

**ASIAN DEVELOPMENT BANK**

**CSP:NEP 2003-22**

**COUNTRY STRATEGY AND PROGRAM UPDATE  
2004–2006**

**NEPAL**

**August 2003**

## CURRENCY EQUIVALENTS

(as of 31 July 2003)

|               |   |                            |
|---------------|---|----------------------------|
| Currency Unit | – | Nepalese rupee/s (NRe/NRs) |
| NRe1.00       | = | \$0.0133                   |
| \$1.00        | = | NRs75.04                   |

The Nepalese rupee is pegged to the Indian rupee (Re) at NRs1.60 to Re1.00 and is fully convertible on all current account transactions.

## ABBREVIATIONS

|       |   |   |
|-------|---|---|
| ADB   | – | Asian Development Bank                      |
| ADF   | – | Asian Development Fund                      |
| CSP   | – | country strategy and program                |
| CSPU  | – | country strategy and program update         |
| GDP   | – | gross domestic product                      |
| HDI   | – | human development index                     |
| PPA   | – | poverty reduction partnership agreement     |
| SASEC | – | South Asia Subregional Economic Cooperation |
| TA    | – | technical assistance                        |

## NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends. For example, FY2003 ends on 15 July 2003.
- (ii) In this report, "\$" refers to US dollars.

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## **I. CURRENT DEVELOPMENT TRENDS AND ISSUES**

### **A. Recent Political and Social Developments**

1. Since the latter half of 2002, Nepal has been experiencing considerable political turbulence and an escalation of the insurgency, which has adversely affected the economy and development work. In October 2002, in response to then Prime Minister Deuba's proposal to defer the mid-term elections by a year—due to the difficult security situation—His Majesty the King relieved Prime Minister Deuba and appointed L. B. Chand, a senior leader of the Rastriya Prajantantra Party (RPP), and a Cabinet, comprising mostly members of smaller parties and independent professionals. Prime Minister Chand resigned in May 2003 under growing pressure from the political parties opposed to His Majesty's actions. His Majesty appointed S. B. Thapa, another senior RPP leader, who has subsequently formed a small Cabinet comprising six RPP members. Dissatisfied, the political parties continue to demand reinstatement of the dissolved Parliament as a precondition for joining the new Government.

2. The cease-fire agreement between the previous Government and insurgency leaders in January 2003, followed by an agreement on a code of conduct in March 2003, has considerably improved the domestic security situation. Two initial rounds of peace talks were also held in April and May 2003 during which the insurgents put forth their demands for a roundtable, an interim government, and a constituent assembly. Although disrupted by the change in government, the peace process is expected to continue and the cease-fire remains generally effective.

3. If the peace process is sustained, this will clearly have a positive impact on the economy and rural livelihoods. The conflict has negatively affected the latter, mainly due to out migration, the dislocation of the rural population, and restrictions on the movement of goods and essential supplies. A sustained peace process would also enable the Government to undertake urgently needed postconflict rehabilitation, reconstruction, and development work, especially in previously neglected areas. This will allow the Government, by targeting development, to effectively tackle widespread poverty and other root causes of the insurgency.

### **B. Economic Assessment and Outlook**

4. The economic performance of Nepal was exceptionally weak in FY2002. Gross domestic product (GDP) contracted by 0.5%, after growing by 4.6% in FY2001. Inflation during FY2002 remained low, at 2.9%. A series of domestic and external shocks—including an intensification of the insurgency, an irregular monsoon, and weak external demand—adversely affected production and external trade. Agricultural growth slipped from 5.5% in FY2001 to 2.2% in FY2002, while industrial output fell by 3.3%, largely due to a nearly 10% drop in manufacturing production. Tourist arrivals fell by 40%, resulting in an estimated 34% drop in tourism receipts and a 1.8% decline in services sector output. The downturn had a major negative impact on the fiscal position; however, the overall deficit, including grants, was contained at 3.3% of GDP, due to a 40% cut in planned development expenditures and increased domestic deficit financing. Despite the Government's intensified revenue collection measures, including increases in special fees on imports and income tax, domestic revenue collection only increased by 4.5% in FY2002, a sharp reduction from the 13.2% increase a year earlier.

5. The short- and medium-term prospects of the economy depend on the peace process. While the cease-fire and the beginning of the peace process hold good prospects for economic recovery, they are likely to take some time to significantly impact the economy. Real GDP is

forecast to grow by about 1.5% in FY2003 and 3.5% in FY2004. Despite a price increase in agricultural and petroleum products, inflation is forecast to increase moderately (by less than 5%) over the next 2 years, reflecting weak domestic demand. The FY2003 fiscal deficit, including grants, is forecast to be contained at around 4%, reflecting the difficulties in carrying out development activities, but it might reach 6% in FY2004, as development expenditure, including reconstruction and rehabilitation work, expands.

6. Given the economic slowdown and the weak fiscal position, prudent public resource and debt management reforms are urgently needed to ensure fiscal stability and the effective use of the country's limited resources to target widespread poverty, one of the root causes of the insurgency. This will require a marked improvement in domestic and external resources and expenditure management. As envisaged in the Tenth Plan (FY2003–2007), the Government needs to continue its efforts to mobilize domestic resources and maximize development impact of public investments through more broad-based tax reforms, and clear prioritization of development expenditures based on realistic resource estimates.

### **C. Implications for Country Strategy and Program**

7. If the cease-fire continues to hold and leads to an effective peace process, the environment for those development activities adversely affected by the conflict will significantly improve. However, addressing the critical issues of persistent poverty and the lack of development in conflict-affected areas, which are among the underlying causes of the insurgency, is vital to the peace process. The Government fully recognizes this and is preparing a program to address critical humanitarian needs, rehabilitate the displaced population, and reconstruct those key rural infrastructure and administrative facilities destroyed during the conflict. In spite of this, the pressure on the economy and the fiscal position of the Government are likely to remain in the medium term and will limit the Government's ability to fulfill rehabilitation and development needs of conflict-affected areas, which encompass large parts of the country. To meet this challenge and tackle deep-rooted development problems facing the country—including social exclusion; poor governance; and weak implementation of policies, projects, and programs—the Government will need significant program and project support from its development partners. The country strategy and priorities of the Asian Development Bank (ADB) remain fully consistent with the objective of addressing poverty and targeting development in poor and conflict-affected areas. While ADB's proposed operational program for Nepal directly addresses these priorities, there is a need to provide further support for the Government's rehabilitation and reconstruction program and for strengthening the fiscal position and improving governance. In addition, to ensure accountability, effective implementation, and improved service delivery, ADB will need to continue to work closely with the Government to promote the wider and stronger participation of local bodies and communities in all projects and programs. Since the peace process is still in its early stages, and since considerable political uncertainties remain, the Government and ADB will need to show flexibility in carrying forward the proposed 2004–2006 program.

## **II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM**

### **A. Progress Under the Poverty Partnership Agreement**

8. To formalize a sustainable partnership defining short-, medium-, and long-term priorities and targets for reducing poverty and achieving millennium development goals, a poverty reduction partnership agreement (PPA) was signed by the Government and ADB (in Kathmandu, on 21 October 2001). The implementation of the PPA is still in the initial stage, and

progress toward PPA targets in the areas of broad-based growth and social development cannot yet be assessed. However, owing largely to the insurgency, macroeconomic indicators are currently lagging. Nonetheless, the Government has taken encouraging steps, including the announcement of the Economic Reform Program, in October 2002; the finalization of the Tenth Plan as the Government's poverty reduction strategy, in December 2002; and (to implement and monitor the progress of core elements of the Tenth Plan) the approval of the Immediate Action Plan (IAP), in June 2002. Key actions taken under the 2002 IAP were the prioritization of public expenditure, introduction of anticorruption measures, and improvement of service delivery (for example, through transferring the management of school and health posts to local communities).

## **B. Progress in the Country Strategy and Program Focus Areas**

### **1. Gender and Socially Inclusive Development**

9. Poverty in Nepal remains concentrated among the rural poor, women, and various disadvantaged caste-based and ethnic groups. These groups lack sufficient productive opportunities and have limited access to basic social services, infrastructure, and safety nets. As highlighted in the poverty reduction strategy of the Tenth Plan, overcoming low levels of human development—by mainstreaming in the development process women, the very poor, and deprived communities, castes, and regions—remains the major challenge facing Nepal. There has been some progress in gender mainstreaming, as it is now understood that improving the status of women (particularly in rural areas, where large numbers are severely underprivileged) is critical to increasing human capital. While literacy levels and life expectancy among women have improved,<sup>1</sup> the extent to which women have a voice and influence in the public domain remains quite limited. Women hold no more than 8% of national civil service and elected government positions and still have little representation in program and expenditure decisions made at local levels. Progress to address caste- and ethnicity-based exclusion remains limited, though recognition of these problems in the Tenth Plan is encouraging. The 2004–2006 Country Strategy and Program (CSP) will target assistance to ensure that project benefits accrue in large part to these disadvantaged groups and promote their greater local involvement in the development process, which will improve access to resources and ensure more inclusiveness and accountability in the delivery of basic social services.

### **2. Governance**

10. The Government has made some important progress in governance reform, including, as part of its rightsizing strategy, approval of the elimination of 7,518 vacant positions (September 2002), freezing of the creation of new civil service posts (from FY2003), and freezing of new recruitment in vacant non-gazetted positions. To enhance the accountability and transparency of the civil service, the Ministry of General Administration (MOGA) has completed the computerization of civil service personnel records, including the development of a "post" management system that enables the Government to link approved posts to personnel occupying the positions. Following the April 2002 enactment of four anticorruption bills,<sup>2</sup> the Commission for Investigation of Abuse of Authority began investigating several bureaucrats and ex-ministers. MOGA also began, from July 2002, implementing a key provision of the new

<sup>1</sup> As per the Gender Disaggregated Indicators (2002), the gender gap in literacy decreased from 35% in 1999 to 22.5% in 2001 and women's life expectancy improved from 53 years in 1990 to 57.8 years in 2001.

<sup>2</sup> Anticorruption Bill, Commission for Investigation of Abuse of Authority Bill, Impeachment Bill, and Special Court Bill.

Anticorruption Act, requiring all public servants to declare property and income; and the Government approved, in January 2003, a comprehensive anticorruption strategy.

11. Progress in decentralization has been mixed. While the Decentralization Implementation Plan was approved (January 2002) and devolution of responsibility for key services (primary education, primary health care, and agricultural extension) was initiated, the then Government's July 2002 decision not to extend the terms of locally elected bodies set back these decentralization efforts. Service delivery and development works have suffered since this lapse and from the results of worsening security conditions, namely restrictions on social mobilization and constrained government access to local areas. Under the Government's implementation of the 2002 IAP, however, and with the transfer of primary schools and subhealth posts to local management committees and the allocation of a full budget for district level agricultural extension services to district development committees, some progress in devolving authority has been initiated.

12. Progress in fiscal management includes the introduction of various revenue mobilization measures, such as a voluntary disclosure of income scheme, special fees on imports, and income tax. The Government also cut or amalgamated 160 low-priority development projects and prioritized the remaining projects, through the medium-term expenditure framework, to contain spending. The Government has decided to liquidate or privatize nine public enterprises and prepare a medium-term public enterprise reform strategy, to reduce budgetary transfers to and contingent liabilities of troubled public enterprises. The 2004–2006 CSP will continue to support the Government's governance reform, decentralization, and fiscal reform programs, to bring development planning and implementation closer to intended beneficiaries.

### **3. Agriculture and Rural Development**

13. While agriculture sector performance depends largely on weather conditions, agricultural activity started to be adversely affected by the insurgency, though prospects for the sector have improved since the cease-fire. However, prior to the effects of the conflict, various agricultural policy reforms, including the involvement of the private sector in service delivery, positively impacted agricultural performance. However, the results of these policy reforms remain fragile and are not homogenous countrywide. In line with the overall framework of the Agricultural Perspective Plan (APP), the Tenth Plan highlights the importance of agricultural and rural growth for poverty reduction and aims to raise agricultural production by 4.1% per annum, through the commercialization of agriculture, promotion of agribusiness, diversification of production, improvement in irrigation facilities, and expansion of rural roads and rural credit. Assistance under the 2004–2006 CSP will help the Government achieve its agricultural and rural poverty reduction objectives, through support for strengthening market orientation; broad community participation at the grassroots level; and decentralization in the areas of agribusiness, basic social infrastructure, rural access roads, communications, financial services, and remote area tourism. Given the predominance of rural poverty, particularly in western Nepal and other insurgency-affected areas, the 2004–2006 assistance program will help the Government pursue rural development activities in geographically and socially deprived communities.

### **4. Energy**

14. While the Government has taken a number of steps to improve the long-term financial sustainability of the power sector—including adjusting power tariffs, introducing a semiautomatic tariff increase that will keep pace with inflation, passing legislation that will limit electricity theft,

and developing an action plan that will reduce municipal arrears at the Nepal Electricity Authority (NEA)—implementation remains problematic.<sup>3</sup> However, there has been recent progress with the reorganization of NEA. In line with the 2001 Hydropower Policy, NEA has been reorganized into four core business units: (i) generation, (ii) transmission, (iii) distribution, and (iv) engineering services. NEA recently established 18 performance-based distribution centers. Covering 70% of NEA's distribution activities, these centers were designed to reduce distribution losses and increase revenue collection. While progress in rural electrification remains slow, NEA's Board recently approved regulations to promote electricity distribution through cooperatives and user groups. These regulations are targeted at increasing community contribution and access to rural electrification.<sup>4</sup>

## **5. Education**

15. Progress in the education sector is reflected in higher enrollment rates for girls and boys and physical access to primary education. However, considerable efforts are needed to reach students from disadvantaged castes and ethnic groups, through policy reform that advocates increased sensitivity to issues of cultural diversity and gender and improvement in the quality of public education. To make school management effective, monitorable, and accountable to communities, the Government approved, as a first step, the transfer of 100 primary schools to their respective local school management committees and agreed to channel funds for primary education through district development committees, which began in FY2003. Since teacher capacity is a weak link in the Government's efforts to improve the quality of education, the Government, with ADB assistance, has taken initial steps to restructure and integrate scattered teacher training institutions and strengthen their capacity to provide improved teacher education for the school sector as a whole. However, the challenges related to meeting the millennium development goals remain enormous, with core needs being teacher education and supervision; improved school management; strengthening institutional capacity for planning, management, and delivery; and policy reform aimed specifically at the problem of social exclusion.

## **6. Regional Cooperation**

16. Nepal has assumed an active role in the South Asian Subregional Economic Cooperation (SASEC) program, which is supported by ADB and designed to promote subregional cooperation among Bangladesh, Bhutan, India, and Nepal. SASEC has made significant progress during the past 2 years. The four countries involved have established development action programs for priority subregional projects in the energy, transport, environment, tourism, and trade and investment sectors. Nepal chairs the tourism working group of SASEC. Potential areas for cooperation are being identified, and those with direct relevance to Nepal include improvement of hydropower resources for subregional development, development of rural electrification using the Bangladesh cooperative model, improvement of cross-border access to India and Bangladesh, and development of a subregional tourism master plan. Nepal is also actively engaged in bilateral programs with India.

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<sup>3</sup> While a semiautomatic tariff adjustment was approved in May 2001, the Electricity Tariff Fixation Commission has not yet approved the detailed formula.

<sup>4</sup> The electrification ratio is only 20% nationally, and 6% in rural areas. The Tenth Plan indicates that an additional 12% of the population has accessed electricity, possibly through shared or illegal connections or through other off-grid renewable energy sources.

### C. Highlights in Coordination of External Funding and Partnership Arrangements

17. Significant progress has continued in Nepal, under the Government's leadership, in the areas of aid coordination and collaboration. Development partners joined in a concerted effort to assist the Government in the design and effective implementation of the 2002 IAP. Well-coordinated support from development partners also contributed to the Government's finalization of its poverty reduction strategy, the Tenth Five-Year Plan, after broad consultation with civil society.<sup>5</sup>

18. Concerning specific project and program levels, in 2003, the Danish International Development Agency agreed to provide \$30.0 million in cofinancing for the first phase of an ADB-assisted secondary education support program, and the Swiss Agency for Development and Cooperation provided about \$470,000 in grant funding for public awareness and monitoring of the Governance Reform Program. The United Kingdom's Department for International Development agreed, in principle, to provide a technical assistance fund to complement a public enterprise reform program assisted by ADB.

## III. PORTFOLIO MANAGEMENT ISSUES

### A. Portfolio Performance

19. Cumulative public sector lending to Nepal totals 99 loans, amounting to \$2.0 billion. There were 18 active loans, as of 31 May 2003, amounting to \$679.9 million. Cumulative contract awards and disbursements for these are \$233.4 million and \$220.9 million respectively (34% and 32% of the net loan amount). In 2002, contract awards and disbursements amounted to \$13.2 million and \$28.2 million, respectively (41% and 100% of their projected levels). Approved in 2002 were two loans (in the social infrastructure sector), amounting to \$60.0 million, and nine technical assistance (TA) activities, totaling \$3.9 million. The disbursement ratio declined to 8.41 in 2002, due to slow development activities, which is much lower than the ADB-wide average for the Asian Development Fund (ADF) of 19.69. Provision of counterpart funds was not a problem, since ADB-supported projects are categorized as priority 1, under the medium-term expenditure framework, and therefore qualify for automatic budget releases. Submission of audited project accounts is generally satisfactory.

20. The 2002 Country Portfolio Review Mission, conducted jointly with the Government, the World Bank, and the Japan Bank for International Cooperation, discussed six key areas of concern: (i) quality at entry and quality of supervision, (ii) procurement management, (iii) financial management, (iv) project administration and staffing, (v) project monitoring and evaluation, and (vi) operation and maintenance. A midterm review of the joint action plan to improve portfolio performance, held in May 2002, showed a reasonable level of compliance. Of the 16 time-bound actions agreed on, 12 were due for compliance at the time of the review. Of these, seven have been complied with or mostly complied with, three are partly complied with, and two have not been complied with and have been rescheduled. Bimonthly project managers' meetings<sup>6</sup> (cochaired by the Ministry of Finance and ADB) have been held since July 2001, to address implementation issues related to ADB-assisted projects. These meetings have improved some aspects of project implementation, especially those affected by less frequent movement of key staff. While overall implementation performance is satisfactory, the following

<sup>5</sup> ADB assisted the Government with the preparation of the Tenth Plan through *Technical Assistance to Nepal for Support for Preparation of the Tenth Five-Year Plan* (approved in July 2001).

<sup>6</sup> Minutes of each meeting are summarized in a letter to the Prime Minister.

generic issues have adversely affected ADB's portfolio: poor quality of civil works, slow decision making by the Government, slow progress in implementing policy reforms, and delayed compliance with loan effectiveness conditions. Five projects, or 27% of ADB's projects, are classified as at risk.

## **B. Performance Monitoring and Evaluation**

21. Project monitoring and evaluation need to be strengthened to ensure the sustainability of poverty reduction investments and improve the quality of civil works, and this remains a key element of ADB's policy dialogue. The National Planning Commission has recently established a separate section for periodic poverty monitoring and encouraged line ministries to improve monitoring and evaluation, particularly for priority 1 projects. While these initiatives to establish uniformity in project monitoring and reporting are positive, a broad and sustained commitment by NPC and executing agencies is needed. Of the 40 projects evaluated by the Operations Evaluation Department, 22 (or 55%) were generally successful, 10 (or 25%) were partly successful, and 8 (or 20%) were unsuccessful. In 2002, three evaluations were undertaken, one the East Rapti Irrigation Project,<sup>7</sup> Technical Education and Vocational Training Development Project,<sup>8</sup> and Industrial Sector Program.<sup>9</sup> These activities were all rated as successful, largely due to the active participation of user groups and/or needs-based policy reforms.

## **IV. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS**

### **A. Lending Level Proposed**

22. An indicative ADF lending level of \$321 million is programmed for 2004–2006. This corresponds to an average of \$107 million ADF lending per annum. However, the proposed ADF level is subject to the outcome of the annual performance-based allocation (PBA) exercise and overall ADF resource availability. The assessment of the country-specific monitoring indicators shall be the basis for triggering high, base, and low ADF lending scenarios each year. Depending on ADF resource availability in 2004, the ADF lending program will need to be reviewed. The issue will be revisited and confirmed during the Country Program Confirmation Mission. The 2005 and 2006 ADF lending program will depend on the outcome of the discussions regarding ADF replenishment.

23. The PBA's country-specific monitoring indicators, agreed on with the Government, include (i) the preparation of a FY2004 budget, through clear prioritization and streamlining of development projects/programs; (ii) control of corruption, resulting from effective implementation of anticorruption measures; (iii) progress in improving performance-based management in selected key ministries; (iv) progress in agriculture, irrigation, power, education, and finance sector reforms; and (v) progress in portfolio management (Appendix 1, Table A1.12).

24. The overarching objective of ADB's CSP is to achieve sustainable reduction in poverty, through a combination of accelerated broad-based economic growth, social development, and good governance. During 2004–2006, subject to the improved security situation, priority will be given to assisting the Government's reconciliation, rehabilitation, and reconstruction efforts,

<sup>7</sup> ADB. 1987. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the East Rapti Irrigation Project*. Manila.

<sup>8</sup> ADB. 1989. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Technical Education and Vocational Training Development Project*. Manila.

<sup>9</sup> ADB. 1993. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kingdom of Nepal for the Industrial Sector Program*. Manila.

through developing rural areas; improving basic social services and infrastructure; empowering women; enabling private sector development; and improving governance in the public, corporate, and financial sectors. When appropriate, programs and projects will also be designed to target neglected areas and excluded groups, to reduce poverty and inequality. The strategic approach of the program will continue to emphasize institutional strengthening.

25. The proposed 2004–2006 lending program consists of 14 firm projects, totaling \$321 million (Appendix 1, Table A.1.10). The proposed program is consistent with the strategic thrust of the proposed CSP. Core poverty intervention projects constitute 93% of the total 2004–2006 program. Actual resource allocation will depend on performance, as measured by PBA common criteria, including portfolio performance and country-specific criteria. In support of the Government's emerging need for reconciliation, rehabilitation, and reconstruction, the timing of the projects with greater potential to benefit rural communities and conflict-affected areas has been adjusted,<sup>7</sup> and their proposed scope and geographical focus will be reviewed. Concept papers for lending products are in Appendix 2.

## **B. Nonlending Program**

26. The nonlending program focuses on institutional strengthening and capacity building, which are needed to develop more effective sector institutions and project preparation. The 2004–2006 TA program includes 29 TAs, with a total value of \$12 million (Appendix 1, Table A.1.11). The indicative planning figure (IPF) of the TA program is envisaged to average about \$4 million annually and will be supported with cofinancing resources. While providing advisory TA activities remains consistent with the 1999 Country Operational Strategy, which stressed the critical importance of building effective institutions to maximize the development impacts of ADB assistance, there is a growing need to optimize the use of increasingly scarce TA funds. An economic and sector work program forms the basis for ADB's support of policy reform, capacity building, and institutional strengthening in Nepal. Seven planned studies will provide guidelines for future ADB interventions in the agriculture, governance, civil aviation, and regional development sectors. Concept papers for nonlending products are in Appendix 3.

## **C. Summary of Changes to Lending and Nonlending Programs**

27. The Ecotourism Project and the Second Rural Infrastructure Sector Development Project (deferred from the 2003 loan program, owing to the security problem) have been added to the 2004 loan program. The Subregional Roads Connection Project was dropped from the country IPF but has been reclassified as an SARD subregional cooperation project and included under that IPF. The Technical/ICT Education Project and the Private Sector Development Project have been renamed, respectively, the Skills for Employment Project and the Market Access and Productivity Growth for the Private Sector Project. The Community Livestock Development Project (formerly the Smallholder Livestock Development Project) has been advanced to the 2003 loan program. The Commercial Agriculture Development Project (formerly the Integrated Agriculture Development Project), which was deferred from 2003, has been added to the 2005 loan program. The Agribusiness Development Project and the Rural Electrification and Renewable Energy Project have been deferred to the 2006 loan program. Consistent with the Government's priorities, the Community Groundwater Irrigation Sector Development II Project has been advanced from the 2006 program to the 2005 program.

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<sup>7</sup> For example, the Community Livestock Development Project and the Second Community Groundwater Irrigation Sector Development Project have been advanced to 2003 and 2005 respectively.

## COUNTRY AND PORTFOLIO INDICATORS, AND ASSISTANCE PIPELINE

**Table A1.1: Progress Toward the Millennium Development Goals and Targets**

| <b>Goals and Targets</b>  | <b>Country Status</b>   |
|---|---|
| <b>Goal 1: Eradicate Extreme Poverty and Hunger</b>   |   |
| Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1/day.   | The percentage of population below national poverty line is estimated to be reduced from 42.0% in 1996 to 38.0% in 2000.  |
| Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.  | The prevalence of underweight children under 5 years of age was reduced from 57.0% in 1990 to 47.7% in 2000.<br><br>The proportion of population below minimum level of dietary energy consumption was reduced from 49.0% in 1992 to 47.0% in 2000.   |
| <b>Goal 2: Achieve Universal Primary Education</b>  |   |
| Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.         | The net enrolment rate in primary school improved from 64.0% in 1990 to 72.1% in 2000.<br><br>The proportion of pupils starting grade 1 and reached grade 5 increased from 38.0% in 1994 to 45.0% in 1999.<br><br>The literacy rate of 15–24 year olds improved from 49.3% in 1991 to 74.1% in 2000.  |
| <b>Goal 3: Promote Gender Equality and Empower Women</b>  |   |
| Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015. | The ratio of girls to boys in primary school increased from 56.0 in 1990 to 78.0 in 1999.<br><br>The ratio of girls to boys in lower secondary school improved from 41.0 in 1990 to 71.0 in 1999.<br><br>The ratio of literate females to males (15–24 years of age) increased from 0.48 in 1991 to 0.77 in 2000.<br><br>The percentage of girls to boys in primary school (gross enrollment) increased from 56.0% in 1990 to 78.0% in 1999.<br><br>The percentage of girls to boys in lower secondary school (gross enrollment) increased from 41.0% in 1990 to 71.0% in 1999. |
| <b>Goal 4: Reduce Child Mortality</b>   |   |
| Target 5: Reduce by two thirds, between 1990 and 2015, the under-5 mortality rate.  | The under-5 mortality rate (per 1,000 live births) decreased from 161.6 in 1989 to 91.0 in 2000.<br><br>The infant mortality rate was reduced from 102.1 in 1990 to 73.6 in 2000.   |

| <b>Goals and Targets</b>  | <b>Country Status</b>   |
|---|---|
| <p><b>Goal 5: Improve Maternal Health</b></p> <p>Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.</p>   | <p>The maternal mortality ratio (per 100,000 live births) decreased from 850.0 in 1988 to 540.0 in 1999.</p> <p>The percentage of deliveries attended by skilled medical personnel increased from 7.4% in 1991 to 10.8% in 2001.</p>  |
| <p><b>Goal 6: Combat HIV/AIDS, Malaria, and Other Diseases</b></p> <p>Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.</p> <p>Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.</p>   | <p>HIV prevalence among pregnant women (15-49 years of age) was 0.0% in 1990 and 0.29% in 1999.</p> <p>The contraceptive prevalence rate improved from 24.1% in 1991 to 38.9% in 2001.</p> <p>The number of malaria cases (per 100,000 people) decreased from 115.0 in 1992 to 29.0 in 1997.</p> <p>The number of tuberculosis cases (per 100,000 people) increased from 92.3 in 1995 to 106.0 in 1998.</p>   |
| <p><b>Goal 7: Ensure Environmental Sustainability</b></p> <p>Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</p> <p>Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.</p> <p>Target 11: By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.</p> | <p>The percentage of change in square kilometers of forest land was 37.4% in 1986 and 29.0% in 1995.</p> <p>The percentage of land protected to maintain biological diversity increased from 10.95% in 1990 to 18.11% in 2000.</p> <p>The proportion of population without access to improved water sources decreased from 34% in 1990 to 19% in 2000.</p> <p>The percentage of people with access to improved sanitation (access to toilets only) increased from 21.0% in 1990 to 27.0% in 2000.</p> |

Sources: United Nations Development Programme. 2002. *Progress Report 2002: Nepal—Millennium Development Goals*. Kathmandu; National Planning Commission. 2002. *Approach Paper of the Tenth Plan*. Kathmandu; Central Bureau of Statistics. 1999. *Report on the Situation of Women, Children and Households (between Census Household Information, Monitoring and Evaluation System)*; CBS. 1996. *Nepal Living Standards Survey Report*. Kathmandu; World Bank. 2002. *World Development Indicators 2002 CD ROM*; United Nations Development Programme. 2002. *Human Development Report 2002*.

