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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

April 4, 2011

Mr. Rameshore Prasad Khanal
Secretary
Ministry of Finance
Singha Durbar, Kathmandu

SA

RECEIVED
23 MAY 2011

Ref/915

Dear Mr. Khanal:

NEPAL: Second Higher Education Project (Grant No. H274-NEP)
Amendment to the Financing Agreement

We refer to the Financing Agreement for the Second Higher Education Project (the "Project") between Nepal (the "Recipient") and the International Development Association (the "Association") dated April 30, 2007 (the "Financing Agreement"), as amended to date. We also refer to (i) the Aide Memoire of the July 18-30, 2010 Restructuring Consultations; and (ii) the letter from your Ministry dated December 28, 2010, requesting the Association to amend the Financing Agreement.

The Association supports this request to amend the Financing Agreement, and accordingly, the Financing Agreement is hereby amended as follows.

Unless the context requires otherwise, the capitalized terms used in this letter of amendment have the meanings ascribed to them in the General Conditions or in the Financing Agreement.

1. In Article III, paragraph 3.01 is amended to read as follows:

"3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (i) **carry out Parts 1.A, 1.B, 2 and 4.A of the Project through UGC and Part 3 of the Project through DOE; and (ii) cause Tribhuvan University to carry out Parts 1.C and 4.B of the Project**, all in accordance with the provisions of Article IV of the General Conditions."
2. Schedule 1 is amended in its entirety as per the Attachment to this letter of amendment.
3. In Schedule 2, Section I, the heading in paragraph C is amended to read as follows:

"**C. Steering Committee, Key Staff at UGC, DOE, SFAFDB and Tribhuvan University; Quality Assurance and Accreditation Council.**"
4. In Schedule 2, Section I, paragraph C.2 is amended to read as follows:

"2. (a) The Recipient shall maintain the staffing of **UGC-PIU, Tribhuvan University PIU**, DOE and SFAFDB with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation: (i) Class I Administrative Officer at UGC; (ii) Class II Finance Controller at UGC; (iii) Class II Planning and Monitoring Officer at UGC; (iv) Class I Director Accreditation and Quality Assurance Division at UGC; (v) Class II Administrative Officer at the Accreditation and Quality Assurance Division at UGC; (vi)

Class II or Class III Procurement Officer at UGC; (vii) Class I Executive Officer at SFAFDB; (viii) Class III Accounts Officer at DOE, **(ix) Project coordinator, procurement officer, monitoring and evaluation officer and, finance officer at Tribhuvan University PIU; and (xi) core support team.** The Recipient shall ensure that these key staff, assuming satisfactory performance, are not transferred to other positions during the Project period (and in the case of the Accounts and Finance officers, until six (6) months following the Closing Date or until submission of the final audited Financial Statements, whichever occurs later), except with prior notice to and consultation with the Association and as required by the applicable laws of the Recipient.

(b) The Recipient shall ensure that all staff and employees, who have participated in an international training course or a study visit under the Project, will remain in post for a minimum period as specified by Clause 40 (c) of the Civil Service Act, 2049 (1993), or any amendment thereto.”

5. In Schedule 2, Section I, paragraph D.1 is amended to read as follows:

“1. The Recipient shall approve and disburse the Subproject Grants **under Parts 1.A and 1.C of the Project through UGC, the Subproject Grants under Part 3 of the Project through DOE, Research Grants under Part 1.B of the Project through UGC and Scholarships under Part 2 of the Project through SFAFDB,** to the Beneficiaries and monitor the uses of all such Grants and Scholarships in accordance with the eligibility and selection criteria, disbursement procedures and criteria, monitoring procedures and other provisions relating to such Grants and Scholarships as set forth in the Grants Framework, the UGC Operations and Financial Management Guidelines, the DOE Program Implementation Guidelines, the Guidelines for Research Funding, the Quality Assurance and Accreditation Manual and the Guidelines for Student Financial Assistance.”

6. In Schedule 2, Section I, paragraphs D.4, D.5. and D.6 are amended to read as follows:

“4. The Recipient shall ensure that the proceeds of the Subproject Grants under Parts 1.A, **1.C** and 3 of the Project will be used to finance only the activities and expenditures included in the Beneficiaries’ strategic plans or school development plans.

5. The Recipient shall ensure that the goods, works and services to be financed from the proceeds of the Subproject Grants under Parts 1.A, **1.C** and 3 of the Project will be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Section III of Schedule 2 to this Agreement.

6. The Recipient shall ensure that each of the Subproject Grants under Parts 1.A, **1.C** and 3 of the Project will be released by UGC **or Tribhuvan University** or DOE to its **respective** Beneficiary in accordance with the terms and conditions set forth in its Memorandum of Understanding, in form and substance satisfactory to the Association. The terms and conditions of each Memorandum of Understanding shall, *inter alia*.”

7. In Schedule 2, Section I, paragraph 6(e) and sub-paragraph 6(e)(ii) are amended to read as follows:

“(e) reserve for UGC or DOE or **Tribhuvan University** the right to:”

“(ii) obtain all information as UGC, **Tribhuvan University** or DOE or the Association shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and”

8. In Schedule 2, Section I, paragraph D.8 is amended to read as follows:

“8. The Recipient shall ensure that: (a) each of the Scholarships under Part 2 of the Project will be released by the Administrator to its Beneficiary (a student) in accordance with the terms and conditions (including a description of the Subproject activities and permitted use of such Scholarship) set forth in a student financial assistance grant agreement to be executed between the Administrator and such Beneficiary, in form and substance satisfactory to the Association; and (b) SFAFDB is responsible for the selection of Scholarship Beneficiaries and monitoring of the Scholarships, including grant disbursement and academic progress, in accordance with criteria set out in the revised UGC Operations and Financial Management Guidelines, satisfactory to the Association.

