

Program Administration Memorandum

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NEP: Rural Reconstruction and Rehabilitation Sector Development Program

The program administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

Asian Development Bank

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ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
BG	-	building group
CF	-	conversion factor
DDC	-	district development committee
DDF	-	district development fund
DFID	-	Department for International Development of the United Kingdom
DMF	-	Design and Monitoring Framework
DOLIDAR	-	Department of Local Infrastructure Development and Agricultural Roads
DOR	-	Department of Roads
DTMP	-	district transport master plan
DTO	-	district technical officer
DWSS	-	Department of Water Supply and Sewerage
EIRR	-	economic internal rate of return
FCGO	-	Financial Comptroller General's Office
GDP	-	gross domestic product
GTZ	-	Gesellschaft für Technische Zusammenarbeit
HDI	-	human development index
IEE	-	initial environmental examination
LEP	-	labor- based, environmentally friendly, and participatory
LSGA	-	Local Self-Governance Act
MLD	-	Ministry of Local Development
MOF	-	Ministry of Finance
MPPW	-	Ministry of Physical Planning and Works
NGO	-	non-government organization
NPV	-	net present value
OPEC	-	Organization of Petroleum Exporting Countries
PCU	-	project coordination unit
RBM	-	results-based management
RWSS	-	Rural Water Supply and Sanitation
SDC	-	Swiss Agency for Development and Corporation
SIEE	-	summary initial environmental examination
SOE	-	statement of expenditure
SRN	-	strategic road network
TA	-	technical assistance
TOR	-	terms of reference
VDC	-	village development committee
VOC	-	vehicle operating cost

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Reduce rural poverty in hill, mountain and Terai districts where isolation and hardship are common</p>	<ul style="list-style-type: none"> Proportion of rural population below poverty line drops from current 34.6% to 25% by 2020 	<ul style="list-style-type: none"> National Census and Statistics Nepal Living Standards Survey 	<p>Assumptions</p> <ul style="list-style-type: none"> Government development expenditure grows at 14% to 15% during the program <p>Risks</p> <ul style="list-style-type: none"> Political instability
<p>Outcome Greater economic and social inclusion, good governance, and improved service delivery in rural infrastructure</p>	<ul style="list-style-type: none"> Improved inclusion and participation of disadvantaged groups in the constituent assembly and government bureaucracy, International labor Organization (ILO) Convention 169 driven institutional and legislation Filling up of vacancies to enhance Institutional capacity of district technical office (DTOs) Sector coverage of public expenditure tracking survey increased Gazetted Procurement Act and Regulations and Local Body Financial Administration Regulation (LBFAR) to strengthen financial and procurement management, including district development committee (DDC) procurement authority Project procurement monitoring office (PPMO) effectively monitors all public procurement Govt officials' greater exposure to managing for development results (MfDR) concepts and practices through institutionalized public training programs Financial and institutional support to private sector investment in infrastructure development Rural infrastructure significantly rehabilitated and reconstructed 	<ul style="list-style-type: none"> National Planning Commission (NPC) monitoring reports Public Service Commission (PSC) reports Financial Controller General's Office (FCGO) reports on public expenditure tracking Cabinet decisions and gazette publications Reports of PPMO Federation of Nepalese Chambers of Commerce and Industry reports NPC reports 	<p>Assumptions</p> <ul style="list-style-type: none"> Government's support to inclusive development and decentralization Surveys data and finding used by Ministry of Finance (MOF) to improve public expenditure Procurement Regulations and LBFAR are clear and support devolution Government committed to institutionalizing results-based management Private sector attracted to investment in infrastructure development Relevant capacities are developed in PPMO <p>Risks</p> <ul style="list-style-type: none"> Government's intransigence on devolution Political instability shies away private sector investment
<p>Outputs 1. Enhanced poverty reduction and inclusive development</p>	<ul style="list-style-type: none"> Gazetted Interim Constitution and Constituent Assembly Member Electoral Act include proportional representation provisions for women, vulnerable and marginalized groups Ratified ILO Convention on Indigenous Nationalities by Interim Parliament Gazetted Civil Service Act and Regulations include social inclusion provisions Approved Approach Paper of the Three Year Interim Plan (TYIP) Gazetted Citizenship Act includes provisions on granting citizenship through mother's Approved action plan for strengthening universal vital events registration system 	<ul style="list-style-type: none"> Parliamentary Reports Gazetted legislation and regulations NPC documentation and reports Gazetted legislation Ministry of Local Development (MLD) reports MPPW approved guidelines Copies of approved gender strategies from ministries 	<p>Assumptions</p> <ul style="list-style-type: none"> Political commitment to inclusive development Obligation to ILO Convention is honored Resources are allocated to three-year interim plan (TYIP) and targeted programs Resources made available to implement action plans on vital registration and gender strategies Commitment to gender mainstreaming <p>Risks</p> <ul style="list-style-type: none"> Weak commitment on implementation of new

