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LEARNING BY DOING:
THE NEPAL RESULTS-BASED COUNTRY
STRATEGY AND PROGRAM

– A Pilot for Achieving Country Outcomes

FOREWORD

Governments and organizations such as Asian Development Bank around the world are seeking to become more result oriented as they strive to better meet the expectations of their stakeholders. ADB's commitment to producing results is strongly stated in its Reform Agenda and the Enhanced Poverty Reduction and Strategy.

In 2004, ADB piloted its first Results-Based Country Strategy and Program (RB-CSP) in Nepal, to better align its strategies and programs with the development priorities expressed in Nepal's National Poverty Reduction Strategy. While it may be too early to fully assess the benefits of the RB-CSP, it is clear that this can be a powerful planning and management tool for results management, offering opportunities for greater alignment with country outcomes, selectivity and harmonization. Perhaps the most important benefit of the process is the ability to promote learning by doing and to engender accountability for learning from results. The lesson note reveals that there is no blueprint for RB-CSPs. Rather, the note focuses on the results approach with its good practices, lessons from experience, and practical responses for consideration by results management practitioners.

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It is our hope that this note will become the basis for the on-going documentation of lessons and will be a "living document" that may grow over time by incorporating new experience. In this way, the note will provide practical guidance to the planning, designing, and implementing of RB-CSPs.



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ABBREVIATIONS

ADB	--	Asian Development Bank
CAPE	--	country assistance program evaluation
CAS	--	country assistance strategy
CBO	--	community based organization
CPA	--	country poverty analysis
CPRM	--	country portfolio review mission
CSP	--	country strategy and program
CSPU	--	country strategy and program update
DFID	--	U.K. Department of International Development
DMC	--	developing member country
GDP	--	Gross Domestic Product
HDI	--	Human Development Index
M&E	--	Monitoring and Evaluation
MDG	--	Millennium Development Goals
MfDR	--	Managing for Development Results
MOF	--	Ministry of Finance
MTEF	--	Midterm Expenditure Framework
NGO	--	nongovernmental organization
NDF	--	Nepal Development Forum
NPC	--	National Planning Commission
NPRS	--	National Poverty Reduction Strategy
NRM	--	Nepal Resident Mission
OECD-	--	Development Assistance Committee of the Organization for
DAC		Economic Cooperation and Development
PMAS	--	Poverty Monitoring and Analysis System
PRS	--	Poverty Reduction Strategy
PRSP	--	Poverty Reduction Strategy Paper
RB-CSP	--	results-based country strategy and program
RM	--	resident mission
SARD	--	South Asia Department
SMART	--	Simple, measurable, achievable, realistic and timebound
SPRU	--	Results Unit, Strategy and Policy Department
TA	--	technical assistance

This paper uses the definitions of those terms set out in the *“OECD Glossary of Key Terms in Evaluation and Results Based Management”*.

GLOSSARY OF TERMS

Based on OECD-DAC Glossary,¹ the following definitions are developed for key terms used in Results-Based Country Strategy and Programs:

Country Development Goals	higher-order long-term development (i.e., 10-15 years) objectives identified by the country, to which development interventions are intended to contribute
CSP Outcomes	medium-term (i.e., 5 years) development objectives which CSP will contribute to achieve during the CSP period
Inputs	the financial, human, and material resources used for the development intervention
Milestones (or tracking indicators, intermediate indicators)	actions, processes, outputs, development interventions that help monitor implementation towards achieving CSP outcomes
Outputs	the products, capital goods, and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes
Performance monitoring	a continuous process of collecting and analyzing data to compare how well development interventions are being implemented against CSP outcomes
Results chain	the casual sequence for development interventions that stipulates the necessary sequence to achieve intended CSP outcomes – beginning with inputs, ² moving through outputs, and culminating in outcomes, impacts, and feedback

¹ OECD. *Glossary of Key Terms in Evaluation and Results Based Management*. Development Assistance Committee 2002.

² In the case of country level results chain, bundles of inputs and outputs from various interventions will collectively contribute to achieving results.

EXECUTIVE SUMMARY

A. Overview

Asian Development Bank's (ADB) commitment to a greater results orientation is evidenced in its Reform Agenda, and the Enhanced Poverty Reduction Strategy (PRS) which mandates setting up a results management unit to mainstream managing for development results (MfDR), adopting a human resources strategy to align operational processes/procedures with results, improving support to capacity development in developing member countries (DMCs), and working in partnership with other donors toward improved development effectiveness. Results-based CSPs (RB-CSPs) reflect this shift to a focus on results and are intended to contribute to the achievement of national development goals. These CSPs incorporate results frameworks that sketch out the intrinsic logic, linking constraints to poverty reduction with desired outputs and expected outcomes. Country's monitoring and evaluation systems will be strengthened to monitor progress toward results at the country, sector and institutional levels.

In 2004, ADB piloted its first RB-CSP in Nepal. With this, ADB set out to improve the development effectiveness of its operations in line with its MfDR agenda. Several other RB-CSPs are now in early stages of implementation including Bangladesh, Bhutan, Cambodia, Mongolia, and Philippines. It is hoped that this new generation of CSPs will benefit from the lessons of Nepal.

B. The Benefits

The RB-CSP is designed to improve development effectiveness in DMCs over the long run and impact ADB operations by applying a results orientation to the planning, monitoring and evaluation (M&E) process. While it is too soon to fully assess the benefits of the RB-CSP, it is already clear that if the RB-CSP (with the results framework embedded in it) is used as a planning and management tool, then it will strengthen alignment, selectivity and partnership; contribute to country M&E systems; develop capacity through learning by doing; put results at the center of the process; and contribute to getting the sequencing right – so that strategy drives programming.

C. The Challenges

There is no one-size-fits-all approach to results management, and no blueprint for preparing RB-CSPs. ADB's experience highlights some of the key challenges in preparing RB-CSPs. The most noteworthy of these are the burden of too many requirements, identifying CSP outcomes, and linking interventions to CSP outcomes.

The challenges of implementing the RB-CSP stem from two overarching objectives: (i) establishing in-country capacity for results management, and (ii) applying a results approach in the broader organizational and institutional context and using it as a management tool. The Nepal experience shows that overcoming the hurdles to achieve these objectives requires sustained leadership at all levels, a supportive culture of results, and appropriate incentive system. Addressing this now and in the future is critical for the success of ADB's MfDR agenda.

D. Some Key Lessons of Experience Include:

1. **Start with a results orientation to get the diagnostics right.** The RM and country team asked the critical question, “are we doing the right things?” This was the key to opening the dialogue and allowing ADB to analyze Nepal’s development context in depth.
2. **Strong leadership from the Country Director and within the Government is critical for overcoming skepticism from the start.** The Country Director plays a key role by inspiring the country team and resident mission and also in helping to dispel the initial skepticism that may go along with adopting a results approach. The preparation and implementation of the RB-CSP requires the full cooperation and commitment of the country team and the RM, as well as a strong and enduring partnership with the Government. The Country Director must therefore be a champion for results-based country programming, together with senior government officials.
3. **Align program assistance and program cycle with the Government’s plan.** There is a good deal to be gained in terms of sharing perspectives on policymaking and planning, and potential efficiencies in jointly conducted analysis, assessments and consultations, as well as the selection and monitoring of indicators.
4. **Find a way to streamline the process.** With the experience of this pilot, ADB should now be in a better position to guide the preparation of RB-CSPs with greater efficiency in the future. For example, better coordinating the start date and sequencing of the country poverty assessment (CPA) and the Country Assistance Program Evaluation (CAPE) would likely improve the quality and usefulness of these diagnostic tools and may reduce the need for some thematic assessments prepared separately for the CSP. It is worth exploring other ways of reducing the heavy burden of the assessment and analysis that goes into the RB-CSP preparation.
5. **Don’t get stuck on measurement – combine qualitative and quantitative indicators – be pragmatic.** A key finding of the RB-CSP Nepal Pilot is that measurement may be less important than the strategic management process (which is a learning process) and dialogue that are key elements of preparing and operationalizing the RB-CSP. This is about moving beyond strict accountability toward using results information for decision-making. At Nepal Resident Mission (NRM), staff are trying to think through and demonstrate how they contribute to results.

E. Conclusion

Over the last several years the Nepal Government has taken significant steps to push its results-based development agenda (e.g., by undertaking a results-based national poverty reduction strategy, implementing a medium term expenditure framework, as well as results monitoring and reporting system). ADB and other donors have supported this. The RB-CSP raises the expectation of results management in Nepal and this, in turn, will require enhanced planning, monitoring, reporting, and evaluation capacities within the Government and NRM.

I. INTRODUCTION AND MANAGING FOR RESULTS

A. Introduction

1. The purpose of this note is to provide practical lessons to regional departments, resident missions (RMs), country teams, governments, and consultants on planning, designing, and implementing results-based country strategy and programs (RB-CSPs). In 2004, ADB piloted its first RB-CSP in Nepal. With this, ADB set out to improve the development effectiveness of its operations in line with its Managing for Development Results (MfDR) agenda, Reform Agenda, and Enhanced Poverty Reduction Strategy (PRS).³ Several other RB-CSPs are now in early stages of implementation including Bangladesh, Bhutan, Cambodia, Mongolia, and Philippines. It is hoped that this new generation of CSPs will benefit from the lessons of Nepal.