9. In Schedule 2, Section I, paragraph D.10 is amended to read as follows:

“10. The Recipient shall ensure that UGC, **Tribhuvan University** and DOE disseminate to the public on a trimesterly basis, by means of communication satisfactory to the Association, information regarding the Beneficiaries to which any of the Subproject Grants have been provided during the preceding trimesterly period.”

10. In Schedule 2, Section II, paragraph A.1 is amended to read as follows:

“1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the **(i) performance indicators; and (ii) actions contained in the GAAP**, agreed with the Association. Each Project Report shall cover the period of a Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.”

11. The table in Schedule 2, Section IV, paragraph A.2 is revised as follows:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1)		
(a) Subproject Grants under Part 1.A of the Project (UGC)	12,580,000	100% of amounts disbursed
(b) Research Grants under Part 1.B of the Project (UGC)	2,610,000	100% of amounts disbursed
(c) Scholarships under Part 2.A of the Project (UGC)	2,770,000	100% of amounts disbursed
(d) Tribhuvan University Subproject Grants under Part 1.C of the project (UGC)	9,550,000	100% of amounts disbursed
(2) Subproject Grants under Part 3 of the Project (DOE)	8,920,000	100% of amounts disbursed
(3)		
(a) Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4.A of the Project (UGC)	1,070,000	100%
(b) Goods, Services, Training and Study Tours for Tribhuvan University under Part 4.B of the Project (UGC)	420,000	100%
(4) Goods, Services, Training and Study Tours under Part 3 of the Project (DOE)	790,000	100%
(5)		
(a) Incremental Operating Costs under Parts 1.B, 2.B and 4.A of the Project (UGC)	1,050,000	90%
(b) Incremental Operating Costs for Tribhuvan University under Part 4.B of	260,000	90%

(6) Incremental Operating Costs under Part 3 of the Project (DOE)	530,000	90%
(7) Unallocated	1,050,000	
TOTAL AMOUNT	41,600,000	

For purposes of paragraph 11 of this letter of amendment, this amendment shall be deemed to cover the cost of Eligible Expenditure under Categories (3)(b) and (5)(b) incurred by Tribhuvan University under Part 4.B of the Project, up to an aggregate amount of thirty five thousand Dollars (US\$35,000) equivalent prior to the date of countersignature of this letter of amendment but on or after August 25, 2010.

12. Paragraph 14 in the Appendix to the Agreement is revised to read as follows:

14. “Grants Framework” means the Grants Framework section included in the DOE Program Implementation Guidelines and the UGC Operations and Financial Management Guidelines, setting out the terms and conditions for administering the Incentive Grants, Performance Grants, Matching Grants, Basic Grants and Other Grants to be provided under Parts 1.A, **1.C** and 3 of the Project (including, *inter alia*, eligibility and selection criteria, use of grants, monitoring and other provisions relating to such Grants), as the same may be amended from time to time with the agreement of the Association.

13. Paragraph 18 in the Appendix to the Agreement is revised to read as follows:

“18 “Incentive Grants” means grants to be provided under Part 1.A **and 1.C** of the Project to finance the costs of Subprojects and designed to encourage academic institutions to embark on reforms.”

14. Paragraphs 19 and 20 in the Appendix to the Agreement are revised to read as follows:

“19. “Incremental Operating Costs” means: (i) expenditures incurred by DOE or UGC or **Tribhuvan University** for the operation and maintenance of facilities, equipment and vehicles used for Project implementation (including without limitation office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising); (ii) transportation costs and subsistence allowances for DOE or UGC or **Tribhuvan University** staff in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to DOE or UGC or **Tribhuvan University** for Project implementation but excluding salaries of the Recipient’s civil servants.

“20. “Matching Grants” means grants to be provided under Parts 1.A, **1.C** or 3 of the Project to finance the costs of Subprojects and designed to encourage academic institutions to mobilize resources (including internal resources and philanthropic donations).”

15. Paragraph 21 in the Appendix to the Agreement is revised to read as follows:

21. “Memorandum of Understanding” means each Memorandum of Understanding (or a similar arrangement) to be executed between UGC or DOE, on the one part, and its **respective Beneficiary**, on the other part, **or between Tribhuvan University, on the one part, and its respective Beneficiary, namely an Autonomous Campus or a Decentralized Campus, on the other part**, in each case setting forth, *inter alia*, the terms and conditions for: (i) the release of a Subproject Grant; (ii) the use of, and the nature of activities and expenditures to be financed with the proceeds of, such Subproject Grant; and (iii) the reporting, monitoring and auditing requirements relating to the release and use of such Subproject Grant.”

16. Paragraphs 24 and 25 in the Appendix to the Agreement are revised to read as follows:

“24. “Other Grants” means grants to be provided under Parts 1.A **and 1.C** of the Project to finance the costs of Subprojects for: stakeholder consultation; strategic plan preparation; establishment of baseline data; quality audit report preparation; and quality assurance self study report preparation.