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>2. Improved and inclusive governance and decentralization</p>	<ul style="list-style-type: none"> • Approved Guidelines for Enhancing Poverty Reduction Impact of Road Projects • Task forced established for review of project prioritization criteria • Approved gender strategies in Ministry of General Administration, Ministry of Education and Sports and Ministry of Agriculture and Cooperatives • Constitutional provision on establishment of State Restructuring Committee • PSC's recruitment advertisement on technical positions of district technical offices • MOF directive on public expenditure tracking survey • MfDR training modules developed and adopted in government training • Gazetted Procurement Act and Regulations • Gazetted LBFAR that is compatible with Procurement Act and Regulations • Functional and adequate-resourced Public Procurement Monitoring Office • Training plans for DDCs and Department of Local Infrastructure Development and Agricultural Roads (DOLIDAR) on LBFAR and procurement • Computerized DDC accounts and electronic networking between MLD and DDCs • Approved manual with minimum conditions and performance measures for budget release and resource allocation to DDC 	<ul style="list-style-type: none"> • Parliamentary reports • PSC' s directives and announcements • MOF's directive • Nepal Administrative Staff College's reports • Gazette notices • Government decision on the PPMO and PPMO reports • Report on computerized system • MLD report • MLD manual 	<p>legislation and regulations</p> <ul style="list-style-type: none"> • Institutional weaknesses in implementation of development programs <p>Assumptions</p> <ul style="list-style-type: none"> • Government committed to decentralization • PSC expedites the recruitment process • MOF take remedial steps to improve public expenditure • Compatible provisions in Procurement Act and LBFAR • Regular maintenance of computerized system and electronic network <p>Risks</p> <ul style="list-style-type: none"> • Frequent transfers of DTO staff • Weak institutional capacity of PPMO • Public expenditure tracking not widely institutionalized
<p>3. Strengthened support for rural infrastructure development</p>	<ul style="list-style-type: none"> • Approved monetary policy to facilitate establishment of Infrastructure Development Bank • Task Force on PPP policy and regulations established • Gazetted Non Resident Nepali Act; preparation of draft Regulations • Approved 3 Year Strategic Action Plan for Rural Infrastructure • Revised DOLIDAR manual on 'Approach for the Development of Rural and Agriculture Roads' • Approved MLD guidelines for infrastructure projects on resettlement, social mobilization, gender sensitization and community development • Submission of revised Resettlement Policy to Cabinet for approval, by NPC 	<ul style="list-style-type: none"> • NRB monetary policy • NPC directive • Gazette notification • MLD report • DOLIDAR Report • MLD guidelines • NPC Report 	<p>Assumptions</p> <ul style="list-style-type: none"> • Government committed to attract private sector investment in infrastructure development • Private sector widely consulted during policy formulation • Rural infrastructure features as priority in development programs • Guidelines are well designed and can be operationalized <p>Risks</p> <ul style="list-style-type: none"> • Slackness in implementation of plans and guidelines • Resource constraints • Resistance to Resettlement Policy

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Activities and Milestone</p> <p>Policy and institutional reforms to be completed by 31 October 2007 and tranche disbursed thereafter</p> <ol style="list-style-type: none"> 1. Gazette Civil Service Regulations 2. NPC submits 3 Year Interim Plan for Cabinet approval 3. Approve Action Plan for strengthening universal vital events registration system 4. Task Force established to review and refine project prioritization criteria 5. Implement gender strategies in three ministries 6. Advertise vacancies to recruit technical staff in DTOs 7. Issue directives to FCGO on public expenditure surveys 8. Gazette LBFAR 9. Develop training plan on procurement and LBFAR 10. MFDR training modules developed and adopted in public sector training 11. Draft Non Resident Nepali Regulations for discussion in NRN Convention 12. Establish task force for developing PPP policy and legislation 13. Approve 3 Year Interim Strategic Action Plan for Rural Infrastructure 14. Revise manual on 'Approach for the Development of Rural and Agriculture Roads' 15. Issue social and safeguard guidelines for all rural infrastructure projects 16. Submit Resettlement Policy to Cabinet for its approval 			<p>Inputs:</p> <ul style="list-style-type: none"> • ADB: \$ 50 million

I. PROGRAM DESCRIPTION

A. Impact and Outcome

1. The Rural Reconstruction and Rehabilitation Sector Development Program (RRRSDP) will reduce rural poverty in hill, mountain and Terai districts where isolation and hardship are common. It will focus on immediate post conflict development priorities for accelerated poverty reduction and inclusive development, thereby enhancing the effectiveness and efficiency of the delivery of public services, and improving access of rural people to economic opportunities and social services. The Program's outcome will be to support the Government in timely and effective implementation of reforms for greater economic and social inclusion, good governance, and improved service delivery in rural infrastructure.

B. Outputs

2. The Program will assist the Government in achieving three key outputs: (a) enhanced poverty reduction and inclusive development, (b) improved and inclusive governance and decentralization, and (c) strengthened support for rural infrastructure development. The outputs are designed to address the core goals of reducing exclusion and poverty, which are the underlying causes of the conflict, and remain central to achieving a lasting peace. The policy matrix in **Appendix 1** presents the essential actions grouped under these three headings.

a. Enhanced Poverty Reduction and Inclusive Development

3. The Government has taken impressive policy initiatives to make institutions more representative and inclusive, and to strengthen their accountability and transparency. This component supports the efforts to (i) increase the representation of women and excluded groups in political institutions; (ii) improve broad representation of women, ethnic groups, castes, and regions in the civil service; (iii) improve inclusiveness and access to benefits and opportunities; (iv) strengthen participatory and transparent budgeting; and (v) mainstream gender in public administration.

4. **Representation of Women and Excluded Groups in Political Institutions.** The restoration of democracy in 1990 saw little change in the participation of women, ethnic groups and disadvantaged castes in elected government. One major reason for their under-representation is their limited participation in political parties, as evidenced by a low 5-6% for women, 15% for ethnic groups and *madheshis*, and virtually zero for *dalits*. As a result, these groups have had little influence in selecting candidates for elections who, once in power appoint cabinet ministers, influence the appointment of civil servants, and consequently policy decisions. Lessons learned from the 1997 local elections demonstrate that when electoral policies mandate quotas, the political representation of the mandated groups increases substantially, as was the case for women. The Interim Constitution (2007) envisages bringing about broad electoral reform, and provides for inclusiveness in the selection of candidates for the formation of the Constituent Assembly by political parties for the 'First Past the Post' and Proportional Electoral systems. The Constituent Assembly Member Electoral Act allocates seats to women, *dalits*, ethnic group, *madheshis*, and the differently-abled, among others for the 240 electoral seats under the Proportional Electoral System. Further, the Government has demonstrated its commitment to inclusion by ratifying the International Labor Organization Convention on Indigenous and Tribal Peoples (No.169). These actions will substantially increase the representation of women and excluded groups in political institutions, and improve accountability and inclusion for economic recovery and growth.