Table A1.2: Country Economic Indicators

| Item  | 1998  | 1999  | Fiscal Year<br>2000 | 2001    | 2002 <sup>a</sup> |
|---|-------|-------|---------------------|---------|-------------------|
| <b>A. Income and Growth</b>                                   |       |       |                     |         |                   |
| 1. GDP per Capita (\$ current)                                | 226   | 228   | 244                 | 241     | 232               |
| 2. GDP Growth (% in constant prices)                          | 3.2   | 4.5   | 6.0                 | 4.6     | -0.5              |
| Agriculture   | 0.9   | 2.8   | 4.9                 | 5.5     | 2.2               |
| Industry  | 2.3   | 6.0   | 8.7                 | 2.7     | -3.3              |
| Services  | 6.7   | 5.4   | 5.7                 | 5.3     | -1.4              |
| <b>B. Saving and Investment (current and market prices)</b>   |       |       |                     |         |                   |
|   |       |       | (% of GDP)          |         |                   |
| 1. Gross Domestic Investment                                  | 24.8  | 20.5  | 24.3                | 24.0    | 24.6              |
| 2. Gross National Saving                                      | 16.2  | 17.1  | 19.0                | 19.2    | 16.6              |
| <b>C. Money and Inflation</b>                                 |       |       |                     |         |                   |
|   |       |       | (annual % change)   |         |                   |
| 1. Consumer Price Index <sup>b</sup>                          | 8.3   | 11.4  | 3.5                 | 2.4     | 2.9               |
| 2. Total Liquidity (M2)                                       | 21.9  | 20.8  | 21.8                | 15.2    | 6.3               |
| <b>D. Government Finance</b>                                  |       |       |                     |         |                   |
|   |       |       | (% of GDP)          |         |                   |
| 1. Revenue and Grants   | 12.3  | 11.5  | 12.2                | 13.1    | 13.6              |
| 2. Expenditure and Onlending                                  | 16.9  | 15.4  | 15.5                | 17.6    | 16.9              |
| 3. Overall Fiscal Surplus (deficit)                           | -4.6  | -3.9  | -3.3                | -4.5    | -3.3              |
| <b>E. Balance of Payments</b>                                 |       |       |                     |         |                   |
| 1. Merchandise Trade Balance (% of GDP)                       | -20.5 | -15.2 | -15.5               | -14.7   | -14.1             |
| 2. Current Account Balance (% of GDP)                         | -8.7  | -3.3  | -5.3                | -5.4    | -7.0              |
| 3. Merchandise Export (\$) Growth (annual % change)           | 11.9  | 18.2  | 37.5                | 4.6     | -18.0             |
| 4. Merchandise Import (\$) Growth (annual % change)           | -12.4 | -10.3 | 22.0                | -0.2    | -11.4             |
| <b>F. External Payments Indicators</b>                        |       |       |                     |         |                   |
| 1. Gross Official Reserves (including gold, \$ million)       | 712.0 | 791.0 | 942.0               | 1,020.0 | 1,051.0           |
| Months of current year's imports of goods                     | 5.2   | 6.3   | 6.3                 | 7.0     | 8.0               |
| 2. External Debt Service (% of exports of goods and services) | 6.1   | 6.1   | 6.0                 | 6.8     | 9.7               |
| 3. Total External Debt (% of GDP)                             | 53.8  | 53.2  | 50.3                | 50.1    | 52.2              |
| <b>G. Memorandum Items</b>                                    |       |       |                     |         |                   |
| 1. GDP (current prices, NRs billion)                          | 300.8 | 342.0 | 379.5               | 410.3   | 421.3             |
| 2. Exchange Rate (NRs/\$, average)                            | 61.9  | 67.9  | 69.0                | 73.7    | 76.7              |
| 3. Population (million)                                       | 21.5  | 22.0  | 22.5                | 23.2    | 23.7              |

GDP=gross domestic product.

<sup>a</sup> Preliminary estimates and staff estimates.<sup>b</sup> Annual percentage change (period average).Sources: Ministry of Finance. 2002. *Economic Survey*. Kathmandu; Central Bureau of Statistics. 2002. *National Accounts of Nepal*. Kathmandu; and additional information provided to staff.

Table A1.3: Country Poverty and Social Indicators

| Item   | Period         |                |             |             |
|--|----------------|----------------|-------------|-------------|
|  | 1985           | 1990           | Latest Year |             |
| <b>A. Population Indicators</b>                                  |                |                |             |             |
| 1. Total Population (million)                                    | 16.2           | 17.9           | 23.2        | (2001)      |
| 2. Annual Population Growth Rate (% change)                      | 2.1            | 2.1            | 2.2         | (1991-2001) |
| <b>B. Social Indicators</b>                                      |                |                |             |             |
| 1. Total Fertility Rate (births/woman)                           | 5.9            | 5.3            | 4.3         | (2002)      |
| 2. Maternal Mortality Rate (per 100,000 live births)             | —              | —              | 540.0       | (1985-1999) |
| 3. Infant Mortality Rate (below 1/1,000 live births)             | 115.4          | 102.1          | 73.6        | (2000)      |
| 4. Life Expectancy at Birth (years)                              | 50.9           | 53.6           | 58.9        | (2000)      |
| Female   | 50.0           | 52.9           | 58.6        | (2000)      |
| Male   | 51.6           | 54.2           | 59.1        | (2000)      |
| 5. Adult Literacy (%)  | 26.5           | 30.5           | 41.8        | (2000)      |
| Female   | 9.8            | 14.0           | 24.0        | (2000)      |
| Male   | 42.7           | 47.5           | 59.6        | (2000)      |
| 6. Primary School Gross Enrollment (%)                           | 79.9           | 107.7          | 114.3       | (1998)      |
| 7. Secondary School Gross Enrollment (%)                         | 25.2           | 33.1           | 47.8        | (1998)      |
| 8. Child Malnutrition (% below age 5)                            | 69.1 (1975)    | 48.5 (1995)    | 47.7        | (1998)      |
| 9. Population Below Poverty Line (international, %) <sup>a</sup> | —              | —              | 37.7        | (1983-2000) |
| 10. Population with Access to Improved Water Sources (%)         | —              | 66             | 81          | (2000)      |
| 11. Population with Access to Improved Sanitation Facilities (%) | —              | 21             | 27          | (2000)      |
| 12. Public Education Expenditure (% of GDP)                      | 2.7            | 2.0            | 2.5         | (1998)      |
| 13. Human Development Index                                      | 0.42           | 0.42 (1990)    | 0.49        | (2000)      |
| Rank/Total Number of Countries                                   | 114/130 (1987) | 152/173 (1990) | 142/173     | (2000)      |
| 14. Gender-Related Development Index                             | —              | 0.33 (1995)    | 0.47        | (2000)      |
| Rank/Total Number of Countries                                   | —              | 148/163 (1995) | 119/146     | (2000)      |
| <b>C. Poverty Indicators</b>                                     |                |                |             |             |
| 1. Poverty Incidence   | —              | —              | 42          | (1996)      |
| 2. Percent of Poor to Total Population                           | —              | —              | 42          | (1996)      |
| Urban  | —              | —              | 23          | (1996)      |
| Rural  | —              | —              | 44          | (1996)      |
| Mountain   | —              | —              | 56          | (1996)      |
| Hills  | —              | —              | 41          | (1996)      |
| Terai  | —              | —              | 42          | (1996)      |
| 3. Poverty Gap   | —              | —              | 12.1        | (1996)      |
| 4. Poverty Severity Index  | —              | —              | 0.05        | (1996)      |
| 5. Inequality (Theil L Index)                                    | —              | —              | —           |             |
| 6. Human Poverty Index   | —              | —              | 44.2        | (1996)      |
| Rank   | —              | —              | 77          | (1996)      |

— = not available; GDP=gross domestic product.

<sup>a</sup> \$1 a day at 1985 international prices, adjusted for purchasing power parity.

Sources: Asian Development Bank. 1999. *Women in Nepal*. Manila; United Nations Development Programme. 1993, 1998 and 2002. *Human Development Report*. New York; Ministry of Finance. 2001. *Economic Survey*. Kathmandu; Nepal South Asia Centre. 1998. *Nepal: Human Development Report*. Kathmandu; Central Bureau of Statistics. 1996. *Nepal Living Standards Survey Report*. Kathmandu; World Bank. 2002. *World Development Indicators CD ROM*.

Table A1.4: Country Environment Indicators

| Indicator   | 1980      | Latest Year       |
|---|-----------|-------------------|
| <b>A. Energy Efficiency of Emissions</b>                  |           |                   |
| 1. GDP/Unit of Energy Use (PPP\$/kgoe)                    | 1.5       | 3.5 (1999)        |
| 2. Traditional Fuel Use (% of total energy use)           | 94.2      | 89.6 (1997)       |
| 3. Carbon Dioxide Emissions                               |           |                   |
| Tons  | 0.5       | 1.6 (1996)        |
| Tons per Capita   | 0.0       | 0.1 (1997)        |
| <b>B. Water Pollution: Water and Sanitation</b>           |           |                   |
| 1. Urban Population with Access to Basic Water Supply (%) | —         | 72.6 (2001)       |
| 2. Rural Population with Access to Basic Water Supply (%) | —         | 71.3 (2001)       |
| 3. Urban Population with Access to Basic Sanitation (%)   | —         | 53.0 (2001)       |
| <b>C. Land Use and Deforestation</b>                      |           |                   |
| 1. Forest Area (thousand square kilometers)               | 64 (1964) | 48.0 (1996)       |
| 2. Average Annual Deforestation                           |           |                   |
| Square kilometers   | —         | 548.0 (1990-1995) |
| Change (%)  | —         | 1.1 (1990-1995)   |
| 3. Rural Population Density (people/km <sup>2</sup> )     | 594.4     | 686.4 (1999)      |
| 4. Arable Land (% of total land)                          | 16.0      | 20.3 (1999)       |
| 5. Permanent Cropland (% of total land)                   | 0.2       | 0.5 (1999)        |
| <b>D. Biodiversity and Protected Areas</b>                |           |                   |
| 1. Nationally Protected Area                              |           |                   |
| thousand km <sup>2</sup>                                  | —         | 11.1 (1996)       |
| % of total land   | —         | 7.6               |
| 2. Mammals (number of threatened species)                 | —         | 28.0              |
| 3. Birds (number of threatened species)                   | —         | 27.0              |
| 4. Higher Plants (number of threatened species)           | —         | 7.0               |
| 5. Reptiles (number of threatened species)                | —         | 5.0               |
| 6. Amphibians (number of threatened species)              | —         | 0.0               |
| <b>E. Urban Areas</b>                                     |           |                   |
| 1. Urban Population                                       |           |                   |
| Millions  | 0.9       | 3.3 (2001)        |
| % of total population                                     | 7.0       | 14.2 (2001)       |
| 2. Per Capita Water Use (liters/day)                      | —         | 80.0 (1999)       |
| 3. Wastewater Treated (%)                                 | —         | 0.0 (1999)        |
| 4. Solid Waste Generated Per Capita (g/day)               | —         | 0.5 (1994 est.)   |

— = not available, GDP = gross domestic product, kgoe=kilograms of oil equivalent, PPP=purchasing power parity.

Sources: National Planning Commission Secretariat & Central Bureau of Statistics. 1998. *A Compendium on Environment Statistics 1998*. Nepal; World Bank. 2002. *World Development Indicators CD ROM, 2000-2001 World Resources*; ADB. 1993. *Regional Technical Assistance to Nepal for the Data on Environmental Indicators for Participating DMCs*. Manila; United Nations Development Programme. 2001. *Human Development Report*. New York.

**Table A1.5: Development Coordination Matrix**

| <b>Sector, Thematic, Area</b>     | <b>ADB Strategy and Activities</b>  | <b>Other Development Partners' Strategies and Activities</b>  |
|-----------------------------------|---|---|
| Agriculture and Rural Development | <p>Promote rural income growth, livelihood enhancement and strengthening of the commercial agriculture network through initiatives in crop intensification, diversification and commercialization, irrigation, rural access and electrification, livestock, and rural finance</p> <ul style="list-style-type: none"> <li>• Irrigation Management Transfer Project</li> <li>• Second Irrigation Sector Project</li> <li>• Rural Infrastructure Development Project</li> <li>• Third Livestock Development Project</li> <li>• Community Groundwater Irrigation Project</li> <li>• Rural Microfinance Development Center</li> <li>• Crop Diversification Project</li> <li>• Second Rural Infrastructure project</li> <li>• Community Livestock Development project</li> <li>• Commercial Agriculture Development project</li> <li>• Community-Managed Irrigation Sector project</li> </ul> | <p><b>Australia</b><br/>Promote rural income growth and increased access to resources</p> <ul style="list-style-type: none"> <li>• Third Livestock Project/capacity building and agricultural research</li> <li>• Rural infrastructure</li> <li>• Support for rural finance and Rural Microfinance Development Center training</li> </ul> <p><b>Canadian International Development Agency</b><br/>Improve access of local communities to basic human needs and rural infrastructure, including improved service delivery that focuses on capacity building of poor groups</p> <ul style="list-style-type: none"> <li>• Community Groundwater Irrigation Project</li> </ul> <p><b>European Commission</b></p> <ul style="list-style-type: none"> <li>• Gulmi-Aarghakhanchi Rural Development Project</li> <li>• Irrigation Development Project–Midwest</li> <li>• Strengthening Veterinary Services for Livestock Diseases Control</li> </ul> <p><b>Food and Agriculture Organization</b><br/>Introduce and sustain innovative approaches to agriculture and rural development</p> <ul style="list-style-type: none"> <li>• Master Plan for Agricultural Marketing in Kathmandu Valley</li> <li>• Women in agriculture and integrated pest management</li> <li>• Participatory leasehold forestry and watershed management</li> <li>• Support for operationalization of Agriculture Perspective Plan</li> </ul> <p><b>Germany</b><br/>Improve capacity building of district institutions and grassroots organizations for regional rural development</p> |

| Sector, Thematic, Area | ADB Strategy and Activities | Other Development Partners' Strategies and Activities   |
|------------------------|-----------------------------|---|
|                        |                             | <ul style="list-style-type: none"> <li>• Rural Development Program including social and local resource mobilization, employment promotion, and labor intensive rural infrastructure</li> <li>• Rural Community Infrastructure Works/Integrated Food Security Project</li> <li>• Rural Finance Nepal/support for small farmers cooperatives</li> <li>• Strengthening NGOs and self-help groups, NGO-Fund Project</li> <li>• Promotion of sustainable forest and biodiversity management, Churia forest Development Project</li> </ul> <p><b>Japan</b><br/>Implement effectively the Agriculture Perspective Plan and, through increased agricultural production and income, promote improved living standards</p> <ul style="list-style-type: none"> <li>• Agricultural Extension System Improvement Project</li> <li>• Sericulture Promotion Project for high value crops expansion</li> <li>• Marketing and improvement of storage facilities</li> <li>• Horticulture, livestock, and fishery development</li> </ul> <p><b>United Kingdom's Department for International Development</b><br/>Implement effectively a district and Agricultural Perspective Plan, while addressing social constraints</p> <ul style="list-style-type: none"> <li>• Agriculture research, extension, and expansion of seed industry</li> <li>• Development of agricultural technologies</li> <li>• Improving rural livelihoods and security</li> <li>• Hill Agriculture Research Project</li> </ul> <p><b>United States Agency for International Development</b><br/>Increase sustainable production and sales of forest and high-value agricultural products</p> <ul style="list-style-type: none"> <li>• Increase market participation by smallholder</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities  | Other Development Partners' Strategies and Activities   |
|------------------------|--|---|
|                        |  | <p>farmers</p> <ul style="list-style-type: none"> <li>• Strengthen role of private sector in marketing agricultural products</li> <li>• Improve irrigation efficiency through farmer participation</li> </ul> <p><b>World Bank</b><br/>           Strengthen capacity of decentralized local governance system for planning and managing to improve the quality, efficiency, and sustainability of rural roads; establish an autonomous, cost-effective and transparent poverty alleviation fund to reach to poor marginalized groups in rural regions by financing small-scale infrastructure schemes and income-generation activities.</p> <ul style="list-style-type: none"> <li>• Rural Infrastructure Learning and Innovation Loan</li> <li>• Note on Nepal's Proposed Poverty Alleviation Fund</li> </ul>                   |
| Education              | <p>Improve quality of basic education and retention rates, particularly for girls, through teacher training and improvements in secondary education including capacity building/curriculum development</p> <ul style="list-style-type: none"> <li>• Teacher Education Project</li> <li>• Secondary Education Support Project</li> <li>• Skills for Employment project</li> </ul> | <p><b>Denmark</b><br/>           Improve access to and quality of education to eliminate gender disparity in primary and secondary education, to strengthen capacity, and to support special needs education</p> <ul style="list-style-type: none"> <li>• Basic and Primary Education Program</li> <li>• Secondary Education Support Program</li> </ul> <p><b>European Commission</b><br/>           Promote growth and poverty alleviation through improved delivery of essential social services</p> <ul style="list-style-type: none"> <li>• Basic and Primary Education Program</li> </ul> <p><b>Finland</b><br/>           Improve access, learning achievement, and retention rates</p> <ul style="list-style-type: none"> <li>• Basic and Primary Education Program</li> <li>• Mugu Nonformal Education Project</li> </ul> |

| Sector, Thematic, Area            | ADB Strategy and Activities  | Other Development Partners' Strategies and Activities  |
|-----------------------------------|--|--|
|                                   |  | <p><b>Japan</b><br/>Enhance access to quality, basic education</p> <ul style="list-style-type: none"> <li>• School construction under Basic and Primary Education Program</li> <li>• Improved physical facilities and curriculum and textbook development</li> <li>• Advisor to Department of Education</li> </ul> <p><b>Norway</b><br/>Increase equitable access and strengthen institutional capacity to deliver more efficient basic and primary education</p> <ul style="list-style-type: none"> <li>• Basic and Primary Education Program</li> </ul> <p><b>World Bank</b><br/>Develop institutional capacity for qualitative and quantitative improvements in primary education, and improve accountability of primary schools through transfer of public schools to community management</p> <ul style="list-style-type: none"> <li>• Basic and Primary Education Program</li> <li>• Community School Support Learning and Innovation Loan</li> </ul> <p><b>World Food Program</b><br/>Stabilize and improve attendance, enhance attention span, and heighten gender awareness</p> <ul style="list-style-type: none"> <li>• Assistance to primary schools</li> </ul> |
| Environment and Natural Resources | <p>Protect and improve environment to sustain gains in economic growth and human development</p> <ul style="list-style-type: none"> <li>• Second Tourism Infrastructure Development</li> <li>• Support for Nepal Tourism Board</li> <li>• Urban Environment Improvement Project</li> <li>• Ecotourism project</li> </ul> | <p><b>Australia</b><br/>Improve rural livelihoods through support for equitable and sustainable community-based natural resources management</p> <ul style="list-style-type: none"> <li>• Community Resource Management and Livelihood Project</li> <li>• Support for community forestry, income generation, and soil conservation activities</li> </ul> <p><b>Canadian International Development Agency</b><br/>Increase capacity for regionally appropriate environmentally sound water and energy resource management</p>   |

| Sector, Thematic, Area | ADB Strategy and Activities | Other Development Partners' Strategies and Activities   |
|------------------------|-----------------------------|---|
|                        |                             | <ul style="list-style-type: none"> <li>• Institutional strengthening of Water and Energy Commission Secretariat</li> <li>• Capacity building of rural communities to sustainably manage natural resources</li> <li>• Community Environment Awareness and Management Project</li> </ul> <p><b>Denmark</b><br/>Improve the management of natural resources based on local participation and using sustainable social, economic, and environmental practices</p> <ul style="list-style-type: none"> <li>• Natural Resource Management Sector</li> <li>• Community and private forestry/tree improvement and silviculture</li> <li>• Soil Conservation and Watershed Management</li> <li>• Environmental Sector Program Support</li> <li>• Institutional strengthening of environmental authorities</li> </ul> <p><b>European Commission</b><br/>Extend support for community-based natural resources management</p> <ul style="list-style-type: none"> <li>• Management plans for forestry sector</li> <li>• Bagmati Integrated Watershed Management</li> <li>• Kathmandu Valley Mapping Project</li> <li>• Census Mapping 2001</li> </ul> <p><b>Finland</b><br/>Preserve biodiversity, soils, and watersheds; ensure ecological, economic, and socio-cultural integrity; contribute to environment protection and environmentally sustainable rural, urban, and industrial development</p> <ul style="list-style-type: none"> <li>• Restoration of biological corridors in the <i>Terai Arc Landscape</i></li> <li>• Strengthening of Environmental Administration and Management at the Local Level</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities | Other Development Partners' Strategies and Activities   |
|------------------------|-----------------------------|---|
|                        |                             | <p><b>Japan</b><br/>Promote environmental conservation through sustainable development and appropriate use of natural resources</p> <ul style="list-style-type: none"> <li>• Community Development and Forest/Watershed Conservation II</li> <li>• Urban environment study in Kathmandu Valley</li> <li>• Waste management training</li> </ul> <p><b>Netherlands</b><br/>Promote the development and sustainable use of natural resources to benefit the poor</p> <ul style="list-style-type: none"> <li>• Renewable energy through Biogas Support Program/improved water mills</li> <li>• Support for Biodiversity Action Plan</li> <li>• Praja Capacity Development Program for forestry management in central Nepal</li> <li>• Tourism for Rural Poverty Alleviation Program</li> </ul> <p><b>Norway</b><br/>Ensure sound management of natural resources and inform population of the consequence of exploitation</p> <ul style="list-style-type: none"> <li>• Assistance to the International Centre for Integrated Mountain Development for the sustainable mountain development in the Hindu-Kush Himalayas</li> </ul> <p><b>Swiss Agency for Development and Cooperation</b><br/>Increase livelihood security of small farmer families, through the sustainable management of natural resources, while protecting the natural heritage</p> <ul style="list-style-type: none"> <li>• Community forestry</li> <li>• Sustainable soil management</li> <li>• Conservation of biodiversity parks</li> </ul> <p><b>United Kingdom's Department for International Development</b><br/>Promote broad-based economic growth through more effective management of natural resources</p> <ul style="list-style-type: none"> <li>• Improve community forestry capability and</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities  | Other Development Partners' Strategies and Activities  |
|------------------------|--|--|
|                        |  | <p>support user groups</p> <ul style="list-style-type: none"> <li>• Tourism for Rural Poverty Alleviation Program</li> </ul> <p><b>United Nations Development Programme</b><br/>Support conservation and sustainable use of biodiversity assets</p> <ul style="list-style-type: none"> <li>• Promotion of rural tourism to address poverty and protect environment</li> <li>• Tourism for Rural Poverty Alleviation Program</li> </ul>   |
| Finance                | <p>Improve financial sector performance through greater transparency and information disclosure, and strengthen regulatory authorities and other agencies</p> <ul style="list-style-type: none"> <li>• Corporate and Financial Governance Project including upgrading legislation, capacity building for regulatory, supervisory, and service institutions and establishing national judiciaries</li> <li>• Rural Microfinance Development Center</li> <li>• Market Access and Productivity Growth for the Private Sector</li> </ul> | <p><b>Germany</b><br/>Link microcredit with technical support agencies and community development</p> <ul style="list-style-type: none"> <li>• Support for Agriculture Development Bank of Nepal and its small farmers' cooperatives</li> </ul> <p><b>International Monetary Fund</b><br/>Improve regulatory and supervisory capacity of Nepal Rastra Bank</p> <ul style="list-style-type: none"> <li>• Support to re-engineer Nepal Rastra Bank supervisory, accounting, and research capacities</li> <li>• Policy advice on restructuring of the two largest commercial banks</li> <li>• Technical assistance in monetary and exchange system management</li> </ul> <p><b>World Bank</b><br/>Restructure central bank to effectively perform key central banking functions, commence restructuring of the two largest commercial banks, and support better financial environment (capacity building and credit information)</p> <ul style="list-style-type: none"> <li>• Financial sector study</li> <li>• Financial sector technical assistance</li> </ul> |
| Gender                 | <p>Mainstream gender considerations in macroeconomic and sector work including policy dialogue, lending, and nonlending operations</p> <ul style="list-style-type: none"> <li>• Appointment of gender and development (GAD) specialist to improve the quality of loan</li> </ul>   | <p><b>Canadian International Development Agency</b><br/>Improve service delivery to local communities</p> <ul style="list-style-type: none"> <li>• Capacity building for civil society institutions that will provide services to local communities and demand transparent, accountable delivery</li> </ul>  |

| Sector, Thematic, Area | ADB Strategy and Activities   | Other Development Partners' Strategies and Activities   |
|------------------------|---|---|
|                        | <p>and TA activities</p> <ul style="list-style-type: none"> <li>• Gender training for executing agencies/Resident Mission staff</li> <li>• Preparation of database and manual on best practices</li> <li>• Support for GAD initiatives with potential for scale up or replication</li> <li>• Support for promoting good governance through capacity building of elected women ward representatives</li> <li>• Empowerment of Women project</li> </ul> | <p>of public services</p> <p><b>International Labor Organization</b><br/>Create greater opportunities for women to secure decent employment and income</p> <ul style="list-style-type: none"> <li>• Regional Program for Socio-economic Empowerment of Women</li> <li>• Elimination of girl trafficking</li> </ul> <p><b>Japan</b><br/>Improve livelihoods through betterment of social services and empowerment of women and socially disadvantaged groups</p> <ul style="list-style-type: none"> <li>• Women and socially disadvantaged group empowerment volunteer program</li> <li>• Gender training program in Japan for government officials</li> </ul> <p><b>United States Agency for International Development</b><br/>Increase women's participation and involvement in political, social, and economic life</p> <ul style="list-style-type: none"> <li>• Support for anti-trafficking initiatives</li> <li>• Training of nominated and elected women representatives for local government posts</li> <li>• Support for strengthening leadership and advocacy capacity of women in community-based natural resource groups</li> </ul> <p><b>United Nations Children's Fund</b><br/>Improve conditions for women and children through advancing respect protection and fulfillment of their human rights</p> <ul style="list-style-type: none"> <li>• Redefining roles of women, legal protection and awareness raising programs</li> <li>• Child advocacy programs</li> </ul> <p><b>United Nations Development Program</b><br/>Mainstream gender equity and address gender dimensions of poverty</p> <ul style="list-style-type: none"> <li>• Antitrafficking</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities  | Other Development Partners' Strategies and Activities  |
|------------------------|--|--|
|                        |  | <ul style="list-style-type: none"> <li>• Gender mapping at local level</li> <li>• Capacity building in legislative area and judiciary</li> </ul>   |
| Governance             | <p>Achieve sustainable reduction in poverty through governance reform in the public sector</p> <ul style="list-style-type: none"> <li>• Civil service reform/Governance Reform Program Loan</li> <li>• Support for anticorruption measures and Commission for the Investigation of Abuse of Authority (CIAA)</li> <li>• Public Sector Management Program Loan</li> </ul> | <p><b>Canadian International Development Agency</b><br/>Improve service delivery to local communities</p> <ul style="list-style-type: none"> <li>• Capacity building of civil society institutions capacities to provide services to local communities and demand transparent, accountable delivery of public services</li> <li>• Local Development Facility</li> </ul> <p><b>Denmark</b><br/>Promote more accountable, transparent, and effective public administration and human rights secured for all segments of society</p> <ul style="list-style-type: none"> <li>• Value-added Tax Project including value-added tax laws, computerization and tax payer education</li> <li>• Revenue Administration Support Project</li> <li>• Support for decentralization including support for DIMCs working committee, Local Bodies Fiscal Commission, ADDC/N, DDCs and all VDCs in Doti and Surkhet, LDTA</li> <li>• Support to the judiciary, CIAA, National Human Rights Commission, Election Commission, media, and Dalits</li> <li>• Support for human rights</li> </ul> <p><b>Germany</b><br/>Strengthen local self governance and revenue administration; render the work of the income tax administration more efficient, transparent, and effective to increase tax revenues</p> <ul style="list-style-type: none"> <li>• Revenue Administration Support</li> <li>• Support for decentralization and Local Governance Strengthening Program</li> <li>• Financial support for the Town Development Fund</li> <li>• Increase the capability of municipalities to manage urban development through local efforts</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities | Other Development Partners' Strategies and Activities   |
|------------------------|-----------------------------|---|
|                        |                             | <p><b>Netherlands</b><br/>           Improve delivery of basic services to reduce poverty</p> <ul style="list-style-type: none"> <li>• Support for decentralization and Local Governance Strengthening Program</li> </ul> <p><b>Swiss Agency for Development and Cooperation</b><br/>           Empower society to exercise democratic rights in a peaceful, just and equitable state</p> <ul style="list-style-type: none"> <li>• Local Governance and Decentralization Project</li> <li>• Good Governance Program</li> <li>• Anti-corruption Project</li> <li>• Institutional and Capacity Building for Human Rights Commission</li> <li>• Civil Society Support to Governance Reform Program</li> </ul> <p><b>United Kingdom's Department for International Development</b><br/>           Promote capacity and motivation to carry out development roles in state and civil institutions</p> <ul style="list-style-type: none"> <li>• Enabling State Program, which can achieve pro-poor governance</li> <li>• Support for public expenditure management system/Financial Management Project</li> <li>• Support for decentralization and Local Governance Strengthening Program</li> <li>• Support for social inclusion</li> <li>• NGO/CBO Participatory Learning and Advisory Project</li> </ul> <p><b>United Nations Development Program</b><br/>           Build national capacities and decentralization by investing in local and district programs</p> <ul style="list-style-type: none"> <li>• Support for decentralization and Local Governance Strengthening Program</li> <li>• Streamlining and strengthening the judicial system at the local level</li> <li>• Strengthening the capacity of CIAA</li> <li>• Local Development Fund</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities   | Other Development Partners' Strategies and Activities   |
|------------------------|---|---|
|                        |   | <p><b>United States Agency for International Development</b><br/>           Increase citizen's capacity to advocate and improve transparency and accountability of government institutions at all levels</p> <ul style="list-style-type: none"> <li>• Strengthen the practice of good governance in community-based natural resource management groups</li> <li>• Build the capacity of government and civil society anticorruption bodies</li> <li>• Increase citizen oversight of local government budgets and programs</li> <li>• Increase access to justice and strengthen rule of law</li> <li>• Increase the capacity of the courts with special focus on training to handle human rights, violence against women, and corruption cases</li> <li>• Assist in establishing a public defender system</li> </ul> <p><b>World Bank</b><br/>           Rationalize public expenditures, improve effectiveness of public investments and, improve efficiency of state-owned enterprises</p> <ul style="list-style-type: none"> <li>• Public Expenditure Review</li> <li>• Medium-Term Expenditure Framework</li> <li>• Country Financial Accountability Assessment/Country Procurement Assessment Report</li> <li>• Joint Staff Assessment of Poverty Reduction Strategy Paper</li> <li>• Proposed Public Sector Adjustment Credit</li> </ul> |
| Power and Energy       | Increase access to electricity in rural areas and improve efficiency of service delivery through improved financial performance and commercialization of NEA; reinforce distribution system; and expand of transmission <ul style="list-style-type: none"> <li>• Kali Gandaki "A" Hydropower Project</li> <li>• Rural Electrification Transmission and Distribution</li> <li>• Khimti I Hydropower Plant</li> </ul> | <p><b>Denmark</b><br/>           Improve rural livelihoods by easing access to renewable energy technologies</p> <ul style="list-style-type: none"> <li>• Energy Sector Assistance Program</li> <li>• Support for Alternative Energy Promotion Center/Rural Energy Fund</li> <li>• Promotion programs for improved cooking stove, solar energy and micro hydro</li> </ul>   |