“25. “Performance Grants” means grants to be provided under Parts 1.A, **1.C** or 3 of the Project to finance the costs of Subprojects and designed to reward academic institutions for reform-oriented achievements.”

17. New paragraphs numbered 40, 41, 42 and 43 are added in the Appendix to the Agreement as follows:

“40. “Tribhuvan University PIU” means the project implementation unit referred to in paragraph C.2 of Schedule 2 to this Agreement, or any successor thereto.”

“41. “UGC- PIU” means the project implementation unit referred to in paragraph C.2 of Schedule 2 to this Agreement, or any successor thereto.”

“42. “GAAP” means the Governance and Accountability Action Plan, acceptable to the Association and referred to in paragraph A.1 of Section II, Schedule 2 to this Agreement, setting out, *inter alia*, policies and procedures for addressing and mitigating fiduciary and other programmatic risks under the Project, as the same may be amended from time to time with the agreement with the Association.”

“43. “The Administrator” means a commercial bank hired by the Student Financial Assistance Fund Development Board (SFAFDB) to manage the Scholarships under the programs of financial assistance to students.

18. The Performance Indicators set out in the supplemental letter related to the Financing Agreement dated April 30, 2007 are amended and now include the GAAP as indicated in Attachment 2 of this letter of amendment.

All the other terms and conditions of the Financing Agreement, except as amended hereby, shall remain in full force and effect.

Please confirm your agreement with the foregoing by signing two originals of this letter of amendment and returning one fully executed original to the Association. Please retain the other original for your records. This letter of amendment shall enter into effect as of the date of countersignature by the

authorized representative of the Recipient upon receipt of the countersigned letter of amendment by the Association. .

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Susan G. Goldmark
Country Director for Nepal
South Asia Region

**AGREED AND CONFIRMED:
NEPAL**

By: /s/ Krishna Hari Baskota
Title: Finance Secretary
Date: 20 May, 2011

Attachment 1**SCHEDULE 1****Project Description**

The objectives of the project are: (a) to enhance quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions; and (b) to improve access for academically qualified students from disadvantaged groups in higher education and higher secondary education.

The Project consists of the following parts:

Part 1: Reform Grants

- A. Provision of Incentive Grants, Performance Grants, Matching Grants and Other Grants, through UGC, to small universities and Community Campuses for the purposes of financing Subprojects, and aimed at improving the quality of education delivered and their efficiency through improvement of their financial sustainability.
- B. Promoting research and innovation, including: (i) provision of Research Grants to teaching staff and students for the purposes of financing Subprojects; and (ii) strengthening research infrastructure.
- C. Provision of Incentive Grants, Performance Grants, Matching Grants, Other Grants and Grants for new academic programs at the master's and bachelor's levels in priority areas, such as basic and applied sciences, engineering, medicine, management, agriculture and forestry, and other employment/economic development focused areas, through UGC to Tribhuvan University (Central Office, Central Departments, Decentralized Campuses and Autonomous Campuses), for the purposes of financing Subprojects, and aimed at improving the quality of education delivered and their efficiency through improvement of their financial sustainability.

Part 2: Student Financial Assistance

- A. Provision of Scholarships, through the Student Financial Assistance Fund Development Board (SFAFDB), to qualified students who do not have means to pursue higher secondary and bachelor's level education for the purposes of financing Subprojects.
- B. Operationalization of the Student Financial Assistance Fund Development Board (SFAFDB) for purposes of administering programs of financial assistance to students.

Part 3: Higher Secondary Education

Provision of Basic Grants, Performance Grants and Matching Grants to community higher secondary schools for the purposes of financing Subprojects, and support for strengthening Educational Management Information System and capacity development of DOE and HSEB aimed at expanding enrollment and improving quality of education.

Part 4: Strengthening System Capacity

- A. Enhancement of the capacity of UGC and MOES to facilitate development of higher education through: (i) establishment of the Quality Assurance and Accreditation System; (ii) establishment of the Educational Management Information System; (iii) recommendation for the development of national policy on higher education; (iv) training, study tours, policy studies, communications and other support activities, and (v) support to UGC-PIU.

- B. Enhancement of the capacity of Tribhuvan University to facilitate development of higher education through: (i) policy dialogue on Tribhuvan University reform and confidence building measures; (ii) establishment of Tribhuvan University Educational Management Information System; (iii) training, study tours, Tribhuvan University policy studies, communications and other support activities, and (v) support to Tribhuvan University PIU.

Attachment 2

**NEPAL: Second Higher Education Project
Results Framework**

Project Development Objectives	Outcome Indicators	Use of Outcome Information
A. Enhanced quality, efficiency and relevance of higher education through a set of systemic reforms, and incentives to selected institutions	<p>A1. Number of institutions accredited</p> <p>A2. Student pass rates in bachelors and masters levels in participating institutions</p> <p>A3. Share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating institutions¹</p>	<p>Year 4-6: Use to supervision missions to assess quality of educational institutions</p> <p>Year4- 6: Use to evaluate efficiency</p> <p>Year 4-6:Use to assess relevance of higher education</p>
B. Improved access for academically qualified students from disadvantaged groups in (a) higher education and (b) higher secondary education	B1. Share of enrollment from disadvantaged groups in participating institutions at (a) higher education and (b) higher secondary education levels [disaggregated by gender, Dalits and educationally disadvantaged Janajatis for both (a) and (b)]	<p>Year 4-6: Use to assess effectiveness of inclusion policies on access to higher educations</p> <p>Year 6: Use to inform the process of mainstreaming interventions and modalities used in the project</p>