2. Nepal was selected for the pilot RB-CSP because of strong support for the initiative from the South Asia Department (SARD) (Office of the Director General), and His Majesty's Government of Nepal (the Government), and a receptive Nepal Country Director and Country Team (see section II A, para. 11). This experience illustrates what it takes to prepare a RB-CSP for the first time, and how this was operationalized in a difficult development context. The note seeks to capture (i) the fullness and complexity of the process; (ii) the importance of strong leadership and vision for establishing a results orientation; and (iii) the challenges of building ownership for the results approach – from country readiness and alignment of goals to support for longer-term capacity development. The note will identify key challenges and good practices and look at the benefits of the RB-CSP.

3. The RB-CSP now being implemented in Nepal is more than business as usual. It charts a bold course, with a strategy and program that addresses the root causes of widespread poverty and growing discontent. It adopts pragmatic and constructive engagement to support broad-based economic growth, inclusive social development, and good governance.

B. Structure of this Report

4. The report is divided into six main sections, supported by Appendixes and additional information. Section I provides a brief Introduction with references to the established principles and practices of MfDR⁴; section II describes how the situation in Nepal at the time of the pilot influenced the introduction of the results management approach, and how ADB responded in the RB-CSP process; section III discusses the benefits of the RB-CSP in Nepal, and how it is different from ADB's previous CSP⁵; section IV describes the challenges addressed in preparing the RB-CSP; section V describes the challenges addressed in operationalizing the RB-CSP; and section VI sets out the conclusion and lessons from these experiences.

C. Results Management: A Paradigm Shift

5. Development practitioners have always considered performance indicators such as kilometers of road built and number of schools constructed. However, in recent years many

³ ADB.2004. Enhancing the Fight Against Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank. Manila.

⁴ See DAC Working Party on Aid Effectiveness and Donor Practices Joint Venture on Managing for Development Results. 2005. *Managing for Development Results Principles in Action: Sourcebook on Emerging Good Practices*. Paris. For the purposes of this Lesson Note, MfDR will be referred to as Results Management.

⁵ In 1999, ADB prepared a Country Operation's Strategy (COS). The CSP has been introduced after this.

developing countries and their development partners have begun to look for impacts on the lives of beneficiaries and to follow the example of some developed country governments in adopting results-oriented planning and management approach. A key event in promoting this new thinking was the United Nations Conference on Financing for Development held in Monterrey, Mexico in 2002. The meeting achieved a broad-based consensus for a new global partnership linking the availability of increased aid and trade from developed countries to greater ownership of sound policies and good governance by developing countries in pursuit of poverty reduction.⁶

6. The Monterrey Consensus highlighted the importance of performance measurement and greater aid effectiveness and focused on achieving impact by aligning development partner goals with national poverty reduction strategies and contributing to global development objectives, such as the Millennium Development Goals (MDGs).⁷ By necessity, this requires greater donor harmonization and a country-driven orientation. The Marrakech Roundtable on Development Results (2004) went on to define the core principles of MfDR, and the Rome (2003) and Paris (2005) declarations contributed practical tools for harmonizing and aligning development assistance toward furthering these goals.⁸ These principles and practices continue to evolve as governments and their development partners collaborate to achieve poverty reduction results and enhance sustainable and equitable economic growth. For many development practitioners, this has meant a retooling of the development agenda, the reform of aid practices, and a transformation to new standards of performance management, monitoring and evaluation. For ADB and its development partners, this has brought changes in products, institutional arrangements, methods and processes. Practitioners have been asked to adopt a new more flexible mindset open to changing expectations and to developing new skills and capabilities.⁹

7. ADB's commitment to greater results orientation is strongly stated in its Reform Agenda, and the Enhanced PRS¹⁰ which includes setting up a results management unit to mainstream MfDR, adopting a human resources strategy to align operational processes/procedures with results, improving support to capacity development in developing member countries (DMCs) and working in partnership with other donors toward improved development effectiveness. RB-CSPs reflect this shift to a focus on results and enhanced development effectiveness by supporting the priorities of national poverty reduction strategies with loans, technical assistance and policy dialogue. These CSPs adopt results frameworks which provide an intrinsic logic, linking constraints to poverty reduction with the desired outputs and expected outcomes. Country monitoring and evaluation systems should be strengthened to monitor the progress toward results at the country, sector and institutional levels. Some of the questions typically raised as part of this process include:

- What are the DMC's strategic development goals to which ADB's interventions are

⁶ Picciotto, R. 2002. *Development Cooperation and Performance Evaluation: The Monterrey Challenge*. Washington,DC: World Bank.

⁷ In January 2000, 189 United Nations member countries came together and agreed to make significant progress toward poverty reduction and improved sustainable development, by the year 2015. Their commitment to achieving results in poverty reduction is reflected in 8 Millennium Development Goals, with 18 targets and 48 performance indicators. The MDG's now serve to provide specific measurable targets for countries, and provide a basis for tracking progress in country outcomes, and more broadly in development effectiveness.

⁸ Excerpts from the MfDR Sourcebook are attached to this report.

⁹ Picciotto, R. 2002. *Development Cooperation and Performance Evaluation: The Monterrey Challenge*. Washington, DC: World Bank.

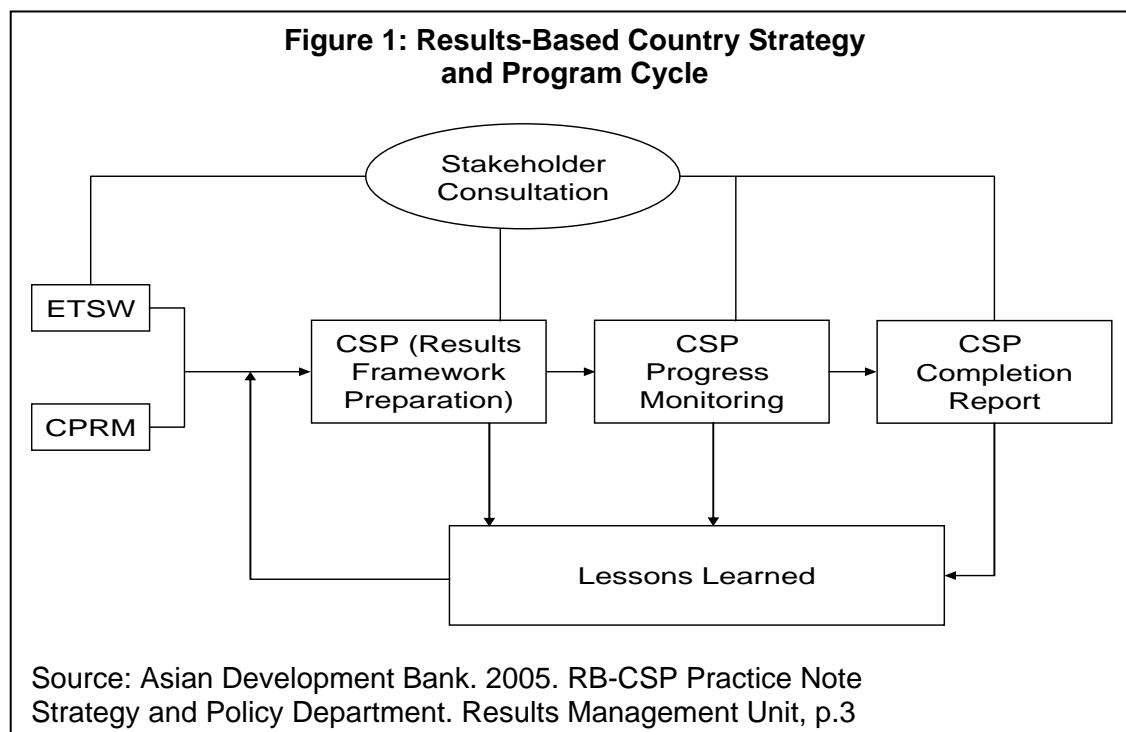
¹⁰ ADB.2004. *Enhancing the Fight Against Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

expected to contribute?

- What are the key development challenges and issues that need to be addressed in order to achieve the selected development goals?
- What are the key development outcomes that will benefit most from ADB's assistance during the CSP, combined with the efforts of the Government and other development partners?
- What key actions, processes, policy changes and development interventions will help us achieve these key development outcomes?
- What new and on-going, lending and non-lending, activities contribute to achieving ADB's intended CSP outcomes?
- What risks exist that are beyond the scope of the CSP, and may affect its implementation?
- What risk mitigation process will the RB-CSP employ?
- What assumptions anchor the RB-CSP?

D. The Proposed RB-CSP Cycle

8. Ideally, the RB-CSP cycle is marked by a preparation stage (described in depth in Section IIB), a monitoring stage (when implementation is carried out along with adjustments to the design), and a completion stage (a period of internal assessment and documentation of lessons). The RB-CSP cycle (figure 1) is a dynamic process, incorporating continuous learning with fine-tuning in response to a changing development environment. As the first pilot, the Nepal CSP will help establish the proposed cycle in ADB through learning by doing.