| Sector, Thematic, Area | ADB Strategy and Activities   | Other Development Partners' Strategies and Activities   |
|------------------------|---|---|
|                        | <ul style="list-style-type: none"> <li>• Support for restructuring NEA</li> </ul> | <p><b>European Commission</b><br/>           Improve provision of basics social services, facilitate income generation, and promote economic growth in rural areas</p> <ul style="list-style-type: none"> <li>• Renewable energy project provides solar equipment to community institutions including hospitals, schools, and agroprocessing facilities</li> </ul> <p><b>Germany</b><br/>           Establish a market for small hydropower development and rehabilitation leading to investments and increased economic activity in rural areas, and promotion of renewable energy</p> <ul style="list-style-type: none"> <li>• Small Hydropower Promotion Project</li> <li>• Biogas Support Program</li> <li>• Financing the establishment of a hydropower plant, Middle Marsyangdi Hydroelectric Project</li> </ul> <p><b>Japan</b><br/>           Increase access to electricity in rural areas</p> <ul style="list-style-type: none"> <li>• Hydropower development/Kulekhani and Kali Gandaki Projects</li> <li>• Rural Electrification</li> <li>• Minihydro Power Master Plan Study</li> </ul> <p><b>Norway</b><br/>           Promote sustainable and environment-friendly hydropower development</p> <ul style="list-style-type: none"> <li>• Support for Khimti I Hydropower Plant</li> <li>• Jhankre mini hydro plant</li> <li>• Capacity building for environmental assessment of hydropower</li> <li>• Study on model power purchase agreements</li> </ul> <p><b>United Nations Development Program</b><br/>           Support affordable alternative approaches to rural energy for the poor</p> <ul style="list-style-type: none"> <li>• Support for development of policy and institutional framework</li> <li>• Development of small-scale rural energy system</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities   | Other Development Partners' Strategies and Activities   |
|------------------------|---|---|
|                        |   | <p><b>United States Agency for International Development</b><br/>           Improve private sector participation in environmentally and socially sustainable hydropower development, for both domestic use and export</p> <ul style="list-style-type: none"> <li>• Institutional strengthening of Department of Electricity Department of NEA</li> <li>• Regional energy trade and exchange</li> <li>• Promotion of private sector participation in hydropower</li> </ul> <p><b>World Bank</b><br/>           Develop hydropower potential to meet electricity demand, improve access of rural areas to electricity, promote private sector participation to improve efficiency and mobilize financing for the sector's investment requirements</p> <ul style="list-style-type: none"> <li>• Power Development Project</li> </ul>   |
| Private Sector         | <p>Promotion of an enabling environment for private sector activities, including transparent policies and basic mechanisms for corporate and financial governance</p> <ul style="list-style-type: none"> <li>• Corporate and Financial Governance Project</li> <li>• Support for legal reform (company, secured transactions, insolvency and securities law)</li> <li>• Support for institutions (securities board, stock exchange, company registrar, judicial academy, accounting institute)</li> <li>• Market Access and Productivity Growth for Private Sector</li> <li>• Ongoing loans/investments in four private sector companies</li> </ul> | <p><b>Denmark</b><br/>           Strengthen the private sector to support Nepal's more effective integration into the global economy</p> <ul style="list-style-type: none"> <li>• Private Sector Development Program for commercial business cooperation between Denmark and Nepal</li> </ul> <p><b>Germany</b><br/>           Enhance competitiveness of private sector through the increased use of business support services</p> <ul style="list-style-type: none"> <li>• Private Sector Promotion Project</li> </ul> <p><b>International Labor Organization</b><br/>           Promote poverty alleviation, through employment promotion and improved labor relations and work conditions</p> <ul style="list-style-type: none"> <li>• Nepal Labor Force Survey</li> <li>• Occupational Safety Health Project</li> <li>• Support for Eliminating Child Labor</li> </ul> |

| Sector, Thematic, Area | ADB Strategy and Activities  | Other Development Partners' Strategies and Activities  |
|------------------------|--|--|
|                        |  | <p><b>Japan</b></p> <ul style="list-style-type: none"> <li>• Udaypur Cement Plant Project</li> </ul> <p><b>Netherlands</b><br/>Provide expertise to promote livelihood activities and link enterprise development and natural resources</p> <ul style="list-style-type: none"> <li>• Tourism for Rural Poverty Alleviation Program</li> <li>• Support micro and small forest-based enterprise development</li> <li>• Rural Enterprise Assistance Program</li> <li>• Rural Community Infrastructure Work Karnali</li> </ul> <p><b>Swiss Agency for Development and Cooperation</b><br/>Promote occupational skills and enterprise development, for income generation and employment promotion, especially for socially and economically disadvantaged people</p> <ul style="list-style-type: none"> <li>• Support for technical training, consultancy, and advisory services</li> <li>• Access to credit/small industry promotion</li> <li>• Counseling services for job-seekers</li> </ul> |
| Transport              | <p>Improve access to markets, social services, and efficiency, focusing on sustainable provision of operation and maintenance</p> <ul style="list-style-type: none"> <li>• Road Network Development Project</li> <li>• Awareness campaign for rural infrastructure development</li> <li>• East-West highway upgrading improvement</li> </ul> | <p><b>Japan</b></p> <p>Expand local networks to connect district headquarters with agricultural production for enhancement of rural livelihoods</p> <ul style="list-style-type: none"> <li>• Banepa-Sindhuli Road Construction Project</li> <li>• Community Bridge Construction Project</li> <li>• Urban road improvement and traffic management</li> </ul> <p><b>Swiss Agency for Development and Cooperation</b><br/>Improve the road and trail network, on a sustainable basis, to facilitate access, mobility of people and the exchange of goods</p> <ul style="list-style-type: none"> <li>• Maintenance and rehabilitation of Jiri Road/Arniko highway</li> <li>• Capacity building of Department of Roads</li> <li>• District and rural road development/bridge-building</li> </ul>  |

| Sector, Thematic, Area      | ADB Strategy and Activities   | Other Development Partners' Strategies and Activities  |
|-----------------------------|---|--|
|                             |   | <p><b>United Kingdom's Department for International Development</b><br/>Promote broad-based economic growth through better infrastructure</p> <ul style="list-style-type: none"> <li>• Develop rural access and rural roads, using labor intensive technologies</li> <li>• Develop selected feeder roads and local infrastructure development</li> <li>• Road Network Development Project</li> </ul> <p><b>World Bank</b><br/>Help achieve sustainable maintenance, rehabilitation and construction of a strategic road network, promote more sustainable funding and efficient public sector management of road maintenance</p> <ul style="list-style-type: none"> <li>• Road Maintenance and Development</li> <li>• Multi-Modal Transit (inland container depot construction)</li> </ul> <p><b>World Food Program</b><br/>Enable people to develop assets that contribute to the food security of marginalized people</p> <ul style="list-style-type: none"> <li>• Food-for-Work/Rural Community Infrastructure Works including rural roads, former managed irrigation, trails and fish ponds</li> </ul> |
| Water Supply and Sanitation | <p>Improve human development through access to safe drinking water and sanitation facilities; health and hygiene education; and efficiency of service delivery</p> <ul style="list-style-type: none"> <li>• Small Towns Water Supply Project</li> <li>• Melamchi Water Supply Project</li> <li>• Optimizing Water Use in Kathmandu study</li> <li>• Community-based Water Supply and Sanitation project</li> <li>• Kathmandu Valley Water Management Support project</li> </ul> | <p><b>Finland</b><br/>Strengthen local capabilities, at all levels, to implement water supply and sanitation schemes</p> <ul style="list-style-type: none"> <li>• Rural water supply and sanitation program</li> <li>• Rural Village Water Resource Management Project</li> </ul> <p><b>Japan</b><br/>Support for basic needs and health, through improved water quality and supply</p> <ul style="list-style-type: none"> <li>• Melamchi Water Supply Project</li> </ul> <p><b>Norway</b><br/>Promote the overall improvement of health and sanitation and provision of sufficient drinking</p>   |

| Sector, Thematic, Area | ADB Strategy and Activities | Other Development Partners' Strategies and Activities   |
|------------------------|-----------------------------|---|
|                        |                             | <ul style="list-style-type: none"> <li>• Melamchi Water Supply Project</li> </ul> <p><b>United Kingdom's Department for International Development</b><br/>Promote wider access to safe water in difficult-to-reach and inaccessible areas</p> <ul style="list-style-type: none"> <li>• Develop community-based water supply and sanitation in partnership with community-based organizations, nongovernment organizations, and international nongovernment organizations</li> </ul> <p><b>World Bank</b><br/>Implement rural water supply and sanitation schemes through a demand-driven approach and a participatory decision-making process, with community responsibility for operations and maintenance</p> <ul style="list-style-type: none"> <li>• Rural Water Supply and Sanitation Project</li> </ul> |

**Table A1.6: Portfolio Indicators—Portfolio Amounts and Ratings**  
(public sector loans, as of 31 December 2002)

| Sector                            | Net Loan Amount |              | Rating <sup>a</sup> |              |                     |          |              |             |                     |             |                |            |                                |            |                      |             |
|-----------------------------------|-----------------|--------------|---------------------|--------------|---------------------|----------|--------------|-------------|---------------------|-------------|----------------|------------|--------------------------------|------------|----------------------|-------------|
|                                   |                 |              | Total               |              | Highly Satisfactory |          | Satisfactory |             | Partly Satisfactory |             | Unsatisfactory |            | Potential Problem <sup>b</sup> |            | At Risk <sup>c</sup> |             |
|                                   | (\$ million)    | (%)          | (no.)               | (%)          | (no.)               | (%)      | (no.)        | (%)         | (no.)               | (%)         | (no.)          | (%)        | (no.)                          | (%)        | (no.)                | (%)         |
| Agriculture and Natural Resources | 131.7           | 19.0         | 9                   | 42.9         | —                   | —        | 6            | 66.7        | 3                   | 33.3        | —              | —          | —                              | —          | 3                    | 33.3        |
| Energy                            | 197.0           | 28.4         | 2                   | 9.5          | —                   | —        | 1            | 50.0        | 1                   | 50.0        | —              | —          | 1                              | 50.0       | 2                    | 100.0       |
| Finance                           | 7.7             | 1.1          | 1                   | 4.8          | —                   | —        | 1            | 100.0       | —                   | —           | —              | —          | —                              | —          | —                    | —           |
| Industry and Nonfuel Minerals     | —               | —            | —                   | —            | —                   | —        | —            | —           | —                   | —           | —              | —          | —                              | —          | —                    | —           |
| Multisector                       | —               | —            | —                   | —            | —                   | —        | —            | —           | —                   | —           | —              | —          | —                              | —          | —                    | —           |
| Others                            | 45.4            | 6.6          | 2                   | 9.5          | —                   | —        | 2            | 100.0       | —                   | —           | —              | —          | —                              | —          | —                    | —           |
| Social Infrastructure             | 263.0           | 37.9         | 6                   | 28.6         | —                   | —        | 6            | 100.0       | —                   | —           | —              | —          | —                              | —          | —                    | —           |
| Transport and Communications      | 48.3            | 7.0          | 1                   | 4.8          | —                   | —        | —            | —           | —                   | —           | 1              | 100.0      | —                              | —          | 1                    | 100.0       |
| <b>Total</b>                      | <b>693.2</b>    | <b>100.0</b> | <b>21</b>           | <b>100.0</b> | <b>—</b>            | <b>—</b> | <b>16</b>    | <b>76.2</b> | <b>4</b>            | <b>19.0</b> | <b>1</b>       | <b>4.8</b> | <b>1</b>                       | <b>4.8</b> | <b>6</b>             | <b>28.6</b> |

— = not available; no. = number.

<sup>a</sup> One rating for implementation progress and development objectives, based on the lower rating of either.

<sup>b</sup> Potential problem loans are satisfactory loans have four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>c</sup> A loan is "at risk" if it is rated as partly satisfactory, unsatisfactory, or a potential problem.

Source: Asian Development Bank estimates.

**Table A1.7: Portfolio Indicators—Disbursements and Net Transfers of Resources**  
(public sector loans, as of 31 December 2002)

| <b>Disbursements and Transfers</b>                             | <b>OCR</b> | <b>ADF</b> | <b>Total</b> |
|--|------------|------------|--------------|
| <b>Disbursements<sup>a</sup></b>                               |            |            |              |
| Total Funds Available for Withdrawal (\$ million) <sup>b</sup> | —          | 644.6      | 644.6        |
| Disbursed Amount (\$ million, cumulative)                      | —          | 311.9      | 311.9        |
| Percentage Disbursed (disbursed amount/total available)        | —          | 48.4       | 48.4         |
| Disbursements (\$ million, latest year)                        | —          | 28.2       | 28.2         |
| Disbursement Ratio (%) <sup>c</sup>                            | —          | 8.4        | 8.4          |
| <b>Net Transfer of Resources (\$ million)</b>                  |            |            |              |
| 1998   | —          | 84.1       | 84.1         |
| 1999   | —          | 45.9       | 45.9         |
| 2000   | —          | 64.5       | 64.5         |
| 2001   | —          | 30.7       | 30.7         |
| 2002   | —          | (2.6)      | (2.6)        |

— = not available, ADF=Asian Development Fund; OCR=ordinary capital resources.

<sup>a</sup> Includes all loans with disbursements during 2002.

<sup>b</sup> Indicates total funds available for withdrawal at the beginning of 2002.

<sup>c</sup> Ratio of disbursements during the year over the undisbursed net loan balance at the beginning of the year less cancellations. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source: Asian Development Bank estimates.

**Table A1.8: Portfolio Indicators—Evaluation Rating by Sector**  
(1997–2002)

| Sector                            | Highly Successful |              | Successful |              | Partly Successful |              | Unsuccessful |              | No Rating |   | Total     |              |
|-----------------------------------|-------------------|--------------|------------|--------------|-------------------|--------------|--------------|--------------|-----------|---|-----------|--------------|
|                                   | No.               | %            | No.        | %            | No.               | %            | No.          | %            | No.       | % | No.       | %            |
| Agriculture and Natural Resources | —                 | —            | 2          | 29.0         | 3                 | 60.0         | 1            | 50.0         | —         | — | 6         | 40.0         |
| Energy                            | —                 | —            | 2          | 29.0         | —                 | —            | 1            | 50.0         | —         | — | 3         | 20.0         |
| Finance                           | —                 | —            | —          | —            | —                 | —            | —            | —            | —         | — | —         | —            |
| Industry and Nonfuel Minerals     | —                 | —            | 1          | 14.0         | —                 | —            | —            | —            | —         | — | 1         | 7.0          |
| Multisector                       | —                 | —            | —          | —            | —                 | —            | —            | —            | —         | — | —         | —            |
| Others                            | —                 | —            | —          | —            | 1                 | 20.0         | —            | —            | —         | — | 1         | 7.0          |
| Social Infrastructure             | —                 | —            | 1          | 14.0         | 1                 | 20.0         | —            | —            | —         | — | 2         | 13.0         |
| Transport and Communications      | 1                 | 100.0        | 1          | 14.0         | —                 | —            | —            | —            | —         | — | 2         | 13.0         |
| <b>Total</b>                      | <b>1</b>          | <b>100.0</b> | <b>7</b>   | <b>100.0</b> | <b>5</b>          | <b>100.0</b> | <b>2</b>     | <b>100.0</b> | —         | — | <b>15</b> | <b>100.0</b> |

— = not available; no. = number.

Source: Asian Development Bank project or program performance audit reports.

**Table A1.9: Portfolio Implementation Status**  
(public sector loans, as of 31 December 2002)

| No.          | Sector | Loan No. | Seg | Title   | Net Loan Amount     |                     | Approval Date<br>(dd/mm/yy) | Effective Date<br>(dd/mm/yy) | Closing Date           |                       | Progress<br>(%complete) |
|--------------|--------|----------|-----|---|---------------------|---------------------|-----------------------------|------------------------------|------------------------|-----------------------|-------------------------|
|              |        |          |     |   | OCR<br>(\$ million) | ADF<br>(\$ million) |                             |                              | Original<br>(dd/mm/yy) | Revised<br>(dd/mm/yy) |                         |
| 1            | AGR    | 1114     |     | Upper Sagarmatha Agricultural Development             | —                   | 12.2                | 31 Oct 91                   | 5 May 92                     | 30 Jun 00              | 30 Jun 02             | 100                     |
| 2            | AGR    | 1237     |     | Microcredit for Women                                 | —                   | 3.7                 | 24 Jun 93                   | 15 Dec 93                    | 30 Jun 00              | 30 Jun 02             | 100                     |
| 3            | AGR    | 1311     |     | Irrigation Management Transfer                        | —                   | 9.3                 | 13 Sep 94                   | 14 Jun 95                    | 30 Jun 02              | 30 Jun 03             | 88                      |
| 4            | AGR    | 1437     |     | Second Irrigation Sector                              | —                   | 22.8                | 16 May 96                   | 11 Sep 96                    | 31 Dec 02              | 31 Mar 03             | 96                      |
| 5            | AGR    | 1450     |     | Rural Infrastructure Development                      | —                   | 11.1                | 27 Jun 96                   | 26 Sep 96                    | 30 Jun 03              |                       | 66                      |
| 6            | AGR    | 1461     |     | Third Livestock Development                           | —                   | 12.4                | 19 Sep 96                   | 23 Mar 97                    | 31 Jul 03              |                       | 79                      |
| 7            | AGR    | 1609     |     | Community Groundwater Irrigation Sector               | —                   | 29.6                | 26 Feb 98                   | 3 Mar 99                     | 31 Jul 05              |                       | 3                       |
| 8            | AGR    | 1650     |     | Rural Microfinance                                    | —                   | 19.1                | 8 Dec 98                    | 20 May 99                    | 30 Jun 05              |                       | 37                      |
| 9            | AGR    | 1778     |     | Crop Diversification                                  | —                   | 11.5                | 9 Nov 00                    | 23 Apr 01                    | 31 Dec 07              |                       | 14                      |
| 10           | ENE    | 1452     |     | Kali Gandaki "A" Hydroelectric Power                  | —                   | 147.9               | 23 Jul 96                   | 12 Dec 96                    | 15 Jul 01              | 15 Jul 03             | 98                      |
| 11           | ENE    | 1732     |     | Rural Electrification, Distribution, and Transmission | —                   | 49.1                | 21 Dec 99                   | 14 Mar 02                    | 30 Jun 05              |                       | 0                       |
| 12           | FIN    | 1811     |     | Corporate and Financial Governance                    | —                   | 7.7                 | 14 Dec 00                   | 28 Nov 01                    | 30 Jun 05              |                       | 0                       |
| 13           | OTH    | 1861     |     | Governance Reform Program                             | —                   | 31.0                | 27 Nov 01                   | 27 Dec 01                    | 31 Dec 05              |                       | n/a                     |
| 14           | OTH    | 1451     |     | Second Tourism Infrastructure Development             | —                   | 14.4                | 2 Jul 96                    | 5 Dec 96                     | 31 Dec 01              | Mar 03                | 90                      |
| 15           | SOC    | 1464     |     | Fourth Rural Water Supply and Sanitation Sector       | —                   | 18.5                | 24 Sep 96                   | 9 Jan 97                     | 30 Jun 02              |                       | 98                      |
| 16           | SOC    | 1755     |     | Small Towns Water Supply and Sanitation               | —                   | 36.0                | 12 Sep 00                   | 16 Mar 01                    | 31 Dec 06              |                       | 8                       |
| 17           | SOC    | 1820     |     | Melamchi Water Supply                                 | —                   | 126.1               | 21 Dec 00                   | 28 Nov 01                    | 31 Mar 07              |                       | 14                      |
| 18           | SOC    | 1840     |     | Teacher Education                                     | —                   | 20.8                | 24 Sep 01                   | 09 May 02                    | 30 Jun 08              |                       | 7                       |
| 19           | SOC    | 1917     |     | Secondary Education Support                           | —                   | 30.7                | 20 Sep 02                   |                              | 30 Sep 08              |                       | 0                       |
| 20           | SOC    | 1966     |     | Urban and Environmental Improvement                   | —                   | 30.8                | 10 Dec 02                   |                              | 31 Mar 10              |                       | 0                       |
| 21           | T&C    | 1876     |     | Road Network Development                              | —                   | 48.3                | 13 Dec 01                   |                              | 31 Dec 07              |                       | 0                       |
| <b>Total</b> |        |          |     |   |                     | <b>693.2</b>        |                             |                              |                        |                       |                         |

— = not available; ADF = Asian Development Fund; AGR = agriculture and natural resources; ENE = energy; FIN = finance; IND = Industry and nonfuel minerals; MUL = multisector; no. = number; OCR = ordinary capital resources; OTH = other; Seg = segment (pertaining to loans with more than one withdrawal authority); SOC = social infrastructure; T&C = transport and communications.

**Table A1.9 (continued): Portfolio Implementation Status**  
(public sector loans, as of 31 December 2002)

| No.          | Sector | Loan No. | Seg | Title  | Cumulative Contracts and Commitments<br>(\$ million) | Cumulative Disbursements<br>(\$ million) | Rating |    | Potential Problem <sup>a</sup> | At Risk <sup>b</sup> |
|--------------|--------|----------|-----|--|--|--|--------|----|--------------------------------|----------------------|
|              |        |          |     |  |  |  | IP     | DO |                                |                      |
| 1            | AGR    | 1114     |     | Upper Sagarmatha Agricultural Development            | 11.2   | 11.2                                     | PS     | S  | No                             | Yes                  |
| 2            | AGR    | 1237     |     | Microcredit for Women                                | 3.7  | 3.7                                      | S      | HS | No                             | No                   |
| 3            | AGR    | 1311     |     | Irrigation Management Transfer                       | 6.2  | 6.1                                      | S      | PS | No                             | Yes                  |
| 4            | AGR    | 1437     |     | Second Irrigation Sector                             | 21.4   | 21.9                                     | S      | S  | No                             | No                   |
| 5            | AGR    | 1450     |     | Rural Infrastructure Development                     | 8.0  | 8.5                                      | S      | PS | No                             | Yes                  |
| 6            | AGR    | 1461     |     | Third Livestock Development                          | 8.6  | 8.4                                      | S      | S  | No                             | No                   |
| 7            | AGR    | 1609     |     | Community Groundwater Irrigation Sector              | 1.2  | 1.7                                      | S      | S  | No                             | No                   |
| 8            | AGR    | 1650     |     | Rural Microfinance                                   | 4.3  | 3.0                                      | HS     | S  | No                             | No                   |
| 9            | AGR    | 1778     |     | Crop Diversification                                 | 1.4  | 1.1                                      | S      | S  | No                             | No                   |
| 10           | ENE    | 1452     |     | Kali Gandaki "A" Hydroelectric Power                 | 142.3  | 140.1                                    | S      | S  | Yes                            | Yes                  |
| 11           | ENE    | 1732     |     | Rural Electrification, Distribution and Transmission | 0.0  | 0.0                                      | S      | PS | No                             | Yes                  |
| 12           | FIN    | 1811     |     | Corporate and Financial Governance                   | 1.6  | 0.2                                      | S      | S  | No                             | No                   |
| 13           | OTH    | 1861     |     | Governance Reform Program                            | 11.9   | 11.9                                     | S      | S  | No                             | No                   |
| 14           | OTH    | 1451     |     | Second Tourism Infrastructure Development            | 10.3   | 10.0                                     | S      | S  | No                             | No                   |
| 15           | SOC    | 1464     |     | Fourth Rural Water Supply and Sanitation Sector      | 18.5   | 18.5                                     | S      | S  | No                             | No                   |
| 16           | SOC    | 1755     |     | Small Towns Water Supply and Sanitation              | 2.6  | 1.1                                      | S      | S  | No                             | No                   |
| 17           | SOC    | 1820     |     | Melamchi Water Supply                                | 8.8  | 2.4                                      | S      | S  | No                             | No                   |
| 18           | SOC    | 1840     |     | Teacher Education                                    | 0.0  | 0.9                                      | S      | S  | No                             | No                   |
| 19           | SOC    | 1917     |     | Secondary Education Support                          | 0.0  | 0.0                                      | S      | S  | No                             | No                   |
| 20           | SOC    | 1966     |     | Urban and Environmental Improvement                  | 0.0  | 0.0                                      | S      | S  | No                             | No                   |
| 21           | T&C    | 1876     |     | Road Network Development                             | 0.0  | 0.0                                      | U      | S  | No                             | Yes                  |
| <b>Total</b> |        |          |     |  | <b>262.0</b>   | <b>250.7</b>                             |        |    |                                |                      |

DO = development objectives; HS = highly satisfactory; IP = implementation progress; PS = partly satisfactory; S = satisfactory; U = unsatisfactory.

<sup>a</sup> "Yes" for loans with four or more risk factors associated with partly satisfactory or unsatisfactory performance.

<sup>b</sup> A loan is considered at risk if it is rated as partly satisfactory or unsatisfactory in either implementation progress or development objectives, or if it is a potential problem loan.

**Table A1.10: Assistance Pipeline for Lending Products, 2004–2006**

| Sector<br>Project/Program<br>Name                                  | Poverty<br>Classifi-<br>cation | Thematic<br>Priority | Division | Year of<br>Project<br>Preparatory<br>Assistance | Total        | Cost (\$ million) |              |              |                  |             |
|--|--------------------------------|----------------------|----------|---|--------------|-------------------|--------------|--------------|------------------|-------------|
|  |                                |                      |          |   |              | ADB               |              | Gov't        | Cofi-<br>nancing |             |
|  |                                |                      |          |   |              | OCR               | ADF          |              |                  | Total       |
| <b>2004 Firm Loans</b>   |                                |                      |          |   |              |                   |              |              |                  |             |
| <b>Agriculture and Natural Resources</b>                           |                                |                      |          |   |              |                   |              |              |                  |             |
| 1. Ecotourism  | PI                             | GAD/ENV/<br>PSD      | SAAE     | 2001  | 28.2         | 0.0               | 20.0         | 20.0         | 8.2              | 0.0         |
| 2. Second Rural Infrastructure<br>Development                      | CPI                            | HD                   | SAAE     | 2001  | 25.0         | 0.0               | 20.0         | 20.0         | 5.0              | 0.0         |
| 3. Community-managed Irrigation:<br>Central and Eastern Basins     | PI                             | ECO/ENV/<br>GG       | SAAE     | 2001  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0              | 5.0         |
| <b>Subtotal</b>  |                                |                      |          |   | <b>83.2</b>  | <b>0.0</b>        | <b>60.0</b>  | <b>60.0</b>  | <b>18.2</b>      | <b>5.0</b>  |
| <b>Finance</b>   |                                |                      |          |   |              |                   |              |              |                  |             |
| 4. Market Access and Productivity<br>Growth for the Private Sector | PI                             | ECO/GG/<br>PSD/REG   | SAGF     | 2003  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0              | 5.0         |
| <b>Subtotal</b>  |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>       | <b>5.0</b>  |
| <b>Social Infrastructure</b>                                       |                                |                      |          |   |              |                   |              |              |                  |             |
| 5. Skills for Employment   | PI                             | ECO/HD/<br>PSD/SP    | SASS     | 2002  | 30.0         | 0.0               | 24.0         | 24.0         | 6.0              | 0.0         |
| <b>Subtotal</b>  |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>24.0</b>  | <b>24.0</b>  | <b>6.0</b>       | <b>0.0</b>  |
| <b>Total</b>   |                                |                      |          |   | <b>143.2</b> | <b>0.0</b>        | <b>104.0</b> | <b>104.0</b> | <b>29.2</b>      | <b>10.0</b> |
| <b>2004 Standby Loan</b>   |                                |                      |          |   |              |                   |              |              |                  |             |
| <b>Agriculture and Natural Resources</b>                           |                                |                      |          |   |              |                   |              |              |                  |             |
| 1. Commercial Agriculture<br>Development                           | PI                             | GG/PSD               | SAAE     | 2002  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0              | 5.0         |
| <b>Subtotal</b>  |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>       | <b>5.0</b>  |
| <b>Total</b>   |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>       | <b>5.0</b>  |

— = not available; ADB = Asian Development Bank; ADF = Asian Development Fund; CPI = core poverty intervention; ECO = economic growth; ENV = environmental protection; GAD = gender and development; GG = good governance; HD = human development; OCR = ordinary capital resources; PI = poverty intervention; PSD = private sector development; REG = regional cooperation; SAAE = South Asia Agriculture, Environment, and Natural Resources Division; SAGF = South Asia Governance, Finance and Trade Division; SASS = South Asia Social Sectors Division; SP = social protection.

