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CONFORMED COPY

GRANT NUMBER H274-NEP

Financing Agreement

(Second Higher Education Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 30, 2007

GRANT NUMBER H274-NEP

FINANCING AGREEMENT

AGREEMENT, dated April 30, 2007, between NEPAL (“Recipient”) and the 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 grant in an amount equivalent to forty-one million six hundred thousand Special Drawing Rights (SDR 41,600,000) (“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 Payment Dates are May 1 and November 1 in each year.
- 2.05. 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 Parts 1, 2 and 4 of the Project through UGC and Part 3 of the Project through DOE, all in accordance with the provisions of Article IV of the General Conditions.

- 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 – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) UGC, DOE and SFAFDB have been staffed with an adequate number of key professionals with skills, qualifications, experience and terms of reference satisfactory to the Association, including without limitation the staff specified in Part C of Section I of Schedule 2 to this Agreement.
 - (b) The Recipient has prepared the DOE Program Implementation Guidelines in form and substance satisfactory to the Association.
 - (c) The Recipient has prepared the UGC Operations and Financial Management Guidelines in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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 V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Ministry of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile:

(977-1) 4259-891

5.03. 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.	248423 (MCI)	1-202-477-6391

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

NEPAL

By/ s /Vidyadhar Mallik

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/ s / Kenichi Ohashi

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) enhanced quality and relevance of higher education and research through a set of incentives for promoting effective management and financial sustainability of academic institutions; and (b) improved access for academically qualified under-privileged students, including girls, dalits and educationally disadvantaged janajati, to higher education through financial assistance and enhanced capacity of higher secondary schools.

The Project consists of the following parts:

Part 1: Reform Grants

- A. Provision of Incentive Grants, Performance Grants, Matching Grants and Other Grants to Tribhuvan University (Central Office, Decentralized Campuses and Autonomous Campuses), 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.

Part 2: Student Financial Assistance

- A. Provision of Scholarships, through the Student Financial Assistance Fund Development Board (SFAFDB), to meritorious 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 curriculum, examinations, 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

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; and (iii) training, study tours, policy studies and other support activities.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. UGC Operations and Financial Management Guidelines and DOE Program Implementation Guidelines

1. The Recipient shall: (i) implement the Project in accordance with the provisions of the UGC Operations and Financial Management Guidelines and the DOE Program Implementation Guidelines; and (ii) not take any action which would prevent or interfere with such implementation.

B. Other Guidelines and Manuals for Implementation of Project

1. The Recipient shall: (i) implement the activities under Part 1.B of the Project in accordance with the provisions of the Guidelines for Research Funding; and (ii) not take any action which would prevent or interfere with such implementation.
2. The Recipient shall: (i) implement the activities under Part 2 of the Project in accordance with the provisions of the Guidelines for Student Financial Assistance; and (ii) not take any action which would prevent or interfere with such implementation.
3. The Recipient shall: (i) implement the activities under the Quality Assurance and Accreditation System established under Part 4 of the Project in accordance with the Quality Assurance and Accreditation Manual; and (ii) not take any action which would prevent or interfere with such implementation.

C. Steering Committee, Key Staff at UGC, DOE and SFAFDB; Quality Assurance and Accreditation Council

1. The Recipient shall maintain the Steering Committee with functions and composition satisfactory to the Association, including without limitation, representatives of: (i) UGC; (ii) MOES; (iii) Tribhuvan University; (iv) the Ministry of Finance of the Recipient; (v) the National Planning Commission of the Recipient; (vi) DOE; (vii) HSEB; and (viii) prominent educationists.
2. The Recipient shall maintain the staffing of UGC, 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; and (viii) Class III Accounts Officer at DOE.

3. The Recipient shall appoint by December 31, 2007, and thereafter maintain, an Administrator for SFAFDB with qualifications and terms of reference satisfactory to the Association.
4. The Recipient shall establish by July 31, 2011, and thereafter maintain, the Quality Assurance and Accreditation Council as a body independent of UGC and with functions and staffing satisfactory to the Association.