E. The Nepal RB-CSP

9. The Nepal RB-CSP, approved in October 2004, was the first to adopt this new approach.¹¹ Aligned with Nepal's results-oriented Tenth Plan, or Poverty Reduction Strategy Paper (PRSP), the Nepal country team adopted a results orientation from the start by (i) rigorously assessing the development priorities of the Government, and (ii) selecting country outcomes to which ADB expected to contribute during the CSP time framework (see Box 1).¹²

10. This was facilitated by the use of a results framework.¹³ The process required the country team and the Government to first analyze and sketch out the cause-and-effect linkages between country-level development goals and outcomes expected to be contributed by the CSP, and ADB supported interventions and partnerships, to create a development story or theory of change for ADB's CSP, as will be described in more detail in Section II. Nepal country team members have remarked that this process yielded the strategic thinking that was the key to opening the dialogue with Government and development partners. One member of the country team opined: "if we had not piloted the RB-CSP, we would have missed out on the hard thinking required to address Nepal's difficult situation".

¹¹ For a more complete definition see ADB's Practice Note on Results-Based Country Strategies and Programs, September 2005, and see www.adb.org/mfdr

¹² Ra, S. 2005. Results Matter Newsletter: Implementing a RB-CSP: The Nepal Experience. Manila: ADB.

¹³ See attached Matrix 1.

Box 1: The Nepal RB-CSP: What Makes it Results Based?

- A. Started with a results orientation from the diagnostic level
 - Examined what had been achieved, and what had not, and asked why?
- B. Assessed the country development context and devised a strategy for continuous engagement.
 - Took an in-depth look at the conflict and political instability
 - Made inclusive development the main strategic thrust
- C. Undertook extensive broad-based consultations
 - Identified what results were desired
 - Positioned ADB to complement development assistance of partners.
- D. Took lessons from self assessment and the CAPE
 - To better understand what does contribute to the desired results and what does not.
- E. Matched Government development objectives with ADB's
 - In areas where ADB could and should make a meaningful contribution
- F. Sketched out a results framework in each key area:
 - Determined what results ADB expected to contribute to
 - Consolidated the RB-CSP Results Frameworks
 - Defined indicators that could be tracked, and provide feedback
- G. Restructured the Assistance Program
 - Asked if we could get these results out of ongoing and proposed investments?
 - Conducted spring-cleaning exercises and restructured the program to align with intended results
- H. Assessed Government's M & E capacity
 - Identified gaps where support was needed.
 - Defined M&E in terms of ability to monitor for key results
- I. Recognized that a results framework is more a planning and management tool than an accountability framework.

II. NEPAL'S SITUATION AND THE PROCESS OF PILOTING THE RB-CSP

A. How Nepal's Situation Influenced the Introduction of the RB-CSP

11. At ADB, it was the initiative of SARD management, with SPRU support, that propelled the pilot, while several factors contributed to Nepal's own readiness for a results-based approach to the CSP. Political instability chipped away at Government's base of support and pressured its leaders to show results on the ground for its poverty reduction strategy. The growing conflict beyond the Kathmandu Valley made broad-based stakeholder consultations an important means of airing the concerns and interests of grass-roots groups and perhaps the only viable means of gaining credibility for country program planning. Furthermore, Nepal's poor economic performance and its high level of persistent poverty heightened the need to more effectively use donor assistance. Both ADB and the Government saw the RB-CSP as an opportunity for change, to show better results, with the Government taking the lead. ADB also saw this as an opportunity to address the fundamental causes of the conflict and political instability. A brief situation analysis is presented in Appendix 4 and further details are offered below on how Nepal's specific situation influenced the decision to introduce a RB-CSP.

1. Conflict and Political Instability

12. Since the restoration of democracy in 1991, the Nepal Government has been burdened by intra and inter-party fighting and changes in regime (13 governments in 13 years). This complex political environment of competing interests with the Palace, Government, political parties, and the Communist Party of Nepal (Maoists) vying for power and control has severely tested the Government's commitment to meeting the development needs of its people.

13. A growing insurgency has adversely affected Nepal's economy since 1996, killing over 12,000 people, and displacing 300,000-400,000 rural families. This cost the Government an estimated \$400 million in damages to infrastructure; lost economic and business opportunities brought on by insecurity and Bandhs (strikes); a drop in tourism; disruptions in transport and other services; withdrawal of financial institutions from the rural areas; lost livelihoods and lost childhoods (700 private schools closed).¹⁴

14. ADB's CSP was predicated on a realization that the conflict and political instability stemmed from fundamental inequalities that undermined the country's development and were untenable. Addressing this was considered vital to improving quality of life and achieving a lasting solution to the conflict. The RB-CSP set out to break the vicious cycles of social exclusion, chronic poverty, and low growth by making the development process more broad-based and inclusive. In response to growing political unrest, Government and its development partners set out to show quick results and demonstrate the benefits of Government's Tenth Plan in areas beyond Kathmandu where Nepal's poor and disadvantaged are concentrated. ADB's Nepal country team developed conflict sensitive approaches through a set of implementation guidelines,¹⁵ which accompanied the RB-CSP, see Box 7. Some early progress is shown in Box 2. ADB's RB-CSP also built on sound conflict and political assessments, within the diagnostics.

¹⁴ For more details see ADB Nepal CSP, p. 2 and Ra, S. and B. Singh, 2005. *Measuring the Economic Costs of the Conflict*, NRM Working Paper Series: Kathmandu. No. 2. Manila: ADB.

¹⁵ ADB. 2004. Implementation Guidelines for the Nepal CSP. Kathmandu

Box 2: Addressing the Conflict by Making the Development Process More Inclusive

Poverty and inequality in Nepal remain concentrated among the rural poor. Women and disadvantaged caste-based and ethnic groups have limited access to productive opportunities, basic social services, and social safety nets. However, recently, there has been some progress in mainstreaming gender, ethnicity and caste concerns. The percentage of women in the civil service increased from 8% in 2004 to 10% in 2005. The Government has shown greater willingness to mainstream issues of gender, ethnicity and caste into project design and implementation. The Government has also initiated a gender responsive budget system for 2006, initiated gender auditing of selected district periodic plans, and introduced an incentive system to encourage the private sector to recruit more women. The recently promulgated Civil Service Ordinance, 2005, supported under ADB's Governance Reform Program (GRP) provides for increased representation of women, ethnic groups, and disadvantaged castes in the civil service.

ADB will continue to assist the Government to address gender, ethnic and caste discrimination by supporting inclusive public policies, mainstreaming antidiscrimination measures in ADB supported projects and reform programs, and strengthening institutional capacity to promote social inclusion.

Source: Asian Development Bank. 2005. Nepal: Recent Political and Economic Developments, and Country Operations

2. Deteriorating Economy

15. Nepal's per capita GDP was \$289 in 2005. In 2004 it ranked 140 out of 177 in the United Nations' Human Development Index (HDI),¹⁶ second from the bottom of South Asian countries. In 2002, 82 percent of the population lived on income below the international poverty comparator of US\$2.00 per day.¹⁷

16. Nepal's economy has recovered modestly since 2002,¹⁸ but its economic performance remains far below what it achieved in the 1990s when it grew at an annual rate of about 5 percent. This and its recent gains in fighting poverty belie the country's challenges for medium- to long-term economic growth and poverty reduction (see Appendix 4). A deteriorating foreign investment climate and low level of capital expenditure in recent years have made it difficult for Nepal to finance its development needs. External assistance finances two thirds of the fiscal deficit. A slowdown in economic reforms over the past year, political uncertainty and the lack of credible progress toward restoring peace and stability have undermined Nepal's ability to mobilize resources.¹⁹ This difficult situation pressured the Government and donors to work together to better manage for results.

3. ADB's Poor Portfolio Performance (2002-2004)

17. At the time the RB-CSP was introduced in late 2003, ADB's portfolio performance was declining. This resulted from a combination of factors — conflict and political instability, frequent changes of project staff, and delayed decision making. From 2002 to 2004 the contract awards ratio was consistently below that of the ADB-wide ratio. In 2002 it was roughly 20 percent below this. Disbursement rates remained below 10 percent from 2002, and net resource transfers were trending downward, declining sharply to \$17.3 million in 2004. The shift to a RB-CSP made it imperative to address the declining portfolio indicators. Its design opened the door to

¹⁶ United Nations. 2004. Human Development Report: Human Development Index. New York

¹⁷ Nepal Country Strategy and Program (2005-2009), p.83, as cited by the United Nations Development Programme (UNDP). New York

¹⁸ GDP growth in FY2004 of 3.3%, was up from 2.9% in 2003, and -0.4 in 2002.

¹⁹ ADB. 2005. *Economic Development Outlook*. Manila

restructuring the portfolio, suggesting a need for greater selectivity and focus on areas where ADB had comparative advantage and a good performance record²⁰ (see para. 25, Section III).