Table A1.10 (continued): Assistance Pipeline for Lending Products, 2004–2006

| Sector<br>Project/Program<br>Name                            | Poverty<br>Classifi-<br>cation | Thematic<br>Priority | Division | Year of<br>Project<br>Preparatory<br>Assistance | Total        | Cost (\$ million) |              |              |             | Cofi-<br>nancing |
|--|--------------------------------|----------------------|----------|---|--------------|-------------------|--------------|--------------|-------------|------------------|
|  |                                |                      |          |   |              | ADB               |              | Gov't        | Total       |                  |
|  |                                |                      |          |   |              | OCR               | ADF          |              |             |                  |
| <b>2005 Firm Loans</b>                                       |                                |                      |          |   |              |                   |              |              |             |                  |
| <b>Agriculture and Natural Resources</b>                     |                                |                      |          |   |              |                   |              |              |             |                  |
| 1. Commercial Agriculture Development                        | PI                             | GG/PSD               | SAAE     | 2002  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0         | 5.0              |
| 2. Community Groundwater Irrigation Sector Development II    | PI                             | ECO/ENV/<br>GG       | SAAE     | 2004  | 25.0         | 0.0               | 20.0         | 20.0         | 5.0         | 0.0              |
| <b>Subtotal</b>  |                                |                      |          |   | <b>55.0</b>  | <b>0.0</b>        | <b>40.0</b>  | <b>40.0</b>  | <b>10.0</b> | <b>5.0</b>       |
| <b>Finance</b>   |                                |                      |          |   |              |                   |              |              |             |                  |
| 3. Rural Finance Development                                 | PI                             | ECO/GG/<br>PSD       | SAGF     | 2004  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0         | 5.0              |
| <b>Subtotal</b>  |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>  | <b>5.0</b>       |
| <b>Social Infrastructure</b>                                 |                                |                      |          |   |              |                   |              |              |             |                  |
| 4. Kathmandu Valley Water Distribution and Urban Improvement | PI                             | HD                   | SASS     | 2004  | 78.8         | 0.0               | 27.0         | 27.0         | 6.8         | 45.0             |
| 5. Education Sector Development                              | PI                             | HD                   | SASS     | 2004  | 45.0         | 0.0               | 20.0         | 20.0         | 5.0         | 20.0             |
| <b>Subtotal</b>  |                                |                      |          |   | <b>123.8</b> | <b>0.0</b>        | <b>47.0</b>  | <b>47.0</b>  | <b>11.8</b> | <b>65.0</b>      |
| <b>Total</b>   |                                |                      |          |   | <b>208.8</b> | <b>0.0</b>        | <b>107.0</b> | <b>107.0</b> | <b>26.8</b> | <b>75.0</b>      |
| <b>2005 Standby Loan</b>                                     |                                |                      |          |   |              |                   |              |              |             |                  |
| <b>Energy</b>  |                                |                      |          |   |              |                   |              |              |             |                  |
| 1. Rural Electrification and Renewable Energy                | PI                             | ECO                  | SAEN     | 2004  | 50.0         | 0.0               | 30.0         | 30.0         | 7.5         | 12.5             |
| <b>Subtotal</b>  |                                |                      |          |   | <b>50.0</b>  | <b>0.0</b>        | <b>30.0</b>  | <b>30.0</b>  | <b>7.5</b>  | <b>12.5</b>      |
| <b>Total</b>   |                                |                      |          |   | <b>50.0</b>  | <b>0.0</b>        | <b>30.0</b>  | <b>30.0</b>  | <b>7.5</b>  | <b>12.5</b>      |

SAEN = South Asia Energy Division.

**Table A1.10 (continued): Assistance Pipeline for Lending Products, 2004–2006**

| Sector<br>Project/Program<br>Name                 | Poverty<br>Classifi-<br>cation | Thematic<br>Priority | Division | Year of<br>Project<br>Preparatory<br>Assistance | Total        | Cost (\$ million) |              |              |             |                  |
|---|--------------------------------|----------------------|----------|---|--------------|-------------------|--------------|--------------|-------------|------------------|
|   |                                |                      |          |   |              | ADB               |              |              | Gov't       | Cofi-<br>nancing |
|   |                                |                      |          |   |              | OCR               | ADF          | Total        |             |                  |
| <b>2006 Firm Loans</b>                            |                                |                      |          |   |              |                   |              |              |             |                  |
| <b>Agriculture and Natural Resources</b>          |                                |                      |          |   |              |                   |              |              |             |                  |
| 1. Agribusiness Development                       | PI                             | ECO/PSD              | SAAE     | 2005  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0         | 5.0              |
| <b>Subtotal</b>                                   |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>  | <b>5.0</b>       |
| <b>Energy</b>                                     |                                |                      |          |   |              |                   |              |              |             |                  |
| 2. Rural Electrification and Renewable Energy     | PI                             | ECO                  | SAEN     | 2004  | 50.0         | 0.0               | 30.0         | 30.0         | 7.5         | 12.5             |
| <b>Subtotal</b>                                   |                                |                      |          |   | <b>50.0</b>  | <b>0.0</b>        | <b>30.0</b>  | <b>30.0</b>  | <b>7.5</b>  | <b>12.5</b>      |
| <b>Transport and Communication</b>                |                                |                      |          |   |              |                   |              |              |             |                  |
| 3. Rural Access Roads Network                     | PI                             | ECO                  | SATC     | 2004  | 60.0         | 0.0               | 40.0         | 40.0         | 10.0        | 10.0             |
| <b>Subtotal</b>                                   |                                |                      |          |   | <b>60.0</b>  | <b>0.0</b>        | <b>40.0</b>  | <b>40.0</b>  | <b>10.0</b> | <b>10.0</b>      |
| <b>Others</b>                                     |                                |                      |          |   |              |                   |              |              |             |                  |
| 4. Governance Reform and Decentralization Program | OTH                            | ECO/GG/<br>HD        | SAGF     | 2005  | 30.0         | 0.0               | 20.0         | 20.0         | 5.0         | 5.0              |
| <b>Subtotal</b>                                   |                                |                      |          |   | <b>30.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>  | <b>5.0</b>       |
| <b>Total</b>                                      |                                |                      |          |   | <b>170.0</b> | <b>0.0</b>        | <b>110.0</b> | <b>110.0</b> | <b>27.5</b> | <b>32.5</b>      |
| <b>2006 Standby Loan</b>                          |                                |                      |          |   |              |                   |              |              |             |                  |
| <b>Agriculture and Natural Resources</b>          |                                |                      |          |   |              |                   |              |              |             |                  |
| 1. Water Management Improvement                   | PI                             | ECO/ENV/<br>GG       | SAAE     | 2005  | 25.0         | 0.0               | 20.0         | 20.0         | 5.0         | 0.0              |
| <b>Subtotal</b>                                   |                                |                      |          |   | <b>25.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>  | <b>0.0</b>       |
| <b>Total</b>                                      |                                |                      |          |   | <b>25.0</b>  | <b>0.0</b>        | <b>20.0</b>  | <b>20.0</b>  | <b>5.0</b>  | <b>0.0</b>       |

SATC = South Asia Transport and Communication Division.

Table A1.11: Assistance Pipeline for Nonlending Products and Services, 2004–2006

| Sector Assistance Name  | Responsible Division | Assistance Type | Sources of Funding |                 |        |                 | Total (\$'000) |
|---|----------------------|-----------------|--------------------|-----------------|--------|-----------------|----------------|
|   |                      |                 | ADB                |                 | Others |                 |                |
|   |                      |                 | Source             | Amount (\$'000) | Source | Amount (\$'000) |                |
| <b>2004</b>   |                      |                 |                    |                 |        |                 |                |
| <b>Agriculture and Natural Resources</b>                          |                      |                 |                    |                 |        |                 |                |
| 1. Community Groundwater Irrigation Sector Development II         | SAAE                 | PP              | tbd                | 400             |        | 0               | 400            |
| 2. Capacity Building in Rural Infrastructure Institutions         | SAAE                 | ID              | TASF               | 400             |        | 0               | 400            |
| <b>Subtotal</b>   |                      |                 |                    | <b>800</b>      |        | <b>0</b>        | <b>800</b>     |
| <b>Energy</b>   |                      |                 |                    |                 |        |                 |                |
| 3. Rural Electrification and Renewable Energy                     | SAEN                 | PP              | tbd                | 450             |        | 0               | 450            |
| 4. Implementing Power Sector Restructuring                        | SAEN                 | ID              | TASF               | 350             |        | 0               | 350            |
| <b>Subtotal</b>   |                      |                 |                    | <b>800</b>      |        | <b>0</b>        | <b>800</b>     |
| <b>Finance</b>  |                      |                 |                    |                 |        |                 |                |
| 5. Rural Finance Development                                      | SAGF                 | PP              | tbd                | 500             | tbd    | 150             | 650            |
| 6. Institutional Strengthening for Private Sector                 | SAGF                 | ID              | TASF               | 250             |        | 0               | 250            |
| <b>Subtotal</b>   |                      |                 |                    | <b>750</b>      |        | <b>150</b>      | <b>900</b>     |
| <b>Social Infrastructure</b>                                      |                      |                 |                    |                 |        |                 |                |
| 7. Education Sector Development                                   | SASS                 | PP              | tbd                | 450             |        | 0               | 450            |
| 8. Kathmandu Valley Water Distribution & Urban Improvement        | SASS                 | PP              | tbd                | 200             |        | 0               | 200            |
| <b>Subtotal</b>   |                      |                 |                    | <b>650</b>      |        | <b>0</b>        | <b>650</b>     |
| <b>Transport and Communication</b>                                |                      |                 |                    |                 |        |                 |                |
| 9. Rural Access Roads Network                                     | SATC                 | PP              | tbd                | 450             |        | 0               | 450            |
| <b>Subtotal</b>   |                      |                 |                    | <b>450</b>      |        | <b>0</b>        | <b>450</b>     |
| <b>Others</b>   |                      |                 |                    |                 |        |                 |                |
| 10. Strengthening Data Analysis Capacity for Better Policy-Making | SAOC/ERDI            | ID              | TASF               | 400             |        | 0               | 400            |
| 11. Decentralization Study  | SAGF                 | ETSW            | TASF               | 150             |        | 0               | 150            |
| 12. Quarterly Economic Review                                     | NRM                  | ETSW            |                    | —               |        | —               | —              |
| <b>Subtotal</b>   |                      |                 |                    | <b>550</b>      |        | <b>0</b>        | <b>550</b>     |
| <b>Total</b>  |                      |                 |                    | <b>4,000</b>    |        | <b>150</b>      | <b>4,150</b>   |

— =not available; ADB = Asian Development Bank; ERDI = Development Indicators and Policy Research Division/Economics and Research Department; ETSW = Economic, Thematic and Sector Work; IAE = Internal Administrative Expense; ID = Institutional Development; NRM = Nepal Resident Mission; PP = program/project technical assistance; SAAE = South Asia Agriculture, Environment, and Natural Resources Division; SAEN = South Asia Energy Division; SAGF = South Asia Governance, Finance and Trade Division; SAOC = South Asia Operations Coordination Division; SATC = South Asia Transport and Communications Division; TASF = technical assistance special fund; tbd = to be determined.

**Table A1.11 (continued): Assistance Pipeline for Nonlending Products and Services, 2004–2006**

| Sector<br>Assistance Name                                    | Responsible<br>Division | Assistance<br>Type | Sources of Funding |                    |        |                    | Total<br>(\$'000) |
|--|-------------------------|--------------------|--------------------|--------------------|--------|--------------------|-------------------|
|  |                         |                    | ADB                |                    | Others |                    |                   |
|  |                         |                    | Source             | Amount<br>(\$'000) | Source | Amount<br>(\$'000) |                   |
| <b>2005</b>  |                         |                    |                    |                    |        |                    |                   |
| <b>Agriculture and Natural Resources</b>                     |                         |                    |                    |                    |        |                    |                   |
| 1. Agribusiness Development                                  | SAAE                    | PP                 | tbd                | 600                |        | 0                  | 600               |
| 2. Water Management Improvement                              | SAAE                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| 3. Study of Aquaculture and Poverty Alleviation              | SAAE                    | ETSW               | TASF               | 150                |        | 0                  | 150               |
| <b>Subtotal</b>  |                         |                    |                    | <b>1,250</b>       |        | <b>0</b>           | <b>1,250</b>      |
| <b>Social Infrastructure</b>                                 |                         |                    |                    |                    |        |                    |                   |
| 4. Second Community-based Water Supply and Sanitation Sector | SASS                    | PP                 | tbd                | 400                |        | 0                  | 400               |
| 5. Secondary Towns Urban Environmental Improvement           | SASS                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| <b>Subtotal</b>  |                         |                    |                    | <b>900</b>         |        | <b>0</b>           | <b>900</b>        |
| <b>Transport and Communication</b>                           |                         |                    |                    |                    |        |                    |                   |
| 6. Civil Aviation Sector Study                               | SATC                    | ETSW               | TASF               | 250                |        | 0                  | 250               |
| 7. Rural Access to Communication                             | SATC                    | PP                 | tbd                | 600                | tbd    | 200                | 800               |
| <b>Subtotal</b>  |                         |                    |                    | <b>850</b>         |        | <b>200</b>         | <b>1,050</b>      |
| <b>Others</b>  |                         |                    |                    |                    |        |                    |                   |
| 8. Governance Reform and Decentralization Program            | SAGF                    | PP                 | tbd                | 500                | tbd    | 100                | 600               |
| 9. Public Sector Management Program II                       | SAGF                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| 10. Quarterly Economic Review                                | NRM                     | ETSW               |                    | —                  |        | —                  | —                 |
| <b>Subtotal</b>  |                         |                    |                    | <b>1,000</b>       |        | <b>100</b>         | <b>1,100</b>      |
| <b>Total</b>   |                         |                    |                    | <b>4,000</b>       |        | <b>300</b>         | <b>4,300</b>      |

**Table A1.11 (continued): Assistance Pipeline for Nonlending Products and Services, 2004–2006**

| Sector<br>Assistance Name                                      | Responsible<br>Division | Assistance<br>Type | Sources of Funding |                    |        |                    | Total<br>(\$'000) |
|--|-------------------------|--------------------|--------------------|--------------------|--------|--------------------|-------------------|
|  |                         |                    | ADB                |                    | Others |                    |                   |
|  |                         |                    | Source             | Amount<br>(\$'000) | Source | Amount<br>(\$'000) |                   |
| <b>2006</b>  |                         |                    |                    |                    |        |                    |                   |
| <b>Agriculture and Natural Resources</b>                       |                         |                    |                    |                    |        |                    |                   |
| 1. Crop Diversification II                                     | SAAE                    | PP                 | tbd                | 400                |        | 0                  | 400               |
| 2. Community-based Highland<br>Livestock Development           | SAAE                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| <b>Subtotal</b>  |                         |                    |                    | <b>900</b>         |        | <b>0</b>           | <b>900</b>        |
| <b>Energy</b>  |                         |                    |                    |                    |        |                    |                   |
| 3. Capacity Building in Renewable<br>Energy Institutions       | SAEN                    | ID                 | TASF               | 300                |        | 0                  | 300               |
| <b>Subtotal</b>  |                         |                    |                    | <b>300</b>         |        | <b>0</b>           | <b>300</b>        |
| <b>Finance</b>   |                         |                    |                    |                    |        |                    |                   |
| 4. Financial Market Development                                | SAGF                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| <b>Subtotal</b>  |                         |                    |                    | <b>500</b>         |        | <b>0</b>           | <b>500</b>        |
| <b>Social Infrastructure</b>                                   |                         |                    |                    |                    |        |                    |                   |
| 5. Small Towns Water Supply                                    | SASS                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| 6. Social Protection Program                                   | SASS                    | PP                 | tbd                | 500                |        | 0                  | 500               |
| 7. Kathmandu Valley Sewerage<br>Treatment                      | SASS                    | PP                 | tbd                | 400                |        | 0                  | 400               |
| <b>Subtotal</b>  |                         |                    |                    | <b>1,400</b>       |        | <b>0</b>           | <b>1,400</b>      |
| <b>Others</b>  |                         |                    |                    |                    |        |                    |                   |
| 8. Strategic Regional Development                              | SAOC                    | ETSW               | TASF               | 500                |        | 0                  | 500               |
| 9. Strengthening Dev't. Planning<br>Capacity of the Government | NRM                     | ID                 | TASF               | 400                |        | 0                  | 400               |
| 10. Quarterly Economic Review                                  | NRM                     | ETSW               |                    | —                  |        | —                  | —                 |
| <b>Subtotal</b>  |                         |                    |                    | <b>900</b>         |        | <b>0</b>           | <b>900</b>        |
| <b>Total</b>   |                         |                    |                    | <b>4,000</b>       |        | <b>0</b>           | <b>4,000</b>      |

**Table A1.12: Lending Scenarios and Performance Triggers**

| <b>Low Case</b>  | <b>Base Case</b>  | <b>High Case</b>   |
|--|---|--|
| Unsatisfactory progress in preparing the annual budget through clear prioritization and streamlining development projects/programs.  | Satisfactory progress in preparation of the annual budget through clear prioritization and streamlining development projects/programs.  | Successful preparation of progress in preparation of the annual budget through clear prioritization and streamlining development projects/programs.  |
| Increase in corruption and anti-corruption measures ineffective.   | Corruption checked and effective anti-corruption measures adopted.  | Corruption reduced as a result of effective implementation of anti-corruption measures.  |
| Unsatisfactory progress in establishing processes for performance-based management in key ministries.  | Progress in establishing performance-based management in Ministry of Agriculture and Cooperatives; and management performance plans developed for two ministries (Finance and General Administration).  | Performance-based management established in two additional service delivery ministries (Health, Sports and Education)  |
| Unsatisfactory progress in irrigation, power, education, and finance sector reforms.   | Satisfactory progress in irrigation, power, education, and finance sector reforms include: <ul style="list-style-type: none"> <li>- Amendment of Irrigation Regulation (2000), which will authorize water user associations to recover irrigation service fees from water users;</li> <li>- Amend education regulations to introduce an incentives scheme that will ensure that in-service teachers complete the minimum 10-month training program;</li> <li>- Strengthen implementation and monitoring capability of District Technical Offices in each District Development Committee through preparation and adoption of time-bound action plans;</li> <li>- Implement restructuring/unbundling of NEA; and</li> <li>- Strengthen corporate governance and financial viability of five Grameen banks.</li> </ul> | Strong progress in irrigation, power, education, and finance sector reforms  |
| Unsatisfactory progress in portfolio management (i) share of problem projects above 25%, (ii) disbursement ratio (past 3-year average) below 15%, (iii) compliance with loan covenants below 70%, and (iv) timely submission of auditor's reports acceptable to the Asian Development Bank (below 70%) | Satisfactory progress in portfolio management, including (i) reduction of problem projects to between 15-25%, (ii) disbursement ratio (past 3-year average) at least 15%, (iii) overall compliance with loan covenants 70-80%, and (iv) timely submission of auditor's reports acceptable to the Asian Development Bank 70-80%.   | Strong progress in portfolio management (i) reduction of problem projects to 15% or below, (ii) a disbursement ratio (past 3-year average) at least 20%, (iii) satisfactory compliance with loan covenants (above 80%), and (iv) timely submission of auditor's reports acceptable to the Asian Development Bank above 80% |

## CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for projected lending products:

- (i) Table A2.1: Ecotourism
- (ii) Table A2.2: Second Rural Infrastructure Development
- (iii) Table A2.3: Community-Managed Irrigation: Central and Eastern Basins
- (iv) Table A2.4: Market Access and Productivity Growth for the Private Sector
- (v) Table A2.5: Skills for Employment
- (vi) Table A2.6: Commercial Agriculture Development
- (vii) Table A2.7: Community Groundwater Irrigation Sector Development II
- (viii) Table A2.8: Rural Finance Development
- (ix) Table A2.9: Kathmandu Valley Water Distribution and Urban Development
- (x) Table A2.10: Education Sector Development
- (xi) Table A2.11: Rural Electrification and Renewable Energy
- (xii) Table A2.12: Agribusiness Development
- (xiii) Table A2.13: Rural Access Roads Network
- (xiv) Table A2.14: Governance Reform and Decentralization Program
- (xv) Table A2.15: Water Management Improvement Project

## Table A2.1: Ecotourism Concept Paper

**Date:** 31 July 2003

|  |  |  |
|--|--|--|
| <p><b>1. Type/modality of assistance</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Lending           <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Project loan</li> <li><input type="checkbox"/> Program loan</li> <li><input type="checkbox"/> Sector loan</li> <li><input type="checkbox"/> Sector development program loan</li> <li><input type="checkbox"/> Other:</li> </ul> </li> <li><input type="checkbox"/> Nonlending           <ul style="list-style-type: none"> <li><input type="checkbox"/> Project preparatory</li> <li><input type="checkbox"/> Other than project preparatory               <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic, thematic, and sector work</li> <li><input type="checkbox"/> Institutional development</li> <li><input type="checkbox"/> Other:</li> </ul> </li> </ul> </li> </ul>  |  |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture, Environment, and Natural Resources<br/>Subsector: Environment</p> <p>b. For project preparatory and lending, classification</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Core poverty intervention</li> <li><input checked="" type="checkbox"/> Poverty intervention</li> </ul> <p>c. Key thematic areas</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic growth</li> <li><input checked="" type="checkbox"/> Gender and development</li> <li><input checked="" type="checkbox"/> Environmental protection</li> <li><input type="checkbox"/> Regional cooperation</li> <li><input type="checkbox"/> Other:</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <ul style="list-style-type: none"> <li><input type="checkbox"/> Human development</li> <li><input type="checkbox"/> Good governance</li> <li><input checked="" type="checkbox"/> Private sector development</li> <li><input type="checkbox"/> Social protection</li> </ul> </td> </tr> </table>   | <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic growth</li> <li><input checked="" type="checkbox"/> Gender and development</li> <li><input checked="" type="checkbox"/> Environmental protection</li> <li><input type="checkbox"/> Regional cooperation</li> <li><input type="checkbox"/> Other:</li> </ul> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Human development</li> <li><input type="checkbox"/> Good governance</li> <li><input checked="" type="checkbox"/> Private sector development</li> <li><input type="checkbox"/> Social protection</li> </ul> |
| <ul style="list-style-type: none"> <li><input type="checkbox"/> Economic growth</li> <li><input checked="" type="checkbox"/> Gender and development</li> <li><input checked="" type="checkbox"/> Environmental protection</li> <li><input type="checkbox"/> Regional cooperation</li> <li><input type="checkbox"/> Other:</li> </ul>   | <ul style="list-style-type: none"> <li><input type="checkbox"/> Human development</li> <li><input type="checkbox"/> Good governance</li> <li><input checked="" type="checkbox"/> Private sector development</li> <li><input type="checkbox"/> Social protection</li> </ul>   |  |
| <p><b>3. Coverage</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</li> <li><input type="checkbox"/> Internal policy development</li> </ul>  |  |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>   |  |  |
| <p><b>5. Responsible ADB officer:</b> Donneth Walton</p>   |  |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Government recognizes that sustained development of the tourism sector is an important way of (i) promoting and managing the country's cultural, ecological, and environmental heritage; (ii) generating a demand for goods and services, through increased tourist arrivals and higher spending; (iii) increasing foreign exchange earnings; and (iv) reducing poverty, by diversifying the benefits of tourism throughout the country. Nepal's advantages in tourism, signified by its access to the Himalayas, its unique culture, and its historic heritage, are universally recognized. The tourism sector is accorded high priority in the Government's Ninth Plan, with the Government giving support to the private sector to promote tourism diversification and development of new areas, while the Government's role will be to develop the basic tourism infrastructure. The Government's tourism policy stresses the importance of local community participation in environmental conservation for sustainable tourism development.</p> <p><b>b. Goal and purpose:</b> The overall objectives of the proposed project are to (i) assist the Government and other stakeholders of ecotourism in reforming institutional arrangements and policy for effective ecotourism development, which will consolidate, institutionalize, and build upon Nepal's leadership in techniques for using</p> |  |  |

ecotourism as a tool for poverty reduction and environmental conservation; (ii) implement an ecotourism development program in remote areas of the West and East Himalayas region, including an ecotourism marketing program, to address local poverty, gender, and conservation issues; and (iii) provide a package of environmental infrastructure developments in the project areas that will enhance their capacity to attract tourists and improve the economic opportunities of the residents.

**c. Components and outputs:** Tourism in Nepal is currently concentrated in a few locations in the central part of the country. Increased tourism traffic in these locations is causing considerable stress on the fragile environment. The Government and tourism industry recognize the need to diversify Nepal's tourism products and to open new destinations. The proposed project has identified four Himalayan areas as having excellent potential for Nepal's unique style of mountain tourism. In the four areas, Simikot, Dolpa, Makalu Barun, and Kanchenjunga, where some of the county's highest levels of poverty exist, trekking tourism has begun, and the Government and the tourism industry have recognized the tourism value of the areas. In addition, these areas have high conservation value. The project will be divided into four main components, consisting of Part A: Remote Area Development Program; Part B: Tansen Environmental Improvements; Part C: Lumbini Tourism Infrastructure Improvements; and Part D: Implementation Assistance and Institutional Strengthening and Training. For each of the four areas, packages of hardware (airports, trail facilities, etc) and software (community development, training and awareness programs) have been designed. The hardware elements improve access to facilitate tourism growth, while the software components will ensure that local residents are able to cope with and benefit from increased tourism flows. Close alliances have been developed with international nongovernmental organizations working within Nepal, especially those working in the proposed project areas. Institutional development and capacity building and training will be an integral part of all components.

**d. Expected results and deliverables:** The proposed Project is expected to benefit over 150,000 people living in areas where project interventions will be implemented. As a result of project interventions particularly the increased participation of local communities in the tourism process, due to heightened awareness, skills training and local capacity building increased levels of tourism expenditure will flow to project areas. Direct employment opportunities will benefit individuals in local mountain communities, especially the poor. Per capita income is expected to increase significantly within the target areas. These benefits are expected to decrease the overall incidence of poverty within project areas by approximately 1% per annum.

**e. Social or environmental issues or concerns:** Part A of the proposed Project will include activities and improvements that will enhance ecotourism in four protected areas and, in view of the ecological sensitivity of protected areas in Nepal, this component has been determined to be in ADB's Environment Category A, for which an environmental impact assessment was prepared. The remaining components present minimal environmental risk and are in Environment Category B, for which an IEE was prepared.

**f. Plans for disseminating results/deliverables:** Not applicable

**7. Proposed executing/implementing agencies:** Ministry of Tourism and Civil Aviation

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Several workshops involving all stakeholders: central and district agencies, private sector representatives, and contractors will be held to formulate and agree on the scope of the project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: First quarter of 2004
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 2004–2008
  - Nonlending: Not applicable

**10. Financing Plan**

## a. For lending

- Ordinary capital resources: \$
- Asian Development Fund: \$20 million
- Other: \$8.2 million (government)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds
- Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Second Rural Infrastructure Development  
Concept Paper**

**Date:** 31 July 2003

|  |   |   |   |  |   |   |   |  |                                 |  |
|--|---|---|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture, Environment, and Natural Resources<br/>Subsector: Rural Infrastructure</p> <p>b. For project preparatory and lending, classification</p> <p>    <input checked="" type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>                        | <input type="checkbox"/> Economic growth              | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth   | <input checked="" type="checkbox"/> Human development |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance              |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development   |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection            |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>   |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>   |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> During a country programming mission in 1999, the Government requested ADB to provide project preparatory TA<sup>1</sup> to design a second rural infrastructure development project, which would follow an ongoing ADB-financed rural infrastructure development project.<sup>2</sup> To achieve its primary development objective of poverty reduction, the Government places high priority on the rehabilitation and expansion of rural infrastructure, as highlighted in the Government's long-term APP and Ninth Plan (1997–2002). Furthermore, the Approach Paper for the Tenth Five-Year Plan (2003–2007) defines the road transport sector objective as being the more efficient use of resources, to make transport services accessible nationwide, and it refers to the formation of a road maintenance fund, a greater role of the private sector, and the construction of rural roads, through a decentralized and environment-friendly approach.</p> |   |   |   |  |   |   |   |  |                                 |  |

<sup>1</sup> ADB. 2001. *Technical Assistance to Nepal for the Second Rural Infrastructure Development Project*. Manila.

