

## FEATURES OF CSPs, CSPUs AND COBPs FOR NEPAL

Item	Strategic Focus	Directions for Lending and Non-Lending Operations	Linkage to Poverty Reduction	External Funding Coordination and Partnership Arrangements
Country Strategy and Program Update (2002–2004)	The overarching objective of ADB's CSP is to achieve sustainable reduction in poverty through (i) job generation and increased rural incomes resulting from faster and broad-based pro-poor economic growth, (ii) equitable improvements in basic social services to enhance human development, and (iii) good governance.	ADB will sharpen its focus to support a smaller number of key sectors in which ADB has been active and has a comparative advantage, although the sectors and projects in the program are generally similar to those in the previous strategy. The CSP will focus on up to seven sectors: (i) agriculture and rural development as the key sector; (ii) transport; (iii) energy; (iv) finance; (v) education (including nonformal education); (vi) water supply, sanitation, and urban development; and (vii) environmental management. When appropriate, program projects will be designed to target excluded groups to reduce poverty and inequality. The strategic approach of the program will continue to emphasize institutional strengthening. The TA program focuses on (i) institutional strengthening and capacity building needed to develop more effective sectoral institutions, (ii) the strategic approach of the proposed CSP, and (iii) project preparation.	The proposed lending program in 2002–2004 consists of 12 projects totaling \$306 million. The proposed program is consistent with the strategic thrust of the proposed CSP, emphasizing poverty reduction. Core poverty and poverty intervention projects constitute 75 percent of the total program in 2002–2004.	
Country Strategy and Program Update (2003–2005)	Pressures on the economy, and thus the fiscal position of the Government, will remain, and have a significant impact on operations of ADB in Nepal. Reducing poverty through improved delivery of services and effective governance remain essential to a lasting solution to the insurgency. ADB's country strategy and priorities	The proposed lending program for 2003–2005 consists of 14 projects, of which poverty intervention projects constitute 93% of the total program. The lending program supports the Government's poverty reduction strategy, focusing on rural development, improvements in basic services and infrastructure, women's empowerment, and private sector	The lending program supports the Government's poverty reduction strategy, focusing on rural development, improvements in basic services and infrastructure, women's empowerment, and private sector development. Major emphasis in the program is placed on improving access to	To strengthen aid coordination and effectiveness, in March 2002 the Government finalized its Foreign Aid Policy, prepared in cooperation with its development partners, with input from civil society. In 2002 the Swiss Development Corporation agreed to fund two key TAs for awareness building

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	<p>remain fully consistent with these objectives. Effective implementation of government policies, projects, and programs will also be critical in contributing to resolving the conflict. Given the worsening fiscal situation, ADB and other development partners will need to provide more program assistance to support the Government's reform agenda. Like its other development partners, ADB will need to work with the Government to devise ways to remain engaged in supporting development activities in affected areas, rather than trying to work around the conflict. Ensuring a strong and direct antipoverty focus and strong community participation in all projects and programs, therefore, is critical. Working more closely with local government at the district level will also help, although institutional strengthening of decentralized bodies is necessary to ensure accountability and effective implementation. Given the significant uncertainty in the short to medium term, the Government and ADB will need to show flexibility in carrying forward the proposed 2003–2005 program.</p>	<p>development. ADB assistance will be planned and formulated to enhance economic opportunities and status of women in, for example, agriculture, rural finance, education, and water supply and sanitation. The nonlending program focuses on institutional strengthening and capacity building needed to develop more effective sectoral institution and project preparation. Given the increasing scarcity of TA resources, concerted efforts will be required to augment the resources through cofinancing. To strengthen the lending pipeline, the TA program is largely focused on project preparatory activities.</p>	<p>basic resources, in particular, those resources most vital to escaping poverty, and the removal of institutional constraints that constrain the poor from accessing these resources. Access to priority inputs (e.g., fertilizers, irrigation, roads, electricity, and agricultural technology) with suitable credit and extension services is crucial to effectively improve rural poverty.</p>	<p>and program monitoring under the Government's Governance Reform Program, which is assisted by ADB. Efforts to secure joint cooperation and joint financing for ADB-assisted projects and programs in the pipeline for 2003–2005 continue. ADB is working jointly with Danish International Development Agency to finance the first phase of a secondary education support program. ADB is also working with various funding agencies to adopt a coordinated approach to sector development in rural water supply and sanitation. Cooperative efforts in 2002 have included an agreement with the United Kingdom's DFID and UNICEF for collaboration in implementing the ADB-assisted PPTA for the proposed community-based rural water supply and sanitation project.</p>
Country Strategy and Program Update (2004–2006)	<p>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</p>	<p>The 2004–2006 lending program is consistent with the strategic thrust of the proposed CSP. Core poverty intervention projects constitute 93% of the total 2004–2006 program. In support of the Government's emerging need for reconciliation, rehabilitation, and reconstruction, the</p>	<p>The country strategy and priorities of the 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</p>	<p>Significant progress has continued in Nepal, under the Government's leadership, in the areas of aid coordination and collaboration. In 2003, the Danish International Development Agency agreed to provide \$30.0 million in</p>