4. Government Support for Results Management

18. It is well accepted that any initiative imposed on an unwilling constituency will at best prove unsustainable;²¹ therefore, government ownership is key. The Nepal country team and the Nepal Resident Mission (NRM) knew that for a successful results management initiative to work it would have to be based on initiatives, and mechanisms that already existed and made sense in Nepal's national context – and there would have to be commitment and leadership from the country's policymakers. Fortunately, the National Planning Commission (NPC), a strong partner and early mover²² in results management, saw the value and opportunity in linking the priorities and goals of its results-oriented Tenth Plan/PRSP and monitoring framework, prepared in 2002, with ADB's results management approach. Since the basic elements for results management were in place, they welcomed ADB's introduction of the RB-CSP. The Government's foundation in core institutional, planning/budgeting, and monitoring mechanisms, provided the basic elements needed for results management and an environment for good collaboration (see Box 3), which included

- A Results-Oriented PRSP/Tenth Plan,
- A Successfully Implemented Medium Term Expenditure Framework (MTEF)
- Immediate Action Plan- to link the Tenth Plan to the short term reform agenda
- Sector Business Plans and Procedures— to set priorities, formulate objectives, identify resource needs, identify targets, set timeframes and define risks.²³

Box 3: ADB's Assessment of the Government's Results Management Capacity in M&E

An assessment of the Government's monitoring and evaluation capacity conducted by SPRU, provides a useful overview of the institutional framework in place at the time the RB-CSP was introduced and also indicates Government's significant commitment to results management at the time. However, it also points out inadequacies in public sector decision making, in the procedures for monitoring poverty reduction, and in the poverty database itself, and raised questions about the quality of data being reported, and more important- on how to make full use of available results information to foster learning and better inform the decision-making of practitioners and policymakers. In addition some of the remaining obstacles to results management identified were: security on the ground, limited computer access, and the narrow base of capacity for results management within the line ministries, particularly at the district office level. This is discussed further in Section IV of this note. The findings were incorporated in Nepal's RB-CSP. The challenges of capacity development have been addressed through regional and country-specific technical assistance programs currently under development, see Section V.

²⁰ ADB. 2006. Portfolio Management Strategy Paper, January. Kathmandu, January .

²¹ ADB. 2005. Country-Level Capacity for Results-based Management (RBM) A Proposed Rapid Assessment Instrument, p.6, Manila.

²² Nepal was one of four countries to participate in the Combined Meeting of the MfDR Sourcebook Review Panel and Early Movers on the MfDR Mutual Learning Initiative, Ottawa, Canada, October 2005

²³ Bastoe, P. 2005. BTOR, Mission to Nepal, 14 June.

B. How ADB Responded in the RB-CSP Process

“If there was a champion it was the Country Director of the Nepal Resident Mission, he did not accept the given situation as the perceived wisdom, instead he was willing to ask what was still needed and why?” - Country Team Member

19. ADB treated the complex situation as an opportunity to address the fundamental problems contributing to poverty and social exclusion that had long hindered development in Nepal. By all accounts preparing the pilot RB-CSP required learning by doing. The process began with a planning retreat (in mid-2003) led by the Country Director, and a high-level policy dialogue during a visit by the Director General of the South Asia Regional Department (in June 2003). This was followed by a series of stocktaking exercises and a RB-CSP-initiating paper. Based on initial consultations, the decision to adopt a RB-CSP was confirmed with the understanding that it could better meet the expressed needs of beneficiaries and align the CSP with the Government’s poverty reduction strategies and priorities, as expressed in the Tenth Plan.

20. In mid-2003, the country team and NRM set out to hold a forward-looking planning retreat, led by the Country Director to discuss and review the previous country strategy and program. The retreat would examine which projects were working and which were not, and take stock of sector performance. Instead of quickly coming up with a plan to move forward, the group found itself caught in retrospection. They wanted to know why, if their projects were going well were so many people still living in poverty? Why was the country in conflict? Did stakeholders benefit from ADB’s last CSP? How well did ADB understand the context? There was an apparent disconnect in trying to link results at the project level, with sector-level results and the situation at the national level. While ADB’s energy projects appeared to be achieving project-level results, overall sector performance was troubled. Although many of ADB’s project outputs were being achieved, poverty incidence at the national level remained high. So, with the NRM taking the lead, the country team asked – if they were aiming for the right results? What country outcomes should ADB set out to achieve in order to have an impact on poverty reduction? What indicators should ADB monitor along the way, and later evaluate, to ensure it was on track?

21. The country team and NRM used participatory stakeholder consultations (at the local level) early in the preparatory process to find out what results beneficiaries and stakeholders wanted to see on the ground and what ideas for solutions they had. The process began in December 2003, as described in some detail in Box 4, and after this the country team leader led the development of the CSP by first sketching out a skeleton of a results framework to identify the key development challenges and desired results. Then began the process of selecting priority sectors that would ensure the program’s alignment to accomplish these results, taking into account ADB’s current program, its comparative advantage, and what ADB would need to do to achieve the desired outcomes over the next 5 years, in terms of program strategy. This was sketched out in the early preparation stage before the process moved on to look at detailed interventions.²⁴ Technical advice/support in results management was provided by SPRU to help develop the results framework along with indicators for monitoring progress and improving project and program management along the way.²⁵

²⁴ ADB. 2005. Technical Note on Preparation of a Results-Based CSP. October 25.

²⁵ Subsequently, SARD has formed an internal results unit to support resident missions in the implementation of managing for results at project and program levels, including in the process of preparing a CSP. COSO now offers Capacity Development support in this area with respect to preparing project design and monitoring frameworks.

22. With this approach the NRM recognized that society at the grass-roots level could play an important role in legitimizing information and plans. By disseminating its publication *Voices from the Fields* through the district offices, the NRM used this approach to accomplish greater transparency and gain credibility for its CSP.

23. The step-by-step process of preparing the RB-CSP is summarized in Appendix 1. While there is no real blue print for RB-CSPs, the table outlines the main components of the process. In the case of the Nepal CSP, the preparatory stage took approximately 14 months.

Box 4: Stakeholder Consultations in Response to the Conflict
– *Voices from the Field*

In December 2003, the Nepal Country Team organized consultations across five regions, conducting parallel discussions across the country, including members of different castes and women representatives from several ethnic groups, over approximately 1 month.

The first step in the process was stakeholder identification. About 120 participants took part, representing women's groups, ethnic groups, and Dalit organizations, trade unions, bar associations, municipal leaders, NGOs, the press, unions, local governments, private sector and the Ministry of Finance¹. Participants were asked to share views on the causes of poverty and to recommend poverty reduction measures; to assess the development needs of the regions and to list risks and opportunities. Their recommendations served as the basis for the results-based country strategy and program. While participants identified education as the best hope for a better future, they identified political instability and security as the main constraint to achieving this. They also agreed that development could make progress even in a conflict setting, as long as it built on local participation and responded to the needs expressed by the community.

One message was clear: people wanted opportunity. For example, small farmers in the Eastern and Central Regions asked for more accessible milk collection centers. In times of overcapacity farmers were forced to choose between selling at a low price, or consuming their products. In urban centers, participants sought vocational training to boost livelihood skills and improve employability. In Biratnagar and Birgunj, where industries rely on Indian workers because of shortages of skilled workers, overwhelmingly, participants asked for connectivity—by roads, air, and rural telecommunication links. Roads and telephones were declared priorities, since they not only link children to schools and farms to markets, but also bring development practitioners to the communities they serve.

Findings from the local consultations were collected by the NRM and published in a booklet entitled, *Voices from the Field*, translated into Nepalese, and disseminated through district development committees to provide stakeholders and beneficiaries with some country strategy and program background.

III. BENEFITS OF THE RB-CSP: HOW IT IS DIFFERENT?

24. The RB-CSP is designed to improve development effectiveness in DMCs over the long run and impact ADB operations by applying a results orientation to the planning, monitoring and evaluation (M&E) process. While it is too soon to fully assess the benefits of the RB-CSP, many are already apparent. It is clear that if the RB-CSP (with the results framework embedded in it) is used as a planning and management tool, then it should strengthen alignment, selectivity and partnership; contribute to country M&E systems; develop capacity through learning by doing; put results at the center of the process; and contribute to getting the sequencing right--so that strategy drives programming and not the other way around.

A. Strengthening Alignment, Selectivity, and Partnership.

1. Strengthened Alignment and Selectivity

25. The RB-CSP has steered ADB's collective efforts toward achieving CSP outcomes aligned with the Government's results-based Tenth Plan/PRSP. By doing so, the results management approach has put the Government in the driver's seat, and has allowed it to drive its development efforts, improving ADB's client focus in the process. This has encouraged country ownership and greater partnership among ADB, Government and other development partners. As is evident in Table 1, CSP expected outcomes are well aligned with the Government's four pillar strategy, calling for (i) high sustainable and broad-based growth, (ii) social sector and rural infrastructure development, (iii) social inclusion and targeted programs for the ultra poor, vulnerable, and deprived groups', and (iv) good governance. Nepal's poverty reduction targets and indicators, included in the NPRS and reported in PMAS, guide poverty reduction activities among development partners including ADB and contribute significantly to their choice of targets and indicators. The obligation for aligning the expected country outcomes and goals of the NPRS is shared by the Government and ADB and their development partners.

