

**OFFICIAL  
DOCUMENTS**

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**CREDIT NUMBER 5586-NP**

**Financing Agreement**

**(Higher Education Reforms Project)**

**between**

**NEPAL**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated**    **APRIL 6** , 2015

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## FINANCING AGREEMENT

AGREEMENT dated April 6, 2015, entered into between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty four million nine hundred thousand Special Drawing Rights (SDR 44,900,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out, in accordance with the provisions of Article IV of the General Conditions:
- (a) Parts 1(a)(i), 1(b), 1(d)(i) and 2 of the Project through the University Grants Commission;
  - (b) Parts 1(a)(iii), 1(a)(iv), 1(d)(ii) and 2 of the Project through the Tribhuvan University Project Implementation Office;
  - (c) Parts 1(c) and 2 of the Project through the Student Financial Assistance Fund Development Board; and
  - (d) Part 1(a)(ii) of the Project through the Quality Assurance and Accreditation Division of UGC and, upon the establishment of the autonomous quality assurance and accreditation agency referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement, through such quality assurance and accreditation agency.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely, the NPHRD has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to achieve the objectives of the Project or perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, the event specified in Section 4.01 above occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Secretary, Ministry of Finance.

- 6.02. The Recipient's Address is:

Ministry of Finance  
Government of Nepal  
Singha Durbar  
Kathmandu  
Nepal

Facsimile:

(977-1) 4211-164

- 6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

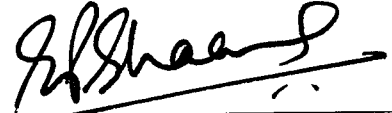
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1-202-477-6391

AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By



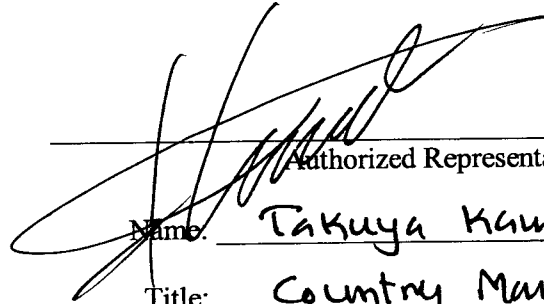
Authorized Representative

Name: Suman Prasad Sharma

Title: Finance Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Takuya Kamata

Title: Country Manager

## SCHEDULE 1

### Project Description

The objectives of the Project are to support reforms in selected institutions for improving quality, relevance, and efficiency of higher education; and to assist under-privileged students for equitable access.

The Project consists of the following parts:

**Part 1. Implementation of Reforms through Financing of the National Program for Higher Education Reform and Development**

- (a) Systemic and Institutional Reforms
- (i) Support to more effective public funding of higher education institutions through Performance-Based Funding of eligible higher education institutions, introduction of formula-based funding for UGC grants to autonomous constituent campuses, and inclusion of outputs into formula-based funding for UGC regular grants to community campuses.
  - (ii) Support to the institutionalization of the national accreditation system with wider coverage.
  - (iii) Support to greater institutional autonomy planned by Tribhuvan University to increase the number of autonomous constituent campuses and grant academic autonomy to selected affiliated campuses.
  - (iv) Support to the plans of Tribhuvan University to decentralize and modernize the examination system, streamline processes, and enhance the implementation capacity of its Office of the Controller of Examinations, and to Tribhuvan University's efforts to maintain the academic calendars of major programs, including the financing of salaries and allowances of faculty and staff.
- (b) Academic Reforms and Relevance
- Support to academic reforms in all participating universities and campuses, focusing on: (i) the achievement of better learning outcomes in selected programs; and (ii) the introduction or expansion of programs in market-relevant and priority areas of development for Nepal.

(c) Equity

Provision of Scholarships to meritorious students belonging to the two poorest consumption quintiles at the higher secondary (science) and bachelor's degree levels.

(d) Academic Excellence and Research

(i) Provision of competitive grants for quality research, development and innovation by students and faculty members with a focus on priority areas.

(ii) Support to Tribhuvan University for the introduction of a recruitment and promotion track that is based on research accomplishments.