5. **Gender and Socially Inclusive Civil Service.** As in political institutions, the participation of women, ethnic groups and disadvantaged castes in state bureaucracy is negligible. There was no improvement in the recruitment of gazetted officers from the *dalits*, ethnic groups, and Terai castes during the decade post 1990. The share of ethnic groups in the judiciary and civil service is a low 2.4% and 2.3% respectively, while women comprise 9% of the civil service, with only 2% at the decision making level. The 2007 gazetted amendment to the Civil Service Act provides for new inclusive provisions by reserving 45% of vacant posts women, ethnic groups, *madheshis*, *dalits*, differently-abled and underdeveloped regions. This has ensured broad representation of ethnic groups, castes, and men and women in the policy making bodies and state institutions, and will increase the effectiveness of the civil service, and improve public accountability.

6. **Inclusiveness and Access to Benefits and Opportunities.** The Government is committed to remedying exclusion and has taken policy actions and measures to improve the conditions of excluded groups. The Approach Paper of TYIP highlights inclusion as one of its pillars and places special emphasis on social integration, inclusive development, employment generation, and economic and social transformation; while directing attention to disadvantaged women, excluded and vulnerable groups, including regions that have been historically isolated from mainstream development. The approved TYIP envisages increases in targeted programs to protect vulnerable groups and women as part of its social protection plan. The budget (FY2007/08) allocates NRs51 billion for community programs based on people's participation, and social security that will directly contribute to poverty reduction, and has doubled block grants to VDCs (NRs1 million for each VDC). Similarly, the Ministry of Physical Planning and Works has approved the Interim Guidelines for Enhancing Poverty Reduction Impacts of Road projects. The guidelines will develop procedures in line with the Public Works Directives as well as familiarize the Department of Roads officials on the basic concepts of poverty and the linkages between road investments and poverty reduction.

7. In addition, the Ministry of Local Development (MLD) has prepared an action plan strengthening the registration of vital events such as birth, death, marriage, divorce, and migration. This will promote more inclusive planning while also facilitating the acquisition of citizenship. A recent ADB study found that the highest rates of non-registration of births were among women, ethnic minorities, and disadvantaged groups. Similarly, the amended Citizenship Act includes provision for the acquisition of citizenship through the mother's citizenship. This will significantly reduce exclusion, as the possession of legal identity influences an individual's access to services, benefits and opportunities.

8. **Prioritized and Transparent Budgeting.** All activities in the development budget are prioritized and ranked in terms of their contribution to poverty reduction (with P1 as the highest and P3 the lowest priority). Prioritization criteria include contribution to (i) poverty alleviation, (ii) sector goals, (iii) regional development, (iv) rationale for government involvement, (v) participation, (vi) project status, and (vii) fund commitment. While the criteria made a good start for targeted investments, implementation experience reveals the need for more robust prioritization criteria to secure effective allocation of resources for reducing poverty and promoting inclusion. The National Planning Commission (NPC) will establish a task force with terms of reference to refine the prioritization criteria, which will be reflected in the medium-term expenditure framework of FY2009 and in new regional and social programs with secured budget allocations. This will support a more transparent and participatory budgeting process along with improved prioritization criteria and district allocations based on poverty and social exclusion.

9. **Mainstreaming Gender.** Gender based exclusion restricts women's access to education, employment opportunities and decision making processes. To mainstream gender, the Ministry of Agriculture and Cooperatives, Ministry of General Administration, and Ministry of Education and Sports have prepared gender strategies focused on alleviating

constraints and creating new opportunities for women. These strategies will assist monitoring gender equity and access, and inform policy decisions in the respective sectors.

b. Improved and Inclusive Governance and Decentralization

10. This component will provide support for (i) decentralization for inclusiveness, (ii) enhancing the implementation capacity of District Technical Offices (DTOs), (iii) strengthening capacity for output, outcome and impact monitoring, and (iv) improving procurement and financial management. These policy reforms are envisaged to significantly improve fiscal discipline especially in times of political instability, and lay the foundations for good and inclusive governance.

11. **Decentralization for Inclusiveness.** The Interim Constitution envisions: (a) restructuring the state in response to popular demands, (b) reforming political institutions to make them more inclusive, and (c) providing greater autonomy to local bodies in decision making over public resources. The Interim Constitution provides for the establishment of the State Restructuring Commission aimed at (i) bringing about an end to discrimination based on class, caste, language, culture, religion, and region by discarding the centralized and unitary form of government, and (ii) making the state more inclusive and democratic through progressive restructuring. An acceptable restructuring of the state will contribute to securing a lasting peace and end inter-ethnic, caste and regional tensions.

12. **Strengthened Capacity for Output, Outcome and Impact Monitoring.** Improving governance and transparency for poverty reduction and inclusive development requires understanding the extent to which public resources are effectively translated into public services. Mapping fiscal flows and incorporating concepts related to management for development results in the public sector training curricula of Nepal Administrative Staff College will strengthen capacity for output, outcome and impact monitoring. The Ministry of Finance (MOF) has agreed to expand its public expenditure tracking by instructing the Financial Comptroller General Office to conduct surveys in at least two sectors per year. Monitoring actual allocations versus budgeted ones will provide insights into constraints and in achieving the intended objectives.

13. **Improved Procurement and Financial Management.** The Government revised the procurement laws to increase efficiency and transparency resulting in its new Procurement Act approved in December 2006 and gazetted in January 2007. The Act provides for a more transparent and competitive procurement and bidding process for goods, civil works and services, and is in line with acceptable international procedures such as the United Nations Commission for International Trade Law. The Procurement Regulations was revised vis-à-vis the new Procurement Act and approved in August 2007. Similarly, the Government has taken a proactive step to revise Local Bodies Financial and Administrative Regulations (LBFAR) to align them with the new Procurement Act and its Regulations. The revised LBFAR will (i) increase the level of financial authority of the local bodies enabling them to provide services swiftly, (ii) improve transparency through the provision of community procurement and public audit, and (iii) enhance accountability by its requirement for adherence to a procurement code of conduct. The program grant will support the implementation of the new Procurement Act, Procurement Regulations, and LBFAR.