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	<p>situation, priority will be given to assisting the Government's reconciliation, rehabilitation, and reconstruction efforts, 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.</p>	<p>timing of the projects with greater potential to benefit rural communities and conflict-affected areas has been adjusted, and their proposed scope and geographical focus will be reviewed. The nonlending program focuses on institutional strengthening and capacity building, which are needed to develop more effective sector institutions and project preparation. 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.</p>	<p>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.</p>	<p>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.</p>
Country Strategy and Program (2005–2009)	<p>Fostering an inclusive development process will be ADB's strategic approach over the next 5 years to contribute to the long-term goal of poverty reduction in Nepal. The CSP's cross-cutting initiatives include: (i) supporting the creation of an enabling environment for increased private sector participation and investment by fostering better policy, and more effective implementation of policies and regulatory reform in key sectors; (ii) addressing gender, ethnic, and caste discrimination through policy reform, targeted investments, and the mainstreaming of equal opportunity measures in key sector investments; (iii) improving social, environmental, and resettlement</p>	<p>ADB's program during 2005–2007 will focus on helping the Government foster more inclusive development by providing assistance to develop rural areas, improve basic social services and infrastructure, empower women, promote private sector development, and improve governance in the public and private sectors. Special emphasis will be placed on project design to ensure that the projects' primary objectives are fully in line with these priorities and are results oriented. ADB will assist the Government to scale up good practices in poverty reduction and to carry out realistic policy and institutional reforms. From 2005 to 2007, program lending assistance will constitute about a third of overall lending. The higher level of program</p>	<p>The overarching objective of the CSP is to achieve sustained poverty reduction by fostering more inclusive processes of broad-based growth, social development, and good governance. All lending products are poverty intervention projects.</p>	<p>ADB makes maximum effort to coordinate with its development partners during the preparation of CSPs and CSPUs, and at different stages of project processing. As a result, cofinancing has been obtained for a number of ADB projects from the DANIDA under the first phase of the ADB-assisted Secondary Education Support Program; consulting inputs to help prepare the ongoing Community-based Water Supply and Sanitation Project from the United Kingdom's DFID; TA support for the Governance Reform Program from the Swiss Agency for Development and Cooperation; and support for capacity-</p>