<sup>2</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Rural Infrastructure Development Project*. Manila.

**b. Goal and purpose:** The aim of the project is to reduce poverty in remote areas of selected hill districts, by providing the rural population with better access to income-generation opportunities and essential socioeconomic support services. The proposed project is not just concerned with investment in physical infrastructure. The concept is that the combination of increased institutional capacity, improved accountability, greater participation, and investment in construction and rehabilitation of infrastructure will provide sustainable improved rural access that will enhance the livelihoods of the rural poor.

**c. Components and outputs:** The project will build upon an ongoing ADB-funded rural infrastructure development project and the lessons learned from other past or ongoing programs supported by other funding agencies. The project will enhance rural infrastructure development in three clusters of hilly districts, which are located in the Far Western, Western, Central, and Eastern regions. The project will aim to make income-generating opportunities and essential socioeconomic support services more accessible to the rural poor.

The proposed project will comprise the following components: (i) rural infrastructure development in the form of rural transport infrastructure (district and village roads, mule tracks and foot paths, and pedestrian suspension bridges) and small-scale village infrastructure (water supply and sanitation schemes, community buildings, market centers, micro hydro-power schemes, etc.); (ii) rural livelihood enhancement initiatives, including community development (awareness campaigns and social mobilization programs), access to employment (support to the targeted groups of poor and disadvantaged people for participation in the construction of the rural infrastructure), and access to wider development initiatives (promotion of community savings schemes and linkage with other development initiatives available in the area); and (iii) capacity building of the Government's executing and implementing agencies, at central and district levels.

**d. Expected results and deliverables:** Consistent with the Government's strategy and ADB's country assistance plan and operational strategy, the project will help reduce rural poverty in remote villages of the selected districts, by increasing economic opportunities and improving the quality of life in rural communities. Beneficiaries will gain (i) immediate supplementary cash income, from wages to be earned during the construction phase; (ii) better terms of trade, as a result of improved access to markets, and incentives to increase their income-generating activities, in particular agricultural and livestock production; and (iii) better access to social services. Central institutions responsible for resource mobilization, coordination, monitoring, and enforcement of principles and norms for rural infrastructure development will be strengthened. Concurrently, the capacity of district authorities and implementing agencies, in managing and implementing rural infrastructure development interventions, will be built up, while outsourcing much of the work to the private and nongovernment organization sectors.

**e. Social or environmental issues or concerns:** In adopting a labor-based, environmentally sound, and participatory approach for the establishment of rural infrastructure, the project is expected to provide overall positive social and environmental impacts in terms of (i) increased income for and enhanced empowerment of poor households and (ii) an improved rural transport network, while preserving the fragile environment of the selected hilly districts. However, careful monitoring of project implementation will be required to ensure that (i) the critical social mobilization process is timely and thoughtfully conducted and (ii) the established environment-friendly technical standards and recommended environmental mitigation measures are rigorously applied. The TA will provide a framework to address these issues.

**f. Plans for disseminating results/deliverables:** The project will be instrumental in developing an effective institutional mechanism that will enhance rural infrastructure development through a decentralized implementing approach that later could be replicated throughout the country.

**7. Proposed executing/implementing agencies:** The executing agency, the Ministry of Local Development, will delegate all responsibilities and powers for execution of the project to the Department of Local Infrastructure Development and Agriculture Roads (DoLIDAR). The district development committees, will be responsible for implementation, at the district level, of subprojects under DoLIDAR's technical direction.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The project has been requested by the Government to follow up past and ongoing ADB-financed assistance<sup>1</sup> to

<sup>1</sup> ADB. 1996. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Rural Infrastructure Development Project*. Manila; ADB. 1996. *Technical Assistance to Nepal for the Institutional Strengthening for Rural Infrastructure Development*. Manila; and ADB. 1998. *Technical Assistance to Nepal for the Institutional Reforms in the Agriculture Sector Part B: Assistance in the Management Capability of the Central and Local Administrations for Rural Infrastructure Development*. Manila.

the rural infrastructure development sector. The TA was implemented in May 2001 and is close to conclusion. A participatory approach, which included intensive consultation with all central and local stakeholders (beneficiaries, the Government, nongovernment organizations, private sector representatives, other aid agencies, etc.), has been followed as a continuing process, throughout the preparation of the feasibility study and the designing of the project.

### 9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval
  - Lending: First quarter 2004
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 6 years
  - Nonlending: Not applicable

### 10. Financing Plan

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.3: Community-Managed Irrigation: Central and Eastern Basins  
Concept Paper**

**Date:** 31 July 2003

|  |   |  |   |   |  |   |   |  |                                 |  |
|--|---|--|---|---|--|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input checked="" type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture and Water Resources<br/>Subsector: Irrigation</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>      | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input checked="" type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance |  |   |   |  |   |   |  |                                 |  |
| <input checked="" type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Kenichi Yokoyama</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> With the high incidence of rural poverty associated with low land productivity, due to erratic rainfall, poor input supply and support services, and a lack of infrastructure, increasing agricultural productivity is crucial in reducing poverty and ensuring food security in Nepal. A key element of this strategic thrust is to improve the productivity and sustainability of farmer-managed irrigation systems (FMISs), which cover about 30% of net cultivated area, through strengthening farmer water user associations (WUAs) and improving critical infrastructure and other necessary support services, such as agricultural extension. The Second Irrigation Sector Project<sup>1</sup> (SISP) is assisting this process in the central and eastern development regions.<sup>2</sup></p> <p>SISP is being implemented by establishing WUAs and irrigation infrastructure, thereby contributing to rural</p> |   |  |   |   |  |   |   |  |                                 |  |

<sup>1</sup> Loan No. 1437-NEP: *Second Irrigation Sector Project*, approved on 16 May 1996 for \$25 million, with loan closing date of 31 March 2003.

<sup>2</sup> The remaining regions are covered by the Irrigation Sector Project, which is assisted by the World Bank.

poverty reduction, although its performance still needs to be improved. The Government has also initiated comprehensive sector reforms related to integrated water resources management (IWRM) through preparing the National Water Policy, and it intends to revise water sector plans within this new management framework. The proposed TA and ensuing loan need to be implemented, to further promote sound policies and institutions; plan a formulation process in the irrigation sub-sector; and institutionalize improved arrangements that will enhance the productivity and sustainability of FMISs, with increasing focus on poverty reduction through income growth and empowerment of the poor, by incorporating the lessons learned through SISP.

COS noted that sustainable growth in agriculture is a pre-requisite for poverty reduction in and economic growth of the country, given its high shares in GDP and employment (40% and 73% respectively). Irrigation (with agricultural support services) is one of the priority sub-sectors to promote this end, along with crop diversification support, rural roads, electrification, and micro-credit. COS also emphasizes a sound sector policy and institutional environment and capacity development in ADB operations, which the ensuing loan will further enhance. Furthermore, ADB's Water Policy supports (i) the Government's emerging policy principle of IWRM and (ii) SISP's objective of improving irrigation service delivery, through strengthening WUAs. These need to be further promoted, with effective mutual institutional linkages, through the guidance of ADB's Water Policy.

**b. Goal and purpose:** The goal of the project is to support the Government's poverty reduction efforts in the central and eastern development regions. The purpose is to increase agricultural production in subproject areas, through sustainable stakeholder-driven, small-scale FMIS rehabilitation and modernization.

**c. Components and outputs:** The proposed project will comprise (i) institutional development of WUAs, (ii) improved infrastructure (on the condition that sufficient WUA development), (iii) agriculture extension, and (iv) capacity development of sector institutions. The expected outcome of the project will be the reduction of poverty, through (i) increased agricultural production; (ii) increased employment opportunities; (iii) improved food security; and (iv) community mobilization and empowerment. It will also protect the natural environment, through reduced pressure on forestland and other non-irrigated land.

**d. Expected results and deliverables:** The project outputs will contribute to the achievement of sectoral targets for FMIS rehabilitation and modernization, as well as increased agricultural production, under the Government's Irrigation Development Plan and the Tenth Five-Year Plan (FY2003–2007).

**e. Social or environmental issues or concerns:** The proposed project is expected to provide overall positive social and environmental impacts, in terms of increased incomes and resulting poverty reduction; improved WUA governance, for effective water resource management; and reduced environmental pressure on adjacent land. However, it also may cause potential negative impacts, in terms of (i) increased social conflicts within FMISs and/or with other FMISs located elsewhere and (ii) water quality degradation, due to increased use of agrochemicals. The PPTA will provide a framework that will address these issues.

**f. Plans for disseminating results/deliverables:** The project will further refine and improve the procedures and arrangements to improve the productivity and sustainability of FMISs, which will be replicated throughout the country.

**7. Proposed executing/implementing agencies:** Department of Irrigation

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The project has been requested by the Government to further institutionalize the procedure and arrangements to enhance the sustainability and productivity of FMIS being pursued under SISP, focusing on improved governance and poverty reduction. It will be formulated under PPTA in 2002, based on intensive consultations with stakeholders, including nongovernment organizations, adopting (i) stakeholder-driven schemes identification, (ii) formation and strengthening of WUAs, (iii) participation of WMCAs in schemes design and construction supervision, and (iv) self-sustained operation and management through WUA resource mobilization.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 1998
- b. Expected date of submission for approval
  - Lending: January 2004
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): Not applicable

- c. Period and duration of assistance  
 Lending: 7 years  
 Nonlending: Not applicable

## 10. Financing Plan

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5.0 (government)

If cofinancing is required indicate sources, and amount sought: \$5.0 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.4: Market Access and Productivity Growth for the Private Sector  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |   |   |  |  |  |                                 |  |
|---|--|--|---|---|---|--|--|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input checked="" type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Private Sector<br/>Subsector: Not applicable</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input checked="" type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |  |  |                                 |  |
| <input checked="" type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Hans-Peter Brunner</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's strategy for Nepal supports poverty reduction, through a combination of accelerated broad-based economic growth, inclusive social development, and good governance. For significant poverty reduction impact and improvements in human development indicators, the country must mobilize large amounts of resources, raise factor productivity, move to a higher value-added and more efficient production structure, and eliminate inefficiencies resulting from ad hoc and non-market-based allocations. A combination of policies, investments, and technical assistance prepare private enterprises for participation in World Trade Organization and sub-regional trade agreements (SAFTA) and stimulate productivity, economic growth, and poverty reduction.</p> <p><b>b. Goal and purpose:</b> The private sector will effectively respond to the removal of policy, legal, and institutional constraints only when it is able to acquire and readjust resources, such as a trained workforce, price and quality competitive factor inputs, finance, information, and market access to changing domestic and international market opportunities. The goal of ADB's private sector invention would be for Nepal to increase the private sector capacity to transform and respond to emerging comparative advantage.</p> |  |  |   |   |   |  |  |  |                                 |  |

**c. Components and outputs:** The TA (i) identifies policy, legal, and institutional constraints holding back private sector development; (ii) analyzes competitiveness, and emerging comparative advantage for Nepal's industrial and services sectors; (iii) develops project and program concepts; and (iv) develops a market access mechanism and matching fund for private sector development. The piggy-backed ADTA, Institutional Strengthening for Private Sector Development, will provide specific institutional development support.

**d. Expected results and deliverables:** The TA will result in policies that are conducive to efficient institutions and enterprises, which will lead to increased productivity, a more efficient production structure, increased competition and improved resource allocation, wider market access, and employment generation.

**e. Social or environmental issues or concerns:** The program will ensure equitable participation of lower income households in the informal sector. Adequate monitoring mechanisms will be put in place to assess the environmental impact of the expansion of economic activities.

**f. Plans for disseminating results/deliverables:** Subregional workshops, seminars, and a series of interaction programs with key stakeholders.

**7. Proposed executing/implementing agencies:** Ministry of Industry, Commerce and Supply

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Key stakeholders have expressed keen interest in the proposed program. Stakeholders will be involved in the design and implementation to ensure client orientation. A process approach will be adopted to allow for changes in design and implementation, according to the evolving needs. Stakeholders have provided inputs on some aspects of the proposed program, during the preparation of the ADB-funded Financial Sector Strategy for Nepal.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval
  - Lending: 2004
  - Nonlending (project preparatory): 2003
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 3 years
  - Nonlending: Not applicable

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 (government)

If cofinancing is required indicate sources, and amount sought: \$5.0 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.5: Skills for Employment  
Concept Paper**

**Date:** 31 July 2003

|  |  |   |   |  |   |  |   |   |                                 |  |
|--|--|---|---|--|---|--|---|---|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |  |   |   |  |   |  |   |   |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Education<br/>Subsector: Technical/ICT Education</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input checked="" type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input checked="" type="checkbox"/> Human development          |   |   |  |   |  |   |   |                                 |  |
| <input type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance                       |   |   |  |   |  |   |   |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input checked="" type="checkbox"/> Private sector development |   |   |  |   |  |   |   |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input checked="" type="checkbox"/> Social protection          |   |   |  |   |  |   |   |                                 |  |
| <input type="checkbox"/> Other:  |  |   |   |  |   |  |   |   |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |   |   |  |   |  |   |   |                                 |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>  |  |   |   |  |   |  |   |   |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Sukhdeep Brar</p>  |  |   |   |  |   |  |   |   |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> This TA is in line with ADB's overall and regional and country strategy of poverty reduction. Human development is a key input for poverty reduction. Skills development for improved employment opportunities and higher earning ability will have far-reaching social and economic impacts.</p> <p><b>b. Goal and purpose:</b> This TA aims to impart relevant skills to youth to make them productive in society and improve their employability, thus leading to improved incomes and resultant benefits to families, society, and the national economy.</p> <p><b>c. Components and outputs:</b> To be determined. However, it is expected that different approaches will be piloted for vocational and technical education and for introducing communications and information technology in education for effective and multiple uses. The approaches used will be region-specific, depending on determined need and availability of supporting infrastructure. They will also support and—strengthen—the Government's ongoing efforts and existing infrastructure in the sub-sector, wherever necessary and appropriate.</p> |  |   |   |  |   |  |   |   |                                 |  |

|   |
|---|
| <p><b>d. Expected results and deliverables:</b> Expected results will be the imparting of income-generating skills to Nepalese youth, who otherwise have limited employment opportunities and earning capability, due to lack of adequate skills. Institutional capacity for planning, management, and delivery of vocational and technical skills will also be strengthened.</p> <p><b>e. Social or environmental issues or concerns:</b> There are no issues of social or environmental concern.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The results will be disseminated within ADB and regionally, through lessons learned and sharing documents and evaluations.</p>  |
| <p><b>7. Proposed executing/implementing agencies:</b> Ministry of Education/Council for Technical Education and Vocational Training</p>  |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b><br/>The PPTA will be implemented under the leadership of the Government and in close consultation with all concerned government agencies. The PPTA will also adopt a highly participatory process, where consultations will be held with all stakeholders. Initial consultations have been held with government officials, and the scope and objectives of the TA and the ensuing loan are in conformity with the Government's own development priorities.</p>   |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 2000</p> <p>b. Expected date of submission for approval<br/>Lending: 2004<br/>Nonlending (project preparatory): Not applicable<br/>Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance<br/>Lending: To be determined<br/>Nonlending: Not applicable</p>   |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/> <input type="checkbox"/> Ordinary capital resources: \$<br/> <input checked="" type="checkbox"/> Asian Development Fund: \$24 million<br/> <input checked="" type="checkbox"/> Other: \$6 million (government)</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/> <input type="checkbox"/> No resources required, other than ADB staff<br/> <input type="checkbox"/> ADB's administrative budget: \$<br/> <input type="checkbox"/> Grant TA funds<br/> <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.6: Commercial Agriculture Development  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |   |   |  |   |  |                                 |  |
|---|--|--|---|---|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture<br/>Subsector: Not applicable</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table> | <input type="checkbox"/> Economic growth                       | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development                     |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In Nepal, agriculture employs about 80% of the total labor force and contributes about 40% of GDP. Given the importance of agriculture in the national economy, the sector's efficient growth is essential for achieving the national objective of poverty reduction. ADB's current operational strategy for Nepal is focused on poverty reduction, particularly in rural areas. In line with this operational strategy, the proposed project will focus on poor districts of the country and aim at promoting the integration of agricultural support services and increased participation of the private sector. Building upon achievements under the Second Agriculture Program,<sup>1</sup> the proposed TA and ensuing project will support the Government's initiatives to devolve most agricultural support services to the district level.</p>   |  |  |   |   |   |  |   |  |                                 |  |

<sup>1</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Second Agriculture Program*. Manila. The loan was closed on 31 December 2000. The second and final tranche was released in June 2000.

**b. Goal and purpose:** The proposed project will address the strategic objective of poverty reduction, through integrated support targeted at the rural poor in selected areas. The project is expected to focus on strengthening and integrating decentralized farm support services, focusing on irrigation and on-farm water and crop management in districts covered by previous and ongoing ADB-financed agriculture sector projects. The proposed project will promote the policy and institutional environment favorable for more effective contributions by local public agencies, farmers, and the private sector in agriculture. The need for a sector development program approach will be examined during TA fact-finding.

**c. Components and outputs:** The proposed TA will (i) recommend specific medium-term policy and institutional reform and local capacity-building measures; (ii) in light of the Government's decentralization framework, formulate a detailed investment proposal for possible ADB financing; (iii) evaluate past and ongoing external assistance, in agriculture and rural development in the country and lessons learned; (iv) carry out, for the proposed reforms and the investment component, institutional, capacity-building, environmental, and social assessments; (v) identify measures to prevent or mitigate any adverse environmental and social impacts and risks; and (vi) examine financial and economic costs, benefits, and risks involved in the proposed investment. Under the TA, close consultations will be conducted with key stakeholders in the sector—including farmers, local administrations, nongovernment organizations, private dealers of agricultural inputs and outputs, and external funding agencies—to ensure general consensus and local ownership for project implementation.

**d. Expected results and deliverables:** The expected outcome of the ensuing project will include (i) an enhanced policy and institutional environment that are favorable for integrated agricultural support services in a decentralized environment, (ii) removal of critical constraints to improved agricultural productivity, and (iii) improved access of poor farmers to effective agricultural support services and productive resources. The possible monitorable indicators may include (i) yields of major cereal and commercial crops in the project area, (ii) farmers' uptake of improved technology and inputs, and (iii) degree of participation of the private sector in agriculture.

**e. Social or environmental issues or concerns:** To be determined

**f. Plans for disseminating results/deliverables:** To be determined

**7. Proposed executing/implementing agencies:** Ministry of Agriculture and Cooperatives

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Several workshops—involving all stakeholders: central and district agencies, private sector representatives, and contractors—will be held to formulate and agree on the scope of the project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 2000
- b. Expected date of submission for approval
  - Lending: 2005
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: January 2005 – 2010
  - Nonlending: Not applicable

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought: \$5 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.7: Community Groundwater Irrigation Sector Development II  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |   |  |   |   |  |                                 |  |
|---|---|--|---|---|--|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input checked="" type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture and Water Resources<br/>Subsector: Irrigation</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input checked="" type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance |  |   |   |  |   |   |  |                                 |  |
| <input checked="" type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Kenichi Yokoyama</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> With the high incidence of rural poverty associated with low land productivity, due to erratic rainfall, poor input supply and support services, and a lack of infrastructure, increasing agricultural productivity is crucial in reducing poverty and ensuring food security in Nepal. To this end, shallow tubewell (STW) irrigation has been identified as a priority input to the sector strategy in the APP, because of its dramatic implications to increase agriculture production for smallholders. The ongoing Community Groundwater Irrigation Sector Project<sup>1</sup> (CGISP) is being implemented to assist this process.</p> <p>The CGISP is being implemented with a strong participatory approach, focusing on small and marginal farmers, with the involvement of nongovernment organizations, emphasis on tubewell services (by the private sector), and the development of greater self-reliance among beneficiaries, through stringent cost-recovery norms. While initial progress has been slow, its activities are expected to accelerate with an improved policy environment,</p> |   |  |   |   |  |   |   |  |                                 |  |

<sup>1</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Community Groundwater Irrigation Sector Project*. Manila.

including the abolishment of STW subsidies and the removal of constraints in credit provisions. The Government also recently undertook an interim APP review, in which STW irrigation was accorded continued high priority. Under the circumstances, the proposed TA and ensuing loan need to be implemented, to promote the further institutionalization of the demand-driven, and poverty-focused participatory STW irrigation development, by incorporating the lessons learned in the Second Irrigation Sector Project under the market-oriented policy environment promoted through the APP.

The country operational strategy noted that sustainable growth in agriculture is a prerequisite for poverty reduction and economic growth of the country, given its high shares in GDP and employment (40% and 73% respectively). Irrigation (with agricultural support services) is one of the priority subsectors that will promote this end, along with crop diversification support, rural roads, electrification, and microcredit.

**b. Goal and purpose:** The goal of the project is to support the Government's poverty reduction efforts in the *Terai*. The purpose is to increase agricultural production through sustainable stakeholder-driven, and smallholder STW irrigation development and necessary support services, including farm-to-market roads, agriculture extension, and credit.

**c. Components and outputs:** The proposed project will comprise (i) community STW irrigation development, (ii) improvement of farm-to-market roads, (iii) provision of credit for group investments and crop production, and (iv) institutional strengthening of project agencies and local communities. The expected outcome of the project will be the reduction of poverty, through (i) increased agricultural production, (ii) increased employment opportunities, (iii) improved food security, and (iv) community mobilization and empowerment. It will also protect the natural environment, through reduced pressure on forestland and other nonirrigated land.

**d. Expected results and deliverables:** The project outputs will contribute to the achievement of the sectoral targets for STW irrigation development and increased agricultural production under the Government's Irrigation Development Plan, APP, and five-year plans.

**e. Social or environmental issues or concerns:** The proposed project is expected to provide overall positive social and environmental impacts in terms of increased incomes and resulting poverty reduction; empower small and marginal farmers, through group formation; and reduce environmental pressure on the adjacent land.

**f. Plans for disseminating results/deliverables:** The project will refine and improve the procedures and arrangements to promote STW irrigation.

**7. Proposed executing/implementing agencies:** Department of Irrigation

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The project aims to institutionalize the procedure and arrangements to enhance STW irrigation, in line with the Government's sector development target, focusing on improved governance and poverty reduction. It will be formulated under TA in 2004, based on intensive consultation with stakeholders, including nongovernment organizations.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval
  - Lending: 2005
  - Nonlending (project preparatory): mid-2004 (contingent on acceleration of ongoing CGISP progress)
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: To be determined
  - Nonlending: To be determined

**10. Financing Plan**

## a. For lending

- Ordinary capital resources: \$
- Asian Development Fund: \$20 million
- Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$400,000 (TASF)
- Other:

If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.8: Rural Finance Development  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |   |   |  |   |  |                                 |  |
|---|--|--|---|---|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input checked="" type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Finance and Banking<br/>Subsector: Rural Finance</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Ashok Sharma</p>  |  |  |   |   |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> With a per capita GDP of about \$250 and a human development index of 0.454, Nepal is one of the lowest-income countries and one with the least social capital. Rural households account for three fourths of the population. Subsistence-oriented agriculture is the primary occupation of the rural population. Among the reasons attributed to the high incidence of rural poverty (44%) are low agricultural productivity, minimal diversification to remunerative nonfarm income sources, and inadequate access to financial services. Poverty reduction is the thematic priority of ADB assistance to Nepal and the key objective of the Government.</p> <p>Government domination and intervention in rural finance has discouraged the emergence of a viable rural finance system that includes active private sector participation. Rural finance institutions are weak and insolvent. Commercial banks are reluctant participants in the rural finance markets which remain politicized. The aggregate outreach from formal sources is only one fifth of the potential clientele. Recourse to intermittent informal sources by rural households often adversely affects household income patterns. The development of the rural finance markets is critical for the success of the rural development and the APP of the Government. However, this is unlikely under the current policy and institutional framework.</p> |  |  |   |   |   |  |   |  |                                 |  |

**b. Goal and purpose:** The project will assist the Government in establishing a framework for the development of rural financial markets that can sustainably supply four basic services: deposit, credit, payment system, and risk reduction.

**c. Components and outputs:** The project will include the development of an enabling policy environment, corresponding financial infrastructure, institutional reforms, private sector participation, and linkage with rural support services. Onlending support will be considered on a need basis. Extensive application of information technology for efficient financial intermediation will also be considered.

**d. Expected results and deliverables:** Expected results include: conducive policies, sustainable institutions, enhanced retail capacity, and greater outreach.

**e. Social or environmental issues or concerns:** The project will specifically aim to enhance the supply of financial services to women.

**f. Plans for disseminating results/deliverables:** Workshops, seminars, training, and media coverage are planned.

**7. Proposed executing/implementing agencies:** Nepal Rastra Bank

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** ADB has prepared a rural finance strategy for Nepal based on extensive stakeholder consultation, especially with rural households, to ensure emphasis on client expectation. The Government, the central bank, commercial banks, rural finance institutions, and funding agencies were consulted.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: September 2005
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 3 years
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought: \$5 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000 (to be determined)
  - Other: \$150,000 (to be determined)

If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.9: Kathmandu Valley Water Distribution and Urban Development  
Concept Paper**

**Date:** 31 July 2003

|   |   |   |   |  |   |   |   |  |                                 |  |
|---|---|---|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Social Sector<br/>Subsector: Urban Development</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input type="checkbox"/> Economic growth              | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input checked="" type="checkbox"/> Human development |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance              |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development   |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection            |   |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Social Sector Division/South Asia Department</p>  |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Keiichi Tamaki</p>  |   |   |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The rapid growth of the urban population, coupled with the Government's inability to keep pace with the demand for infrastructure and services has led to a series of urban environmental concerns in Kathmandu. These include, haphazard growth resulting in unserviced development and inefficient allocation of land, inadequate access to basic infrastructure resulting in significant health risks, and an increase in industrial and vehicle emissions. The burdens associated with these poor environmental conditions are borne disproportionately by the women and children in poor settlements.</p> <p><b>b. Goal and purpose:</b> The primary goal of the project is to improve the urban environmental conditions of low-income settlements in Kathmandu Valley through the provision of sustainable basic urban infrastructure and services. All efforts will be made to involve local stakeholders in every step of the process, and empower communities to manage and develop services and environmental conditions in their respective areas. The proposed project is likely to be implemented concurrently with the construction of the distribution network for the Melamchi Water Supply Project. Therefore, all efforts will be made to identify and capitalize on the synergies between the two projects, in terms of excavation, traffic management, drainage, road resurfacing, etc.</p> |   |   |   |  |   |   |   |  |                                 |  |

**c. Components and outputs:** The project will provide improvements in basic infrastructure and services in low-income areas of Kathmandu, and will include sanitation, solid waste management, drainage, road rehabilitation, and traffic management. Water supply improvements will be coordinated with the distribution network from the Melamchi Water Supply Project. Other potential synergies with the Melamchi Water Supply Project will also be explored.

**d. Expected results and deliverables:** Results are expected to include improved access to basic infrastructure and services on a sustainable basis; improved health conditions in low-income communities; improved hygiene awareness; the empowerment of women; and reduced poverty.

**e. Social or environmental issues or concerns:** Concerns include mainstreaming the participation of women, and minimizing the need for resettlement.

**f. Plans for disseminating results/deliverables:** Extensive consultation during implementation, is planned.

**7. Proposed executing/implementing agencies:** Ministry of Physical Planning and Works

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The project will be developed in close consultation with the stakeholders in the sector, including the central and local government, other development agencies, and local nongovernment organizations and community groups.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 2000
- b. Expected date of submission for approval
  - Lending: 2005
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: To be determined
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$27 million
  - Other: \$6.8 million (government)

If cofinancing is required indicate sources, and amount sought: \$45 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$200,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$400,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.10: Education Sector Development  
Concept Paper**

**Date:** 31 July 2003

|   |   |   |   |  |   |   |   |   |                                 |  |
|---|---|---|---|--|---|---|---|---|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input checked="" type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |   |   |  |   |   |   |   |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Education<br/>Subsector: School Education</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input type="checkbox"/> Economic growth              | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input checked="" type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input checked="" type="checkbox"/> Human development |   |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance              |   |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development   |   |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input checked="" type="checkbox"/> Social protection |   |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Other:   |   |   |   |  |   |   |   |   |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |   |   |  |   |   |   |   |                                 |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>   |   |   |   |  |   |   |   |   |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>  |   |   |   |  |   |   |   |   |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> This TA is in line with ADB's overall and regional and country strategy of poverty reduction. Human development is a key input for poverty reduction. The proposed project will further the goal of human development, by improving access to and quality of school education through sector wide reforms.</p> <p><b>b. Goal and purpose:</b> The project aims to review and analyze the education sector, in light of the inputs already being made, and assess the level of coherence of these inputs and plan for more integrated planning, management, and delivery of education. Based on this analysis, gaps/areas will be identified that need strengthening, to improve the quality and efficiency of school education in Nepal.</p> <p><b>c. Components and outputs:</b> To be determined</p> <p><b>d. Expected results and deliverables:</b> Expected results will be a framework for strengthened management and institutional capacity, an improved learning environment, a more capable teaching force, and, as a result,</p> |   |   |   |  |   |   |   |   |                                 |  |

improved access to and quality of education, as measured by improved enrollments, reduction of dropouts, and higher learning achievements. This, in turn, will lead to a better qualified workforce and better educated pool of entrants to tertiary education. Improved access to and quality of education will also lead to greater enrollment of girls and students from other disadvantaged groups accelerating the process of social development and slowing population growth.