14. Government's decision to establish a Public Procurement Monitoring Office in the Office of the Prime Minister and Council of Ministers, headed by a Secretary, contributes towards institutionalizing accountability and transparency within the state bureaucracy. Furthermore, all DDC accounts are now computerized, which will assist addressing the problem of weak accounting and reporting procedures in the districts. As data will be transferred electronically from the districts to the center, fund releases will be faster which will expedite implementation and disbursement. To strengthen the procurement capacity of

implementing agencies, procurement staff in DDCs and DOLIDAR will need to be trained. MLD has prepared a training plan for its staff for DDCs and DOLIDAR. Procurement reform and capacity improvement are expected to improve contract management and procurement procedures.

15. To improve budget allocation, MLD has approved a manual, Minimum Conditions and Performance Measures, for performance based budget allocation, collected baseline data for all 75 districts and conducted orientation programs in all 75 districts on the use of the manual.

c. Strengthened Support for Rural Infrastructure Development

16. This component will provide support for (i) policies for private sector participation in infrastructure development, (ii) improving investment opportunities including infrastructure development, and (iii) rural infrastructure development for disadvantaged communities.

17. **Policies for Private Sector Participation in Infrastructure Development Improved.** The Government is promoting private sector participation for broad based labor intensive growth. Closely related to improving connectivity and rural infrastructure is the need to improve the policy environment to attract private sector participation in infrastructure development. To improve the investment climate, the Nepal Rastra Bank has approved a Monetary Policy, which includes a commitment to issue separate regulations relating to capital, investment, loan loss provisioning, and other regulatory norms for establishing an Infrastructure Development Bank. NPC will establish a task force with terms of reference to prepare policies for public-private-partnerships. Given the scarcity of resources public-private partnership will increase the effectiveness of public expenditures.

18. **Investment Opportunities.** In response to the demands of non-resident Nepalis (NRN) for a more enabling and NRN-friendly policy environment for investment in the country's development process, the Government promulgated the NRN Act in August 2007. The Act has simplified the regulatory environment and administrative procedures for NRNs investing in the country. The Government presented the draft NRN Regulations for implementing the NRN Act to the NRN Conference held on 15-17 October 2007.

19. **Rural Infrastructure Development for Disadvantaged Communities.** The Rural Infrastructure Reconstruction and Rehabilitation Investment Plan accords high priority and commits the Government to rural transport development. The lack of connectivity is a serious constraint. Nepal has one of the lowest road densities for a landlocked country with some villages being as far as 13 days walk from the nearest road-head. The Interim Strategic Action Plan for Rural Infrastructure envisages increasing the access of 95% of the rural people including disabled, marginalized groups and *dalits* to social services, economic opportunities and resources. Similarly, DOLIDAR is incorporating poverty and social inclusion concerns into its Approach for the Development of Rural and Agriculture Roads with the objective of ensuring that all plans and programs prepared by DDCs and DTOs use poverty and inclusion as prioritizing criteria.

20. The lack of a common set of guidelines for all infrastructure projects on social mobilization, inclusive participation, gender sensitization, prioritization, planning, safeguards for vulnerable groups, and environment have been major factors delaying implementation schedules. There is urgent need for MLD to take the lead in coordinating and agreeing on a common set of guidelines to speed implementation and deliver tangible results on the ground. The preparation of the Guidelines was completed by 15 October 2007, which will ensure inclusiveness and adequate safeguards of vulnerable communities.

21. Similarly, in the absence of a consistent approach in treating safeguard policy issues, NPC has taken the lead in formulating a comprehensive National Policy on Resettlement, to help identify, plan, implement, and monitor involuntary resettlement to minimize displacement, safeguard people affected by development projects, and further enhance development impact. NPC has prepared and submitted the draft National Resettlement Policy to the Cabinet for approval.

C. Important Features

22. The extensive reforms taken by the Interim Parliament to directly address the root causes of the conflict merit ADB support for implementation. These reforms aim to end discrimination and promote inclusion and justify support for the continuation of the peace and development efforts. The Government has placed inclusion at the center of key legislative enactments, and regulatory frameworks for achieving inclusive development outcomes and accelerated poverty reduction. The single tranche will deliver a peace dividend to Nepal during this critical juncture in the country's history. The Program builds on Government's reforms and furthers ADB's role as a partner in supporting the process for institutionalizing good governance and inclusive development. The Program is designed taking into account national and local commitment and implementation capabilities.

23. The program grant will be released in a single tranche upon fulfillment of all of the policy actions. The single tranche is justified by (i) compliance with 29 actions which constitute fundamental reforms in governance, inclusion, devolution, procurement, and infrastructure development for poverty reduction and inclusive development; and (ii) improvements in the political environment, and immediate post conflict development requirements.

II FINANCING PLAN AND ALLOCATION/WITHDRAWAL

A. Financing Plan

24. The Government requested a grant of \$50,000,000 from ADB's Special Funds resources upon completion of all of the policy actions included in the Policy Matrix. In determining the amount of the program component the following factors were considered: (i) the scope and relevance of the policy reforms for improving governance, public service delivery, and inclusion; (ii) the timeliness of assistance in support of the process for the country's return to economic, political, social progress and stability; (iii) the cost of the reforms and associated financing gap (**Appendix 2**); and (iv) Government commitment to strengthen the decentralization process for accelerated poverty reduction.

B. Allocation and Withdrawal of Grant Proceeds

25. The allocation and withdrawal of Grant proceeds except as ADB may otherwise agree will be in accordance with the provisions of Schedule 2 of the Grant Agreement dated 14 January 2008.

III. IMPLEMENTATION ARRANGEMENTS

26. **Program Management.** MOF is the executing agency, and will coordinate policy, legal and regulatory actions. MOF will ensure that the policy reforms set out in the Policy Letter (**Appendix 3**) are duly carried out in a timely manner. In particular, MOF will ensure that provisions for reporting, monitoring and auditing and other administrative requirements will be strictly followed. The program grant will support part of the Government's budgetary

requirements to undertake post conflict development priorities as specified in the Government's TYIP (2008-2010).