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	<p>assessment policies, procedures, and practices as these relate to investment projects; and (iv) tapping benefits from regional cooperation initiatives in the areas of transport connections and trade facilitation, energy, tourism, and communications with neighboring countries. ADB's strategy will rest on three pillars: broad-based economic growth, inclusive social development, and good governance. The Nepal CSP represents ADB's first pilot results-based CSP. It is results-based because it (i) identifies the "results" sought by the Government to which ADB will contribute; (ii) identifies what "outcomes" are expected during the implementation of this CSP; (iii) provides a mechanism and indicators for monitoring progress made toward achieving those outcomes; and (iv) provides a basis for evaluating the success of this CSP, thereby providing a basis for adjusting future plans to improve results. This document, therefore, describes the main ways in which ADB will assist the Government in achieving its national goals and objectives; it does not, however, establish the "share" or quantitative measure of ADB's contribution to national goals and objectives.</p>	<p>assistance is warranted to support the Government's wide-ranging policy reform effort, and to ensure that priority sector-specific poverty reduction activities are adequately financed. The 2005–2007 nonlending program comprises 26 TAs and five economic, thematic, and sector work activities. The TA program includes 16 project preparatory TAs to support project preparation and 10 institutional development TAs to support institutional capacity building and managing for development results. The economic, thematic, and sector work program forms the basis of ADB's support for policy reform, capacity building, and institutional strengthening.</p>		<p>building interventions under the Governance Reform Program from the United Nations Development Programme. DFID has provided TA support for the ongoing Public Sector Management Program and an agriculture and natural resource expert in NRM. A number of ongoing projects in the energy and water supply sectors have also received assistance from JBIC and the Japan International Cooperation Agency. In the past year, formal action plans have been agreed on with DFID and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) to guide cooperation more effectively. NRM has also initiated a bimonthly harmonization series with the World Bank's resident office to improve coordination and collaboration. In conjunction with its lending program, ADB will continue to actively pursue cofinancing from grant and concessional loan sources. While continued efforts will be made to mobilize cofinancing, core components of large projects, and especially those relating to engineering design, will be financed directly by ADB to ensure coherence, timeliness, and technical soundness. Close coordination is being maintained through regular contact and dialogue with the major development</p>

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				partners, and a special effort is being made to involve development partners early on in the identification stage of new projects.
Country Operations Business Plan (2007–2009)	The political changes in Nepal have not altered the policy and strategic development implications for addressing the root causes of conflict and poverty. The Government is considering a reconstruction and rehabilitation program following a peace accord to help build peace, restore service delivery, and revive economic activity throughout the country. The peace accord will allow long-term strategic development objectives to be addressed effectively. The CSP is fully aligned with these efforts and thus remains relevant.	In view of the political transition, ADB's assistance program should be more responsive and flexible to meet the Government's short-term development needs and priorities while remaining within the CSP's framework. The country program will therefore need to be shorter— 1–2 years. The tentative country program for 2007–2009 comprises nine firm and two standby loans and aims to reduce poverty by supporting institutional and policy reforms and operations in road transport, rural and urban infrastructure (water supply, waste management), energy, education, financial sector, reconstruction and rehabilitation, public finance and economic management, and agriculture. The proposed medium- to long-term program is tentative and will remain under review to ensure proper sequencing and political relevance. In particular, the 2008–2009 program will be closely reviewed with the Government against the evolving political and economic context during the forthcoming country program confirmation mission and the country programming mission. Depending on progress in the peace talks and Nepal Development Forum, ADB along with other donors may be requested to provide post-conflict assistance beyond the reconstruction	The tentative country program for 2007–2009 comprises nine firm and two standby loans and aims to reduce poverty by supporting institutional and policy reforms and operations in road transport, rural and urban infrastructure (water supply, waste management), energy, education, financial sector, reconstruction and rehabilitation, public finance and economic management, and agriculture. The program is in line with the Medium-Term Strategy II priority sectors and subsectors.	Aid coordination and harmonization of government-donor practices have become particularly important. Donor coordination remains effective with regular meetings of the local donor group, various thematic groups, and the Basic Operating Guidelines Group to assess the evolving political and security situation and its implications for development activities. There is still significant room to better harmonize government–donor practices. While harmonizing local procurement procedures has made significant progress, harmonizing international procurement procedures remains challenging and constrains ADB's participation in sector-wide/program-based approaches (SW/PBAs) with other donors. ADB's participation in such an approach would be useful for the development of specific sectors as well as for furthering donor harmonization. Close and stronger government–donor engagement is also needed on development effectiveness as stipulated in the Paris Declaration. While managing for development