¹ More specifically, in the following areas: (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

Intermediate Results	Results Indicators for Each Component	Use of Results Monitoring
<p>1.1 Decentralization of TU constituent campuses enhanced</p> <p>1.2 Community campuses qualify for project support</p> <p>1.3 Improved quality of research</p> <p>1.4 Improved relevance of programs</p>	<p>1.1 Number of (a) autonomous campuses and (b) decentralized campuses</p> <p>1.2 Number of community campuses getting project support</p> <p>1.3 Increase in the number of publications in refereed journals by the research grant recipients</p> <p>1.4 Number of new programs in science, technology, management, and other employment/economic development focused areas²</p>	<p>Year 4-5: Provide information on decentralization progress to determine whether adjustments to policy framework are needed</p> <p>Year 6: Use to mainstream interventions and modalities used in the project</p>
<p>2.1 Student Financial Assistance Trust Fund established and functional</p>	<p>2.1 Number of students receiving financial assistance from the Fund at (a) higher education and (b) higher secondary education levels [disaggregated by gender, caste/ethnic groups and consumption quintile for both (a) and (b)]</p>	<p>Year 4-6: Use to assess progress in inclusive access in higher secondary and higher education</p> <p>Year 6: Use to mainstream interventions and modalities used in the project</p>
<p>3.1 Strengthened community higher secondary schools</p>	<p>3.1a Enrollment in community higher secondary schools</p> <p>3.1b Share of enrollment in the science stream in participating community higher secondary schools</p>	<p>Year 4-6: Use information to assess progress of community higher secondary schools in accommodating students affected by PCL phase out from universities</p>
<p>4.1 Functioning independent Quality Assurance and Accreditation System established</p> <p>4.2 Strengthened M & E system</p> <p>4.3 Confidence building measures implemented by TU</p> <p>4.4 Development of comprehensive policy for higher education</p>	<p>4.1 Independent Quality Assurance and Accreditation System functional</p> <p>4.2 Publication of EMIS report based on functioning EMIS software/database</p> <p>4.3 Admissions, exams, and publication of exam results at TU follow published calendar</p> <p>4.4 Autonomy packages for Decentralized Campuses developed by TU</p> <p>4.5 Comprehensive higher education policy developed and adopted by government</p>	<p>Year 4-6: Use to assess progress in enhancing the quality of higher education institutions</p> <p>Year 4-6: Use information for monitoring and evaluation of higher education.</p> <p>Year 5-6: Use information to improve accountability of higher education institutions</p> <p>Year 6: Use policy information for adjusting the current higher education strategic vision</p>

² These programs include courses in (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.

Arrangements for Results Monitoring

Project Outcome Indicators	Baseline			Cumulative Target Values						
	UoM ³	Value (original)	Value (actual at the time of restructuring)	Pre-restructuring			Post-restructuring			
				YR 1	YR2	YR 3	YR4	YR5	YR6	
Indicator One Number of institutions accredited	Absolute no.		1	-	-	-	2	4	6	
Indicator Two Student pass rates at bachelors and masters levels in participating institutions ⁴ Bachelors level Masters level	%		32.6 22.3	-	-	-	34 24	35 25	36 26	
Indicator Three Share of students enrolled in science, technology, management, and other employment/economic development focused programs in participating higher education institutions ⁵	%		34.63	-	-	-	35	37	39	
Indicator Four Share of enrollment from disadvantaged groups in participating institutions (a) Higher education Total Girls Dalits and educationally disadvantaged Janajatis ⁶	Absolute no. % %		74,012 42.97 12.88	-	-	-	76,000 43.20 13.00	78,000 43.40 13.20	80,000 44.00 13.50	

³ UoM – Unit of Measurement⁴ For each level, computed as the proportion of students from all years who passed the exams (out of all students who registered for the exams).⁵ More specifically, in the following areas: (i) basic and applied sciences, (ii) engineering, (iii) medicine, (iv) management, (v) agriculture and forestry, and (vi) other employment/economic development focused areas.⁶ Defined as Janajati groups with literacy rates below the national average.

Project Outcome Indicators	Baseline		Cumulative Target Values						
	UoM ³	Value (original)	Value (actual at the time of restructuring)	Pre-restructuring			Post-restructuring		
				YR 1	YR 2	YR 3	YR 4	YR 5	YR 6
(b) Higher secondary education Total Girls Dalits	Absolute no.		153,009	-	-	-	157,000	160,000	163,000
	%		52.03	-	-	-	>50	>50	>50
	%		5.80	-	-	-	5.90	6.00	6.20
Intermediate Result Indicator One									
Number of (a) TU autonomous campuses	Absolute no.	None	1	3	6	2	3	3	3
(b) TU decentralized campuses	Absolute no.	38	42	42	46	43	44	45	45
Intermediate Results Indicator Two									
Number of community campuses getting project support	Absolute no.	None	47	8	10	60	75	90	90
Intermediate Results Indicator Three									
Number of publications in refereed journals by the research grant recipients in approved research areas	Absolute		0	-	-	2	8	20	20
Intermediate Results Indicator Four									
Number of new programs in science, technology, management, and other employment/economic development focused programs in participating institutions	Absolute no.		0	-	-	1	10	20	20
Intermediate Results Indicator One									
Number of students ⁷ receiving financial assistance from the Fund at (a) Higher Education level (b) Higher Secondary Education level	Absolute no.	None None	811 631	300 300	1,100 1,300	1,900 2,300	2,700 3,300	3,500 4,300	3,500 4,300
Intermediate Results Indicator One									
Enrollment in community higher secondary schools	Absolute no.	48,000	231,670	48,200	49,000	240,000	248,000	256,000	256,000

⁷ Disaggregated data will be reported. The disaggregation will be done by gender (males and females), caste/ethnicity (Dalits/disadvantaged Janajatis and others), and consumption quintile.