27. MOF will (a) ensure that the objectives achieved, policies adopted, and actions taken prior to the date of this Grant Agreement, as set forth in the Policy Letter, will continue to be in full force and effect for the duration of the Program period and subsequently; (b) carry out the policies and actions in accordance with the schedule of policy reforms contained in the Policy Matrix and ensure sustainability of the reforms beyond the Program period; and (c) carry out all of its obligations as stipulated under Schedule 4 and the Grant Agreement, in a timely manner.

28. **Policy Dialogue.** The Government will engage in the policy dialogue with ADB as specified in the Schedule 4 of the Grant Agreement. MOF will keep ADB informed of, and the Government and ADB will from time to time exchange views on, sector issues, policy reforms and additional reforms during the Program Period that may be considered necessary or desirable, including the progress made in carrying out the Program.

29. The MOF will keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and will provide ADB with an opportunity to comment on any resulting policy proposals. The Government will take ADB's views into consideration before finalizing and implementing any such proposals.

30. **Counterpart Funds.** MOF will ensure that the Counterpart Funds will be used to support the costs associated with the implementation of the reform package set out in the Policy Matrix and to RRRSDP-related activities.

31. **Program Implementation.** MOF shall ensure that all action plans developed under the Program will be fully implemented by the end of the Program period.

32. **Program Review.** The Program will be reviewed at least twice a year in conjunction with Project review, as detailed in the Project Grant Agreement.

IV. IMPLEMENTATION SCHEDULE

33. The program will be implemented over four years starting from January 2008 to December 2011. The Government will ensure that all vacancies filled in District Technical Offices as a result of the Program will remain filled throughout the duration of the Program implementation.

V. PROCUREMENT

34. The program grant will be released in a single tranche upon compliance with all the policy actions listed in the Policy Matrix. The grant will be disbursed using the simplified procedures approved by the ADB's Board on 16 April 1998.¹ The proceeds will be used to finance the foreign exchange cost of items produced and procured in ADB member countries, excluding items included on a list of ineligible items (**Appendix 4**), and imports financed by other bilateral and multilateral sources. MOF will certify that the volume of eligible imports exceeds the amount of ADB's projected disbursements under the program component in a given period. ADB will have the right to audit the use of the grant proceeds, and to verify the accuracy of the Recipient's certification.

¹ ADB. 1998. *Simplification of Disbursement Procedures and Related Requirements for Program Loans*. Manila.

VI. DISBURSEMENT PROCEDURES

35. The disbursement procedures will be in accordance with the Schedule 2 of the Grant Agreement. To ensure effective program implementation and timely disbursement, immediately after grant effectiveness, the Government will open an account (the "Deposit Account") at Nepal Rastra Bank into which all withdrawals from the Grant Account will be deposited. The Deposit Account shall be established, managed and liquidated in accordance with ADB's *Loan Disbursement Handbook, 2007*.

36. Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, MOF shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

37. Throughout the Program implementation period, MOF will submit trade statistics and any other information as ADB may require from time to time to assess the Government's compliance with the formula for determining Eligible Imports.

VII. PROGRAM PERFORMANCE MONITORING SYSTEM

38. MOF will monitor and report to ADB the implementation of policy actions and its impact on inclusive development, good governance and improved service delivery, in line with the program impact and outcome indicators agreed upon with the Government.

VIII. REPORTING REQUIREMENTS

39. The following reports will be submitted to ADB (and shared with other participating donors) in a timely manner.

(a) Quarterly Progress Report

40. MOF will prepare a detailed quarterly progress reports (QPRs) on program implementation to be submitted to ADB 15 days after the end of each quarter. The reports will include basic data, utilization of funds, implementation progress (against established targets), achievement of immediate development objectives, compliance with covenants, and major issues and problems. The report format and content of the TPR should enable ADB staff to readily capture key information for inputting into ADB's Project Performance Report (PPR). **Appendix 5** provides the suggested format for reporting.

(b) Annual Financial Statements and Audit Reports

41. An auditor acceptable to ADB will audit the consolidated program accounts and related financial statements annually. Audited program accounts and financial statements will be submitted on request from ADB within 6 months after the end of a fiscal year. The audit report will include an audit on the use of the depository account.

(d) Program Completion Report

42. A program completion review covering program implementation, costs, program performance, management activities and other relevant information will be prepared after

the physical completion of the Program. MOF will submit the program completion report within three months of the Program's physical completion in a format acceptable to ADB.

IX. AUDITING REQUIREMENTS

43. The submission of financial statements and audit reports for the program is governed by the Grant Agreement. The auditor's report and copies of the certified accounts and related financial statements, including a separate audit opinion on the use of the depository account will be submitted on ADB's request in English not later than 6 months after the close of the Government's fiscal year. The main auditing requirements are contained in the Sample Audit Letter (**Appendix 6**).

X. MAJOR COVENANTS

44. A list of the major program-specific covenants as stipulated in the Program Grant Agreement is provided in **Appendix 7**. These covenants are considered essential to ensure successful implementation of the Program. The status of compliance with these covenants should be submitted to ADB together with the Trimester Progress Report.

XI. ANTICORRUPTION

45. ADB's anticorruption policy had been explained to and discussed with the Government. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Program. To support these efforts, relevant provisions of ADB's anticorruption policy are included in the grant regulations. Allegations of corrupt, fraudulent, collusive or coercive practices may be reported to the Integrity Division of the Office of the General Auditor or ADB. The following site provides procedures on how to report fraud or corruption: <http://www.adb.org/integrity/howto.asp>.