D. Subproject Grants, Research Grants and Scholarships

1. The Recipient shall approve and disburse the Subproject Grants, Research Grants and Scholarships (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.
2. The Recipient shall ensure that the Subproject Grants will be disbursed by UGC directly to the Beneficiaries.
3. The Recipient shall take all necessary measures to ensure that, starting with Fiscal Year 2008/09, UGC earmark government grants to Autonomous Campuses within grants to Tribhuvan University.
4. The Recipient shall ensure that the proceeds of the Subproject Grants under Parts 1.A 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 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 and 3 of the Project will be released by UGC or DOE to its 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*:

- (a) require that the proceeds of the Subproject Grant be used to finance only the Subproject activities and expenditures included in the Beneficiary's strategic plan or school development plan;
 - (b) require that the Beneficiary: (i) carries out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;
 - (c) require that the goods, works and services to be financed from the proceeds of the Subproject Grant shall: (i) 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; and (ii) be used exclusively in the carrying out of the Subproject;
 - (d) require that the Beneficiary disseminates to the public on a trimesterly basis, by means of communication satisfactory to the Association, information regarding the use of the Subproject Grant (including a description of the activities and expenditures financed by the Subproject Grant) during the preceding trimesterly period; and
 - (e) reserve for UGC or DOE the right to:
 - (i) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites and construction included in the Subproject, the operations thereof and any relevant records and documents;
 - (ii) obtain all information as UGC or DOE or the Association shall reasonably request regarding the administration, operation and financial conditions of the Beneficiary; and
 - (iii) suspend or terminate the right of the Beneficiary to use the proceeds of the Subproject Grant upon the failure by the Beneficiary to perform any of its obligations under the Memorandum of Understanding.
7. The Recipient shall ensure that each of the Research Grants under Part 1.B of the Project will be released by UGC (or the sponsoring university) to its Beneficiary (teaching staff or a student) in accordance with the terms and conditions

(including a description of the Subproject activities and permitted use of such Grant) set forth in a research grant agreement to be executed between UGC (or the sponsoring university) and such Beneficiary, in form and substance satisfactory to the Association.

8. The Recipient shall ensure that each of the Scholarships under Part 2 of the Project will be released by SFAFDB 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 SFAFDB and such Beneficiary, in form and substance satisfactory to the Association.
9. The Recipient shall take all necessary measures to ensure that: (i) not later than October 15, 2008, schools receiving any of the Subproject Grants will have adequate records reflecting grant expenditures; and (ii) during the period of Project implementation, communities benefiting from any such Grants will undertake annual social audits.
10. The Recipient shall ensure that UGC 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.

E. Environmental Management Plan; Land Acquisition/Resettlement

1. The Recipient shall ensure that in carrying out the Project (including without limitation the Subprojects): (i) the assessment, mitigation, management, monitoring and evaluation measures and all other actions set forth in the National Environmental Guidelines and the Environmental Management Plan get implemented in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein; and (ii) no action gets taken which would prevent or interfere with such implementation.
2. The Recipient shall ensure that no civil works which may result in land acquisition or resettlement of people will be undertaken under the Project (including without limitation the Subprojects).

F. Actions Relating to Autonomous Campuses

1. The Recipient shall take all necessary measures to ensure that Tribhuvan University delegates the authority to fix tuition fees to each Autonomous Campus, as provided in the Tribhuvan University Autonomous Campus Rules, within thirty (30) days after receipt by Tribhuvan University of a request to this effect by such Autonomous Campus.

2. The Recipient shall take all necessary measures to ensure that Tribhuvan University approves the working procedures for recruitment of campus-based staff at each Autonomous Campus, as provided in the Tribhuvan University Autonomous Campus Rules, within thirty (30) days after receipt by Tribhuvan University of a request to this effect by such Autonomous Campus.
3. The Recipient shall take all necessary measures to ensure that Tribhuvan University will delegate the authority for procurement activities under the Project to Autonomous Campuses by not later than September 30, 2007.

G. Funding and Budgetary Allocations

1. The Recipient shall, starting with Fiscal Year 2010/11, increase funding to community higher secondary schools, thereby raising the share of recurrent funding to higher secondary schools in the total education budget to 2.4%.
2. The Recipient shall make appropriate budgetary allocations to maintain the existing share of its budget for universities in its total education budget at nine percent (9%).

Section II. Project Monitoring, Reporting, 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 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.

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 un-audited 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 Works.** All goods and works 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 Schedule.
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 Schedule.
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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures:
 - (i) bid opening at only one place and immediately after the deadline of bid submission shall be mandatory;
 - (ii) local institutions where the Recipient has fifty percent (50%) or more of the capital shall not be exempt from submission of bid and performance securities;
 - (iii) local bidders shall not be eligible for any preference when competing with foreign bidders;

- (iv) bidders' qualification criteria shall be formulated in accordance with the Bank's Standard Bidding Documents; and
- (v) there shall be no restrictions for foreign bidders to participate in National Competitive Bidding procedures.

3. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding and National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Shopping
(b) 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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultants' Qualifications
(e) Single-Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants



D. Review by the Association of Procurement Decisions

1. (a) Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods or works procured on the basis of International Competitive Bidding; (b) each contract for goods or works estimated to cost the equivalent of \$200,000 or more; (c) each contract for goods or works procured on the basis of Direct Contracting and estimated to cost the equivalent of \$2,000 or more; (d) each contract for consultants' services provided by a firm and estimated to cost the equivalent of \$100,000 or more; and (e) each contract for consultants' services provided by a firm, procured on the basis of Single-Source Selection and estimated to cost the equivalent of \$50,000 or more.
- (b) In addition, the following prior review procedures shall apply to each contract for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of \$25,000 or more: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraphs 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply to the contract. The following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (i) the qualifications, experience, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (ii) the contract shall be awarded only after the Association's approval shall have been given; and (iii) the provisions of paragraphs 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply to the contract.
- (c) All other contracts shall be subject to Post Review by the Association.

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 and of this Section and such additional instructions as the Association may specify by notice to the Recipient, 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:

Category	Amount of the Financing Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed
(1) (a) Subproject Grants under Part 1.A of the Project (UGC)	22,000,000	100% of amounts disbursed
(b) Research Grants under Part 1.B of the Project (UGC)	2,600,000	100% of amounts disbursed
(c) Scholarships under Part 2.A of the Project (UGC)	2,760,000	100% of amounts disbursed
(2) Subproject Grants under Part 3 of the Project (DOE)	6,800,000	100% of amounts disbursed
(3) Goods, Services, Training and Study Tours under Parts 1.B, 2.B and 4 of the Project (UGC)	1,100,000	100%
(4) Goods, Services, Training and Study Tours under Part 3 of the Project (DOE)	800,000	100%
(5) Incremental Operating Costs under Parts 1.B, 2.B and 4 of the Project (UGC)	1,190,000	90%
(6) Incremental Operating Costs under Part 3 of the Project (DOE)	550,000	90%
(7) Unallocated	3,800,000	
TOTAL AMOUNT	41,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
 - (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$75,000 equivalent may be made for payments made prior to this date but on or after April 1, 2006 for Eligible Expenditures under Categories (3), (4), (5) and (6);
 - (b) payments for any Subproject Grant under Part 1.A or 3 of the Project under Categories (1)(a) and (2) unless and until: (i) a Memorandum of Understanding relating to such Subproject Grant in form and substance satisfactory to the Association has been executed by the parties thereto and a copy thereof has been furnished to the Association; and (ii) all applicable criteria for the release of such Subproject Grant have been met and evidence therefor satisfactory to the Association has been furnished to the Association; and
 - (c) payments for any Scholarship under Part 2.A of the Project under Category (1)(c) unless and until: (i) all administrative, financial management and accountability arrangements satisfactory to the Association for carrying out the activities under Part 2 of the Project has been put in place at SFAFDB; (ii) a SFAFDB Administrator with qualifications and terms of reference satisfactory to the Association has been appointed; and (iii) the Recipient has prepared the Guidelines for Student Financial Assistance in form and substance satisfactory to the Association.
2. The Closing Date is January 15, 2014.

APPENDIX

Definitions

1. “Autonomous Campus” means a constituent campus of Tribhuvan University that has acquired autonomy under the provisions of the Tribhuvan University Autonomous Campus Rules.
2. “Basic Grants” means grants to be provided under Part 3 of the Project to finance the costs of Subprojects and designed to reward higher secondary schools for graduating higher secondary school students.
3. “Beneficiaries” means the Tribhuvan University Central Office, Autonomous Campuses, Decentralized Campuses, small universities, Community Campuses, higher secondary schools, teaching staff or students eligible to receive a Subproject Grant, a Research Grant or a Scholarship.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Community Campus” means a campus affiliated to universities in the Recipient’s country and classified by UGC as a grant receiving campus.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
7. “Decentralized Campus” means a constituent campus of Tribhuvan University that has been decentralized under the provisions of Tribhuvan University Decentralizations Rules 2055 (1998/99).
8. “DOE” means the Department of Education of the Recipient within MOES, or any successor thereto.
9. “DOE Program Implementation Guidelines” means the Program Implementation Guidelines for Part 3 of the Project to be prepared by the Recipient pursuant to Section 4.01 of this Agreement, setting out, *inter alia*, details of all procedures, guidelines, timetables and criteria required for the carrying out of such Part of the Project, including the procurement, financial, administrative and operational arrangements relating to such Part, as the same may be amended from time to time with the agreement of the Association.
10. “Educational Management Information System” means the system for developing and managing information and data relating to education.