Table 1: Alignment of NPRS Goals with Expected CSP Outcomes²⁶

NPRS Goal to which CSP Outcome was Aligned:	Expected CSP Outcome
Pillar I: Broad-based Economic Growth	
<ul style="list-style-type: none"> Achieve annual growth rate of 6.2% during 2002- 2007 	<ul style="list-style-type: none"> Improved connectivity of different parts of the country, particularly of rural poor, to market and livelihood opportunities
<ul style="list-style-type: none"> Achieve annual agricultural growth of 4.1 percent by 2007 	<ul style="list-style-type: none"> Increased agricultural production Increased agricultural income and employment opportunities of rural people Increased commercialization of agriculture Strengthened rural financial services
Pillar II: Inclusive Social Development	
<ul style="list-style-type: none"> Improve the availability and quality of social infrastructure and services 	<ul style="list-style-type: none"> Improved access to and quality of basic education Increased access to vocational training Improved access to clean drinking water and sanitation
<ul style="list-style-type: none"> Promote social and economic inclusion of women and the disadvantaged by removing social, legal, economic, and other constraints. 	<ul style="list-style-type: none"> Increased economic and social benefits to women and excluded groups
Pillar III: Good Governance	
<ul style="list-style-type: none"> Promote people centered and inclusive governance 	<ul style="list-style-type: none"> Enhanced local participation Enhanced participation and empowerment of excluded groups

²⁶ Expected CSP outcomes should be translated into SMART (specific, measurable, achievable, realistic and time-bound) outcome indicators (with baselines and targets) for monitoring and assessment.

<ul style="list-style-type: none"> Enhanced quality and efficiency of public services Promote decentralization 	<ul style="list-style-type: none"> Enhanced capacity of local organizations Sound local management and greater resource transfers
<ul style="list-style-type: none"> Prevent corruption 	<ul style="list-style-type: none"> Strengthened anti-corruption institutions
<ul style="list-style-type: none"> Enhance accountability and transparency 	<ul style="list-style-type: none"> Transparent allocation of budget
Pillar IV: Mechanism to Deliver Results	
<ul style="list-style-type: none"> Enhance efficient utilization of resources 	<ul style="list-style-type: none"> Improved management of public spending Strengthened country ownership and commitment Enhanced development effectiveness of ADB operations
<ul style="list-style-type: none"> Improve service delivery 	<ul style="list-style-type: none"> Enhanced institutional capacity of public bodies, and civil society institutions Increased role of private sector and civil society in service delivery Strengthened public/social audit system at local level.

ADB= Asian Development Bank, CSP= country strategy and program, NPRS= National Poverty Reduction Strategy
Source: Operations Review Mission Report, 20 September 2005, updated 28 November, RB-CSP Matrix

26. Aligning the RB-CSP with country-owned development and poverty reduction goals allows ADB and its government partners to build consensus around how best to achieve the country's development goals and also how ADB's program assistance can contribute to achieving these results. Strategies are customized to meet the needs of the country, within different political environments, and in light of ADB's comparative advantage, and an assessment of portfolio performance to date. In Nepal, the country team and Resident Mission were able to operationalize the program by choosing conflict sensitive approaches and translating these into implementation guidelines (see Box 7).

27. Results management requires not only taking a hard look at future activities but also on-going project performance. In this way, the RB-CSP created the opportunity and justification for portfolio restructuring to bring ADB's interventions more in line with Nepal's development context. Ongoing projects were restructured intensively after the country team went through two rounds of spring cleaning. The number of sectors was reduced from 10 to 6 in the 2004. This was in response to three factors (i) stakeholders' recommendations; (ii) an effort to more effectively use ADB's concessional resources; and (iii) an effort to re-position ADB in sectors where it has a comparative advantage (see paragraph 44, and Appendix 3 for more detail).

2. Strengthened Partnership

28. By placing the emphasis squarely on country outcomes, the RB-CSP highlights the fact that no donor should go it alone. Achieving results at the country level requires greater horizontal and vertical program integration, with donors working together demonstrate results, leveraging their partnerships through harmonization and cooperation. Simply put, there is too much for any one donor alone to do. ADB and its development partners have aligned their expected outcomes and indicators with Nepal's Tenth Plan, and harmonized with each other. ADB shares common indicators from the PMAS with partners and jointly contributes support for capacity development in results management to the NPC and line ministries, down to the district level. This of course requires considerable coordination and may in part explain why the program approach being spearheaded by the Ministry of Education and showcased in a recent OECD-DAC case note remains the exception rather than the rule (see Box 9). This approach, based on the provision of a basket of services, requires development partners to respond quickly and flexibly to remain a part of the donor group – sometimes a difficult task in the complex development environment of Nepal. More needs to be done to capture the full benefits of harmonization such as shared programming cycles, analyses and indicators, and the harmonization and simplification of reporting procedures.

29. In Nepal, ADB is partnering with the World Bank and the United Nations, as well as with UK, Denmark, Norway and other bilateral donors. In July 2005, it held a joint harmonization retreat with the World Bank to discuss development in the context of the conflict. In September 2005, a joint country portfolio review mission (CPRM) was conducted together with the Government, the Japan Bank for International Cooperation (JBIC) and the World Bank to address portfolio performance, and improving the aid integration framework, as well as harmonizing procedures, results management within individual interventions and linking the CPRM with the Government's budgeting process. ADB and the World Bank are now discussing the possibility of a joint CSP/CAS in the next strategy and program cycle. Harmonization of common services such as procurement procedures for national competitive bidding is underway. The Government will promulgate the new procurement legislation by ordinance. Once the legislation is enacted, a public procurement policy and oversight office will be established, a procurement manual will be prepared and standard bidding documents finalized.

B. Contributing to DMC Monitoring and Evaluation Systems

30. ADB's ability to show results depends on the ability of the Government to monitor and report results. ADB therefore supports the use of a M&E framework that relies on the country's own system, to the extent possible, for steering and implementing toward country outcomes. In Nepal, ADB provides support to the country's systems and strengthens Government's capacities to better manage for results, through regional and in-country technical assistance. NRM and the Government have been moving toward the use of a simplified and straightforward system using a minimal number of readily available indicators, and supporting sustainable systems to avoid the fragmentation in M&E efforts. This has meant discussing with the Government their needs in terms of the PMAS system and more practical ways to link capacity at the national level (NPC) with the implementing agencies at the local or district level.

C. Developing Capacity Through Learning by Doing

31. The RB-CSP offered ADB staff, host government officials and other development partners the chance to engage in a participatory dialogue and rigorous analyses of development challenges, and to exchange views on expected outcomes, and ultimately to come together to align divergent expectations into a set framework of shared strategic priorities and objectives, or country outcomes. The process promotes learning by doing, and engenders within organizations accountability for learning from results. The Nepal pilot demonstrates that it is not necessary to wait for the capacity to be in place to get started. Instead it is a viable alternative to adopt the learning-by-doing approach, building the capacity of government and other partners along the way. In fact, the pilot demonstrates that when a resident mission approaches the RB-CSP as if it were a dynamic learning process, this can help expedite its preparation (see Section V).

D. Putting Results at the Center of Process

32. The results orientation was instrumental in allowing ADB to better analyze Nepal's development context in depth, exploring the root causes of the conflict and political instability. This brought a change in attitude that is well articulated among resident mission staff and government officials in Nepal: "show us some results", "we're in this together", and "this is more than business as usual" are heard often. This sense of shared purpose helped to dispel the skepticism that accompanied the introduction of the RB-CSP, and enabled the country team, the NRM, and development partners to do the critical thinking and hard analysis required to creatively address the tough development challenges in Nepal. In short, it was this results

orientation that was the key to getting the diagnostics right, to opening a dialogue among development partners, to undertaking the hard analysis of the situation and ADB's program assistance to date, and to developing and monitoring progress toward achieving the intended results.

E. Getting the Sequencing Right

33. Strategy should drive programming and not the other way around. In the Nepal case, the strategic thrust was articulated before programs were discussed. To ensure the clarity and quality of the strategy it was aligned with the Government's PRS, it benefited from the diagnostic assessments, and built on ADB's prior in-country experience and comparative advantage.

34. As a strategic management tool, the RB-CSP is a living document that should be taken off the shelf and used to guide the detailed country program, influence the design of interventions, and as the basis for ongoing dialogue with stakeholders and development partners.

IV. CHALLENGES ADDRESSED IN PREPARING THE RB-CSP

35. The RB-CSP is the key management tool for planning, managing, monitoring and evaluating ADB's assistance in DMCs. It is also ADB's primary tool for contributing to the DMCs' capacity to manage for results, at the country program level. There is no one-size-fits-all approach to results management. Rather the promotion of results management must be based on genuine national objectives, and mechanisms that make sense in a national context. Ownership and partnership are critical and must be sustained. It is therefore not surprising that there remain many challenges to adopting a results management approach. ADB's experience in Nepal highlights some of the key challenges encountered in adopting a results management approach through the preparation of a RB-CSP. The most noteworthy of these are discussed below including the burden of too many requirements, identifying CSP outcomes, and linking projects to CSP outcomes.

A. The Burden of Too Many Requirements

36. Preparing the pilot RB-CSP was more complex and time consuming than expected. There were no guidance notes, nor checklists to guide the country team and RM for the first time.²⁷ Most of the preparation stage was taken up by the diagnostic process. In all, 16 thematic and sector assessments were conducted over 7-8 months (including, for the first time, a conflict assessment). To deal with the fact that the assessments were not written with outcome-based country programming in mind, the country team leader brought in sector officers (NRM national officers) to make the assessments more timely and relevant (see Box 5). Overall, 12-14 months were required for the preparation stage and another 10-12 months to operationalize the CSP. While the baselines were generated relatively quickly from government data, more time was needed to reach agreement on indicators, targets and milestones--a process which should be well established in the preparation stage. The amount of time required to complete the different activities to move from preparation to early implementation was around 24 months, or 2 years. While the process should be streamlined in the future, the results management approach takes time and resources to do it properly.