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		<p>and rehabilitation project planned for 2007. While ADB is committed to provide such assistance, no new assistance has been included in 2008–2009 program, since timing is difficult to predict and the resource requirements are not known already. However, ADB is undertaking background work to assess rehabilitation and reconstruction needs, which will help guide 2008–2009 programming. The nonlending program for 2007–2009 has also been adjusted to reflect the modified lending program and to accommodate priority Government requests for institutional and sector capacity development in the changed context.</p>		<p>results (MfDR) is a key instrument for development effectiveness, most donors in Nepal are unaware of it. ADB is working with donor partners to be more focused on harmonizing support for capacity building of weak institutions. ADB is also taking the lead in involving other donors in the Government-led MfDR process. This will improve development effectiveness and enhance absorptive capacity for development assistance.</p>
<p>Country Operations Business Plan (2008–2010)</p>	<p>The political and security context in Nepal has changed since the preparation of the Nepal Country Strategy and Program (CSP, 2005–2009) in 2004 and its review last year. The decade-long conflict has come to an end and the country is moving toward lasting peace, but the underlying causes of poverty remain unchanged. The conflict-sensitive implementation strategy adopted in the CSP has facilitated effective and safe implementation of ADB's operations during the conflict period. Since Nepal's Tenth Five Year Plan (FY2003–FY2007) ends in mid-July 2007, the Government is preparing a three-year interim development plan—rather than an Eleventh Five Year Plan—to address development challenges</p>	<p>The lending and nonlending program for 2008–2010 has been adjusted to reflect the Government's priorities in the current transitional period, the expected annual allocation, performance of specific sectors, and project preparedness. The tentative country program for 2008–2010 was discussed and preliminarily agreed with the Government. However, given the challenges and political milestones ahead, the program will need to retain maximum flexibility and the 2010 pipeline in particular should be considered indicative at this stage. The 2008–2010 program includes ten firm and two standby projects in the agriculture, education, finance, transport and communications, energy, water supply, sanitation and waste management, and law, economic</p>	<p>The CSP includes a framework comprising monitoring indicators for evaluation and midcourse adjustments if needed. The CSP's results framework was updated in March 2007 with information obtained from the National Planning Commission and the relevant line ministries. The Government has taken some encouraging steps to develop core elements of results-based management for planning, budgeting, implementation, and monitoring. The Government has started poverty-based resource allocation to local bodies, and is strengthening the monitoring and evaluation system in key ministries to streamline results-based management. Following</p>	<p>The 2006 country portfolio review mission, conducted jointly by the Government, Japan Bank for International Cooperation, the World Bank, and ADB, was a results-based exercise. The review assessed whether ADB's portfolio has been effectively contributing to CSP outcomes and discussed the necessary corrective actions for achieving better results. Preparation of sector results profiles (SRPs) was an important output of the review; SRPs have been prepared for those sectors in which ADB provides significant assistance in all developing member countries falling under ADB's South Asia Department (i.e. Bangladesh, Bhutan, India,</p>

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	<p>during the transitional period. The potential for long-term strategic development in Nepal and pursuit of the CSP's objectives has increased as a result of the peace accord, the interim constitution, and formation of the parliament. However, Nepal will remain in a conflict environment until a lasting peace is achieved. Therefore, ADB will continue to carefully monitor the peace process, follow a conflict-sensitive approach in its operations, and closely coordinate with other donors.</p>	<p>management, and public policy sectors. Support in these sectors is crucial to address acute poverty and is also aligned with the Government's priority sectors. The proposed nonlending program for 2008–2010 comprises 12 PPTA projects, 8 institutional development TA (IDTA) projects and 3 economic, thematic, and sector works. The proposed annual IPF for the nonlending program is up to \$4.0 million. Apart from the ADF trust funds and the Japan Special Fund, other trust funds available within ADB and cofinancing will be explored. The programmed nonlending activities focus on (i) providing support to strengthen the institutional capacity of the Government, and (ii) preparing the future lending program. Grants may be allocated to either stand-alone projects or to blended projects with both loan and grant financing with distinct grant-funded activities. Accountability obligations under grant financing have been fully discussed with the Government, and the latter has expressed its firm commitment to these obligations. In particular, ADF grant financing will allow the Government to continue its poverty reduction initiatives much more effectively.</p>	<p>establishment of a poverty monitoring and analysis system at the central level, the Government has prepared a district poverty monitoring and analysis system for assessing development interventions and their local impact.</p>	<p>Maldives, Nepal and Sri Lanka). Sectors include (i) transport and communications; (ii) energy; (iii) education, agriculture and rural development; (iv) finance and governance; and (v) water supply, sanitation and urban development.</p>