**Part 2. Capacity Building and Project Management**

Support to the implementation and monitoring of the Project, including the financing of technical assistance, inputs, and activities required to achieve Project results and enhance the capacity of the implementing, coordinating and participating agencies.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall establish and thereafter maintain, throughout the period of Project implementation, a Steering Committee, with composition, powers, functions, and terms of reference satisfactory to the Association, to ensure coordination among agencies involved in Project implementation and to provide policy advice.
2. The Recipient shall establish and thereafter maintain, throughout the period of Project implementation, a joint coordination committee, with composition, powers, functions, and terms of reference satisfactory to the Association, to facilitate implementation coordination and fund flow arrangements in TU constituent campuses.
3. The Recipient shall establish, by not later than June 30, 2015, an autonomous quality assurance and accreditation agency within UGC.

##### B. National Program for Higher Education Reform and Development

The Recipient shall undertake measures to assure a policy framework conducive for the implementation of the NPHRD through a comprehensive higher education policy.

##### C. DLI Verification Protocol, Project Implementation Manual, TU Implementation Guidelines, and SFA Implementation Guidelines

1. The Recipient shall prepare and adopt, by not later than March 15, 2015 and prior to making available any Performance-Based Funding, Scholarships, and Research Grants to Beneficiaries, the Project Implementation Manual, the TU Implementation Guidelines, and the SFA Implementation Guidelines in form and substance satisfactory to the Association.
2. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the DLI Verification Protocol, the PIM, the TU Implementation Guidelines and the SFA Implementation Guidelines.
3. The DLI Verification Protocol and the PIM may be amended with the prior written approval of the Association.



4. In the event of a conflict between the provisions of any of the instruments referred to above in paragraph 2 and those of this Agreement, the provisions of the latter shall prevail.

**D. Performance-Based Funding, Scholarships, and Research Grants**

1. The Recipient shall make available the Performance-Based Funding, Scholarships, and Research Grants to Beneficiaries in accordance with the eligibility criteria and procedures set forth in the PIM, the TU Implementation Guidelines and the SFA Implementation Guidelines.
2. The Recipient, through UGC, shall award each Research Grant under a research grant or fellowship agreement with the respective individual Beneficiary, and under terms and conditions satisfactory to the Association.
3. The Recipient, through SFAFDB, shall award each Scholarship under a student financial assistance grant agreement with the respective individual Beneficiary, and under terms and conditions satisfactory to the Association.
4. The Recipient shall ensure that UGC and SFAFDB shall publicly disclose, on a trimester basis, by means of communication satisfactory to the Association, information on the disbursement of Research Grants and Scholarships to Beneficiaries during the preceding trimester.

**E. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and of the Governance and Accountability Action Plan.

**F. Safeguards**

1. The Recipient shall ensure that the Project, including each Sub-project, and the NPHRD are carried out in accordance with the provisions of the Environmental Management Framework and the Social Management-Vulnerable Community Development Framework.
2. To that end, the Recipient shall ensure that:
  - (a) an environmental and social screening of each Sub-project is carried out in accordance with the provisions of the EMF, the SM-VCDF;
  - (b) as required by and in accordance with the EMF, the SM-VCDF, as the case may be, for each Sub-project, Environmental Management Plans, Vulnerable Community Development Plans and/or Gender Development

Plans shall be prepared in form and substance satisfactory to the Association, and thereafter adopted and disclosed; and

- (c) each Sub-project is carried out in accordance with the respective EMP, VCDP and/or GDP prepared for such Sub-project.
- 3. The Recipient shall: (a) not amend the EMF, the SM-VCDF, or any EMP, VCDP or GDP without the prior written approval of the Association; and (b) report to the Association any issues on the implementation of the requirements of this section.
- 4. In the event of a conflict between the provisions of any of the instruments referred to above in paragraph 3 and those of this Agreement, the provisions of the latter shall prevail.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

- 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 indicators satisfactory to the Association. Each Project Report shall cover the period of one (1) 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.