Project Outcome Indicators	Baseline		Cumulative Target Values								
	UoM ³	Value (original)	Value (actual at the time of restructuring)	Pre-restructuring			Post-restructuring				
				YR 1	YR2	YR 3	YR4	YR5	YR6		
Intermediate Results Indicator Two											
Share of enrollment in the science stream in participating community higher secondary schools	%		2.37	-	-	-	2.42	2.50		2.60	
Intermediate Results Indicator One											
Quality Assurance and Accreditation System functional	Qualitative		No	-	-	-	Yes	Yes		Yes	
Intermediate Results Indicator Two											
Publication of EMIS reports based on functioning EMIS software/database with campus-level data	Qualitative	No	No ⁸	-	-	-	No	Yes		Yes	
Intermediate Results Indicator Three											
Admissions, exams, and publication of exam results at TU follow published calendar ⁹	Qualitative		0%	-	-	-	25%-50%	50%-100%		100%	
Intermediate Result Indicator Four											
Autonomy packages for Decentralized Campuses developed by TU	Absolute no.		None				3	6		10	
Intermediate Results Indicator Five											
Comprehensive higher education policy developed and adopted by government	Qualitative		Not developed	-	-	-	Not developed	Developed		Adopted	

⁸ EMIS report based on university-level data published; but EMIS software/database with campus-level data not developed.

⁹ Implementation means following the published calendar for admissions, exams, and publication of exam results. 0% means none of the programs implement their respective calendars; 25%-50% means between 25% and 50% of the programs completely implement their respective calendars; 50%-100% means between 50% and 100% of the programs implement their respective calendars; and 100% means 100% of the programs implement their respective calendars.

Second Higher Education Project (SHEP)

Governance and Accountability Action Plan (GAAP)

Introduction

Based on MTR and the Restructuring Consultations, preparation and implementation of GAAP has been initiated from October 2010. This is to ensure more specific actions regarding the need to identify specific issues, actions needed to address the issues and develop a system of evidence-based tracking and progress monitoring using measurable indicators. The purpose of GAAP is to be able to monitor key governance issues involved in the project and higher education subsector and address them as necessary. It will also help identify early warning signs should the project face problems during implementation. The GAAP exercise is anticipated to contribute towards strengthening governance and anti-corruption in the higher education sector with emphasis on pro-active communications, transparency and accountability.

Objectives

Specifically in SHEP, GAAP intends to:

- Enhance the measures to ensure that the project activities and resource allocations are directed to the beneficiaries towards attaining the intended outcomes
- Build a system of project implementation progress monitoring, tracking, and feedback
- Strengthen public accountability and feedback with a system of reporting that uses evidence-based criteria and measurable indicators
- Address fiduciary risks, particularly those related to procurement and financial management.

This GAAP has been prepared collectively by University Grants Commission (UGC), Tribhuvan University (TU), Student Financial Assistance Fund Development Board, and Department of Education (DOE) and their responsible units. Each individual agency prepared the GAAP for their respective areas of responsibility, which has been combined in the present form.

Key institutions

The GAAP intends to address project-related governance issues in four key implementing agencies: UGC, TU, DoE, and SFAFDB. Emphasis has also been put on the cooperation and coordination between these agencies.

Components

This GAAP consists of a matrix of the tasks areas, issues to address in individual areas, actions to be taken; agencies responsible for actions, and key milestones. There are 8 tables covering the following 4 SHEP components and their subcomponents:

1. Reform Grants
 - 1.1 UGC Reform Grants
 - 1.2 TU Reform Grants
 - 1.3 Advancing Research in Higher Education
2. Student Financial Assistance
3. Higher Secondary Education
4. System Capacity Strengthening

- a. Quality Assurance and Accreditation
- b. Higher Education EMIS
- c. Procurement

Major concerns and issues addressed

After the restructuring of the project, as agreed in aide memoire, the following issues are considered important to address:

- Delay in reform grants, particularly involving TU constituent campuses. Only one TU constituent campus has successfully initiated the process of becoming autonomous campus against 6 expected in the project inception, and the process of decentralized reform initiatives in TU has been slow.
- Delays in the appointment of key UGC positions (Chairperson, Member Secretary).
- Performance monitoring with timely data reporting and verification remains challenging.
- Capacity of the participating institutions as well as the implementing bodies needs to be further strengthened.
- Certain financial management practices, including the financial management of research funds, are not working well.
- Inadequate focus on country-relevant research areas and market relevant academic programs.
- Absence of mechanism for identifying research scholars with proven track records in relevant fields of research.
- Weak monitoring and evaluation of awarded institutional grants and funded research projects.
- Weak capacity of the Quality Assurance and Accreditation (QAA) and Research Divisions and inadequate awareness and participation among stakeholders regarding QAA system and provisions.
- Absence of a policy requiring individual universities and campuses to maintain a comprehensive database on higher education and share it with UGC.
- Absence of a common framework for a higher education EMIS system, and a functioning EMIS.
- Participating institutions are not fully familiar with the fiduciary requirements of public procurement.
- The overall political and security environment is making it difficult for institutions to follow the fiduciary requirements of public procurement.
- Absence of a sustainability plan for SFAFDB.