POLICY MATRIX

Policy Objective	Policy action prior to tranche release	Concerned institution	Expected Timeframe
Enhance Poverty Reduction and Inclusive Development			
To ensure political representation of women and excluded groups	The Parliament promulgates the Interim Constitution guaranteeing inclusiveness in the selection of candidates for the Constituent Assembly.	Interim Parliament	Completed
	GoN gazettes the Constituent Assembly Member Electoral Act, 2007, including provisions on the allocation of seats to women, <i>Dalits</i> , <i>Madhesis</i> , <i>Janjatis</i> and other disadvantaged groups for 240 electoral seats under the 'Proportional Electoral System'.	Interim Parliament	Completed
	The Interim Parliament ratifies the ILO Convention on Indigenous and Tribal Peoples (No. 169).	Interim Parliament	Completed
To make civil service more representative of the country's gender and social profile	GoN gazettes the amended Civil Service Act, 1993, securing reservations for women, <i>Dalits</i> , <i>Madhesis</i> , and <i>Janjatis</i> , and backward regions.	Interim Parliament	Completed
	Cabinet approves the Civil Service Regulations, 2007.	Cabinet/MOGA	15 Nov 2007
To improve inclusiveness and equal access to benefits and opportunities	NDC approves the Approach Paper of the Three Year Interim Plan, with inclusive development as one of the pillars, and including a plan for rural infrastructure reconstruction and rehabilitation.	NDC	Completed
	NPC submits the Three-Year Interim Plan to the Cabinet for its approval.	NPC	30 Nov 2007
	GoN gazettes the amended Citizenship Act, conferring citizenship through the mother's citizenship.	Interim Parliament	Completed
	MLD approves time bound action plan for strengthening the universal vital events registration system.	MLD	Completed
	MPPW approves the Interim Guidelines for Enhancing Poverty Reduction Impacts of Road Projects	MPPW	Completed
To ensure development programs reach to disadvantaged communities and the poor.	NPC establishes a task force with TOR to review and refine its prioritization criteria for development programs.	NPC	15 Nov 2007
To mainstream gender issues	MOGA, MOES, and MoAC approve their respective gender strategies.	MOGA/MOES/MOAC	Completed
Improving Inclusive Governance and Decentralization			
To support the decentralization for inclusiveness	The Interim Constitution provides for the establishment of the State Restructuring Commission.	Interim Parliament	Completed
To enhance implementation capacity of DTOs	The Public Service Commission (PSC) advertises vacancies for the technical staffs in all the DTOs.	PSC	30 Nov 2007

To enhance capacity for output, outcome and impact monitoring.	MOF issues a directive to FCGO to undertake public expenditure tracking surveys, on a sample basis, for two sectors a year.	MOF	Completed
	Nepal Administrative Staff College (NASC) approves inclusion of MfDR curriculum in its public sector training programs.	NASC	7 Nov 2007
To improve procurement and financial management	GoN gazettes the Procurement Act, 2007.	Interim Parliament	Completed
	Cabinet approves the Procurement Regulations, 2007.	Cabinet	Completed
	GON establishes the Public Procurement Monitoring Office (PPMO).	Cabinet	Completed
	Cabinet approves the Local Bodies Financial Administration Regulations (LBFAR), including provisions for higher level of authorization for spending at the district level.	Cabinet	15 Nov 2007
	MLD finalizes the time bound training plan for DDCs and DOLIDAR, with budget allocation, on procurement and LBFAR.	MLD	Completed
	MLD finalizes the computerization of all DDC accounts and establishes network between MLD and DDCs.	MLD	Completed
	MLD (i) establishes minimum conditions and performance measures for budget release and resource allocation to DDCs, (ii) approves its district manual, (iii) undertakes orientation programs, and (iv) prepares baseline data to monitor progress in (i).	MLD	Completed
Supporting Rural Infrastructure Development			
To support private sector participation in infrastructure development	NRB approves its monetary policy committing to issue separate regulatory norms for the establishment of an Infrastructure Development Bank	NRB	Completed
	NPC establishes a Task Force with TOR to formulate a comprehensive PPP policy and legislation.	NPC	15 Nov 2007
To improve investment opportunities for Non Resident Nepalis	GON gazettes the Non Resident Nepali Act, 2007, providing investment opportunities, including in infrastructure, for non-resident Nepalis.	Interim Parliament	Completed
	GON submits the Draft Regulations for implementing the NRN Act, 2007, to the Non Resident Nepali Conference scheduled for October 15-17, 2007.	Ministry of Foreign Affairs	Completed
To support rural infrastructure development for disadvantaged communities.	MLD approves the Interim Three Years Strategic Action Plan for Rural Infrastructure.	MLD	Completed
	DOLIDAR revises 'The Approach for the Development of Rural and Agriculture Roads' manual to incorporate poverty and social inclusion issues.	DOLIDAR	Completed
	MLD issues a directive DDCs to use common guidelines for all its infrastructure projects, including on social mobilization and participatory approach, gender sensitization, safeguard policies for indigenous communities and vulnerable groups, and environment.	MLD	Completed
	NPC submits the revised draft National Resettlement Policy to the Cabinet for its approval.	NPC	7 Nov 2007

DDC: District Development Committee; DOLIDAR: Department of Local Infrastructure Development and Agriculture Roads; DPMAS: District Poverty Monitoring and Analysis System; DTO: District Technical Office; DTMP: District Transport Master Plan; FCGO: Financial Comptroller General's Office; GoN: Government of Nepal; LBFAR: Local Bodies Financial Administration Regulations; LSGA: Local Self-Governance Act; MfDR: Managing for Development Results; MLD: Ministry of Local Development; MOAC: Ministry of Agriculture and Cooperatives; MOES: Ministry of Education and Sports; MOF: Ministry of Finance; MOGA: Ministry of General Administration; MPPW: Ministry of Physical Planning and Works; NASC: Nepal Administrative Staff College; NDC: National Development Council; NPC: National Planning Commission; NRB: Nepal Rastra Bank; OPMCM: Office of the Prime Minister and Council of Ministers; PSC: Public Service Commission; RIRR: Rural Infrastructure Reconstruction and Rehabilitation; TOR: Terms of Reference; TYIP: Three Years Interim Plan.