**e. Social or environmental issues or concerns:** There are no issues of social or environmental concern.

**f. Plans for disseminating results/deliverables:** The results will be disseminated within ADB and regionally through lessons learned and sharing documents and evaluations.

**7. Proposed executing/implementing agencies:** Ministry of Education and Sports

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The project preparation will be undertaken under the guidance and direction of MOES, and with full involvement and participation of all stakeholders. The preparatory process will also include consultations with other development partners active in the education sector.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: 2005
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: To be determined
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$

If cofinancing is required indicate sources, and amount sought: \$20.0 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$450,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$250,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.11: Rural Electrification and Renewable Energy  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |  |                                 |  |
|---|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Energy<br/>Subsector: Electricity Supply</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Energy Division/South Asia Department</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Chong Chi Nai</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's country strategy for Nepal, as described in the 1999 Country Operational Strategy, has the overarching objective of achieving a sustainable reduction in poverty, through the promotion of employment opportunities and increased rural incomes, from faster and broad-based economic growth. This TA and the resulting project will provide affordable electricity supply to more people in rural areas, which will help to raise their standards of living, and provide infrastructure required to support efficient economic growth in rural areas.</p> <p><b>b. Goal and purpose:</b> The electrification ratio in Nepal is 20% nationally and only 5% in rural areas. This project will help extend electricity supply to more people in rural areas. It will also include support for developing off-grid rural renewable energy where feasible. Provision of electricity supply will help to reduce poverty and disparities between rural and urban standards of living. The project will also include reinforcement and development of distribution in existing service areas.</p> <p><b>c. Components and outputs:</b> The TA will include several components: preparation of plans to provide rural electrification by extension of the integrated grid; preparation of plans for strengthening the distribution network</p> |   |  |   |  |   |   |   |  |                                 |  |

of NEA or, after any restructuring, its successor companies; and a feasibility study of the best methods to develop rural renewable electricity supply for remote off-grid communities. The feasibility study for this will review experience with off-grid electricity supply projects in Nepal, and their sustainability from technical and financial viewpoints. Only those types of renewable energy that are practical, feasible, sustainable, and cost-effective will be considered for finance under the project loan. The financial impacts on NEA, or its successor companies, resulting from supporting rural electrification projects will also be evaluated, and options for sharing the financing burden will be proposed.

The ensuing project loan will finance the recommended and agreed on project components in rural electrification and distribution system strengthening.

**d. Expected results and deliverables:** The TA will prepare a project suitable for ADB financing. This project will improve electrification ratios in Nepal, and make electricity available to about 800,000 to 1,000,000 more people living in rural areas. It will also strengthen distribution in existing service areas as required to supply load growth.

**e. Social or environmental issues or concerns:** No adverse impacts are expected. The project will have some environmental benefits related to providing clean and renewable energy.

**f. Plans for disseminating results/deliverables:** The study will be discussed in workshops and review meetings while it is in progress. Other development partners active in Nepal in similar projects will be invited to join in the workshops. Final study results will be published in a report, which will be shared with government offices and other interested development partners.

**7. Proposed executing/implementing agencies:** NEA or, in the event of restructuring, its successor companies.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The TA project was included in the 2002–2004 CSP Update for Nepal, which was discussed and agreed on with the Government in 2001. The Government and NEA support this project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 1998
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 2005-2009
  - Nonlending: 10 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$30 million
  - Other: \$7.5 million (government)

If cofinancing is required indicate sources, and amount sought: \$12.5 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$450,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.12: Agribusiness Development  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |  |   |  |   |  |                                 |  |
|---|--|--|---|--|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture<br/>Subsector: Agribusiness Development</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance                       |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Snimer Sahni</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Agriculture employs 80% of Nepal's labor force and contributes about 40% of its GDP, Agriculture is therefore a key sector in Nepal's Tenth Five-Year Plan, its APP, and, accordingly, ADB's country strategy. To accelerate agricultural diversification and growth, the Government wishes to encourage much greater private-sector involvement in the postharvest, agroprocessing, and trade areas, which have received little attention to date but are key parts of the APP vision. The project will build upon planned ADB support to small and medium enterprises (SMEs) and the rural financial sector.</p> <p><b>b. Goal and purpose:</b> The project will promote rural nonfarm and farm growth, by improving investment and employment opportunities in postharvest and agroprocessing activities and domestic and international trade, thus encouraging diversified crop, livestock, and dairy production and thereby stimulating farm-level diversification into commercial crops and agri-products based on Nepal's regional comparative advantage.</p> <p><b>c. Components and outputs:</b> The project will (i) identify policy constraints and recommend improved policies to facilitate private-sector agribusiness investment; (ii) improve access of agri-based SMEs to technical support</p> |  |  |   |  |   |  |   |  |                                 |  |

services and financing; (iii) facilitate market development for diversified agricultural products through promotion of agroprocessing oriented to domestic demand and opportunities for international trade; (iv) strengthen Ministry of Agriculture and Cooperatives (MOAC's) institutional capacity and reorient its approach to facilitate agribusiness development in partnership with the private sector; and (v) improve the capacity of MOAC to manage the project using a participatory approach.

**d. Expected results and deliverables:** The project will promote growth and poverty reduction through agricultural diversification, rural nonfarm and peri-urban economic growth, employment creation, stimulation of private-sector participation and public-private partnerships, human resource development, and capacity building in the public and private sectors.

**e. Social or environmental issues or concerns:** The project will have positive impacts on rural nonfarm employment, farm incomes, and livelihoods. Environmental concerns are expected to be limited to agricultural effluent disposal, and will be addressed under the TA.

**f. Plans for disseminating results/deliverables:** The project will continue the process of reorienting the role of MOAC and other concerned government agencies away from supply-driven activities to facilitative roles in promoting private agribusiness development and strengthening the public-sector capacity to monitor and regulate development activities. The project will emphasize participatory planning and implementation with beneficiaries and key stakeholders involved at all stages. This approach will improve ownership of development activities and develop beneficiaries' self-reliance.

**7. Proposed executing/implementing agencies:** Ministry of Agriculture and Cooperatives

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Beneficiaries and other stakeholders, particularly MOAC staff and the private sector, will participate in TA activities and project implementation. An integrated approach, with extensive stakeholder consultation, will be used in preparing and implementing the TA, to ensure an understanding of the complex systems involved and an appropriate project design.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory): 2005
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: July 2006–July 2011 (6 years)
  - Nonlending: July–December 2005

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought: \$5 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$600,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.13: Rural Access Roads Network  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |  |                                 |  |
|---|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Transport<br/>Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Transport and Communications Division/South Asia Department</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Sri Widowati</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Nepal continues to lag behind its neighbors in road infrastructure, with a road network of very low density. Road contact between Kathmandu and many district headquarters remains problematic. About two thirds of the road network remains unpaved, and much of it remains impassable during the wet season. Continued attention to the strategic road network remains essential, as road development of unconnected district headquarters and upgrading of poorly maintained parts of the network will be needed. Improving the mobility of mostly poor rural communities should be promoted, through a participatory process. These activities are consistent with ADB's road sector strategy, which aims to (i) develop the main network to connect all district headquarters, serve rural community centers, promote tourism, and provide cross-border linkages; (ii) strengthen the institutional capacities of local governments; (iii) strengthen the capacity of local contractors; and (iv) support a sustainable road network in terms of maintenance, funding, heavy-vehicle control, and social and environmental protection.</p> <p><b>b. Goal and purpose:</b> Efficient transport and improved access, in particular, are keys to economic development, leading to poverty reduction. Investment in roads is part of a continuing program to support the development of an integrated and balanced road network in the country. The project aims to improve the</p> |   |  |   |  |   |   |   |  |                                 |  |

efficiency of the road sector institution and increase the efficiency of the road network, and its capacity to promote economic growth, rural development, better access to employment opportunities and social facilities, and domestic and regional trade.

**c. Components and outputs:** The project will strengthen the Government's capacity to manage the road network and local contractor participation in improving and maintaining roads, improve a strategic road network, provide initial access for non-connected district headquarters, and provide poverty reduction and rural economic development interventions.

**d. Expected results and deliverables:** The expected results of the project include (i) increased access to unconnected district headquarters, (ii) increased access to remote and isolated communities, (iii) increased domestic and international trade, and (iv) increased participation of the private sector in road works. The Project will improve the efficiency of road sector management, reduce transport costs, improve rural accessibility, and contribute to the improvement of rural income.

**e. Social or environmental issues or concerns:** Social and environmental aspects will be properly addressed. The social aspect will involve selection criteria of the roads to be provided. Environmental impact mitigation and land acquisition, if any, will be implemented and strictly monitored.

**f. Plans for disseminating results/deliverables:** The project will share results and lessons learned with stakeholders, development partners, and beneficiaries, through appropriate media.

**7. Proposed executing/implementing agencies:** Ministry of Physical Planning and Works—Department of Roads

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Several workshops—involving all stakeholders: central agencies, district development committees, private sector representatives, nongovernment organizations, and other development partners—will be held to formulate and agree on the scope of the project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: 2007–2012
  - Nonlending: January–December 2005

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$40 million
  - Other: \$10 million (government)

If cofinancing is required indicate sources, and amount sought: \$10 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$450,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$300,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.14: Governance Reform and Decentralization Program  
Concept Paper**

**Date:** 31 July 2003

|  |   |   |   |   |   |   |   |  |                                 |  |
|--|---|---|---|---|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input checked="" type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>   |   |   |   |   |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Governance, Finance and Trade<br/>Subsector: Governance</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth   | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input checked="" type="checkbox"/> Human development |   |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance   |   |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development   |   |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection            |   |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |   |   |   |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |   |   |   |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>   |   |   |   |   |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>   |   |   |   |   |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's strategy for Nepal emphasizes support for poverty reduction, through a combination of accelerated broad-based economic growth, inclusive social development, and good governance. The PPA between the Government and ADB stresses the crucial importance of improved governance for poverty reduction. The Governance Reform Program (GRP), focusing on civil service reform and elimination of corruption, has been supported by ADB since 2001. Considering governance reform as a long-term intervention, the Government will prioritize new areas of reform, as implementation of the GRP progresses.</p> <p><b>b. Goal and purpose:</b> The TA will assess the effectiveness of the GRP in creating a more efficient, capable, accountable, and motivated civil service and will deliver a reform agenda for the next phase of the GRP.</p> <p><b>c. Components and outputs:</b> The TA will prepare a demand-oriented governance reform program and identify outputs to be achieved during the second phase of the GRP. Possible (tentative) reform areas are performance improvement and service delivery modalities in ministries not covered by the GRP; performance-related pay; institutional arrangement for monitoring performance; delegation of accountability, authority, and</p> |   |   |   |   |   |   |   |  |                                 |  |

responsibility to front line offices for effective service delivery, performance management, and decentralization; affirmative policy and programs to promote social inclusion; introduction of position classification for more specialized civil service; right sizing civil service, as a result of functional devolution to local government and legislation on local government service; etc. Additional reform measures will be identified, during the implementation of the GRP (from 2002–2004).

**d. Expected results and deliverables:** The TA aims to develop a governance reform program (phase two), after extensive consultation with and the participation of stakeholders (including key GRP committees/units, institutions, and individuals engaged in the GRP).

**e. Social or environmental issues or concerns:** The TA will analyze the impact on service delivery and improvement in social welfare, gender balance, social cost of reforms, etc. In addition, the TA will suggest measures to mitigate possible negative impacts of the reforms.

**f. Plans for disseminating results/deliverables:** A series of interaction programs with stakeholders, such as politicians, civil servants, civil society, academicians, media, local government, etc, are planned.

**7. Proposed executing/implementing agencies:** To be determined

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** As in the case of the GRP, TA activities will include the holding of extensive discussions with a range of stakeholders and opinion leaders (i.e., politicians, civil servants, and governmental actors). The objective will be to identify the Government's reform agenda, based on a review and evaluation of the achievements of the first phase. Ownership and commitment to reform will be secured by involving relevant stakeholders in all stages of the TA. Inputs of key stakeholders, during the preparation of the ADB-funded Financial Sector Strategy for Nepal will be also incorporated.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: 2006
  - Nonlending (project preparatory): 2005
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: To be determined
  - Nonlending: 8 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought: \$5.0 million (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000 (to be determined)
  - Other: \$100,000 (to be determined)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.15: Water Management Improvement Project<sup>1</sup>  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |   |  |   |   |  |                                 |  |
|---|---|--|---|---|--|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p>    <input checked="" type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture and Water Resources<br/>Subsector: Water Resources; Irrigation</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>                     | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input checked="" type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance |  |   |   |  |   |   |  |                                 |  |
| <input checked="" type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment and Natural Resources Division/<br/>South Asia Department</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Kenichi Yokoyama</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Increasing agricultural productivity is crucial in reducing poverty and promoting food security in Nepal. A key element of the Government's strategy, to this end, is to improve the productivity and sustainability of the existing irrigation systems through strengthening WUAs, improving critical infrastructure, transferring the operations and maintenance responsibility to WUAs, and providing support services such as agricultural extension. The ongoing Irrigation Management Transfer Project<sup>2</sup> (IMTP) is assisting this process in the 11 medium - and large-scale publicly managed irrigation schemes (PMISs).</p> <p>The Government has recently initiated water sector reforms, towards IWRM and is preparing the Water Resources Strategy (WRS), which sets out sector goals and an institutional framework for the optimal development of water resources, adopting an integrated approach, on the basis of river basins. A review of the</p> |   |  |   |   |  |   |   |  |                                 |  |

<sup>1</sup> Formerly named "Irrigation Management Transfer II."

<sup>2</sup> ADB. 1994. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Nepal for the Irrigation Management Transfer Project*. Manila.

APP is also being undertaken, to further improve the overall agricultural policy framework with ADB assistance. Under the circumstances, the proposed TA and ensuing loan intend to (i) promote the implementation of the WRS, through establishing an effective institutional framework in the water resources sector covering water management and irrigation service delivery functions, and (ii) institutionalize improved arrangements, to enhance the productivity and sustainability of PMISs, by incorporating the lessons learned through the IMTP.

The country operational strategy noted that sustainable growth in agriculture is a prerequisite for poverty reduction in and the economic growth of the country, given its high shares in GDP and employment (40% and 73% respectively). Irrigation (with agricultural support services) is one of the priority subsectors to promote this end, along with crop diversification support, rural roads, electrification, and microcredit. The strategy also emphasizes a sound sector policy and institutional environment and capacity development in ADB operations, which the ensuing loan will enhance. Furthermore, ADB's Water Policy supports (i) the Government's emerging policy principle of IWRM and (ii) the SISP's objective of improving irrigation service delivery by strengthening WUAs. These activities need to be promoted with effective mutual institutional linkages, with the guidance of the Water Policy.

**b. Goal and purpose:** The goal of the PPTA and the ensuing project is to support the Government's poverty reduction efforts in the concerned project areas. The purpose is to improve overall water resources management in the priority river basins. At the same time, through sustainable irrigation infrastructure rehabilitation and modernization that includes management transfer to WUAs, agricultural production in the priority PMISs should be increased.

**c. Components and outputs:** The TA will prepare a loan project that will comprise (i) institutional development for IWRM in priority river basins, and (ii) irrigation management transfer of selected PMISs, comprising (a) institutional development of WUAs, (b) improved infrastructure (on the condition of sufficient WUA development), (c) agriculture extension, and (d) capacity development of irrigation institutions. The expected outcome of the project will be the reduction of poverty, (i) improved overall water resources management in selected river basins, (ii) increased agricultural production, (iii) increased employment opportunities, (iv) improved food security, and (v) community mobilization and empowerment. It will also protect the natural environment through reduced pressure on forestland and other nonirrigated land.

**d. Expected results and deliverables:** The TA outputs will initiate the first steps to implement the WRS. The outputs will also contribute to the achievement of the sectoral targets for irrigation rehabilitation and modernization and increased agricultural production, under the Government's Irrigation Development Plan and the Tenth Five-Year Plan (FY2003–2007).

**e. Social or environmental issues or concerns:** The proposed project is expected to provide overall positive social and environmental impacts in terms of improved water resources management within selected river basins; increased incomes and resulting poverty reduction; improved WUA governance, for effective water resources management; and reduced environmental pressure on the adjacent land. However, it also may cause potential negative impacts, in terms of (i) increased social conflicts within FMISs and/or with other FMISs located elsewhere; and (ii) water quality degradation due to increased use of agrochemicals. The TA will provide a framework to address these issues.

**f. Plans for disseminating results/deliverables:** The project will develop an effective institutional mechanism to operate IWRM in the priority river basins and refine and improve the procedures and arrangements for irrigation management transfer of the PMISs, which will be replicated throughout the country.

**7. Proposed executing/implementing agencies:** Water and Energy Commission Secretariat (WECS); Department of Irrigation (DOI)

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The project, on the basis of the recent finalization of the WRS, and the need to further institutionalize the procedure and arrangements for irrigation management transfer of the PMISs, while improving their productivity and sustainability, have been identified. The TA will undertake intensive consultation with stakeholders, including nongovernment organizations, regarding the appropriate institutional framework for IWRM at river basin levels, and institutional procedures and arrangements for promoting the irrigation management transfer of PMISs.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval  
 Lending: 2006 standby  
 Nonlending (project preparatory): September 2005  
 Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance  
 Lending: To be determined  
 Nonlending: 9 months

**10. Financing Plan**

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$20 million
  - Other: \$5 million (government)

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

## CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for projected nonlending products:

- (i) Table A3.1: Capacity Building in Rural Infrastructure Institutions
- (ii) Table A3.2: Implementing Power Sector Restructuring
- (iii) Table A3.3: Institutional Strengthening of Private Sector Development
- (iv) Table A3.4: Strengthening Agricultural Data Analysis Capacity for Better Policymaking
- (v) Table A3.5: Decentralization Study
- (vi) Table A3.6: Study of Aquaculture and Poverty Alleviation
- (vii) Table A3.7: Second Community-Based Water Supply and Sanitation Sector
- (viii) Table A3.8: Secondary Towns Urban Environmental Improvement
- (ix) Table A3.9: Civil Aviation Sector Study
- (x) Table A3.10: Rural Access to Communication
- (xi) Table A3.11: Public Sector Management Program
- (xii) Table A3.12: Crop Diversification II
- (xiii) Table A3.13: Community-Based Highland Livestock Development
- (xiv) Table A3.14: Capacity Building in Renewable Energy Institutions
- (xv) Table A3.15: Financial Market Development
- (xvi) Table A3.16: Small Towns Water Supply
- (xvii) Table A3.17: Social Protection Program
- (xviii) Table A3.18: Kathmandu Valley Sewerage Development
- (xix) Table A3.19: Strategic Regional Development
- (xx) Table A3.20: Strengthening Development Planning Capacity of the Government

**Table A3.1: Capacity Building in Rural Infrastructure Institutions  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |  |                                 |  |
|---|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>    <input type="checkbox"/> Other:</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Rural Development<br/>Subsector: Not applicable</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment, and Natural Resources Division/<br/>South Asia Department</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Brian Fawcett</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Through the Local Self-Governance Act, promulgated by the Government in 1999, the responsibility for planning and implementing rural infrastructure development has been devolved to the local governing institutions—the district development committees' district transport offices (DTOs) and village development committees. DoLIDAR was formed in 1998 to provide technical support to the decentralized rural infrastructure development process. The mandate of DoLIDAR, at the central level, is to monitor, assist, and guide development activities in districts and villages and provide technical backup for infrastructure development undertaken by DTOs in rural areas. However, because of limited capacity and an organizational structure that is incomplete, DoLIDAR is not yet able to carry out its functions effectively. The same is true of DTOs.</p> <p><b>b. Goal and purpose:</b> The TA will continue ADB's support for (i) the implementation of the national rural infrastructure strategy and the rural road network master plan, which are crucial to the successful implementation of the APP, and (ii) reforms and institutional strengthening at the central and district levels, to improve operation and maintenance of rural infrastructure.</p> |   |  |   |  |   |   |   |  |                                 |  |

**c. Components and outputs:** TA components will include (i) a comprehensive review of the rural infrastructure development subsector; (ii) a review of DoLIDAR and DTO organizational structures and mandates and implementation of procedural guidelines, including those related to the roles and responsibilities of rural infrastructure institutions; (iii) the strengthening of the capacity of DoLIDAR and DTO staff, through training, and the strengthening of the Ministry of Local Development training institution; (iv) the implementation, by DoLIDAR, of an aid coordination mechanism; and (v) the creation of an improved project management, monitoring, and evaluation system.

**d. Expected results and deliverables:** The TA is expected to strengthen implementation of the national rural infrastructure strategy and the rural road network master plan and improve rural road maintenance undertaken by DTOs.

**e. Social or environmental issues or concerns:** None

**f. Plans for disseminating results/deliverables:** Key stakeholders will be consulted and contribute to the subsector review.

**7. Proposed executing/implementing agencies:** Ministry of Local Development

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Stakeholders will be involved in identifying improvements that will develop rural infrastructure, as part of the subsector review.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001

b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): Not applicable  
 Nonlending (other than project preparatory): 2004

c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: 2004

**10. Financing Plan**

a. For lending  
 Ordinary capital resources: \$  
 Asian Development Fund: \$  
 Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget: \$  
 Grant TA funds: \$400,000 (TASF)  
 Other: \$

If cofinancing is required indicate sources, and amount sought: \$400,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Implementing Power Sector Restructuring  
Concept Paper**

**Date:** 31 July 2003

|  |   |  |   |   |   |   |   |  |                                 |  |
|--|---|--|---|---|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>    <input type="checkbox"/> Other:</p>  |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Energy<br/>Subsector: Electric Power</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection          |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Energy Division/South Asia Department</p>  |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Chong Chi Nai</p>  |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's country strategy for Nepal, as described in the 1999 country operational strategy, has the overarching objective of achieving a sustainable reduction in poverty, by promoting employment opportunities and increasing rural incomes from faster and broad-based economic growth. Building effective institutions needed to implement socioeconomic development in a market economy is critical to achieving this objective. Capacity building must take precedence over levels of assistance, including the formulation of long-term institutional development strategies. This TA will be an important step forward in the institutional restructuring of electricity supply, which is now almost entirely controlled by the state-owned NEA, and creation of an enabling framework that will promote more decentralization, a more commercial orientation and improved efficiency, and more private investment in this sector.</p> <p><b>b. Goal and purpose:</b> This will be a follow-up to the TA on Power Sector Reforms in Nepal (2003) that will conduct a general feasibility study of various options for restructuring and unbundling NEA. This follow-up TA is needed to prepare detailed plans for restructuring, according to the agreed on general model for reform, and implement these plans. This restructuring will create an enabling framework that will promote a more commercial orientation and improved efficiency of power supply operations, and it will attract more private investment in the</p> |   |  |   |   |   |   |   |  |                                 |  |

sector, both for equity ownership and for lending.

**c. Components and outputs:** The TA will prepare detailed plans for the restructuring of NEA. This will include separating and restructuring its distribution operations and unbundling generation and transmission, if feasible. New management structures, with independent boards of directors and an independent regulatory agency, also need to be established. The TA will prepare detailed plans for the separation of operating responsibilities; staff; physical assets; financial assets; tariff structures, for bulk power supply, transmission, and distribution services; and financing plans for each of the new power companies. These will be prepared in separate reports, each of which will be reviewed carefully, but they must also be properly integrated. Counterpart staff working groups and management workshops are also planned, to ensure a broad base of ownership and support for the restructuring plans.

**d. Expected results and deliverables:** The restructuring of NEA will establish a new framework for power supply operations, with unbundled and more independent power supply companies. This restructuring is expected to promote a more commercial orientation among power supply operations, with clear accountability and responsibility for cost control at each level of operation. This will result, eventually, in more economic power supply. It will also create an enabling environment that attracts more private shareholders to the sector, particularly for distribution operations, which are now entirely government-owned.

**e. Social or environmental issues or concerns:** The main social issue will be the redeployment of NEA staff to new power companies. Staff layoffs are not expected. Workshops to acquaint staff with plans for change will be conducted. There are no environmental issues.

**f. Plans for disseminating results/deliverables:** Reports will be prepared, with detailed plans for the main components of restructuring. Workshops will also be conducted to explain the results. A special office/task force, to implement the restructuring, will be established in Nepal.

**7. Proposed executing/implementing agencies:** Department of Electricity Development

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** During the February 2002 Mission, a special meeting was held with the secretary of water resources (responsible for NEA operations), the director general of the Department of Electricity Development, and the joint secretary of the Ministry of Finance, who specifically asked for ADB assistance in this area. They are quite determined to restructure NEA. Such restructuring is also included as an official policy objective in the Government's recent Medium-Term Expenditure Framework (February 2002).