Responsibility for actions

The SHEP implementation stakeholders understand that it is a national project involving Ministries, particularly MOE, MOF, NPC; Universities, particularly Tribhuvan University, Kathmandu University, Purbanchal University, Pokhara University and their constituent campuses and affiliated community campuses. It is therefore envisioned that all of these agencies have roles to play and responsibilities to take in the successful implementation of the GAAP. It will be a joint responsibility of all concerned organizations. Government agencies such as Financial Comptroller General's Office, and Public Procurement and Monitoring Office (PPMO) and other relevant agencies will be expected to look at the planning, implementing and management functions of the project for achieving both efficiency and effectiveness in its operations. .

Monitoring arrangements

A system of regular reporting of progress on quarterly as well as annual basis will constitute the core of monitoring the GAAP implementation. In addition, regular reviews by joint missions of the implementing bodies along with MOE and WB will strengthen monitoring. Also, different Committees and Councils and Divisions have been established for

ensuring effective project implementation and monitoring: i) SHEP Steering Committee ii) Research Council, iii) QAA Committee, iv) Research evaluation committee, and iv) QAA technical committee. To improve monitoring, all implementing bodies, including UGC, SFAFDB, DOE, TU, as well as the participating institutions including the universities and the campuses are now maintaining website with regular reports and relevant information. Focal points for monitoring the GAAP will be:

- UGC PIU Coordinator¹
- TU- PIU Coordinator
- Director General, DoE
- Executive Director/Deputy Executive Director, SFAFDB

¹ A designated person from the UGC board will be responsible for this task until the PIU is formed.

Overall SHEP Implementation Modality

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/Indicators
<i>Decision-making on project activities</i>	<ul style="list-style-type: none"> Inability of UGC in the current context to make executive decisions regarding fiduciary and other policy matters Difficulties in ensuring funds flow in a timely manner to institutions involved in SHEP 	<ul style="list-style-type: none"> Have arrangements in place in UGC for making executive decisions Form SHEP Working Committee with representation from UGC, SFAFDB, TU, DOE, and MOE for the purpose of addressing implementation issues including funds flow 	MOE/MOF	<ul style="list-style-type: none"> Arrangements in place by end of February 2011 Working committee in place by end of February 2011. 	<ul style="list-style-type: none"> Arrangements functional Working committee meetings held at least every month
<i>Preparation of Higher Education Policy</i>	<ul style="list-style-type: none"> Absence of a comprehensive higher education policy in the country to ensure sustained reform and development with a long term strategy 	<ul style="list-style-type: none"> Hold national and international consultations on higher education policy Formulate higher education policy and submit for adoption 	UGC/MOE	<ul style="list-style-type: none"> Policy formulation team formed by February 2011 Draft finalized by September 2011 Draft submission by December 2012 and adoption by December 2013. 	<ul style="list-style-type: none"> Higher Education Policy Framework Draft Higher Education Policy Adopted

Component 1: Reform Grants – 1.1 UGC Reform Grants; 1.2 TU Reform Grants

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/Indicators
<i>Timely Implementation of Performance grants</i>	<ul style="list-style-type: none"> Participating Institutes do not have data collection and verification system for effective and efficient progress assessment Performance monitoring and follow-up for reform and Grant use is weak 	<ul style="list-style-type: none"> Make necessary arrangement for implementation of TU reform grants Adapt guidelines for Incentive Grants and Performance Grants Prepare guidelines for new window programs Consultation/orientation Workshop. Preparation of Guidelines for Performance Indicator based baseline, progress, and grants calculation Development of Performance progress monitoring and feedback system; publication of performance progress report 	TU PIU	February 2011	<ul style="list-style-type: none"> TU Guidelines for performance grants, incentive grants, matching grants, and windows program
			UGC/TU	February 2011	At least one event completed
			UGC/TU	Guideline prepared by March 2011	Participating institutions submitting the data
			UGC/TU	Annual progress publication in August; Campus progress report collected by May	Progress reports

Component 1: Reform Grants – C. Sub-Component 1.3: Advancing Research in Higher Education

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/ Indicators
<i>Revisiting Research funding Program</i>		Carry out a review task mission to prepare a report for the revision of the research funding guidelines	UGC Research Division, participating institutions	Report prepared by March 28, 2011	<ul style="list-style-type: none"> Updated guidelines
	Inadequate monitoring of research quality and use of research grants	<ul style="list-style-type: none"> Identify quality indicators and monitoring modalities. Independent review of the quality of research activities Review of research grant disbursement methods and use 		Indicators prepared by March 28, 2011	<ul style="list-style-type: none"> Quality Monitoring indicator and framework
	Inadequate prioritization of research areas	<ul style="list-style-type: none"> Organize a national seminar for setting research priority areas Review past research projects to identify good research work (in consideration for further support 	Research Division, participating institutions	<ul style="list-style-type: none"> Consultation meeting by March 31, 2011 And Seminar by April 28, 2011 List of research project to be further extended by the end of the year 	List of Research Priority areas, and list of research projects to be further supported
	Weak sustainability of the research grants program	<ul style="list-style-type: none"> Conduct study for strengthening academia-industry linkages Develop concept paper for coordinating funding for research 	Research Division and stakeholder	<ul style="list-style-type: none"> Policy suggestion and dialogues by the end of the project 	Policy research report and dialogue reports
		Resource Support Centre for research management support		Functional Network by the end of the project	Functional support center