Box 5: Thematic and Sector Assessments

Poverty, Social Exclusion/Ethnic Diversity, Conflict Assessment, Gender, Private Sector, Environment, Governance, Agriculture and Rural Development, Transport and Communication, Energy, Water Supply, Sanitation and Urban Development, Social Protection, Education, Financial Sector and Private Enterprise Development, Results Based Monitoring and Evaluation.

37. NRM effectively drew on its staff resources and country team members (13 professional staff and 11 local support staff), with assistance from two senior staff from SPRU, various staff consultants and Nepal country focal persons at different stages of the process (see Appendix 6). Altogether, more than 40 professional and local staff helped prepare the RB-CSP. SPRU also provided technical assistance in awareness raising, capacity development for monitoring and evaluation, policy dialogues, outcome-driven programming and portfolio reviews. SPRU's skill set complemented that of Operations Coordination Division (SAOC) of SARD, making them able to provide support to government partners and the NRM by working together.

²⁷ Based on lessons from Nepal case, various guidance notes including interim guidelines, technical note, and practical note have been prepared to provide practical guide to the RB-CSP process.

38. The need for capacity development and expertise in results management within the regional departments²⁸ added to the costs of preparation at the NRM. The country team held costs down by decentralizing much of the preparatory work to the NRM. This worked because the NRM staff was highly competent and willing to take on a learning-by-doing approach when it came to preparing the RB-CSP. The Country Director's knowledge of results management and leadership were critical factors for success. The NRM and country team also kept costs down by deploying just-in-time support from experts, for example from SPRU.

39. It may well be possible to reduce the number of thematic assessments prepared specifically for the CSP, while improving the quality of diagnostics, by better coordinating with other development partners and sequencing of the Country Poverty Analysis (CPA) and the CAPE (so that they are conducted 12 months prior to the CSP preparation stage and are results-oriented assessments). Better aligning the timing of the ADB's programming cycle with the Government's Tenth Plan and national planning cycle would further assist in this, as ADB would be better off by contributing to and sharing the analysis done for the Tenth Plan.

B. Identifying CSP Outcomes

1. Taking into Account the Ongoing Portfolio

40. To prepare a RB-CSP, cause-and-effect relationships must be clearly defined between the results sought by the government, and the expected outcomes, to which ADB will contribute during the CSP period. Results of interventions may not appear until after several years, perhaps beyond the CSP timeframe. This is made more difficult by ongoing interventions that are planned in previous program cycles. The more active the portfolio, the bigger the challenge will be. For this reason, the ongoing portfolio must be factored in during the design and planning of any new RB-CSP. Knowing how to balance this in light of the new strategic priorities and expected outcomes during CSP timeframe is a complex task.

41. The Nepal country team reviewed past and on-going projects, and if they were well aligned with the new strategic priorities, they were continued. The process began by asking what was working, what was not working and why. The country team then prioritized subsectors according to the CSP's new strategic focus. Lessons from past programming were considered in light of the current development context, as were measures required for strengthening development impact in the new assistance program. The good practice highlighted below (Box 6) shows how this worked. The results framework proved useful in this task, and allowed the country team leader to justify greater selectivity, winning support from operations.

²⁸ Subsequent to the design of the RB-CSP in Nepal, ADB's South Asia Regional Department has developed effectiveness and results management units at the headquarters and various forms of results management units within several of its resident missions. The unit in headquarters works on department-wide issues such as the department's medium-term operational strategy, work program and budget framework, as well as various policies and strategies at the corporate level.

Box 6: Good Practice

Irrigation projects are important for food security, and since the Asian Development Bank (ADB) has been a leader in this sub sector, it was considered a priority. In an effort to improve results with the RB-CSP, ADB took roughly US\$16 million out of a \$30 million nonperforming project and made it leaner. The justification for this was that if at the end of 5 years performance was unsatisfactory, the project should be restructured- in this case it meant rescaling the project. At the same time, ADB changed its institutional arrangements, by opening channels with the Central Bank and Ministry of Finance, and enabling nongovernmental organizations to engage in community-based irrigation—demonstrating that the NRM was willing to look critically at its ongoing portfolio and make changes to keep things on track. While scaling back its loan commitment, it played an enabling role at the policy level and pushed things along.

42. Forging the link between expected outcomes and program performance, in line with the new RB-CSP required skill, innovation, and a results orientation and led to considerable restructuring. The transition from the previous strategy and program is highlighted in Table 2.

Table 2: Comparing the 1999 COS with the 2004 Country Strategy and Program

1999-2003 COS	2005-2009 RB-CSP
1. Generation of productive employment opportunities and increased rural incomes resulting from faster and broad-based economic growth	1. Promoting pro-poor and broad-based economic growth
2. Equitable improvements in basic social services to enhance human development resulting in reduction of population growth	2. Supporting inclusive social and human development
3. Protection and improvement of the environment to sustain gains	3. Promoting good governance.

COS= country operational strategy. CSP= country strategy and program

43. To help operationalize the CSP, the NRM devised CSP implementation guidelines (in 2003), described in Box 7, and presented in a check list format (see Appendix 8). It focused on a smaller number of projects; allocated a certain amount of program lending to support the Government's reform agenda; focused the pipeline of investments on activities that deliver immediate and tangible benefits to the poor and other socially excluded groups as conflict-mitigating measures; and adopted a sector approach to allow more flexibility in implementation. This approach brought the NRM's attention to the macro, meso and micro levels - noting that development takes place first at the micro level. Of the 18 projects restructured, 6 projects were dropped from the existing pipeline, 6 projects were merged, and the objectives and scope of 6 projects were substantially altered. ADB also undertook two rounds of "spring-cleaning" in consultation with the Government to further streamline the portfolio and to improve the results orientation.

Box 7: ADB's Operational Guidelines for Programming and Implementation in a Conflict Situation

The Nepal Resident Mission (NRM) set out to win the Government's partnership by showing a genuineness of purpose. It appealed to Government to look into the heart of the conflict and recognize that some of the root causes of the conflict were due to the country's widespread poverty and social exclusion. Guidelines were developed to articulate the project implementation strategy of the results-based strategy and program (RB-CSP). This required realistic and conflict-sensitive project designs, and implementation modalities, focused on intensive community and beneficiary participation in all stages of project processing and implementation, improved targeting of the poor and disadvantaged, mainstreaming social inclusion, and greater transparency and accountability of project activities at the local level.

The Government's Response

At the Nepal Development Forum (NDF) in May 2004, Government acknowledged that the political and security context undermined economic growth and development and presented its near and long term strategies for addressing the underlying causes of the conflict and a plan for getting Nepal back on track.

A relief fund was established to assist victims of the conflict; and a poverty fund expanded to support community-driven initiatives; NGOs and CBOs were brought in to expand service delivery; and special programs in budget-targeted conflict-affected areas. An Office of Peace Building and Coordination was established. Development allocations were aimed at improving the situation in the mid and far western regions, where the conflict was most severe. The longer term strategy included decentralization, more participatory planning and implementation of development projects, greater pro-poor expenditures, more poverty-based unconditional grants to local bodies, targeted initiatives for reaching excluded groups, more involvement by NGO, CBOs and private sector in implementation at the local level, expansion of community managed programs, greater transparency and accountability of expenditures, security for large construction projects was promised, devolution of community-based programs in education, health, agriculture extension, postal services, irrigation schemes, and rural roads.

ADB's Response

As a direct result of the Implementation Strategy, the program for 2004-2006 was restructured. The new RB-CSP called for programming in the context of political uncertainty.

- Focused on fewer projects, giving priority to those that produced a conflict mitigating impact;
- Pragmatic support to Government's reform agenda accounted for a greater proportion of ADB's lending
- Implementers were instructed to produce "quick wins" to demonstrate the benefits of development and potential for conflict mitigation to the poor and excluded, while remaining in conflict-affected areas.
- A sector approach- in key sectors for sustainable results, protecting budgetary resources for services to the poor and excluded.

2. Choosing Indicators

44. Choosing a manageable set of good indicators to track the progress toward achieving expected CSP outcomes was a big challenge. Reaching agreement on a basic set of indicators with baselines, targets, timeframes and milestones became an iterative process. This delayed completion of the results-based monitoring matrix (see matrix 1). However, this can contribute to awareness-raising and capacity development, and help build ownership and partnership. Harmonization efforts may help to simplify the process in the future, by arriving at a set of common indicators. However, agreeing on these will likely increase up-front coordination, planning and transaction costs. There are several other challenges worth noting such as the temptation to give up strategic focus, in favor of choosing what can be easily measured. Too many indicators can complicate matters and slow project implementation. There is also a risk of having too few, or indicators that are too general. The country team learned first hand that while

the Government may not have the best indicators, or may opt to use proxies, trade-offs must be carefully weighed- whether to compromise, or hold out in the hope that data quality can be improved is a technical judgment call. Someone in the RM may be needed to mine the data. ADB must strike a balance in its approach, building on its partnerships with the Government and other development partners, toward establishing a limited set of SMART²⁹ indicators that are readily available and crucial for decision-making. These will likely be different for every CSP, and for every country, and the best way to approach this is to generate indicators through the country's own national planning, rather than retrofitting what maybe available later on. Ideally, a minimal set of indicators should be able to provide the essentials for informed decision-making.