11. “Environmental Management Plan” or “EMP” means the Environmental Management Plan for the Project dated September 22, 2005, and approved by the Association, setting out, *inter alia*, environmental mitigation, management, monitoring and evaluation measures for the Project and other provisions describing the manner in which the National Environmental Guidelines will be implemented under the Project, as the same may be amended from time to time with the agreement of the Association.
12. “Fiscal Year” or “FY” means the twelve (12) month period corresponding to any of the Recipient’s fiscal years, which period commences and ends in mid-July of each calendar year.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants” dated July 1, 2005.
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 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.
15. “Guidelines for Research Funding” means the Guidelines for Research Funding dated February 7, 2006, and approved by the Association, setting out, *inter alia*, the terms and conditions for administering the Research Grants (including, *inter alia*, eligibility and selection criteria, use of grants, monitoring and other provisions relating to such Grants) and other implementation arrangements for the research support activities under Part 1.B of the Project, as the same may be amended from time to time with the agreement of the Association.
16. “Guidelines for Student Financial Assistance” means the Guidelines for Student Financial Assistance to be prepared by the Recipient pursuant to Part B.1(c) of Section IV 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) and other implementation arrangements for the student financial assistance activities under Part 2 of the Project, as the same may be amended from time to time with the agreement of the Association.
17. “HSEB” means the Higher Secondary Education Board of the Recipient under MOES, or any successor thereto.

18. “Incentive Grants” means grants to be provided under Part 1.A of the Project to finance the costs of Subprojects and designed to encourage academic institutions to embark on reforms.
19. “Incremental Operating Costs” means: (i) expenditures incurred by DOE or UGC 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 staff in travel status for Project implementation; and (iii) salaries and allowances of incremental staff assigned to DOE or UGC for Project implementation but excluding salaries of the Recipient’s civil servants.
20. “Matching Grants” means grants to be provided under Part 1.A 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).
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 a Beneficiary, 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.
22. “MOES” means the Recipient’s Ministry of Education and Sports, or any successor thereto.
23. “National Environmental Guidelines” or “NEG” means the National Environmental Guidelines for Higher Education Institutions and Higher Secondary Schools in Nepal prepared by the Recipient, setting out, *inter alia*, the assessment of environmental issues in the planning, construction and operation of higher education institutions, and policies, guidelines and procedures for implementing related environmental mitigation, management, monitoring and evaluation measures.
24. “Other Grants” means grants to be provided under Part 1.A 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 Part 1.A or 3 of the Project to finance the costs of Subprojects and designed to reward academic institutions for reform-oriented achievements.
26. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 17, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
28. “Quality Assurance and Accreditation Council” means an autonomous body to be established for the purposes of setting standards for quality assurance and accreditation of higher education institutions and programs.
29. “Quality Assurance and Accreditation Manual” means the Quality Assurance and Accreditation Manual dated February 7, 2006 and approved by the Association, setting out, *inter alia*, goals, principles, benchmarks, grading system, accreditation process and other implementation arrangements for the Quality Assurance and Accreditation System, as the same may be amended from time to time with the agreement of the Association.
30. “Quality Assurance and Accreditation System” means the system to be established under Part 4 of the Project for providing information on the quality of programs offered by various institutions and campuses through accreditation.
31. “Research Grants” means grants to be provided under Part 1.B of the Project to finance the costs of Subprojects and designed to promote research at higher education institutions.
32. “Scholarships” means grants to be provided under Part 2.A of the Project to finance the costs of Subprojects and designed to assist students with attending higher secondary schools and bachelor’s degree programs.
33. “Steering Committee” means the Steering Committee to be maintained pursuant to Part C of Section I of Schedule 2 to this Agreement for the purposes of, *inter alia*, overseeing and monitoring overall Project implementation and facilitating coordination among governmental agencies, institutions and other stakeholders.
34. “Student Financial Assistance Fund Development Board” or “SFAFDB” means the Student Financial Assistance Fund Development Board established pursuant to the Student Financial Assistance Fund Development Committee (Formation) Order 2062 (2005/06).

35. “Subproject” means a set of activities to be carried out by a Beneficiary with the proceeds of a Subproject Grant, a Research Grant or a Scholarship under Part 1, 2 or 3 of the Project.
36. “Subproject Grants” means Incentive Grants, Performance Grants, Matching Grants, Basic Grants and Other Grants.
37. “Tribhuvan University Autonomous Campus Rules” means Tribhuvan University Autonomous Campus Rules 2062 (2005/06).
38. “UGC” means the University Grants Commission of the Recipient responsible for funding higher education, including distribution of government grants to universities, or any successor thereto.
39. “UGC Operations and Financial Management Guidelines” means the Operations and Financial Management Guidelines for Parts 1, 2 and 4 of the Project to be prepared by the Recipient pursuant to Section 4.01 of 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 agreement of the Association.

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