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): 2004 (as consultants have yet to be engaged to start work on the preceding TA on Power Sector Reforms in Nepal)
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: 10 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$350,000 (TASF)
- Other:

If cofinancing is required indicate sources, and amount sought: PPIAF and other sources

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Institutional Strengthening for Private Sector Development  
Concept Paper**

**Date:** 31 July 2003

|  |  |  |   |   |   |  |  |  |                                 |  |
|--|--|--|---|---|---|--|--|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Private Sector<br/>Subsector: Not applicable</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input checked="" type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |  |  |                                 |  |
| <input checked="" type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Other:  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Hans-Peter Brunner</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The proposed PSDP for 2004 covers areas that the Government and private sector stakeholders will be pursuing for the first time. Accordingly, the institutional capacity to implement and sustain the proposed reform must be enhanced.</p> <p><b>b. Goal and purpose:</b> The TA will facilitate private sector development, through capacity building of the stakeholders on aspects identified and prioritized by them, with the specific aim of enhancing market access and productivity growth.</p> <p><b>c. Components and outputs:</b> The TA will concentrate on improving governance of regulatory agencies, strengthening public-private interface, and supporting demand-based business advisory services for SMEs.</p> <p><b>d. Expected results and deliverables:</b> Results will include improved governance, innovative mechanisms that will facilitate public-private interface, and greater SME access to business advisory services. The TA will utilize, coordinate with, and leverage the interventions of other funding agencies. Emphasis will be on documentation and training of trainers.</p> |  |  |   |   |   |  |  |  |                                 |  |

|   |
|---|
| <p><b>e. Social or environmental issues or concerns:</b> Wider representation, in general, and participation of women, in particular, will be encouraged.</p> <p><b>f. Plans for disseminating results/deliverables:</b> Plans include the development of workshops, seminars, and manuals/guidelines.</p>  |
| <p><b>7. Proposed executing/implementing agencies:</b> Ministry of Commerce and Industry</p>  |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Involvement of key stakeholders and their federations (industry/SME associations, labor associations, trade and commerce bodies, etc.), from the design phase of the PSDP, will ensure that the TA inputs are focused and prioritized.</p>   |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002</p> <p>b. Expected date of submission for approval<br/> Lending: Not applicable<br/> Nonlending (project preparatory): Not applicable<br/> Nonlending (other than project preparatory): 2004</p> <p>c. Period and duration of assistance<br/> Lending: Not applicable<br/> Nonlending: 1 year</p>   |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/> <input type="checkbox"/> Ordinary capital resources: \$<br/> <input type="checkbox"/> Asian Development Fund: \$<br/> <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/> If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/> <input type="checkbox"/> No resources required, other than ADB staff<br/> <input type="checkbox"/> ADB's administrative budget: \$<br/> <input checked="" type="checkbox"/> Grant TA funds: \$250,000 (TASF)<br/> <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: \$300,000 (to be determined)<br/> If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Strengthening Agricultural Data Analysis Capacity for Better Policy-Making  
Concept Paper**

**Date:** 31 July 2003

|  |   |  |   |  |   |   |   |  |                                 |  |
|--|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Others<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Development Indicators and Policy Research Division/South Asia<br/>Operations Coordination Division</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Dalisay Maligalig and Sungsup Ra</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The agriculture sector continues to be the backbone of Nepal's economy. It comprises almost 40% of Nepal's GDP and has consistently received the major share of development funds. In fact, in addition to the Government's general plan, an APP was developed with ADB's assistance. Monitoring of the APP and the Government's Tenth Five-Year Plan requires statistics, preferably at a finer level of disaggregation than provided by regular surveys, such as the Crops and Livestock Survey. The 2002 Census of Agriculture offers the most comprehensive database that could be used to supplement the Crops and Livestock Survey and other periodic household surveys, which are conducted by the Government to monitor plans.</p> <p><b>b. Goal and purpose:</b> The goal of the assistance is to assist the Central Bureau of Statistics (CBS) in fully using the Census of Agriculture to support policy formulation and monitoring. The purposes of the assistance are to upgrade the capacity of CBS in analyzing and disseminating the results of the Census and to promote the use of these statistics in policymaking and project formulation and monitoring.</p> |   |  |   |  |   |   |   |  |                                 |  |

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| <p><b>c. Components and outputs:</b> Research grants that will use the Census data and other CBS surveys to study agricultural development in Nepal will be given to local qualified researchers; CBS staff will be trained in data analysis; Census data, together with other surveys, will be used in developing statistical methodologies for mapping agricultural development; workshops on how to effectively use data and other information in policymaking will be offered to policymakers and other key government staff; and a Web site (if there is not one at that time) will be developed to publish all assistance outputs and other CBS results.</p> <p><b>d. Expected results and deliverables:</b> More use of data in policy formulation; effective monitoring of projects and policies; publication of research results, in hardcopy and on the Internet; and the upgrading of the skills of CBS staff in data analysis, processing, and dissemination are expected.</p> <p><b>e. Social or environmental issues or concerns:</b> None.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The results of the Census of Agriculture, analysis, research papers, and other outputs resulting from this assistance will be disseminated in workshops and through the Internet and research publications, which will be popularized for policymakers and other government agencies' key staff.</p> |
| <p><b>7. Proposed executing/implementing agencies:</b> Central Bureau of Statistics, Nepal</p>  |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b><br/>This assistance was requested by CBS and the National Planning Commission in 1999, when the Census of Agriculture was being planned. These agencies and the Ministry of Agriculture were consulted during project formulation.</p>   |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CAP 1998</p> <p>b. Expected date of submission for approval<br/>Lending: Not applicable<br/>Nonlending (project preparatory): Not applicable<br/>Nonlending (other than project preparatory): March 2004</p> <p>c. Period and duration of assistance<br/>Lending: Not applicable<br/>Nonlending: 3 years</p>  |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/><input type="checkbox"/> Ordinary capital resources: \$<br/><input type="checkbox"/> Asian Development Fund: \$<br/><input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/><input type="checkbox"/> No resources required, other than ADB staff<br/><input type="checkbox"/> ADB's administrative budget: \$<br/><input checked="" type="checkbox"/> Grant TA funds: \$400,000 (TASF)<br/><input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: \$100,000 (to be determined)<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>  |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.5: Decentralization Study  
Concept Paper**

**Date:** 31 July 2003

|  |  |  |   |   |   |  |  |  |                                 |  |
|--|--|--|---|---|---|--|--|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Others<br/>Subsector: Governance</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input checked="" type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |  |  |                                 |  |
| <input checked="" type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Other:  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's strategy for Nepal supports poverty reduction, through a combination of accelerated broad-based economic growth, inclusive social development, and good governance. The PPA between the Government and ADB stresses the crucial importance of improved governance for poverty reduction. ADB's strategy and program, taking into consideration the formidable challenges posed by the violent insurgency, provides for working more closely with local government, at the district level, and strong community participation. Governance reform is a top priority of the Government and includes empowerment of people and devolving power to grassroots organizations.</p> <p>The Constitution of Nepal 1990 has envisioned decentralization as a fundamental element of multi-party democracy. Decentralized governance has remained a major policy thrust of the Government to promote rural and local development toward alleviating poverty, in the Ninth and Tenth plan. A significant measure in decentralization is the approval of a Decentralization Implementation Work Plan (DIP) by the Government in January 2002. The DIP recommended priority reform actions to overcome the critical issues that have impeded the decentralization process- such as, review of number of local bodies, classification of VDC and DDCs,</p> |  |  |   |   |   |  |  |  |                                 |  |

demarcation of boundaries of local bodies, improvements in election procedures of local bodies, implementation of judicial rights of VDC/municipality, preparation of periodic plans of local bodies, preparation and implementation of directive for operation of local bodies' funds, effectiveness of district monitoring system, implementation of local service, amendments to conflicting legislation, capacity development, preparation of code of conduct for local representatives, etc. Sectoral devolution - in education, health, and education - was one of the major objectives of the DIP. Government's Immediate Action Plan 2002 included transfer of public primary schools to community management and regular grants to school management committees in the form of block grants; and transfer of management of sub-health posts to local communities.

**b. Goal and purpose:** A comprehensive assessment of legislation, policies, and programs in decentralization will be conducted, and recommendations on strategic intervention areas, to support property reduction through effective decentralization, will be made.

**c. Components and outputs:** The study will provide an analysis and review of the decentralization sector, which will include progress on (i) the Government's Decentralization Implementation Plan and examining critical areas, such as revision of legislation, fiscal devolution, local service, and functional devolution; (ii) the donor-supported Local Government Strengthening Program and other programs; (iii) major decentralization programs supported by other nongovernmental partners; and (iv) the institutional framework of local government. The study will identify successes in decentralization and major issues and problems that constrain the effective implementation of decentralization and provide recommendations for strategic interventions.

**d. Expected results and deliverables:** The study will contribute to the assessment and diagnosis of decentralization legislation, policies, programs, and institutions in the country and thus will be the basis for ADB intervention in this field.

**e. Social or environmental issues or concerns:** The TA will review social issues, such as improved delivery of services, local empowerment, and social mobilization at the local level.

**f. Plans for disseminating results/deliverables:** Plans include holding a series of interaction programs with key government officials, donors, local government representatives, and other stakeholders.

**7. Proposed executing/implementing agencies:** Ministry of Local Development

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Key stakeholders (including government agencies and donors) and different associations, representing local government (i.e. Association of District Development Committees of Nepal, National Association of Village Development Committees in Nepal, and Municipality Association of Nepal) will be consulted during the different phases of the study. In the process of assessing the impact of various decentralization programs, a number of field study visits will be undertaken, to meet the beneficiaries and discuss with them issues related to service delivery and pro-poor governance measures.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$150,000 (TASF)
- Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.6: Study of Aquaculture and Poverty Alleviation  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |  |   |  |   |  |                                 |  |
|---|--|--|---|--|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Others<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance                       |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment, and Natural Resources/<br/>South Asia Department</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Government and ADB have identified a number of causal factors underlying poverty in Nepal, including (i) slow overall economic growth, in the face of relatively rapid population growth; (ii) the Government's weak institutional capacity; (iii) low productivity and slow growth of output in the agriculture sector, leading to inadequate access of poor households to the means for escaping poverty. The APP aims to reduce rural poverty, through modernization, diversification, commercialization, and increasing agriculture sector production and productivity.</p> <p>Fisheries involve an estimated 450,000 people (2% of the total population) and represent an important source of income and high-value protein. Active promotion and implementation of aquaculture started in the 1980's, through the Aquaculture Development Project (first and second), supported by ADB and UNDP/FAO. Fish culture areas and fish production have since increased by almost 10% a year, reaching a total area of 5,100 hectares and a yearly output of almost 10,000 MT (2.6 MT/hectare). Nonetheless, this production is far below the demand for fish products. The development has occurred mainly in the lowlands, on soils having limited fertility.</p> |  |  |   |  |   |  |   |  |                                 |  |

To meet the target of the Fishery Perspective Plan, the pond area has to increase by 150% and yield by at least 60%, by the end of 2018. In addition, there is potential for increasing fish production from open water fisheries, in reservoirs, wetlands, and paddy fields, bringing the total national fish production to 43,000 MT/year, within the target period.

**b. Goal and purpose:** The goal of the intervention is to contribute to poverty reduction, in line with the Tenth Five-Year Plan. The project's purpose is to further develop the fishery sector.

**c. Components and outputs:** The project will be implemented through distinct components: (i) strengthening of the Directorate of Fisheries Development; (ii) support for the development of sector support infrastructures and services, including research; and (iii) support for establishing an enabling environment for fisheries development, among small-scale farmers and landless people.

**d. Expected results and deliverables:** Results will include (i) enhanced use of existing and newly developed water bodies, for economically and environmentally viable fishery and aquaculture; (ii) increased food security and availability of high-value protein in the diet, through added production (+20,000 MT/year); (iii) increased number (+100%) of households benefiting from fisheries as a complementary or primary source of income; (iv) improved institutional research and extension capacity; and (v) development of environmentally sustainable production technologies.

**e. Social or environmental issues or concerns:** If large-scale culture-based fishery development programs, with aquaculture inputs, are to be successful in the long run, socioeconomic issues, such as land ownership, leasing procedures, common property rights, etc., need to be addressed and resolved adequately.

**f. Plans for disseminating results/deliverables:** To be determined

**7. Proposed executing/implementing agencies:** Directorate of Fisheries Development of DAO and Fisheries Research Division of NARC, Under the Ministry of Agriculture and Cooperative.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** To be developed.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: 6 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:  
If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$150,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought:  
If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

### Table A3.7: Second Community-Based Water Supply and Sanitation Sector Concept Paper

**Date:** 31 July 2003

|  |   |  |
|--|---|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p>   |   |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Social Sector<br/>Subsector: Water Supply</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Economic growth<br/> <input checked="" type="checkbox"/> Gender and development<br/> <input type="checkbox"/> Environmental protection<br/> <input type="checkbox"/> Regional cooperation<br/> <input type="checkbox"/> Other:         </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Human development<br/> <input type="checkbox"/> Good governance<br/> <input type="checkbox"/> Private sector development<br/> <input type="checkbox"/> Social protection         </td> </tr> </table>  | <input type="checkbox"/> Economic growth<br><input checked="" type="checkbox"/> Gender and development<br><input type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other: | <input checked="" type="checkbox"/> Human development<br><input type="checkbox"/> Good governance<br><input type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection |
| <input type="checkbox"/> Economic growth<br><input checked="" type="checkbox"/> Gender and development<br><input type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other:  | <input checked="" type="checkbox"/> Human development<br><input type="checkbox"/> Good governance<br><input type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection  |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>  |   |  |
| <p><b>5. Responsible ADB officer:</b> Nayana Mawilmada</p>   |   |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Access to safe water and sanitation in Nepal is poor. Water supply coverage in Nepal is estimated at around 70%, while sanitation coverage is estimated at around 30%. The burdens associated with such shortages are borne mainly by the women and children of rural Nepal. The TA will focus on methods of providing efficient support to rural communities, for sustainable water supply and sanitation improvements, with an emphasis on enabling women to play an active role in the process. The project will support ADB's efforts to reduce poverty, by improving health and environmental conditions and empowering women in Nepal.</p> <p>The institutional framework of the water sector in Nepal is in flux. The Department of Water Supply and Sewerage, the implementing agency for previous ADB projects in the sector, may not be the lead agency in the sector for much longer. Therefore, the TA will have to explore ways to engage the new institutional structure, to effectively deliver ADB support to the sector.</p> <p>The project is one of a series of rural water supply projects in the country. As such, it will build on the lessons learned through the first ADB-financed community-based water supply and sanitation project and the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>,</p> |   |  |

and 4<sup>th</sup> rural water supply and sanitation sector projects.

**b. Goal and purpose:** The primary goal of the project is to maximize the poverty reduction impact of ADB interventions in the sector, by targeting assistance to the poorest parts of Nepal. The TA will look into methods of targeting, in a rapidly changing institutional environment, water supply and sanitation projects to reach the neediest. Improved access to water supply and sanitation will improve health conditions, promote basic human development in the project areas, and help the economic conditions of poor communities. Extensive participation will be sought throughout the TA, to ensure that gender issues are thoroughly addressed.

**c. Components and outputs:** The TA will assess the capacity of new line agencies (if any), assess the availability of technical expertise at the district level, determine the nature of capacity building assistance required, develop funding modalities that are consistent with the new institutional structure and capable of reaching the poorest population groups, improve participatory planning mechanisms, and promote consensus building among sector institutions.

**d. Expected results and deliverables:** Expected results will include improved and sustainable water and sanitation conditions in the project areas, improved health and hygiene awareness in communities, empowerment of women, and reduced poverty.

**e. Social or environmental issues or concerns:** Social issues include mainstreaming the active participation of women in the decision-making process.

**f. Plans for disseminating results/deliverables:** Extensive consultation, during implementation, is planned.

**7. Proposed executing/implementing agencies:** Ministry of Physical Planning and Works

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The project will be conceptualized and developed in close consultation with the stakeholders in the sector.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): 2005
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$400,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

### Table A3.8: Secondary Towns Urban Environmental Improvement Concept Paper

**Date:** 31 July 2003

|   |  |  |
|---|--|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p>  |  |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Urban Development, Municipal Services, and Environment<br/>Subsector: Water Supply, Solid Waste Management, Human Waste Management, Drainage/Flood Control, Urban Road/Urban Transport, Urban Land Management, and Support for Small Urban Enterprises</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Economic growth<br/> <input type="checkbox"/> Gender and development<br/> <input checked="" type="checkbox"/> Environmental protection<br/> <input type="checkbox"/> Regional cooperation<br/> <input type="checkbox"/> Other:         </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Human development<br/> <input checked="" type="checkbox"/> Good governance<br/> <input checked="" type="checkbox"/> Private sector development<br/> <input type="checkbox"/> Social protection         </td> </tr> </table> | <input checked="" type="checkbox"/> Economic growth<br><input type="checkbox"/> Gender and development<br><input checked="" type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other: | <input checked="" type="checkbox"/> Human development<br><input checked="" type="checkbox"/> Good governance<br><input checked="" type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection |
| <input checked="" type="checkbox"/> Economic growth<br><input type="checkbox"/> Gender and development<br><input checked="" type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other:  | <input checked="" type="checkbox"/> Human development<br><input checked="" type="checkbox"/> Good governance<br><input checked="" type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection                               |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>   |  |  |
| <p><b>5. Responsible ADB officer:</b> Keiichi Tamaki</p>  |  |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The project intends to support the Government's priorities related to (i) provision of urban and environmental infrastructure and services, (ii) poverty reduction, (iii) decentralization of authority, and (iv) strengthening of municipal institutional capacities, especially as they relate to the recently passed Local Self-Governance Act, in secondary urban growth centers outside Kathmandu.</p> <p><b>b. Goal and purpose:</b> Following the framework and precedents (to be) established under the first Urban and Environmental Improvement Project, which covered nine secondary towns surrounding Kathmandu, the TA will facilitate sustainable urban management, in identified urban growth centers outside Kathmandu, by addressing critical urban development and environmental improvement needs. The TA will also focus on the institutional strengthening of concerned municipalities and urban poverty reduction measures in identified secondary towns.</p> <p><b>c. Components and outputs:</b> The TA will be implemented in three phases: (i) analyze urban-based regional economic growth potentials spearheaded by high-growth (or high-growth potential) secondary towns (about 6–10</p>                               |  |  |

secondary towns acting as [existing and potential] urban growth centers outside Kathmandu will be included in the TA); (ii) formulate urban growth strategies for identified secondary towns; and (iii) prepare an investment project proposal for facilitating urban-based regional economic growth, while maintaining and improving the environment of these secondary towns and surrounding rural areas. The investment project will cover the provision of basic urban infrastructure and services—such as water supply; solid waste management; human waste management; drainage or flood control; urban road, urban transport, or traffic management; and urban land management—and include targeted poverty-reduction measures, such as support for small urban enterprises and community facilities. Monitoring and control mechanisms and related institutional strengthening measures will be proposed, too.

**d. Expected results and deliverables:** The TA will prepare a project that is suitable for ADB financing. The TA will also prepare a proposal that is suitable for JFPR financing, which is to be integrated administratively under the ADB-financed project.

**e. Social or environmental issues or concerns:** A detailed socioeconomic survey and poverty profile and environmental assessment will be carried out on each of the identified secondary towns. Municipal residents, various stakeholders, and nongovernment organizations concerned will be consulted in prioritizing prospective activities to be funded under prospective JFPR.

**f. Plans for disseminating results/deliverables:** Workshops for relevant municipal government officials will be held during TA implementation.

**7. Proposed executing/implementing agencies:** Department of Urban Development and Building Construction (DUDBC), under the Ministry of Physical Planning and Works

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Under the first Urban and Environmental Improvement Project, DUDBC, the municipalities concerned, their residents, and the nongovernment organizations concerned were consulted in prioritizing various investment alternatives, through local workshops. Similar modality is anticipated under the TA study.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): 2005
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: 1 year

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$300,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.9: Civil Aviation Sector Study  
Concept Paper**

**Date:** 31 July 2003

|  |  |  |   |  |   |  |   |  |                                 |  |
|--|--|--|---|--|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Transport<br/>Subsector: Civil Aviation</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance                       |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input checked="" type="checkbox"/> Private sector development |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection                     |  |   |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Transport and Communications Division/South Asia Department</p>  |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Sri Widowati</p>   |  |  |   |  |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> As a landlocked country, civil aviation is critical to Nepal's development. Expansion of import and export trade and tourism, key industries and sources of foreign exchange for Nepal, are constrained by technical limitations imposed by the terrain surrounding Nepal's only international airport, located within Kathmandu Valley. A second international airport, in the lowland <i>Terai</i>, might be necessary to sustain Nepal's growth and development prospects. In view of the high cost of such a project and the prospect of attracting private sector involvement, a possible public-private joint venture needs to be explored. In addition, ADB and the Government have realized that the role of the minor airports is very important in providing access to remote areas that are otherwise isolated and in promoting tourism, which will result in economic growth and poverty reduction. The existing conditions do not support efficient and effective air transport.</p> <p><b>b. Goal and purpose:</b> The TA will assess the need for a second international airport; the deficiencies of civil aviation in general, including the development needs of each airport; and air transport service in the country, in terms of safety and feasibility. It will facilitate private involvement in financing, ownership, operation, rehabilitation, maintenance, and management of airports. It supports the objectives of the private sector</p> |  |  |   |  |   |  |   |  |                                 |  |

development strategy, which includes creating enabling conditions and a policy environment conducive to private sector participation, generating business opportunities for the private sector, and catalyzing private investments to finance infrastructure projects.

The proposed TA will also study minor airports and propose prioritized airports to be improved. Selection criteria will include the role of each airport, in terms of economic growth; poverty strategy; country strategy, to provide reliable connections to all provincial capitals; and regional linkages. Capacity building, particularly for local government and civil aviation carriers, will also be explored.

**c. Components and outputs:** The TA will review the current policy environment and constraints on and options for a public-private partnership for the new airport. For each airport, the TA will also forecast traffic growth, assess development needs, prioritize development needs, conduct an economic analysis, assess existing air carriers and the capacity of airport authorities, and propose actions for improvement. Among the outputs and specific deliverables are studies and activities that will involve (i) formulating airport infrastructure development strategies that will guide the Government on options for expanding private sector involvement in the sector; (ii) building consensus for appropriate policy, regulatory, and institutional reforms, through seminars and workshops; (iii) designing and implementing specific policy, regulatory, and institutional reforms, to promote private sector development in civil aviation; (iv) supporting the design and implementation of a second international airport; (v) building government capacity in the design and execution of private infrastructure arrangements and in the regulation of private service providers; and (vi) identifying barriers to private sector involvement in infrastructure and providing solutions.

**d. Expected results and deliverables:** Results will include an initial feasibility study and a set of recommendations on measures needed to enable the project to go forward as a public-private joint venture. A secondary airport master plan, to guide the Government and its development partners in the future civil aviation development, will also be created.

**e. Social or environmental issues or concerns:** Potential social and environmental issues at the likely sites will be identified for future detailed study.

**f. Plans for disseminating results/deliverables:** Seminars/workshops with HMGN senior officials and other stakeholders, especially in the private sector, are planned. Conferences, seminars, and workshops will be held and case studies and toolkits, to promote private involvement in infrastructure, will be developed.

**7. Proposed executing/implementing agencies:** Ministry of Culture, Tourism and Civil Aviation and Civil Aviation Authority of Nepal.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Discussions were held with the Ministry of Culture, Tourism, and Civil Aviation; Civil Aviation Authority of Nepal; National Planning Commission; and Ministry of Finance. In preparing the assistance, it will be necessary to hold discussions with the Federation of Nepalese Chamber of Commerce and Industry and other business and civil society groups interested in aviation. Explicit endorsement of governments will be required, to ensure their commitment to carrying out the proposed reforms. Government agencies will be asked to help conceptualize proposals and assist in the preparation of Terms of Reference for the studies. In some cases, governments may be asked to provide in-kind contributions, for the conduct of the studies or activities.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): Not applicable
  - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: To be determined

**10. Financing Plan**

## a. For lending

- Ordinary capital resources: \$
- Asian Development Fund: \$
- Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

## b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$250,000 (TASF)
- Other:

If cofinancing is required indicate sources, and amount sought: \$

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.10: Rural Access to Communication  
Concept Paper**

**Date:** 31 July 2003

|  |   |  |   |  |   |   |   |  |                                 |  |
|--|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Transport<br/>Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Transport and Communications Division/South Asia Department</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Sri Widowati</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Nepal is a landlocked country, with a population of approximately 23 million. The economy of the country depends largely on the performance of the rural sector. However, the population living in rural areas has a low per capita income, poverty is widespread, and basic physical infrastructure is lacking. The transportation system depends heavily on the road network. However, the existing road network has a very low density. Road contact between Kathmandu and many district headquarters remains problematic. About two thirds of the road network remains unpaved and much of it remains impassable during the wet season. Because of the mountainous terrain, the area of land suitable for agriculture is very limited, and the population is distributed in remote and scattered settlements. Roads were built along the steep hillsides, which are prone to landslides, with narrow carriageway widths. Roads become difficult to drive on during the winter months and rainy season. This makes the construction and maintenance of roads extremely difficult and costly. Although providing reliable road connections to rural areas remains important, there is a need to explore possibilities in providing access to communications through simpler and cheaper means, such as telephone lines. These will reduce the isolation of remote communities, by providing access to the outside world quickly and in ways that will not be disrupted by seasons and landslides.</p> |   |  |   |  |   |   |   |  |                                 |  |

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| <p><b>b. Goal and purpose:</b> Efficient communications and improved access, in particular, are keys to economic development that will lead to poverty reduction. Investment in communications is part of a continuing program to support integrated and balanced development in the country and complement road network development. The project aims to expand and improve the efficiency of the telecommunications network and promote economic growth, rural development, better access to employment opportunities, and domestic and regional trade.</p> <p><b>c. Components and outputs:</b> The project will strengthen the Government's capacity to expand the telecommunications network and promote local private sector participation in expanding, improving, and operating a strategic telecommunications network, aiming to provide initial communications access to isolated and remote communities, which will promote economic development and poverty reduction in the country.</p> <p><b>d. Expected results and deliverables:</b> The expected results of the project include (i) increased communication access to unconnected districts and villages, (ii) increased domestic and international trade, and (iv) increased participation of the private sector in the telecommunications sector. The project will improve the efficiency of telecommunications sector management, reduce communication costs, improve rural accessibility, and contribute to the improvement of rural income.</p> <p><b>e. Social or environmental issues or concerns:</b> Social and environmental aspects will be properly addressed. The social aspect will involve the selection criteria of the network to be provided. Environmental impact mitigation and land acquisition, if any, will be implemented and strictly monitored.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The project will share results and lessons learned with stakeholders, development partners, and beneficiaries, through appropriate media.</p> |
| <p><b>7. Proposed executing/implementing agencies:</b> Ministry of Communications, Nepal Telecommunication Corporation</p>   |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b><br/>To formulate and agree on the scope of the project, several workshops—involving all stakeholders: central agencies, district development committees, private sector representatives, nongovernment organizations, and other development partners—will be held.</p>  |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003</p> <p>b. Expected date of submission for approval<br/>Lending: Not applicable<br/>Nonlending (project preparatory): 2005<br/>Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance<br/>Lending: Not applicable<br/>Nonlending: To be determined</p>   |
| <p><b>10. Financing Plan</b></p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: \$</p> <p><input type="checkbox"/> Asian Development Fund: \$</p> <p><input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget: \$</p> <p><input checked="" type="checkbox"/> Grant TA funds: \$600,000 (to be determined)</p> <p><input checked="" type="checkbox"/> Other: \$200,000 (to be determined)</p> <p>If cofinancing is required indicate sources, and amount sought: \$400,000 (To be determined)<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>  |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.11: Public Sector Management Program  
Concept Paper**

**Date:** 31 July 2003

|  |   |  |   |   |   |   |   |  |                                 |  |
|--|---|--|---|---|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector:<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table> | <input type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development  | <input checked="" type="checkbox"/> Good governance |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection          |  |   |   |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:  |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>   |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>   |   |  |   |   |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Ongoing public sector management improvements will be continued.</p> <p><b>b. Goal and purpose:</b> To be determined</p> <p><b>c. Components and outputs:</b> A strategy and action plan for SOE disengagement by the Government will be developed, and further SOE reforms will be implemented.</p> <p><b>d. Expected results and deliverables:</b> To be determined</p> <p><b>e. Social or environmental issues or concerns:</b> To be determined</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined</p>   |   |  |   |   |   |   |   |  |                                 |  |

|   |
|---|
| <p><b>7. Proposed executing/implementing agencies:</b> To be determined</p>   |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b><br/>To be determined</p>   |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003</p> <p>b. Expected date of submission for approval<br/>Lending: Not applicable<br/>Nonlending (project preparatory): 2005<br/>Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance<br/>Lending: Not applicable<br/>Nonlending: To be determined</p>  |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/> <input type="checkbox"/> Ordinary capital resources: \$<br/> <input type="checkbox"/> Asian Development Fund: \$<br/> <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/> <input type="checkbox"/> No resources required, other than ADB staff<br/> <input type="checkbox"/> ADB's administrative budget: \$<br/> <input checked="" type="checkbox"/> Grant TA funds: \$500,000 (to be determined)<br/> <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: \$100,000 (to be determined)<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.12: Crop Diversification II  
Concept Paper**

**Date:** 31 July 2003

|  |  |  |  |  |   |  |   |  |                                 |  |
|--|--|--|--|--|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |  |  |  |  |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture<br/>Subsector: Agriculture Support Services</p> <p>b. For project preparatory and lending, classification</p> <p>    <input checked="" type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input type="checkbox"/> Economic growth                       | <input type="checkbox"/> Human development | <input checked="" type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |  |  |   |  |   |  |                                 |  |
| <input checked="" type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance                       |  |  |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection  | <input checked="" type="checkbox"/> Private sector development |  |  |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection                     |  |  |  |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:  |  |  |  |  |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |  |  |  |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment, and Natural Resources Division/<br/>South Asia Department</p>  |  |  |  |  |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Snimer Sahni</p>   |  |  |  |  |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Crop Diversification Project (Loan 1778-NEP) became effective in April 2001. It covers 12 districts in the poverty-stricken Midwestern and Far Western regions in Nepal and aims to assist farmers in increasing agricultural productivity and diversifying into higher value crops, which will increase their incomes. This is proposed to be achieved through improving input support to the farming community through greater nongovernment organization and private sector participation in the process, particularly in agricultural research and extension. The proposed Crop Diversification Project II will continue the support for farmer groups in these districts and other new districts and expand the involvement of the private sector in agricultural support services. The Government has already requested the expansion of the project area through including new districts. However, this will be considered in the context of the performance of the first Crop Diversification Project.</p> <p><b>b. Goal and purpose:</b> The goal of the project will be poverty alleviation and income enhancement, through enhancing agricultural production and productivity for a large majority of small and marginal farmers living in the western regions of Nepal.</p> |  |  |  |  |   |  |   |  |                                 |  |

**c. Components and outputs:** The project will review and assess the performance of the various components included under the Crop Diversification Project and will determine whether the components are to be continued at the same level or expanded. The institutional capacities and policy environment will also be reassessed, to ascertain whether any additional components need to be included.

**d. Expected results and deliverables:** Results will include improved agricultural production and diversification in agriculture, resulting in higher incomes for farmers, greater private sector participation in agricultural support services, improved institutional capacities, and overall poverty alleviation.

**e. Social or environmental issues or concerns:** Women play an important role in agriculture in the country, and the project has to ensure that they are able to access inputs and services. It must also ensure that sharecroppers and the poorer segments of rural society are not bypassed by the private sector suppliers of agricultural services. As farmers shift to higher value crops and thereby commercial agriculture, sufficient care has to be taken to educate them on environmental concerns, especially on the appropriate use of fertilizers, pesticides, and water.

**f. Plans for disseminating results/deliverables:** Workshops for participatory stakeholders will be conducted, through the project, not only to disseminate results but to monitor and evaluate impacts of project activities.