C. Linking Projects to CSP Outcomes

1. Retrofitting and Program Cycle Harmonization

45. The CSP's alignment with the Tenth Plan highlights the challenges of program cycle harmonization. While the Government's goal of broad-based economic growth (6.2percent during 2002-2007) may prove too optimistic,³⁰ there is the added problem that the period does not match the CSP's timeframe of 2005-2009. The goals of the Tenth Plan were obviously retrofitted onto the CSP. A results-based approach is usually time bound; in this case it is clear that ADB's and the Government's programming cycles were not in synch. The World Bank's CAS, produced in 2003, was more closely timed with the Tenth Plan. And since ADB's evaluation cycle is also tied to this, findings from evaluations may not be reflected in the Government's program. There are other advantages to improving program cycle harmonization such as the opportunity to undertake joint assessments and analyses, and to seek input into the selection of indicators at all levels early on, during development of the country's PRS.

2. Sector Roadmaps and Results Frameworks

46. One of the main challenges in preparing the RB-CSP is integrating sector objectives, by aligning them with country-level outcomes. This requires timely and rigorous analysis that reflects knowledge of the situation on the ground. A well designed results based sector road map not only shows expected sector outcomes but also includes performance indicators that allow ADB to see if it is moving in the right direction and at the right speed relative to achieving higher-level country outcomes. Sector outcomes therefore should be consistent with, if not the same, as those used in the CSP results framework. However, in the case of Nepal's education, sector, 10-year projections were used for indicators exceeding the CSP's 5-year timeframe. Some of the outputs in the sector roadmap are not easily attributable to ADB's CSP as they are clearly beyond ADB's control-such as equitable access to primary and secondary education, and improved external and internal efficiency. These appear to be difficult to measure and monitor, and it is hard to see how they can be achieved over the 5 years of the CSP.

47. In an effort to improve the sector road maps, the country team leader drew on the in-country expertise of sector officers (national officers) at the NRM. In the future, it has been suggested that greater resources and more time should be allocated to strengthen the results focus of sector strategies, along with new tools to strengthen support for sector-level planning and analysis, using results framework analysis. Some Country Teams (i.e., Uzbekistan) are already doing this in order to provide a more coherent link from project level to sector level to

²⁹ SMART indicators are specific, measurable, achievable, realistic and time bound.

³⁰ ADB. 2005. *Nepal: Recent Political and Economic Developments, and Country Operations*. .ADB's projection for growth in fiscal year 2006 is 3%, barring any deterioration in the security and weather conditions. GDP has slowly improved from negative .04 % in 2002 to 2.9 % in 2003, and 3.3% in 2004. Manila.

country program level. With this more coherent approach, it is possible that integrating the strategy and program will become an easier task.

3. Intersectoral Linkages

48. Sector specialists may be driven by sector-specific strategies and targets, while the more holistic approach required by the RB-CSP necessitates improved coordination through multi-sectoral (or inter-sectoral) approaches to development. Achieving better results at the country level will require better planning tools at the sector level and a more integrated approach. While there was an anchor person at headquarters in the country team to liaise with operations, his/her role should have been more clearly defined. The good practice below (Box 8) shows the benefits of the more holistic multi-sectoral approach to program design made possible by the results management approach, and reflects the advantage of knowing the situation on the ground.

Box 8: Good practice – North-South Connectivity

The value of flexible multi-sectoral programming and being able to capitalize on realities on the ground is well illustrated in this example of a new generation project for the Asian Development Bank in Nepal. The project shows the benefits of timely and rigorous, multi-sector analysis. The project was undertaken in response to rural people's demand for a road that would access the Peoples Republic of China markets for Nepal's agricultural products. Because the Nepal Resident Mission project manager was responsible for three sectors (roads, water and gender) the project was designed to draw on these. Employing the NRM's implementation guidelines on programming in a conflict situation, the project manager sought, quick gains that could have a conflict mitigating impact. By proposing the use of an existing road rehabilitation project the cost of construction materials was reduced and the preexisting right of way of the road bed brought quick wins to the program. The project is flexible and uses a program approach to bring livelihood skills training together with road construction (increased connectivity), and the expansion of women's water users groups. The flexibility of this approach has attracted the attention of other donors and has resulted in parallel funding that will be used to leverage ADB's investment. The project is a good example of how an in-depth knowledge of several sectors, and an appreciation for how they can work together, is the key to bringing about an integrated approach- where ADB's assistance provides a demonstration effect to mobilize resources, to meet the needs on the ground.

V. CHALLENGES ADDRESSED IN OPERATIONALIZING THE RB-CSP

49. Although the Nepal RB-CSP is still in the early stages of implementation, many lessons can be drawn from the experience to date and some of the main challenges are already recognized. These challenges stem from difficulties in achieving two overarching objectives: 1) establishing in-country capacity for results management, and 2) applying a results approach in the broader organizational and institutional context, including using it as a management tool to inform decision. The Nepal experience shows that overcoming the hurdles to achieve these objectives requires sustained leadership at all levels, a supportive culture of results, and appropriate incentive system. Addressing this now and in the foreseeable future is critical for the success of ADB's MfDR agenda.

A. Establishing In-Country Capacity for Results Management

50. The transition to a results management approach not only requires taking on new skills, but also requires leaving behind old established ways of thinking and doing things. Much has been written about the shift in mind set required to achieve a results approach, but just as important, the need for enhanced capacity and expertise in results management, and particularly in the more specialized areas of monitoring and evaluation, can overwhelm a results management effort. In the beginning, the Nepal country team and resident mission struggled with this. Both ADB staff and their government counterparts sought to find value in the approach. Building awareness as to why results matter and why the change to results management is an indispensable part of the process.

1. NRM's Results Team

51. The Country Director and country team leader realized they needed to build in-house capacity for results management that would promote a results orientation, and "spread the gospel", so to speak, within the office, and more broadly in the field. This group known as the results team, has contributed to NRM's capacity through regular meetings and workshops. It has assisted in developing government capacity through technical assistance and workshops. The team is comprised of a team leader and coordinator; governance and capacity building specialist; a senior economist; and programs/project implementation officer (see the Nepal Resident Mission Organizational Chart in the Appendix 7). Their key responsibilities are to prepare and monitor the results matrix and monitoring plan, to work with experts from headquarters, and to foster the spread of results thinking throughout the office.

2. Demand-Driven Assistance

52. Led by the NPC, ADB supported four to five rounds of high level dialogue with the line ministries in 2005 to enhance partnership with the Government and to expand the base of awareness and capacity for results management. This will continue in 2006, when 60-70 senior level officials will join the dialogue. This has emphasized the formulation of better public policy, strengthening monitoring, and helping selected ministries and line ministries to incorporate results-based policy and management approaches. Since 2002, the NPC has led while ADB has served as a catalyst for change. A strong partnership with government is fundamental. While ADB can bring external impetus for change, its ability to demonstrate results depends upon Government's performance as program owner and implementer, and on its capacity to track progress and report measurable results.

53. ADB has pursued other initiatives to enhance in-country capacity for results management. ADB has sponsored government officials in high-level international fora on aid effectiveness and in workshops in Paris, Ottawa and Bangkok. The NRM is currently processing a technical assistance project for operationalizing results management at two government agencies at the national and local levels. This will focus on designing results frameworks, and strengthening monitoring and evaluation systems, more clearly linked to Nepal's national development goals. SARD is also processing regional technical assistance (RETA) to support a collaborative program between ADB and DFID intended to strengthen capacity to implement a results-based approach to poverty reduction efforts³¹ in three countries including Nepal. In addition, NRM will participate with government partners in a new community of practice for MfDR, to be launched at ADB headquarters in March 2006.

54. ADB is cooperating with other development partners to support the use of common indicators, as well as strengthening institutional capacity in monitoring and evaluation mechanisms such as the PMAS, and the district poverty monitoring and analysis system under pilot in 5 of the 14 devolved districts. In the future, ADB plans to further assess the capacity of the Government to manage statistics. This has become an acute need in the face of devolution, in terms of hardware and software. The NRM will need to continue to train its staff to ensure that it has the capacities required to evaluate this in light of the new practices and principles of results management.

B. Using it for Changes

55. Country outcomes should be linked to results at every level of the results chain. Since results happen first at the project level, this often means tracking results and reporting them from the local government level up to the national government. Although there are line ministries such as in education and some districts throughout Nepal where this is working, problems persist in translating the data collection sheets, and more fundamentally, in understanding the meaning of some indicators and understanding why they are important. Furthermore, few Government officials understand the cause-and-effect relationship between project activities, policies, outcomes, and development impacts although there appears to be some capacity in a few of the line ministries.³² Another challenge is the management information system (MIS) infrastructure: data transmission by fax or by hand is jeopardized by the security situation on the ground.