**B. Financial Management, Financial Reports and Audits**

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year trimester, interim unaudited financial reports for the Project covering the Fiscal Year trimester, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in Part E of this Section III; (b) Shopping; and (c) Direct Contracting.

#### **C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set

forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**E. National Competitive Bidding**

The following additional procedures shall apply to goods procured on the basis of National Competitive Bidding:

- (a) Only the model bidding documents for National Competitive Bidding agreed with the Association (as amended from time to time), including qualification criteria shall be used;
- (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (c) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (d) Bids shall be opened in public in one place, immediately after the deadline for submission of bids;
- (e) Qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (f) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association and contracts shall be awarded to the lowest evaluated bidders;
- (g) Rebidding shall not be carried out without the prior concurrence of the Association;
- (h) Extension of bid validity shall not be allowed without the prior concurrence of the Association (i) for the first request for extension if it is longer than four (4) weeks and (ii) for all subsequent requests for extension irrespective of the period; and

- (i) There shall not be any restrictions on the means of delivery of the bids.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

- 1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
- 2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Eligible Expenditures Program	41,400,000	20%
(2) Goods, non-consulting services, consultants’ services, Training, Incremental Operating Costs for Part 2 of the Project	3,500,000	100%
<b>TOTAL AMOUNT</b>	<b>44,900,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

- 1. Notwithstanding the provisions of Part A of this Section:
  - (a) No withdrawal shall be made for payments made prior to the date of this Agreement, except that:
    - (i) withdrawals up to an aggregate amount not to exceed SDR 7,870,000 may be made for payments made prior to this date but on or after July 1, 2014, for EEP expenditures under Category (1), subject to the requirements referred to in subparagraphs (b) and (c) below; and

- (ii) withdrawals up to an aggregate amount not to exceed SDR 410,000 may be made for payments made prior to this date but on or after July 1, 2014, for Eligible Expenditures under Category (2).
  - (b) No withdrawal shall be made for EEP expenditures under Category (1) until and unless the Recipient shall have:
    - (i) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including submission to the Association of the applicable statements of expenditure prepared in accordance with the PIM and evidencing the incurrence of EEP expenditures during the respective DLI Period for which payment is requested; and
    - (ii) furnished evidence satisfactory to the Association, in accordance with the DLI Verification Protocol, that the DLI Targets for the respective DLI Period for which payment is requested has been achieved.
  - (c) Withdrawals under Category (1) shall not exceed the lesser of: (a) the total DLI Value allocated to each DLI Target achieved up to the respective DLI Period; and (b) the amount of the EEP expenditures incurred but not paid by the proceeds of the Financing as of the DLI Period for which payment is requested.
2. Notwithstanding the foregoing:
- (a) The Association may authorize partial withdrawal for EEP expenditures from Category (1) when the Recipient shall have furnished evidence in accordance with the DLI Verification Protocol, that some but not all of the DLI Targets for the respective DLI Period have been achieved or that scalable DLI Targets for the respective DLI Period have been partially achieved, provided, however, that, with respect to scalable DLI Targets, the minimum threshold to trigger disbursement for the DLI Period shall have been achieved in accordance with the DLI Verification Protocol.
  - (b) In the event that the DLI Value allocated to a DLI Target is not fully disbursed at the end of the respective DLI Period because the Association is not satisfied that the DLI Target has been fully achieved, the Association may, at any time by written notice to the Recipient, decide, in its sole discretion, to roll over the undisbursed amount to a subsequent DLI Period in accordance with the DLI Verification Protocol, and the Association may authorize the withdrawal of such amount when the Association shall be

satisfied that such DLI Target from the earlier DLI Period has been fully achieved.

- (c) In the event that the EEP expenditures incurred during a particular DLI Period exceed the DLI Value for such DLI period, the Association may, in its sole discretion, by written notice to the Recipient, allow the Recipient to carry the excess EEP expenditures over to the subsequent DLI Period.
- (d) With respect to the DLI Period current at the time of any withdrawal, in the event that the DLI Targets for a subsequent DLI Period are partially or fully achieved in such current DLI Period, the Association may, in its sole discretion, by written notice to the Recipient, authorize the withdrawal for the amount of EEP expenditures incurred in such current DLI Period of up to the value of DLI Targets of the subsequent DLI Period achieved during such current DLI Period, and the DLI Value in the subsequent DLI Period shall be correspondingly reduced.