COST OF REFORMS AND FINANCING GAP
(\$'000)

Policy action prior to tranche release	Cost items and activities	4 yrs
Strengthen poverty reduction and inclusive development		
Interim Constitution's guarantee for inclusiveness in the selection of candidates for the Constituent Assembly by political parties.	Dissemination, orientation to politicians and political workers (up to ward level), awareness campaign to general public	8,000
Constituent Assembly Member Electoral Act's provision for allocation of seats to women, <i>Dalits, Madhesis, Janjatis</i> and others.	Disseminating, orientation to politicians, and awareness campaign for the general public	1,675
Ratification of ILO Convention on Indigenous and Tribal Peoples (No. 169)	Dissemination, orientation and awareness, institutional and legislation	2,500
Amended Civil Service Act, 1993 and approval of Civil Service Regulations for inclusive appointment in the vacancies	Dissemination, coaching classes, orientation and other supports	2,800
Approval of the Approach Paper of the Three Year Interim Plan (Plan Layout of NRs.511.4 billion)	Preparation, and dissemination	175
Completion of Three-Year Interim Plan and submits it to the cabinet for approval.	Preparation, Consultation, and Dissemination	1,700
Amended Citizenship Act granting citizenship through the maternal line	Dissemination, orientation, and distribution cost of certificates to the new groups to be covered	1,800
Directive to Registrar and Local Registrars to prepare Action Plan for universal vital events registration system.	Preparation of Action plan, training and orientation, implementation.	12,500
Guidelines for Enhancing Poverty Reduction Impact of Road Projects	Training and orientation, and application	1,650
Task force with TOR to review and refine prioritization criteria for development programs.	Preparation cost of the criteria (including pilot testing) and orientation to the govt bodies	200
MOGA, MOES, and MoAC approve their respective gender strategy	Orientation to the ministry staffs and program development	2,500
Improving Governance and Decentralization		
Provision for State Restructuring Commission.	Staffing, operation cost of the Commission (including consultations and awareness campaigns)	1,400
Staff recruitment for the government and for technical staffs including that for DTOs, and PSC advertisement for the vacant positions	Recruitment cost and salary of the vacant positions	1,725

Public expenditure tracking by instructing FCGO to conduct surveys in two sectors a year	Cost of undertaking the studies	300
Nepal Administrative Staff College's inclusion of MfDR concept and processes in its curriculum	Cost of developing curriculum, reading materials and training session	500
Procurement Act and cabinet approval of procurement regulations	Dissemination and training	650
Establishment of the Public Procurement Monitoring Office (PPMO)	Office operation cost, training and other regular programs.	1,350
Approval of LBFAR and Training plan for DDCs, other district offices, and DOLIDAR on procurement and LBFAR.	Dissemination and training	1,000
Computerization of all DDC accounts and establish network between MLD and DDCs for electronic data transfer	training and hardware and software and running cost	3,800
Minimum conditions and performance measures for budget release and resource allocation	Training, dissemination, and implementation	2,500
Supporting Infrastructure Development		
Separate regulatory norms for the proposed Infrastructure Development Bank.	Preparation, consultation, orientation and operation	350
Task Force with TOR to formulate comprehensive PPP policy and legislation	Preparation and admn cost	350
Non Resident Nepali Act 2007 and Draft regulations to NRN conference (15-17 Oct. 2007)	Preparation and Admn cost	300
Approval of the Interim Strategic Action Plan for Rural Infrastructure.	Preparation cost and program budget	30,000
Revision of 'The Approach for the Development of Rural and Agriculture Roads' to incorporate poverty and social inclusion issues in the identification and prioritization criteria and issue directives to DDCs/DTOs to use it for revising and updating DTMPs	Preparation, dissemination and training, and updating DTMPs	2,000
Common guidelines for all its infrastructure projects, including on social mobilization and participatory approach, gender sensitization, safeguard policies for indigenous communities and vulnerable groups, and environment.	Preparation, dissemination and training	1,800
Submission of the revised Resettlement Policy	Finalization, dissemination and training	1,000
Total		84,525

DESCRIPTION OF INELIGIBLE ITEMS

No withdrawals will be made from the grant account in respect of expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification:

Ineligible Items		
Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, un-manufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ore and concentrates)

(ii) expenditures in the currency of the Recipient or of goods supplied from the territory of the Recipient;

(iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;

(iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(v) expenditures for narcotics;

(vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party [, and any other goods designated as environmentally hazardous by agreement between the Recipient and ADB];² and

(vii) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

² The bracketed clause is to be included only if agreement between the Government and ADB on a list of goods designated as environmentally hazardous for purposes of the grant has been reached and recorded in the agreed minutes of negotiations or a supplemental letter.

SUGGESTED FORMAT FOR QUARTERLY PROGRESS REPORTING

Policy Objective	Policy actions completed prior to tranche release	Progress Status
Enhance Poverty Reduction and Inclusive Development		
To ensure political representation of women and excluded groups	The Parliament promulgates the Interim Constitution guaranteeing inclusiveness in the selection of candidates for the Constituent Assembly.	
	GoN gazettes the Constituent Assembly Member Electoral Act, 2007, including provisions on the allocation of seats to women, <i>Dalits</i> , <i>Madhesis</i> , <i>Janjatis</i> and other disadvantaged groups for 240 electoral seats under the 'Proportional Electoral System'.	
	The Interim Parliament ratifies the ILO Convention on Indigenous and Tribal Peoples (No. 169).	
To make civil service more representative of the country's gender and social profile	GoN gazettes the amended Civil Service Act, 1993, securing reservations for women, <i>Dalits</i> , <i>Madhesis</i> , and <i>Janjatis</i> , and backward regions.	
	Cabinet approves the Civil Service Regulations, 2007.	
To improve inclusiveness and equal access to benefits and opportunities	NDC approves the Approach Paper of the Three Year Interim Plan, with inclusive development as one of the pillars, and including a plan for rural infrastructure reconstruction and rehabilitation.	
	NPC submits the Three-Year Interim Plan to the Cabinet for its approval.	
	GoN gazettes the amended Citizenship Act, conferring citizenship through the mother's citizenship.	
	MLD approves time bound action plan for strengthening the universal vital events registration system.	
	MPPW approves the Interim Guidelines for Enhancing Poverty Reduction Impacts of Road Projects	
To ensure development programs reach to disadvantaged communities and the poor.	NPC establishes a task force with TOR to review and refine its prioritization criteria for development programs.	
To mainstream gender issues	MOGA, MOES, and MoAC approve their respective gender strategies.	
Improving Inclusive Governance and Decentralization		
To support the decentralization for inclusiveness	The Interim Constitution provides for the establishment of the State Restructuring Commission.	
To enhance implementation capacity of DTOs	The Public Service Commission (PSC) advertises vacancies for the technical staffs in all the DTOs.	
To enhance capacity for output, outcome and impact monitoring.	MOF issues a directive to FCGO to undertake public expenditure tracking surveys, on a sample basis, for two sectors a year.	