**7. Proposed executing/implementing agencies:** In the first phase of the project, the executing agency will be the Department of Agriculture, and, unless any major problems regarding capacity or commitment are encountered, the executing and implementing agencies will remain the same.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The second phase of the project was identified by the Government and other stakeholders, during country programming missions. The project is in line with the Government's policy and the vision for agricultural growth that has been amplified in the Government's Ninth Five-Year Plan and Tenth Five-Year Plan.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2001
- b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): October 2006  
 Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: 2006

**10. Financing Plan**

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$400,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.13: Community-Based Highland Livestock Development  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |  |  |   |   |   |  |                                 |  |
|---|---|--|--|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |  |  |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Agriculture<br/>Subsector: Not applicable</p> <p>b. For project preparatory and lending, classification</p> <p>    <input checked="" type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth | <input type="checkbox"/> Human development | <input checked="" type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development          |  |  |  |   |   |   |  |                                 |  |
| <input checked="" type="checkbox"/> Gender and development  | <input type="checkbox"/> Good governance            |  |  |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |  |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |  |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |  |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |  |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Agriculture, Environment, and Natural Resources Division/<br/>South Asia Department</p>   |   |  |  |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Brian Fawcett</p>   |   |  |  |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Agriculture is a key sector in ADB's 2003 CSPU, the PPA between the Government and ADB, and the Government's Tenth Five-Year Plan and APP. The proposed project is consistent with the poverty reduction and gender strategies of the Government and ADB.</p> <p><b>b. Goal and purpose:</b> The project will seek to reduce poverty in highland areas, by improving income; employment opportunities; the nutritional status of poor farm families and women, in particular; and increasing the productivity of the livestock subsector.</p> <p><b>c. Components and outputs:</b> The project components include (i) animal health improvement, (ii) highland pasture development, and (iii) livestock production.</p> <p><b>d. Expected results and deliverables:</b> The project is intended to maintain a disease-free status in animals and prevent cross-border transmission of major infectious diseases. The project will improve the productivity of highland pasture and community-based rangeland management systems and raise the productivity and</p> |   |  |  |  |   |   |   |  |                                 |  |

|   |
|---|
| <p>production of livestock and livestock products. These interventions will result in increased income for farm families.</p> <p><b>e. Social or environmental issues or concerns:</b> Indigenous pasture species will be conserved and pasture management systems will be improved. The project will have a positive impact on smallholder incomes and livelihoods. Women will play a major role in the project. Gender strategies and action plans will be prepared.</p> <p><b>f. Plans for disseminating results/deliverables:</b> Participatory approaches will be used, and the process of reorienting the role of the Department of Livestock Services, to facilitate development of the subsector, will be continued. The project will emphasize participatory planning and implementation, with beneficiaries and key stakeholders involved at all stages. This approach will improve ownership of development activities and develop beneficiaries' self-reliance.</p> |
| <p><b>7. Proposed executing/implementing agencies:</b> Department of Livestock Services</p>   |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Beneficiaries and other stakeholders, such as Department of Livestock Services staff, will participate in TA and project implementation. A systems approach will, with extensive stakeholder consultation, be used in preparing and implementing the project, to ensure an understanding of the complex systems involved and an appropriate project design.</p>  |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003</p> <p>b. Expected date of submission for approval<br/> Lending: Not applicable<br/> Nonlending (project preparatory): 2006<br/> Nonlending (other than project preparatory): Not applicable</p> <p>c. Period and duration of assistance<br/> Lending: Not applicable<br/> Nonlending: 2006</p>   |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/> <input type="checkbox"/> Ordinary capital resources: \$<br/> <input type="checkbox"/> Asian Development Fund: \$<br/> <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/> If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/> <input type="checkbox"/> No resources required, other than ADB staff<br/> <input type="checkbox"/> ADB's administrative budget: \$<br/> <input checked="" type="checkbox"/> Grant TA funds: \$500,000 (to be determined)<br/> <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought:<br/> If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p>                  |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.14: Capacity Building in Renewable Energy Institutions  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |   |  |   |   |  |                                 |  |
|---|---|--|---|---|--|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input checked="" type="checkbox"/> Institutional development</p> <p>    <input type="checkbox"/> Other:</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Energy<br/>Subsector: Renewable Energy</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input checked="" type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance |  |   |   |  |   |   |  |                                 |  |
| <input checked="" type="checkbox"/> Environmental protection  | <input type="checkbox"/> Private sector development |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |   |  |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Energy Division/South Asia Department</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Chong Chi Nai</p>   |   |  |   |   |  |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB's country strategy for Nepal has the overarching objective of achieving a sustainable reduction in poverty. A major difficulty in achieving this is lack of efficiency, predictability, transparency, and accountability in key institutions responsible for delivering services. This TA will help build effective renewable energy institutions, which are needed to deliver electricity, based on renewable sources, to the rural areas where the majority of the poor live. Only 5% of rural areas have access to electricity, compared to Nepal's national electrification ratio of 20%.</p> <p><b>b. Goal and purpose:</b> The TA aims to strengthen the capacity of institutions involved in the promotion and development of off-grid electricity from renewable sources, such as water, solar power, and wind. It will help in creating an enabling environment that will attract more private investment in generating clean off-grid electricity.</p> <p><b>c. Components and outputs:</b> The consultants will assess the operations of institutions involved in the promotion and development of renewable energy sources for off-grid electricity. Best practices will be proposed, to improve efficiency in service delivery. Workshops, seminars, and study tours, where appropriate, will be conducted.</p> |   |  |   |   |  |   |   |  |                                 |  |

|  |
|--|
| <p><b>d. Expected results and deliverables:</b> Results will include the development of effective renewable energy institutions, improved service delivery, and the creation of an enabling environment that attracts more private investment, which will generate off-grid electricity that is based on renewable sources.</p> <p><b>e. Social or environmental issues or concerns:</b> There will be positive environmental impacts arising from the promotion and use of environment-friendly electricity, based on renewable sources.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The study will be discussed in workshops and review meetings, while it is in progress. Other development partners active in Nepal's renewable energy undertakings will be invited to join the workshops. Final study results will be published in a report, which will be shared with government offices and other interested development partners.</p>       |
| <p><b>7. Proposed executing/implementing agencies:</b> Renewable energy institutions (to be determined)</p>  |
| <p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b><br/>The TA was requested by the Government, during the April 2003 Country Programming Mission.</p>  |
| <p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003</p> <p>b. Expected date of submission for approval<br/>Lending: Not applicable<br/>Nonlending (project preparatory): Not applicable<br/>Nonlending (other than project preparatory): 2006</p> <p>c. Period and duration of assistance<br/>Lending: Not applicable<br/>Nonlending: 2006</p>   |
| <p><b>10. Financing Plan</b></p> <p>a. For lending<br/> <input type="checkbox"/> Ordinary capital resources: \$<br/> <input type="checkbox"/> Asian Development Fund: \$<br/> <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought:<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending<br/> <input type="checkbox"/> No resources required, other than ADB staff<br/> <input type="checkbox"/> ADB's administrative budget: \$<br/> <input checked="" type="checkbox"/> Grant TA funds: \$300,000<br/> <input type="checkbox"/> Other:</p> <p>If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)<br/>If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):</p> |

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.15: Financial Market Development  
Concept Paper**

**Date:** 31 July 2003

|   |  |  |   |   |   |  |  |  |                                 |  |
|---|--|--|---|---|---|--|--|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Governance, Finance and Trade<br/>Subsector: Finance</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input checked="" type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input type="checkbox"/> Human development                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance            |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |  |   |   |   |  |  |  |                                 |  |
| <input checked="" type="checkbox"/> Regional cooperation  | <input type="checkbox"/> Social protection                     |  |   |   |   |  |  |  |                                 |  |
| <input type="checkbox"/> Other:   |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Governance, Finance and Trade Division/South Asia Department</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Werner Liepach</p>  |  |  |   |   |   |  |  |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> An effective financial sector is a prerequisite for generating growth and employment opportunities. The focus of ADB's assistance in the financial sector is on improving governance, transparency, and accountability in the financial and corporate sectors, by upgrading the legal and regulatory framework. This has laid down the necessary groundwork to support a full range of institutions and markets that are required for a well-functioning sector and for interlinkages and the smooth flows of funds. Further support for financial market development will assist Nepal, as it seeks to be a member of the World Trade Organization; enhance its participation in the regional trade agreement; and meet the evolving needs of the real economy.</p> <p><b>b. Goal and purpose:</b> The TA will assess the enabling policy environment, institutional base, and range of products and services necessary for a stable, resilient, and sustainable financial market that reflects fair competition and improved efficiency.</p> <p><b>c. Components and outputs:</b> The TA will prepare a financial market development program that includes (i) developing a strategy for the integration of all financial markets in general, investment institutions (Prospective</p> |  |  |   |   |   |  |  |  |                                 |  |

Investment Institutions Act) in particular (including provident fund, contractual savings, insurance, and others), and its linkages within broad financial markets; (ii) developing a regulatory and policy framework; (iii) meeting the capacity building needs of investment institutions, including the development of a corporate bond market and development of a government bond market, to complement the interventions under the Corporate and Financial Governance Project; and (iv) examining the strategic options that will enable the Securities Board to function as a securities commission or financial services authority, in a wider context of the financial market integration. The TA will assess the possible interventions that will promote the use of information technology in financial markets.

**d. Expected results and deliverables:** Results will include the preparation, with due participatory process and within the scheduled time frame, of a financial market development program that is supported by a consistent policy environment.

**e. Social or environmental issues or concerns:** The TA will ensure that participation is equitable, with balanced representation in the integration process. The environmental impact of the expansion of effort will be reassessed.

**f. Plans for disseminating results/deliverables:** A series of interaction programs, with key stakeholders; subregional workshops; and seminars are planned.

**7. Proposed executing/implementing agencies:** Ministry of Finance

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** During the TA, extensive discussions will be held with a range of stakeholders, including nongovernment organizations. Ownership and commitment to reform will be secured, by involving relevant stakeholders in all stages of the TA. Inputs of key stakeholders, during the preparation of the ADB-funded Financial Sector Strategy for Nepal, will be also incorporated.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2002
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): 2006
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: To be determined
  - Nonlending: 8 months

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$100,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.16: Small Towns Water Supply  
Concept Paper**

**Date:** 31 July 2003

|   |  |   |   |   |   |  |   |  |                                 |  |
|---|--|---|---|---|---|--|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>  |  |   |   |   |   |  |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Water Supply and Sanitation<br/>Subsector: Water Supply</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input checked="" type="checkbox"/> Economic growth            | <input checked="" type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input checked="" type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input checked="" type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input checked="" type="checkbox"/> Economic growth   | <input checked="" type="checkbox"/> Human development          |   |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input checked="" type="checkbox"/> Good governance            |   |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input checked="" type="checkbox"/> Private sector development |   |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection                     |   |   |   |   |  |   |  |                                 |  |
| <input type="checkbox"/> Other:   |  |   |   |   |   |  |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |  |   |   |   |   |  |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>   |  |   |   |   |   |  |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Keiichi Tamaki</p>  |  |   |   |   |   |  |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The project intends to support the Government's priority of providing improved urban water supply services in a number of small towns, under a decentralized institutional framework, in line with the Local Self-Governance Act.</p> <p><b>b. Goal and purpose:</b> Following the framework and precedents established under the Urban and Environmental Improvement Project (Loan 1966–NEP), which covered nine secondary towns surrounding Kathmandu, the TA will prepare an investment project, to provide improved urban water supply services, on a sustainable basis, in a number of small towns outside Kathmandu. Current institutional arrangements for urban water supply services in these small towns—mostly under the Nepal Water Supply Corporation or the Department of Water Supply and Sewerage—will be reviewed and appropriate alternative arrangements will be proposed, if necessary.</p> <p><b>c. Components and outputs:</b> The TA will be implemented in two phases: (i) select candidate small towns, based on transparent criteria that include surveyed demands for improved urban water supply services and commitments of the small towns and their project beneficiaries, in particular the project beneficiaries' willingness</p> |  |   |   |   |   |  |   |  |                                 |  |

to pay, and (ii) prepare investment schemes for the selected candidate small towns.

**d. Expected results and deliverables:** The TA will prepare a project that is suitable for ADB financing.

**e. Social or environmental issues or concerns:** A detailed socioeconomic survey and poverty profile and an environmental impact assessment (or initial environmental examination) will be carried out for each of the selected candidate small towns. Prospective project beneficiaries, various stakeholders, and nongovernment organizations concerned will be consulted when formulating the investment schemes and addressing social and environmental issues and concerns.

**f. Plans for disseminating results/deliverables:** Workshops for relevant groups of people will be held, during the TA implementation.

**7. Proposed executing/implementing agencies:** Ministry of Physical Planning and Works/Department of Water Supply and Sewerage, Nepal Water Supply Corporation, and/or selected candidate small towns

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** When selecting candidate small towns and formulating investment schemes, government counterpart organizations, prospective project beneficiaries, and nongovernment organizations concerned will be consulted, through workshops held during TA implementation.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003

b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): 2006  
 Nonlending (other than project preparatory): Not applicable

c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: 1 year

**10. Financing Plan**

a. For lending  
 Ordinary capital resources: \$  
 Asian Development Fund: \$  
 Other: \$

If cofinancing is required indicate sources, and amount sought:  
 If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget: \$  
 Grant TA funds: \$500,000 (to be determined)  
 Other:

If cofinancing is required indicate sources, and amount sought:  
 If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.17: Social Protection Program  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |   |                                 |  |
|---|---|--|---|--|---|---|---|---|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>  |   |  |   |  |   |   |   |   |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Social Protection<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>  | <input type="checkbox"/> Economic growth              | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input checked="" type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development            |  |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance              |  |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development   |  |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input checked="" type="checkbox"/> Social protection |  |   |  |   |   |   |   |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |   |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |   |                                 |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>   |   |  |   |  |   |   |   |   |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Axel Weber</p>  |   |  |   |  |   |   |   |   |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Nepal is one of the poorest and least developed countries in the world, with GDP at \$236 per capita (2002). High population growth is one of the reasons for a low per capita GDP. Approximately half of Nepal's population of 23.2 million is living below the poverty line. Life expectancy is at 58.5 years, and Nepal is one of two countries worldwide where life expectancy for men is higher than for women. Nepal is predominantly rural, and 80% of the population works in agriculture, which accounts for 40% of GDP. While per capita income grew at a rate of about 2.7% during the 1990s, the incidence of poverty has remained high, largely because of the disparities in ownership of and access to productive resources—capital and noncapital.<sup>1</sup></p> <p>Lack of access to basic health services and education, malnutrition, and high rates of infant and maternal mortality are the most evident results of rampant poverty. In addition, inequalities in the distribution of education, health, and other related opportunities remain pronounced in the regional, urban-rural, gender, and ethnic dimensions. Child labor is prevalent and is significantly higher in districts that have a higher incidence of poverty</p> |   |  |   |  |   |   |   |   |                                 |  |

<sup>1</sup> United Nations Development Programme. 2001. *Nepal Human Development Report*.

and lower level of educational attainment, particularly for females. According to a recent ILO study, in Nepal there are 2.6 million children (7–15 years old) working, 179,000 of those are involved in the worst forms of child labor (for example, hazardous work and prostitution). Trafficking of children and women, as well as violence against women, are problems that require additional attention.

Since 7 years ago, the country has been facing a serious and violent insurgency that has adversely affected the economy and development work and cost several thousand lives. On the economic front, the insurgency has been a major factor leading to the recent sharp fall in GDP growth, having had a particularly serious impact on the tourism and industrial sectors (GDP per capita fell from \$244 in 1999/2000 to \$236 in 2001/2002). The Government and the insurgents announced a cease fire on 29 January 2003, paving the way for peace talks and the initiation of a process of healing and reconciliation. New mechanisms that reflect the dimension of vulnerability among different categories of the population—men, women, and disadvantaged groups—will need to be analyzed, to determine group-specific needs.

Social protection, in all five areas identified by the ADB Social Protection Strategy (labor markets, social insurance, social assistance, microschemes, and child protection), is very limited in Nepal. Concerning labor markets, formal sector employment is almost stagnant, and the growing labor force is mainly joining the informal sector. While it is difficult to determine the size of the informal sector, due to its being unorganized and unregulated, it is estimated that more than 60% of Nepal’s workers are employed in this sector. Among those, a much higher proportion of women than men is found. The informal sector is characterized by variation in wage rates, conditions of employment, and gender and age discrimination.

There are many ongoing projects and activities that are linked to social protection. These are mainly financed by international development partners, but, currently, the various existing schemes and activities in the field of social protection remain scattered. While these activities bring benefits, they rarely contribute toward strategic change, unless these are linked to policy development. Hence, this would be very important as a basis for the development of a social protection strategy for the country.

ADB is financing the Social Protection Study in 2003 (NEP 36187), in order to identify needs and instruments to strengthen social protection, especially of disadvantaged groups in Nepal.

**b. Goal and purpose:** The goal of the Program is to improve social protection in Nepal. The purpose is to bring about changes in policy and institutions.

**c. Components and outputs:** The Program would have three components: i) Improving social protection instruments and policy, based on the outcomes of the social protection study mentioned above; ii) capacity building, and (iii) monitoring social protection impacts.

**d. Expected results and deliverables:** The expected outcome of the Program would be the improved social protection of target groups.

**e. Social or environmental issues or concerns:** No adverse impacts are expected. The Program will have social and human development benefits for poor and vulnerable people.

**f. Plans for disseminating results/deliverables:** The Program’s results and milestones will be discussed in workshops with the Government, donors, and relevant stakeholders and will be published and shared with government agencies and interested donors/stakeholders.

**7. Proposed executing/implementing agencies:** To be determined

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** To be determined

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): 2006
  - Nonlending (other than project preparatory): Not applicable

- c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: 6 months

## 10. Financing Plan

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$500,000
  - Other:

If cofinancing is required indicate sources, and amount sought: \$300,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

### Table A3.18: Kathmandu Valley Sewerage Development Concept Paper

**Date:** 31 July 2003

|  |  |  |
|--|--|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"><input type="checkbox"/> Project loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Sector development program loan</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Project preparatory</p> <p style="margin-left: 20px;"><input type="checkbox"/> Other than project preparatory</p> <p style="margin-left: 40px;"><input type="checkbox"/> Economic, thematic, and sector work</p> <p style="margin-left: 40px;"><input type="checkbox"/> Institutional development</p> <p style="margin-left: 40px;"><input type="checkbox"/> Other:</p>   |  |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector: Urban Water Supply and Sanitation<br/>Subsector: Sewerage</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"><input type="checkbox"/> Core poverty intervention</p> <p style="margin-left: 20px;"><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Economic growth<br/> <input type="checkbox"/> Gender and development<br/> <input checked="" type="checkbox"/> Environmental protection<br/> <input type="checkbox"/> Regional cooperation<br/> <input type="checkbox"/> Other:         </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Human development<br/> <input checked="" type="checkbox"/> Good governance<br/> <input checked="" type="checkbox"/> Private sector development<br/> <input type="checkbox"/> Social protection         </td> </tr> </table>   | <input checked="" type="checkbox"/> Economic growth<br><input type="checkbox"/> Gender and development<br><input checked="" type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other: | <input checked="" type="checkbox"/> Human development<br><input checked="" type="checkbox"/> Good governance<br><input checked="" type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection |
| <input checked="" type="checkbox"/> Economic growth<br><input type="checkbox"/> Gender and development<br><input checked="" type="checkbox"/> Environmental protection<br><input type="checkbox"/> Regional cooperation<br><input type="checkbox"/> Other:   | <input checked="" type="checkbox"/> Human development<br><input checked="" type="checkbox"/> Good governance<br><input checked="" type="checkbox"/> Private sector development<br><input type="checkbox"/> Social protection                               |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>   |  |  |
| <p><b>4. Responsible division/department:</b> Social Sectors Division/South Asia Department</p>  |  |  |
| <p><b>5. Responsible ADB officer:</b> Keiichi Tamaki</p>   |  |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Basic sanitation services (off-site and on-site) are grossly lacking in Kathmandu Valley. A large part of the wastewater generated is currently discharged into natural watercourses, without any treatment. As a result, surface water and shallow groundwater are increasingly polluted, thus causing various waterborne diseases, especially among children. Diarrhea, stomach ailments, dysentery, skin diseases, eye infections, hepatitis, and malaria are widely observed. In the National Water Supply and Sanitation Sector Policy (1998), decentralization of utility service management, user involvement, private sector participation in management and development of utilities, implementation of an appropriate cost recovery mechanism, and formulation of necessary acts, rules, and regulations are highlighted as the key issues for improving services. The project will also complement the ongoing Melamchi Water Supply Project and the associated private sector participation scheme.</p> <p><b>b. Goal and purpose:</b> The goal is to improve the health and well-being of the people in Kathmandu Valley by improving basic sanitation services, which will reduce the incidence of waterborne diseases.</p> |  |  |

**c. Components and outputs:** Components include rehabilitating existing sewage treatment plants, sewers, and on-site sanitation facilities; increasing the capacity of existing sewage treatment plants and building new plants; extending interceptors, collector mains, and collector laterals in a phased manner; promoting on-site sanitation facilities that employ natural treatment technology at the community level in peri-urban areas, possibly coupled with small-bore community sewers; and undertaking hygiene education campaigns and public awareness campaigns for water conservation.

**d. Expected results and deliverables:** The TA will prepare a project that is suitable for ADB financing.

**e. Social or environmental issues or concerns:** A socioeconomic survey and poverty profiling/mapping will be carried out, to identify pockets of vulnerable poor households that may require special arrangements. Also, an environmental impact assessment (or initial environmental examination) will be carried out, to identify environmental issues/concerns. Various stakeholders and nongovernment organizations concerned will be consulted, when designing the prospective project.

**f. Plans for disseminating results/deliverables:** Workshops for relevant groups of people will be held, during the TA implementation.

**7. Proposed executing/implementing agencies:** Ministry of Physical Planning and Works, Kathmandu Valley Water Authority

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Government counterpart organizations, local residents, and nongovernment organizations concerned will be consulted, through workshops during the TA implementation, when prioritizing investment alternatives and designing the project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): 2006  
 Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: 1 year

**10. Financing Plan**

- a. For lending
- Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$400,000 (to be determined)
  - Other:

If cofinancing is required indicate sources, and amount sought: \$200,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.19: Strategic Regional Development  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |  |                                 |  |
|---|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input checked="" type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector:<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic areas</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Operations Coordination Division/South Asia Department</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> Sungsup Ra</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Balanced regional development has been a key agenda, since the Third Plan (FY1965–70). However, progress has been very much limited. Regional disparities, measured by income poverty, are still much more prevalent, intense, and severe in rural areas and the maintain zone. The Government's efforts for regional development have not been effective, mainly due to an inadequate policy framework, which hinders the implementation of the concept. There is no integrated and coherent policy framework for regional development that is based on a thorough assessment of regional conditions. Policies and programs for regional development are still fragmented and not focused. Since the Government initiated the decentralization program in 2002, lack of clear demarcation of the functional responsibilities of local bodies, versus those of the central Government, related to regional development, has added more confusion. The TA will help the Government prepare a comprehensive and integrated policy framework, to effectively implement regional development programs.</p> |   |  |   |  |   |   |   |  |                                 |  |

**b. Goal and purpose:** This project will assist the Government in (i) preparing an integrated strategic regional development framework, to reduce poverty through strengthening rural-urban linkages and flows; (ii) reviewing the existing legal, regulatory, and institutional arrangements for regional development, particularly in the context of decentralization; and (iii) making recommendations for necessary reforms for effective implementation of regional development initiatives.

**c. Components and outputs:** The proposed project will comprise the following components: (i) comprehensive review of key dimensions of regional disparities (which include socioeconomic and natural environmental conditions, structure of rural production regimes, and spatial linkages); (ii) review of existing legal, regulatory, and institutional frameworks, in the context of decentralization; and (iii) based on (i) and (ii), preparation of an integrated regional development strategy and recommendation of reforms for effective implementation of that strategy.

**d. Expected results and deliverables:** The proposed project will contribute to the preparation of an integrated and coherent strategy, conducive policies, and recommendations for effective implementation arrangements for the country.

**e. Social or environmental issues or concerns:** The proposed project will have social and human development benefits for poor and vulnerable people, particularly in rural areas.

**f. Plans for disseminating results/deliverables:** The results of the project will be prepared during a series of interaction programs with stakeholders, including politicians, central and local government officials, civil society representatives, and others. The results will be discussed with various stakeholders, in workshops, and the final report will be published and shared with the public.

**7. Proposed executing/implementing agencies:** To be determined

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Discussions were held with Government officials and civil society representatives, during the country programming mission. The inputs of these consultations were considered when this concept paper was prepared.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003

b. Expected date of submission for approval  
 Lending: Not applicable  
 Nonlending (project preparatory): Not applicable  
 Nonlending (other than project preparatory): 2006

c. Period and duration of assistance  
 Lending: Not applicable  
 Nonlending: To be determined

**10. Financing Plan**

a. For lending  
 Ordinary capital resources: \$  
 Asian Development Fund: \$  
 Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending  
 No resources required, other than ADB staff  
 ADB's administrative budget: \$  
 Grant TA funds: \$500,000 (TASF)  
 Other: \$

If cofinancing is required indicate sources, and amount sought: \$700,000 (to be determined)

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.20: Strengthening Development Planning Capacity of the Government  
Concept Paper**

**Date:** 31 July 2003

|   |   |  |   |  |   |   |   |  |                                 |  |
|---|---|--|---|--|---|---|---|--|---------------------------------|--|
| <p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the<br/>Sector:<br/>Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>   | <input type="checkbox"/> Economic growth            | <input type="checkbox"/> Human development | <input type="checkbox"/> Gender and development | <input type="checkbox"/> Good governance | <input type="checkbox"/> Environmental protection | <input type="checkbox"/> Private sector development | <input type="checkbox"/> Regional cooperation | <input type="checkbox"/> Social protection | <input type="checkbox"/> Other: |  |
| <input type="checkbox"/> Economic growth  | <input type="checkbox"/> Human development          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Gender and development   | <input type="checkbox"/> Good governance            |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Environmental protection   | <input type="checkbox"/> Private sector development |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Regional cooperation   | <input type="checkbox"/> Social protection          |  |   |  |   |   |   |  |                                 |  |
| <input type="checkbox"/> Other:   |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>4. Responsible division/department:</b> Nepal Resident Mission/South Asia Department</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>5. Responsible ADB officer:</b> To be determined</p>  |   |  |   |  |   |   |   |  |                                 |  |
| <p><b>6. Description of assistance</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The recently approved Tenth Five-Year Plan is, in a number of aspects, a clear departure from past plans. It was prepared through a much wider participation of the line ministries and other key stakeholders, including political parties, civil society and private sector representatives, and local bodies. The Tenth Plan is also based on a comprehensive analysis of the poverty situation and is, therefore, focused on poverty reduction. Prioritization of public investments through the Medium Term Expenditure Framework, another key feature of the Tenth Plan, further sharpens the focus on poverty reduction. ADB TA No. 3689 (NEP: Support for Preparation of the Tenth Plan) helped the Government in these areas.</p> <p>While these are important achievements and will be likely sustained, there is a need to further strengthen and reorient Nepal's development planning approach. The current planning approach appears to be too conventional and target-driven, without adequate emphasis on strategic and policy thrusts to meet the increasingly difficult development challenges facing the country. While further institutionalizing the above achievements, capacities of key government agencies and other stakeholders need to be further strengthened and reoriented toward new</p> |   |  |   |  |   |   |   |  |                                 |  |

and relevant planning approaches and techniques.

**b. Goal and purpose:** The project will help to further strengthen and reorient the Government's development planning capacity and approach, so that it is more relevant to the development challenges facing the country.

**c. Components and outputs:** The project will have the following components: (i) review of the current planning approach and methodology; (ii) identification of key development challenges and strategic issues, partly based on the implementation experience of the Tenth Plan; (iii) development of relevant planning modules and guidelines, including necessary training and other capacity building measures, to help line ministries, local bodies, and other stakeholders develop their own sectoral plans; and (iv) strengthening the National Planning Commission's macroeconomic analysis and modeling capacity for development planning.

**d. Expected results and deliverables:** Building on the achievements of the Tenth Plan process, the project will help the Government develop new and strategic planning approaches and modules, strengthening the relevance and focus of future five-year development plans. The project will also help the Government integrate local investment priorities in the Eleventh Plan and improve the efficiency of public sector management, in terms of achieving national goals and priorities.

**e. Social or environmental issues or concerns:** The proposed project will have social and human development benefits for poor and vulnerable people, particularly in rural areas.

**f. Plans for disseminating results/deliverables:** The results of the project will be prepared during a series of interaction programs with stakeholders, including politicians, central and local government officials, civil society representatives, and others. The results will be discussed with various stakeholders, in workshops, and the final report will be published and shared with the public.

**7. Proposed executing/implementing agencies:** National Planning Commission

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Discussions were held with Government officials and civil society representatives, during the country programming mission. The inputs of these consultations were considered when this concept paper was prepared.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: CSPU 2003
- b. Expected date of submission for approval
  - Lending: Not applicable
  - Nonlending (project preparatory): 2006
  - Nonlending (other than project preparatory): Not applicable
- c. Period and duration of assistance
  - Lending: Not applicable
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - Ordinary capital resources: \$
  - Asian Development Fund: \$
  - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
  - No resources required, other than ADB staff
  - ADB's administrative budget: \$
  - Grant TA funds: \$400,000 (TASF)
  - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.