3. The Closing Date is June 30, 2020.

**ANNEX to SCHEDULE 2**

**Disbursement Linked Indicators**

DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement				
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	Year 5 (2019-20 until Closing Date)
1	2	4	5	6	7	8	9
<b>DLI 1: National accreditation system established and functioning</b>		A Quality Assurance and Accreditation Agency with functional autonomy established at UGC	Eight HEIs accredited (cumulative 20 including 12 at baseline)	Ten HEIs accredited (cumulative 30)	30 HEIs accredited (cumulative 60)	30 HEIs accredited (cumulative 90)	35 HEIs accredited (cumulative 125)
Allocated amount	6,210,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000
Scalable?		No	Yes	Yes	Yes	Yes	Yes
Rollover?		Yes	Yes	Yes	Yes	Yes	Yes
Minimum threshold		NA	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target
<b>DLI 2: Performance based financing extended to higher education institutions (HEIs)</b>		Guidelines for performance based funding of campuses published by UGC	First group of 45 HEIs selected as per PIM, MOUs signed; and first tranche of performance based grants released	Second group of 45 HEIs selected as per PIM, MOUs signed and performance based grants released to the first and second groups (total 90 HEIs)	Third Group of 45 HEIs selected as per PIM, MOUs signed, and performance based grants released to the first, second and third batches (total 135 HEIs)	Performance based grants released to at least 90 HEIs from the three selected groups as per PIM	Release of final performance based grants to at least 45 HEIs from the three selected groups as per PIM
		1,035,111.11	1,035,111.11	1,035,111.11	1,035,111.11	1,035,111.11	776,333.33
Scalable?		No	Yes	Yes	Yes	Yes	Yes
Rollover?		Yes	Yes	Yes	Yes	Yes	Yes
Minimum threshold		NA	30% of the annual target	30% of the annual target	30% of the annual target	30% of the annual target	30% of the annual target



DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement				
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	Year 5 (2019-20 until Closing Date)
1	2	4	5	6	7	8	9
		Formula-based funding (FBF) for autonomous campuses adopted by UGC	Criteria for PBF (performance based funding) based regular funding for community campuses adopted by UGC	FBF based funds released to at least two autonomous campuses; and PBF based regular funds released to at least 30 community campuses	FBF based funds released to at least additional two autonomous campuses; and PBF based regular funds released to at least additional 30 community campuses	FBF based funds released to at least additional three autonomous campuses; and PBF based regular funds released to at least additional 20 community campuses	FBF based funds released to at least additional three autonomous campuses; and PBF based regular funds released to at least additional 20 community campuses
		1,035,111.11	1,035,111.11	1,035,111.11	1,035,111.11	1,035,111.11	517,555.57
Scalable?		No	No	No	No	No	No
Rollover?		Yes	Yes	Yes	Yes	Yes	Yes
Minimum threshold		NA	NA	NA	NA	NA	NA
Allocated amount	11,645,000	2,070,222.22	2,070,222.22	2,070,222.22	2,070,222.22	2,070,222.22	1,293,888.90
<b>DLI 3: Autonomy extended to additional campuses/schools</b>		TU autonomy campus rules for constituent campuses revised by TU Senate	Autonomy granted to two campuses/schools (cumulative six including four at baseline)	Autonomy granted to two campuses/schools (cumulative eight)	Autonomy granted to three campuses/schools (cumulative 11)	Autonomy granted to three campuses/schools (cumulative 14)	
		517,500	517,500	517,500	517,500	517,500	
Scalable?		No	Yes	Yes	Yes	Yes	
Rollover?		No	Yes	Yes	Yes	Yes	
Minimum threshold		NA	At least one institution granted	At least one institution granted	At least one institution granted	At least one institution granted	

DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement				
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	Year 5 (2019-20 until Closing Date)
1	2	4	5	6	7	8	9
			autonomy each year	autonomy each year	autonomy each year	autonomy each year	
		TU adopts rules for academic autonomy of affiliated campuses by TU Senate	Two autonomous /accredited campuses or schools exercise academic autonomy	Two autonomous /accredited campuses or schools exercise academic autonomy (cumulative four)	Two autonomous /accredited campuses or schools exercise academic autonomy (cumulative six)	Two autonomous /accredited campuses or schools exercise academic autonomy (cumulative eight)	
		517,500	517,500	517,500	517,500	517,500	
Scalable?		No	Yes	Yes	Yes	Yes	
Rollover?		No	Yes	Yes	Yes	Yes	
Minimum threshold		NA	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target	
Allocated amount	5,175,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000	
<b>DLI 4: Examination reforms implemented and academic calendar enforced in TU</b>		(i)Academic rules of TU revised and approved by TU Academic Council for completing academic calendar within one academic year; and (ii) a plan for examination reforms approved by TU (with especial focus on centralized examinations)	Academic calendar of three program-years of centralized master's programs adhered to	Academic calendar of three program-years of centralized master's programs adhered to (cumulative six)	Academic calendar of three program-years of centralized master's programs adhered to (cumulative nine)	Academic calendar of three program-years of centralized master's programs adhered to (cumulative 12)	Academic calendar of three program-years of centralized master's programs adhered to (cumulative 15)
		517,647.05	517,647.06	517,647.06	517,647.06	517,647.06	517,647.06

DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement				
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	Year 5 (2019-20 until Closing Date)
1	2	4	5	6	7	8	9
Scalable?		No	Yes	Yes	Yes	Yes	Yes
Rollover?		No	Yes	Yes	Yes	Yes	Yes
Minimum threshold		NA	At least two programs-year each year	At least two programs-year each year	At least two programs-year each year	At least two programs-year each year	At least two programs-year each year
			Results for regular centralized bachelor's programs published within seven months on an average	Results for regular centralized bachelor's programs published within six months on an average	Results for regular centralized bachelor's programs published within five months on an average	Results for regular centralized bachelor's programs published within four months on an average	Results for regular centralized bachelor's programs published within three months on an average
		0	258,823.53	258,823.53	258,823.53	258,823.53	258,823.53
Scalable?			No	No	No	No	No
Rollover?			Yes	Yes	Yes	Yes	Yes
Minimum threshold			NA	NA	NA	NA	NA
Allocated amount	4,400,000	517,647.05	776,470.59	776,470.59	776,470.59	776,470.59	776,470.59
<b>DLI 5: Academic reforms introduced: Revision of existing and introduction of new programs at undergraduate and graduate levels</b>		Areas of priority for new programs approved by UGC; and guidelines for selection of programs and institutions approved by UGC	A total of 20 programs revised or introduced <sup>1</sup>	A total of 60 programs revised or introduced (cumulative 80)	A total of 60 programs revised or introduced (cumulative 140)	Implementation of all 140 programs continued	Implementation of all 140 programs continued

<sup>1</sup>50 to 60% of the target is for revision of existing programs, which can be in any area/discipline, and remaining 40 to 50% of the target is for introduction of new programs that have to be in identified priority areas.

DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement						
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	Year 5 (2019-20 until Closing Date)		
1	2	4	5	6	7	8	9		
Allocated amount	6,210,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000	1,035,000		
Scalable?		No	Yes	Yes	Yes	Yes	Yes		
Rollover?		Yes	Yes	Yes	Yes	Yes	Yes		
Minimum threshold		NA	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target		
<b>DLI 6: Poverty targeted financial support for under-privileged students</b>		PMT processes for selection of students revised by SFAFDB; and data base and process computerized	(i) First cohort (at least 3000 <sup>2</sup> students) selected through PMT; and (ii) funds released to at least 3000 students	(i) Second cohort (at least 3,000 students) selected through PMT; and (ii) funds released to at least 4,500 students first and second cohorts as per schedule	(i) Third cohort (at least 3,000 students) selected through PMT; and (ii) funds released to at least 6,000 students as per schedule	(i) Fourth cohort (at least 500 students) selected through PMT; and (ii) funds released to at least 4,000 students as per schedule	(i) Funds released to at least 2,000 students as per schedule; and (ii) Plan for sustainability of the scheme approved		
Allocated amount	3,105,000	517,500	517,500	517,500	517,500	517,500	517,500		
Scalable?		No	Yes	Yes	Yes	Yes	(i) Yes	(ii) No	
Rollover?		No	Yes	Yes	Yes	Yes	(i) Yes	(ii) No	
Minimum threshold		NA	30% of the annual target	30% of the annual target	30% of the annual target	30% of the annual target	(i) 30% of the annual target	(ii) NA	
<b>DLI 7: Institutions supported for academic excellence in priority areas through Research,</b>		(i) Existing guidelines reviewed and revised by UGC; and (ii) Priority areas for support approved by UGC	(i) First batch of projects ( at least 100) selected; and (ii) funds released as per schedule	(i) Second batch of projects (at least additional 150) selected; and (ii) funds released to the	(i) Third batch of projects (at least additional 150) selected; and (ii) funds released to the	(i) Fourth batch of projects (at least additional 100) selected; and (ii) funds released to all	(i) Final release of funds to at least 250 active projects as per schedule; and (ii) Plan for sustainability approved		

<sup>2</sup> 66% of the target is for students at Bachelors Level (Higher Education) and remaining 33% of the target is for students at Higher Secondary Level.

DLI	Amount of the Credit Allocated to DLI (in SDR)	Year 0 (2014-15) Baseline to be achieved	Indicative timeline for DLI achievement					Year 5 (2019-20 until Closing Date)	
			Year 1 (2015-16)	Year 2 (2016-17)	Year 3 (2017-18)	Year 4 (2018-19)	(i) Yes	(ii) No	
1	2	4	5	6	7	8	9		
Development and Innovation (RDI) awards				two batches as per schedule	three batches as per schedule	batches as per schedule			
		517,222.22	517,222.22	517,222.22	517,222.22	517,222.22	517,222.22	517,222.22	
Scalable?		No	Yes	Yes	Yes	Yes	(i) Yes	(ii) No	
Rollover?		No	Yes	Yes	Yes	Yes	(i) Yes	(ii) No	
Minimum threshold		NA	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target	(i) 50% of the annual target	(ii) NA	
		Parallel recruitment and promotion rules adopted by TU Executive Council	First batch of faculty (at least ten) recruited and promoted based on excellence	Second batch of faculty (at least additional ten) recruited and promoted based on excellence	Third batch of faculty (at least additional ten) recruited and promoted based on excellence	Fourth batch of faculty (at least additional ten) recruited and promoted based on excellence	Fifth batch of faculty (at least additional ten) recruited and promoted based on excellence		
		258,611.11	258,611.11	258,611.11	258,611.11	258,611.11	258,611.11	258,611.13	
Scalable?		No	Yes	Yes	Yes	Yes	Yes		
Rollover?		No	Yes	Yes	Yes	Yes	Yes		
Minimum threshold		NA	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target	50% of the annual target		
Allocated amount	4,655,000	775,833.33	775,833.33	775,833.33	775,833.33	775,833.33	775,833.35		
<b>Total</b>	<b>41,400,000</b>	<b>6,986,202.60</b>	<b>7,245,026.14</b>	<b>7,245,026.14</b>	<b>7,245,026.14</b>	<b>7,245,026.14</b>	<b>5,433,692.84</b>		

