

**Agreement  
between  
The University Grants Commission  
(hereinafter referred to as "UGC")  
and  
Kathmandu University  
(hereinafter referred to as "KU")  
regarding  
Formula Based Funding**

**I. Preamble**

WHEREAS the parties hereto have signed a MOU for cooperation under the framework of the Second Higher Education Project (SHEP).

WHEREAS the Three Year Interim Education Plan envisages the introduction of formula-based grants to small universities.

WHEREAS the parties hereto have agreed to enter into an agreement for formula-based funding for higher education programs.

**NOW THEREFORE** the parties hereto hereby agree in concept to fulfil the following framework for Formula-Based Funding:

**Framework for the Formula-Based Funding**

1. Bachelor's degree programs will be designed to fully recover recurrent costs. However, to attract bright and needy students, universities may waive fees for up to 20% of the students, with the government subsidy equal to the amount of fees waived. The Government may choose to cap the maximum enrolment for which this arrangement applies.
2. Master's degree programs will be designed to recover 80% of the recurrent costs. To attract bright and needy students, universities may waive fees for up to 20% of the students. The government subsidy will cover the amount of fees waived, as well as 20% of the recurrent costs determined by multiplying the fee per student by 20% of the enrolment. The Government may choose to cap the maximum enrolment for which this arrangement will apply.
3. M. Phil and Ph. D. programs will be designed to recover 50% of the recurrent costs. To attract bright and needy students, universities may waive fees for up to 20% of students. The government subsidy will cover the amount of fees waived, as well as 50% of the recurrent costs determined by multiplying the fee per student by 50% of the enrolment.
4. For a grace period of five years or as agreed, the current level of recurrent grants will be maintained even if the level of funding determined by the formula yields an amount less than the amount of current grants.
5. If a university starts a new program under a Government request, the program will be funded on a per unit student cost basis to be negotiated between the Government and the university.
6. Universities will continue to receive budget to finance capital costs. The Government may also provide funding for the fixed costs of operating the core administration of the university as specified in the annex.

**II. The University Grants Commission**

1. The UGC shall approve and disburse the following grants as per the criteria and procedures specified in the Project Appraisal Document (PAD) of Second Higher Education Project (SHEP):
  - Incentive grants of NRs. 1.3 million;
  - Performance grants of up to NRs. 97.5 million; and
  - Matching grants of up to NRs. 130 million.However, the total of performance and matching grants shall not exceed NRs. 162.5 million.

*Kawal*

*AK*

2. UGC shall provide grants for recurrent costs to KU every year as determined by the formula above.
3. UGC may also provide to KU grants for capital costs.
4. UGC shall provide grants to KU every year for meeting core operation costs in block based on the attached framework and the norms determined by UGC. The block grants may be reviewed every three years.

**III. Liability**

Neither of the Parties shall be responsible, financially or in other ways, for liabilities undertaken by the other.

**IV. Compliance with the laws**

While carrying out the assignment under this Agreement, duly authorised personnel and entities shall comply with the appropriate laws. The Parties will take prompt action with regard to any violation of the law by any of their personnel and entities when carrying out their assignment.

**V. Amendments**

No amendments shall be made to this agreement unless by written agreement signed by duly authorised representatives of the parties.

**VI. Entry into Force and Duration**

This agreement shall enter into force from fiscal year 2008/09.

**VII Settlement of the Disputes**

If any dispute arises relating to the implementation or interpretation of this agreement, there shall be mutual consultations between the Parties with a view to securing a successful settlement of the dispute and will resolve the dispute amicably.

In witness whereof, the undersigned, acting on behalf of their respective parties, have signed this Agreement in two originals in the English language.

Kathmandu, November, 2007

Kathmandu, November, 2007

For University Grants Commission

For Kathmandu University

*Kamal K. Joshi*  
Dr. Kamal Krishna Joshi  
Chairman (UGC)

*S. Sharma*  
Dr. Suresh Raj Sharma  
Vice Chancellor (KU)



Office Seal

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Date: 29. 02. 2008

Date: 29 Feb 2008

Witnesses:

1. Mahashram Sharma Director DOE *M. Sharma*

2. Bhisma Raj Subedi - Controller of Examination - *Subedi*

3. Laha Prasad Tripathi - MOES - *Tripathi*

HSEB

Joint - Secretaries

## The Framework for Determining Core Funding for KU

No.	Cost item	Unit	Quantity	Unit cost, Rs.	Amount, Rs.	Remarks
1	Vice-Chancellor	Position	1			
2	Registrar	Position	1			
3	Dean	Position	1			
4	Finance Controller (class II)	Position	1			
5	Accountant	Position	1			
6	Administrative Officer	Position	1			
7	Head Assistant	Position	1			
8	Procurement Officer	Position	1			
9	Store Officer	Position	1			
10	Personal Assistant	Position	3			
11	Peon	Position	4			
12	Chowkidar	Position	2			
13	Driver	Position	4			
14	Fuel @ 100 liters per month per vehicle for three vehicles	Liters	3600			
15	Electricity @ 400 units per month	kWhr	4800			
16	Water	Month	12			
17	Telecommunications	Month	12			
18	Internet	Month	12			
19	Maintenance	LS				
20	Postage	LS				
21	Miscellaneous	LS				
22	Stationary and supplies	Month	12			
23	Office rental	Month	12			
24	Consultants services	Person-month	24			

*Kamal*

*JK*