Component 2: Student Financial Assistance

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/indicators
<i>Timely disbursement of Grants to individual Student's Bank Account</i>	<ul style="list-style-type: none"> Delays in beneficiary student selection and fund disbursement Weak coordination among Stakeholders 	<ul style="list-style-type: none"> Preparation and execution of annual schedule for PMT administration and Financial Assistance disbursement Establish sound coordination among SFAFDB, fund-administrator, Consultant, HSEB, DOE, DEOs, OCE and others including establishment of a system for sharing of SHEB and SLC results with SFAFDB in agreed format Every year after the results are published 	SFAFDB	<ul style="list-style-type: none"> Annual Plan prepared by January 31, 2011 and by June 30 in consecutive years Coordination committee formed and trimester coordination committee meeting 	<ul style="list-style-type: none"> Annual plan on student selection, fund flow and reporting in place Coordination committee meetings held Website updated every six months with progress updates on information dissemination/outreach, student selection and fund flow Grants reached to students account as planned
<i>Timely implementation of Work Study Program</i>	<ul style="list-style-type: none"> Delays to involve students in the WSP Lack of framework for linking beneficiary students with the world of work 	<ul style="list-style-type: none"> Stakeholder and Stakeholders Forum (SF) consultations to implement WSP Formulation and adoption of the WSP Guidelines Preparation and updating of the data base system of the job-seeking students and job providers/employers on a regular basis annually. 	SFAFDB; Work-study subcommittee	<ul style="list-style-type: none"> Minimum 2 consultation every year around April and November WSP guideline prepared by April end 2011 	<ul style="list-style-type: none"> Semiannual Consultations Report WSP guideline in place Publication of annual data-base on job availability and job-seeking students including in the website
<i>Improving program monitoring and Review</i>	<ul style="list-style-type: none"> Weak program and beneficiaries' monitoring as well as weak performance review 	<ul style="list-style-type: none"> Regular programme and implementing agencies' monitoring by SFAFDB Independent monitoring on a sample basis by the consultant Performance Audit OAG in combination with other reviews at UGC/DOE 	SFAFDB	<ul style="list-style-type: none"> SFAFDB's annual monitoring plan in place by June end every year Independent monitoring report (IMR) Performance Audit Report 	<ul style="list-style-type: none"> Frequency of monitoring improved; Annual publication of CMR Dec 2011; Dec. 2013 (PAR Dec. 2012
<i>SFAFDB's sustainability</i>	<ul style="list-style-type: none"> SFAFDB merely concentrated on SHEP 	<ul style="list-style-type: none"> Resources and its mobilization Consultation with SF and other stakeholders Preparation of SFAS strategy and sustainability plan through stakeholder and SF consultation 	SFAFDB and Fund raising sub-committee	<ul style="list-style-type: none"> SFAFDB next five year's sustainability plan in place by end of June 2011. 	<ul style="list-style-type: none"> SFAFDB's 5 year's sustainability plan
<i>Establishment of a MIS</i>	<ul style="list-style-type: none"> Delays in the establishment of SFAFDB EMIS 	<ul style="list-style-type: none"> First round data collection completed in agreed format 	SFAFDB	<ul style="list-style-type: none"> Use of EMIS on a continued basis 	<ul style="list-style-type: none"> First draft Report published by February 28, 2011

Component 3: Higher Secondary Education

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/timeline	Target/Indicators
<i>Timely release of Grants to beneficiary schools</i>	Delayed selection of beneficiary schools for support	<ul style="list-style-type: none"> Improved coordination between DOE and HSEB as well as RED/DEOs and HSEB's Regional/District level agencies (through regular meeting between DOE and HSEB both at central and regional/district levels) Schools' data collection, verification and calculation of basic, performance and matching grants for individual schools. 	DOE/HSEB	<ul style="list-style-type: none"> Annual report with grant recipient schools' database 	<ul style="list-style-type: none"> Annual Report published
<i>Improving program monitoring and Review</i>	<ul style="list-style-type: none"> Weak program monitoring about grant use by the beneficiary schools 	<ul style="list-style-type: none"> Effective monitoring by DOE and HSEB about the use of Basic, Performance and Matching Grants received by individual schools Independent monitoring about the grant use by schools on a selective basis Coordination with OAG for Performance Audit in combination with SSRP Performance Audit 	DOE/HSEB DOE/WB DOE/OAG	<ul style="list-style-type: none"> Consolidated Monitoring Report about the Grant use by the beneficiary schools Independent monitoring report PAR published 	<ul style="list-style-type: none"> DOE/HSEB monitoring plan especially on grant use by the beneficiary schools is published; DOE-HSEB joint monitoring of beneficiary schools; First Consolidated Monitoring Report published by June 30, 2011; IMR published in November 2012. Dec 2012

Component 4: Strengthening System Capacity – 4.1 Quality Assurance and Accreditation (QAA)