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 15 and August 15, commencing August 15, 2021 to and including February 15, 2053	1.5625%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Beneficiary” means a higher education institution, faculty member, researcher or student eligible to receive Performance-Based Funding, a Research Grant or Scholarship.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
5. “Disbursement-Linked Indicators” and the acronym “DLIs” mean, collectively, the disbursement-linked indicators set forth in the Annex to Schedule 2 to this Agreement.
6. “DLI Period” means the fiscal period specified in the Annex to Schedule 2 to this Agreement, during which each DLI Target (as hereinafter defined) is set to be achieved.
7. “DLI Target” means the target specified in the Annex to Schedule 2 to this Agreement set to be achieved under the applicable DLI during the respective DLI Period.
8. “DLI Value” means the amount of the Financing allocated in the Annex to Schedule 2 to each respective DLI Target, or such other amount as the Association may establish from time to time by notice to the Recipient.
9. “DLI Verification Protocol” means the set of procedures and rules dated January 6, 2015, prepared for the Project and satisfactory to the Association, to verify the achievement of DLI Targets, which sets out, *inter alia*, the description of the evidence required, as the same may be amended from time to time with the prior written agreement of the Association.
10. “Eligible Expenditure Program” and the acronym “EEP” mean the Recipient’s program of expenditures, as defined in the Higher Education Reforms and the Regular Program components of the National Program for Higher Education Reform and Development, to be incurred under Part 1 of the Project for: (a) salaries and

allowances of faculty and staff funded under the Recipient's budget heads 3501393 and 3500193 and TU's budget heads 001 (ka), 001 (kha), 002, 003, and 003 (ka); (b) scholarships to students funded under the Recipient's budget heads 3501393 and 3500193; and (c) research, development and innovation grants to individual faculty members and students funded under the Recipient's budget heads 3501393 and 3500193.

11. "Environmental Management Framework" and the acronym "EMF" mean the Recipient's framework, publicly disclosed on August 1, 2014, satisfactory to the Association, for ensuring good environmental management of the Project and that:  
(a) provides guidance on pre-investment works/studies (such as environmental screening, environmental assessment, environmental management plans, etc.);  
(b) provides a set of steps, processes, procedures and mechanisms for ensuring an adequate level of environmental consideration and integration into each activity or Sub-project; and  
(c) describes the principles, objectives and approach to be followed to avoid or minimize or mitigate adverse impacts, as such framework may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
12. "Environmental Management Plan" and the acronym "EMP" mean a plan to be prepared and adopted by the Recipient or by a Beneficiary for an activity or Sub-project under the Project pursuant to the EMF and satisfactory to the Association, which identifies potential environmental impacts of the activity or Sub-project and sets out the appropriate mitigation or management measures to eliminate, minimize, or manage these environmental impacts, as such EMP may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.
13. "FBF" means formula-based funding.
14. "Fiscal Year" and the acronym "FY" mean the twelve-month period corresponding to the Recipient's fiscal year, which period commences and ends in mid-July of each calendar year.
15. "Gender Development Plan" and the acronym "GDP" mean a plan to be prepared and adopted by the Recipient or by a Beneficiary for an activity or Sub-project under the Project pursuant to the Social Management Framework and satisfactory to the Association, which sets out the key actions to be undertaken during Project implementation to ensure that women are able to participate and benefit from the activity or Sub-project, as such GDP may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.
16. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.



17. “Governance and Accountability Action Plan” means the Recipient’s action plan dated January 6, 2015, to address critical operational concerns related to the Project and ensure good governance (systems and capacities), transparency, and inclusion in the management of Project activities.
18. “HEI” means a higher education institution.
19. “Incremental Operating Costs” means: (a) expenditures incurred by UGC, TUPIO or SFAFDB 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); (b) transportation costs and subsistence allowances for UGC, TUPIO or SFAFDB staff in travel status for Project implementation; and (c) salaries and allowances of incremental staff assigned to UGC, TUPIO or SFAFDB for Project implementation but excluding salaries of the Recipient’s civil servants.
20. “Ministry of Education” means the Recipient’s Ministry of Education or any successor thereto.
21. “National Program for Higher Education Reform and Development” and the acronym “NPHRD” mean the Recipient’s national program on higher education.
22. “Office of the Controller of Examinations” means the Office of the Controller of Examinations of Tribhuvan University or any successor thereto.
23. “Performance-Based Funding” and the acronym “PBF” mean performance-based funding to be provided under Part 1 of the Project by the University Grants Commission to a higher education institution.
24. “PMT” means proxy-means testing.
25. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 6, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
27. “Project Implementation Manual” and the acronym “PIM” mean the manual for Parts 1 and 2 of the Project to be prepared by the Recipient pursuant to paragraph 1 of Section I.C of Schedule 2 to this Agreement, setting out, *inter alia*, details of all procedures, guidelines, timetables and criteria required for the carrying out of

such Parts of the Project, including the procurement, financial, administrative and operational arrangements relating to such Parts, as the same may be amended from time to time with the prior written agreement of the Association.