	Nepal Administrative Staff College (NASC) approves inclusion of MfDR curriculum in its public sector training programs.	
To improve procurement and financial management	GoN gazettes the Procurement Act, 2007.	
	Cabinet approves the Procurement Regulations, 2007.	
	GON establishes the Public Procurement Monitoring Office (PPMO).	
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To support private sector participation in infrastructure development	NRB approves its monetary policy committing to issue separate regulatory norms for the establishment of an Infrastructure Development Bank	
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To improve investment opportunities for Non Resident Nepalis	GON gazettes the Non Resident Nepali Act, 2007, providing investment opportunities, including in infrastructure, for non-resident Nepalis.	
	GON submits the Draft Regulations for implementing the NRN Act, 2007, to the Non Resident Nepali Conference scheduled for October 15-17, 2007.	
To support rural infrastructure development for disadvantaged communities.	MLD approves the Interim Three Years Strategic Action Plan for Rural Infrastructure.	
	DOLIDAR revises 'The Approach for the Development of Rural and Agriculture Roads' manual to incorporate poverty and social inclusion issues.	
	MLD issues a directive DDCs to use common guidelines for all its infrastructure projects, including on social mobilization and participatory approach, gender sensitization, safeguard policies for indigenous communities and vulnerable groups, and environment.	
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SAMPLE AUDIT LETTER

Date

Secretary
Ministry of Finance

Dear Sir:

Subject: Rural Reconstruction and Rehabilitation Sector Development Program

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Financial Reporting and Auditing of Projects Financed by ADB* (the Booklet) is enclosed to guide you.

ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes for which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

For this particular loan, the requirements are stipulated in Section 2.09 of the Grant Agreement. Copies of the Agreements are enclosed for onward transmission by your office Ministry of Finance together with a copy of this letter.

The following are the main requirements:

- The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.
 - ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by _____ from international accounting standards.
- Please ensure that your external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. Your external auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.
 - ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are use, request that your external auditor to indicate in the Auditor's Report the extent of any differences and their impact on the audit.
- The external auditor's opinion is also required on whether
 - The proceeds of the ADB's grant have been utilized only for the project as stated in the Project Agreement;

- The financial information complies with relevant regulations and statutory requirements; and
 - Compliance has been met with all the financial covenants contained in the Loan or Project Agreements.
- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
 - Actions on deficiencies disclosed by the external auditor in its report are to be resolved by MOF within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by MOF.

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Paul J. Heytens
Country Director, NRM

MAJOR COVENANTS

Covenants	Reference in Project Grant Agreement	Status of Compliance/Progress
Sector Covenants		
1. The Recipient shall keep ADB informed of, and the Recipient and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms during the Program period that may be considered necessary or desirable, including the progress made in carrying out the Program.	Schedule 4, para. 3	
2. The Recipient shall engage in policy dialogue with ADB, in a timely manner, on problems and constraints encountered during the Program implementation and on desirable changes to overcome or mitigate such problems and constraints.	Schedule 4, para. 4	
3. The Recipient shall keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take ADB's views into consideration before finalizing and implementing any such proposals.	Schedule 4, para. 5	
Financial Covenants		
1. Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Recipient shall open an account (the "Deposit Account") at Nepal Rastra Bank into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.	Schedule 2, para. 4a	
2. Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Recipient shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.	Schedule 2, para. 4b	
3. The Recipient shall ensure that the Counterpart Funds shall be used to support the costs associated with the implementation of the reform package set out in the Policy Matrix and to RRRSDP-related activities.	Schedule 2, para. 6	
Others		
1. MOF shall be the Program Executing Agency responsible for coordinating all policy, legal and regulatory actions. The MOF shall ensure that the policy reforms set out in the Policy Letter shall be duly carried out in a timely manner. In particular, the MOF shall ensure that provisions for reporting, monitoring and auditing and other administrative requirements shall be strictly complied with. The Program Grant shall support part of the Government's budgetary requirements to undertake post conflict development priorities as specified in the Government's Three Year Interim Plan (2008-2010).	Schedule 4, para. 1	

<p>2. The Recipient shall: (a) ensure that the objectives achieved, policies adopted, and actions taken prior to the date of this Grant Agreement, as set forth in the Policy Letter, shall continue to be in full force and effect for the duration of the Program period and subsequently; (b) carry out the policies and actions in accordance with the schedule of policy reforms contained in the Policy Matrix and ensure sustainability of the reforms beyond the Program period; and (c) carry out all of its obligations as stipulated under this Schedule and the Grant Agreement, in a timely manner.</p>	<p>Schedule 4, para. 2</p>	
<p>3. The Recipient shall ensure that all action plans developed as a result of the Policy Matrix shall be fully implemented by the end of the Program period.</p>	<p>Schedule 4, para. 7</p>	
<p>4. The MOF shall monitor and report to ADB the implementation of policy actions set out in the Policy Matrix and its impact on inclusive development, good governance and improved service delivery, in line with the program impact and outcome indicators agreed upon ADB and the Recipient.</p>	<p>Schedule 4, para. 9</p>	