Learned:

- Considering the complex nature of Higher Education Project and the involvement of several institutions and social communities, continuous discussions, deliberations and wide dissemination among stakeholders are essential preconditions for its successful implementation.
- The sailing of a project like HEP in which a component of reform activities of two different autonomous institutions : one of higher education and the other of higher secondary education is tied up, is, if not impossible, very turbulent. It would have been better if the implementation of policy objectives of each institution were separate, not tagged along. For example: phase-out of PCL programme from TU and phase-in of +2 students in Higher Secondary Education Schools. The project disbursement was delayed due to delay in implementation of phase out and phase in programmes. Unless schools for phase-in are ready, PIF Campuses will not be able to phase-out PCL students from the campuses. Unless the phase-out policy is regulated, no PIF is circulated hence, disbursement is made difficult and as a result, project progress is not observed, inspite of tangible achievements in other components.
- Considering the huge procurement component, a strong procurement team with wide knowledge of procurement science and art as well as a strong financial management team with advanced accounting knowledge are essential. A project like this should include essential staff development component as technical assistance.
- In a project like HEP, where several small institutions like PIF campuses and schools are involved, there is a need to give authority to carry out small procurement of goods and services for immediate implementation of assigned project policies, The World Bank Procurement Guidelines have to be flexible and simple so as to fit local needs.
- The foreign exchange rate fluctuations influenced the project disbursement as the payment by the World Bank is based on reimbursement of expenditure in Nepalese rupees at the exchange rate prevailing on the date of reimbursement. In the case of HEP, the exchange rate for US\$ 1 was equal to Nepalese Rupees 49.58 at the time of signing of the DCA, February 14, 1994. The exchange rate of Nepalese Rupees devalued year by year from Rs. 49.58 to Rs. 76.30 on the closing date of the project, November 30, 2001. The appreciation of dollar reached up to 50 percent against Nepalese Rupees which means less disbursement. The appreciation of US\$ in terms of SDR and the depreciation of Nepalese Rupees in terms of dollar, time and again, led the project unintentionally save the credit to some extent as undisbursed amount.

E. Some Odd Experiences:

- Higher Education Project is a small trial project for higher education reform in the country. The Project's physical facilities component was focused on Science Departments at Kirtipur Campus. The achievement of physical facilities improvement was sought from all the Departments and Campuses, PCU

had to face unwarranted criticism.

- The Phase-out of PCL Programme, according to SAR, was to launch from two lead campuses of WDR and EDR clusters. But the PCU had to try for PCL phase-out from several TU Campuses.
- PCU was locked up for 38 days during the student unrest.
- The implementation of cluster concept was difficult because of geographical diversities of scattered constituent campus establishments and the super-ego of cluster members. The Government's decision leading to establishments of Purbanchal University made the cluster concept redundant in Eastern Development Region and the Pokhara University in Pokhara nullified the cluster concept that have gained fairly satisfactory momentum in the Western Development Region.
- PCU, HEP was treated as the sole responsible agent for all matters pertaining to higher education reform in the country and was made accountable for every malady in higher education in the country.
- HEP has a strong feeling that the project should be evaluated in terms of policy objective achievement rather than disbursement of credit. If with lesser disbursement greater achievement is made as HEP did, the project should have been rated satisfactory not as problematic.

F. Borrowers Performance:

HMG, the borrower implemented the project through Tribhuvan University. TU management and HEP Board both remained active and alert throughout the project period and provided all the necessary guidance and encouragement to the PCU to implement the project on time. A Consultative Group, comprising five members including pioneers of HEP, was formed to provide technical and intellectual guidance to PCU, HEP to implement Institutional and Instructional Development objectives of the project components. A Policy Implementation Committee chaired by the Rector with Deans of five Faculties and Institute of Science and Technology, Member-Secretary of TU Planning Council with HEP, was formed to implement policy objectives in PIF recipient constituent campuses. The PIC made efforts to implement the project supporting Bank Missions till the closing date of the project. The PCU, though slow in the initial stage, gained necessary momentum in the later stage to complete the project. Ministry of Finance and Ministry of Education and Sports and the National Planning Commission provided their co-operation through out the project period.

G. Bank Performance:

IDA provided strong support to the Borrower throughout the project period. The Task Manager and the Bank Mission aided by national, regional and international education specialists and planners provided very important guidance to support the PCU, HEP for a successful project implementation. The Bank also helped HEP to accelerate the speed of HSE reform in co-operation with HSEB Management.

On a few occasions, PCU did experience unforeseen delays in procurement review from IDA side, affecting project implementation. The assistance of the Task Manager and his Mission Team is highly appreciated throughout the project. The Bank's decision to grant two extensions, one of one year and another of five months at critical juncture, is highly appreciated. The two extensions helped a successful completion of the project. Except for the cancellation of credit amounting SDR 1.2 million, overall Bank performance was highly satisfactory and commendable.

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