Major Tasks	Key Issues/Risk	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/ Indicators
<i>Strengthening QAA process in Higher Education Institutions</i>	<ul style="list-style-type: none"> Insufficient awareness and understanding of QAA system and provisions, and limited participation of institutions Perceived risk among HE 	<ul style="list-style-type: none"> Awareness campaign and information dissemination through website, targeted workshop's at central and regional levels; consultation regarding QAA participation. 	UGC	<ul style="list-style-type: none"> Annual plan prepared by January 31, 2011, and by June 30 in consecutive years; 	<ul style="list-style-type: none"> Annual Plan No. of institutions completed QAA cycle (50 by 2013) No. of institutions accredited (6 by 2013)

Tasks	Major	Key Issues/Risk	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/ Indicators
<i>Improving program monitoring and Review</i>		<p>institutions about the implications of institutions/programs QAA discrimination based on accreditation.</p> <ul style="list-style-type: none"> Limited information available on activities conducted by institutions in relation to QAA 	<ul style="list-style-type: none"> Regular annual monitoring of institutions independent third party monitoring of sample institutions every other year 	UGC	<ul style="list-style-type: none"> Two targeted workshops and three consultative meeting every year; publication of brochure/Bulletin (November every year) Consolidated Monitoring Report (CMR) by June 30 every year. Independent monitoring reports in 2011 and 2013. 	<ul style="list-style-type: none"> Effectiveness of monitoring improved Second and 3rd CMR published in November 2012, and IMR published in Dec 2011, and Dec. 2013
<i>Establishing National Accreditation Board (NAB)</i>		<ul style="list-style-type: none"> Lack of legal requirements for QAA compliance 	<ul style="list-style-type: none"> Enactment of NAB Act and Regulation; Setting up NAB office and staff Approve program and budget with earmarked allocation by Nepal Govt. 	UGC, MOE	<ul style="list-style-type: none"> Annual progress report Semi-annual review 	<ul style="list-style-type: none"> Coordination with government agencies to finalize the act and Regulations; NAB start functioning as an independent entity from July 2013

Component 4: Strengthening System Capacity – 4.2 Education Management Information System (EMIS)

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/Indicators
<i>Publication of EMIS reports based on functioning EMIS database software system with campus-level data</i>	<ul style="list-style-type: none"> Weak EMIS database software system with campus level data Absence of a common framework for a higher education EMIS system, and a functioning EMIS. 	<ul style="list-style-type: none"> Prepare action plan with format for : (i) baseline data collection; (ii) annual progress reporting; (iii) data management information system with campus level data Develop an EMIS database/software system Develop and implement (in individual institutions) an agreed framework for higher education EMIS 	UGC/WB	<ul style="list-style-type: none"> Comprehensive action plan by May30, 2011 Report based on EMIS system completed by June, 2012 	<ul style="list-style-type: none"> Action plan Report

Component 4: Strengthening System Capacity – 4.3 Procurement

Major Tasks	Key Issues	Actions to address the Issues	Responsible Agencies	Milestones/Timeline	Target/Indicators
<i>Timely implementation of Matching Grants</i>	Lack of Procurement Planning and non submission of Procurement Plans by the institutions	<ul style="list-style-type: none"> • Orientation and facilitation and other procurement related support to enhance procurement capacity of the beneficiary institutions • Finalization of Procurement Manual and its dissemination to all of the beneficiary institutions. 	PIU/UGC, TU-PIU, Participating institutions	<ul style="list-style-type: none"> • Trimester Progress Report • All institutions have at least one set of Procurement Manual 	<ul style="list-style-type: none"> • Approved Procurement Plans • Criteria developed for MG implemented by participating institutions
	• Difficulties in following PPA and PPR and	<ul style="list-style-type: none"> • Orientation and training for staff and support programs to prepare bid document and technical specifications 	PIU/UGC, TU-PIU Participating institutions	<ul style="list-style-type: none"> • Two orientation/support programs each year 	<ul style="list-style-type: none"> • Each participating institution has received orientation/support on procurement
	• Collusion/Connivance/Intimidation	<ul style="list-style-type: none"> • Wide publicity of bid invitation – expansion of bid publication points • Reporting to authorities • E-submission of bids/e-procurement 	SHEP Participating institutions	<ul style="list-style-type: none"> • Continuous • Two Consultation meetings with DOR in 2011 on e-procurement development 	<ul style="list-style-type: none"> • Increase in the number of bids • Consultation meetings held
<i>Monitoring</i>	• Poor competition in Procurement by the institutions	<ul style="list-style-type: none"> • Publication of notice in effective newspaper and national papers • Dissemination of procurement information to wider area 	Participating institutions	<ul style="list-style-type: none"> • Continuous 	<ul style="list-style-type: none"> • Appropriate number of quotations • Transparent decision making and Evaluation Reports
	• Lack of Procurement Verification of the institutions	<ul style="list-style-type: none"> • Monitoring visits • Cross checking visits • Procurement Post Review 	PIU/UGC	<ul style="list-style-type: none"> • September • December • April 	<ul style="list-style-type: none"> • Satisfactory report of Monitoring Team • Lesser comments on Post review • Compliance of Procurement Rules
	• Lack of timely reporting and poor documentation by the institutions	<ul style="list-style-type: none"> • Monitoring framework, checklist of procurement documents and modality • Regular reporting 	PIU/UGC	<ul style="list-style-type: none"> • Trimester Report submission 	<ul style="list-style-type: none"> • Satisfactory reports