28. “Quality Assurance and Accreditation Division” means the Quality Assurance and Accreditation Division within the University Grants Commission, or any successor thereto.
29. “Research Grant” means a grant to be provided under Part 1(d) of the Project to finance the costs of Sub-projects to promote academic excellence and a strong research culture.
30. “Scholarship” means a grant to be provided under Part 1(c) of the Project to finance the costs of Sub-projects to assist students with attending higher secondary schools and bachelor’s degree programs.
31. “Social Management-Vulnerable Community Development Framework” and the acronym “SM-VCDF” mean the Recipient’s framework, publicly disclosed on July 1, 2014, satisfactory to the Association, which sets out strategies and principles for: (a) the identification of Project-affected individuals, families, and communities; (b) the investigation of the potential social impacts and issues related to these; and (c) the formulation of appropriate measures to avoid or minimize and manage any potential adverse impact resulting from the implementation of the Project, as such framework may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
32. “Steering Committee” means the committee to be established pursuant to paragraph 1 of Section I.A of Schedule 2 to this Agreement.
33. “Student Financial Assistance Fund Development Board” and the acronym “SFAFDB” mean the Student Financial Assistance Fund Development Board established pursuant to the Student Financial Assistance Fund Development Committee (Formation) Order 2062 (2005/06) or any successor thereto.
34. “SFA Implementation Guidelines” means the guidelines for student financial assistance for Part 1(c) and 2 of the Project to be prepared by the Recipient pursuant to paragraph 1 of Section I.B of Schedule 2 to this Agreement, setting out, *inter alia*, the terms and conditions for administering the Scholarships (including, *inter alia*, eligibility and selection criteria, use of funds, monitoring and other provisions relating to the Scholarships), including the procurement, financial, administrative and operational arrangements relating to such Parts, as the same may be amended from time to time.

35. “Sub-project” means a set of activities to be carried out by a Beneficiary with the proceeds of a Research Grant or Scholarship under Part 1 of the Project.
36. “Training” means, in respect of Part 2 of the Project: (a) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators, including workshops and study tours; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.
37. “Tribhuvan University” and the acronym “TU” mean the national university of the Recipient linked to the Ministry of Education.
38. “Tribhuvan University Project Implementation Office” and the acronym “TUPIO” mean project implementation office responsible for implementation of the Project as it relates to Tribhuvan University, or any successor thereto.
39. “TU Implementation Guidelines” means the guidelines for Tribhuvan University Project Implementation Office for implementation of Parts 1 and 2 of the Project to be prepared by the Recipient pursuant to paragraph 1 of Section I.B of Schedule 2 to this Agreement, setting out, *inter alia*, details of all procedures, guidelines, timetables and criteria required for the carrying out of such Parts of the Project, including the procurement, financial, administrative and operational arrangements relating to such Parts, as the same may be amended from time to time.
40. “University Grants Commission” and the acronym “UGC” mean the Recipient’s commission responsible for funding higher education, including distribution of government grants to universities, or any successor thereto.
41. “Vulnerable Community Development Framework” means the framework which forms an integral part of the SMF-VCDF and which provides specific guidelines to maximize Project benefits to indigenous peoples and other vulnerable communities and for the formulation of measures to minimize and mitigate any potential adverse effects of the Project, as such framework may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
42. “Vulnerable Community Development Plan” and the acronym “VCDP” mean a plan to be prepared and adopted by the Recipient or by a Beneficiary for an activity or Sub-project under the Project pursuant to the SM-VCDF and satisfactory to the Association, which identifies the potential impacts of the activity or Sub-project and sets out measures to avoid, mitigate, or compensate for adverse social impacts and to ensure that the activity or Sub-project benefits will accrue to vulnerable groups, as such VCDP may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.