56. The PMAS was set up with funding from the United Nations Development Program (UNDP). Institutionalizing the PMAS is important because it provides the basis for the Government's report: *Annual Assessment of the Implementation of the Tenth Plan (PRSP)*, now in its third year. The Government uses this report to ensure that policies are informed by results information that is monitored. The PMAS is an ambitious undertaking and it is not without its problems: data quality issues persist; there are perhaps too many indicators (394), potentially undermining its credibility; and it is not clear how PMAS will be sustained, as UNDP's funding ended in 2005. Furthermore, the system was developed with the inputs of two international consultants, but was never fully institutionalized by the Government. With the future of the PMAS uncertain, and the Poverty Monitoring Division unfunded, the sustainability

³¹ ADB. 2005. *SAOC RETA for Mainstreaming Managing for Development Results (MFDR) in support of poverty reduction*, November 3.

³² District periodic plans (each with a logframe) are produced on a 5 years basis, in 52 of the 75 districts and report quarterly on a broad set of data including some poverty indicators, as well as administrative and economic data. Approximately 30-70 percent of districts are reporting, using a manual system.

of the Government's results agenda could be in question. At present, donors are discussing continued funding of the PMAS, as it is clearly in everyone's interest.

**Box 9: Successful Decentralization of Monitoring and Evaluation
At the Ministry of Education**

Since the mid-1990s the Government of Nepal has managed to improve access to and quality of education by decentralizing the school system.

An Annual Strategic Implementation Plan (ASIP) proposes strategies and specific measures for district-level activities, and shapes budgetary allocations in a systematic and comprehensive manner. The ASIP is supported by an Education Management Information System (EMIS) which provides useful up-to-date information from school districts to the central ministry and then sends meaningful policy feed back to the districts. As the EMIS has become more complete and more reliable, performance-based decision-making is taking hold in the education sector. Regional and international development partners have assisted in the process, such as India's National Institute of Education Planning and Administration's contribution to improving decentralized planning capacity. Nepal's success with its decentralized education strategy shows that planning and budgeting activities can be shifted from a highly centralized planning function to a more inclusive, performance-based mode, despite the uncertainties of a conflict environment, and that capacity development may take time but in the end it is worth the investment.

Source: OECD/DAC Joint Venture. 2005. Summary of Nepal Education Sector: Planning for Results in an Unstable Setting, *MfDR Principles in Action: Sourcebook on Emerging Good Practices*

57. Evidence of Government's progress in the institutionalizing the results approach and its use of project performance data to inform the delivery of services and to foster learning and improvement in decision making is showcased by Government's success in decentralized budgeting for the education sector (see Box 9).

1. Sustained Leadership in the Government and NRM

58. The Government's partnership and ownership of the results agenda is evidenced by a relatively good institutional environment, which is described briefly in Section II, and in more detail in Appendix 5. Leadership comes from the top of the NPC (particularly from a senior government official who is recognized internationally for his championship of the results agenda). There are other champions within the NPC, and in some line ministries, most notably in the Ministry of Education. ADB's Country Director played a key role in inspiring the country team and NRM and also by helping dispel the initial skepticism that accompanied the introduction of the pilot. Experience of the RB-CSP indicates that learning by doing is the best way to gain a results orientation. NRM staff were encouraged to treat the RB-CSP as a learning experience from the beginning. Evidence from other documented cases of results-based country programming and planning suggests that a knowledge organization is the natural eventual outcome of a successful results management change initiative. The development of this lesson note is an important step in documenting the lessons from this process.

2. Creating a Culture of Results

59. Incentives are essential for creating a results-based culture. Without incentives supported by realistic expectations, results management cannot work. This is equally true for the Government and for ADB. Practitioners must be motivated to achieve results, to take accountability for results and to learning from the experience. Even with capacity in place, little will happen without incentives. However, while results-based MIS and capacity development have both been priorities for government and donor support, incentives have gone largely unaddressed.

60. The perception is that incentives linked with greater accountability and transparency are a sign of good governance. At present, within the Government, there may be more disincentives than incentives for a results orientation. It is difficult for the Government to keep good results management practitioners from moving out of the ministry and/or Government. Within the Government, incentives for adopting a results orientation are limited to intrinsic motivation (as when a high-level official is able to influence policy) and non-monetary rewards (such as the status that comes from a high-profile role on the NPC, or recognition at various levels). ADB has enhanced the rewards for demonstrating a results orientation by recognizing the Nepal case as a good practice through participation in international high-level fora and events, and by offering recognition for participation in in-country awareness raising and capacity development activities. There are a few outstanding examples, such as the Ministry of Education's decentralized approach to results-based management, where budget allocations are informed by results data at the district level, but the use of budget shares, or personnel-based rewards such as promotion, salary increase, better equipment, or training opportunities, are rare. In this context, it is crucial to integrate awareness raising and capacity development with broader public sector management.

61. Within ADB, incentives for managing for results include rewards accrued to the institution from re-skilling and improving the results orientation of staff, its processes, business plans, and collectively its culture toward bringing better development effectiveness. ADB's Management has stressed the importance of creating a culture of "results, responsiveness and relevance", and there is an effort to capture a results orientation in its competency framework. The staff who fails to keep abreast of MfDR developments risks becoming de-skilled, or face increasing difficulties in making a contribution, or being effective in an organization that is managing better for results. At NRM sector specialists track and report on indicators to gauge the progress of the CSP, and a results approach is noted in their annual performance review.

VI. CONCLUSION AND LESSONS

A. Conclusion

62. While it is still too soon to draw conclusions about whether a results orientation in this case will lead to greater development effectiveness in the long run, ADB's experience with results-based country programming in Nepal and its early implementation offers important lessons about (i) the complexity of the process, (ii) the importance of strong leadership and vision for establishing a results orientation, and (iii) the critical need for capacity development. Implementing the RB-CSP in the future will require careful monitoring, continuous learning from past experience, scaling up strategies that work, ensuring that once committed, external assistance is implemented effectively, and judged ultimately by the delivery of results on the ground.³³ It is hoped that the lessons gleaned from ADB's experience in Nepal to date will become part of an on-going documentation of lessons and that these will continue to provide some guidance to results management practitioners on the process of planning, designing and implementing a RB-CSP.

63. Over the last several years the Nepal Government has taken significant steps to push its results-based development agenda (e.g., by undertaking a results-based PRS, implementing a medium term expenditure framework, as well as results monitoring and reporting systems). ADB and other donors have supported this. The RB-CSP raises the expectation of results management in Nepal and this, in turn requires enhanced planning, monitoring, reporting, and evaluation capacities within the Government and NRM. Notwithstanding some progress in capacity development, its ability to carry out monitoring and data collection, and reporting in the conflict-affected rural areas poses a key challenge. Should political instability persist over the medium term, achieving ambitious targets in development effectiveness may become unattainable, despite the best efforts of the Government and development partners. One more word of caution: it is important to guard against the results paradox that may increase the tendency on the part of implementers to aim for quick wins and easily measurable results at the expense of outcomes that are more difficult to measure or may require a longer-term investment – such as good governance, improvements in health and in education – but are nevertheless worthwhile. Below are some important lessons from ADB's experience in piloting its first RB-CSP:

B. Lessons

1. **Start with a results orientation to get the diagnostics right.** In this case the results orientation was introduced at the beginning with a problem tree and the critical question, “are we doing the right things?” This was the key to opening the dialogue and allowed ADB to better analyze Nepal's development context in depth with the Government, stakeholders and other development partners. This provided the strategic orientation that enabled ADB to reach a consensus on intended CSP outcomes and then priority areas for program assistance. This is summarized in a results framework within the RB-CSP. This process required a shift in mind set from a project- and sector-level focus to a better understanding of the national context. The process eventually created the opportunity and justification for portfolio restructuring to better align ADB's program assistance with the priorities of Nepal's PRS, a process which was a complex and iterative.

³³ From Nepal CSP 2005-2009

2. Society at the grassroots level can help legitimize the CSP. By disseminating its participation-based publication, *Voices from the Field*, through the district offices, ADB's NRM accomplished greater transparency and gained credibility for its CSP.

3. Use the RB-CSP as a planning and management tool. Effective use of an RB-CSP can strengthen alignment, selectivity and partnership; contribute to countries' M&E systems; build capacity for results management in-country; put results at the center of the process, and contribute to getting the sequencing right-so that strategy drives programming and not the other way around. Finding value in the approach and building awareness as to why results matter and why the change to results management is important is an indispensable part of the process. As a management tool, the RB-CSP can enhance the learning process, and encourage RM staff to set achievable but ambitious targets for program assistance. However, if it is used as an accountability matrix, there is the risk that RM staff will fall short in their goal setting in an effort to avoid failure. Demonstrating an openness to learning and a tolerance for mistakes, while carefully managing expectations will go a long way to creating a culture of results.

4. Strong leadership from the Country Director and within the Government is critical for overcoming skepticism from the start. The Country Director plays a key role by inspiring the country team and resident mission and also in helping to dispel the initial skepticism that may go along with adopting a results approach. The preparation and implementation of the RB-CSP requires the full cooperation and commitment of the country team and the RM, as well as a strong and enduring partnership with the Government. The Country Director must therefore be a champion for results-based country programming, together with senior government officials.

5. Align program assistance and program cycle with the Government's plan. There is a good deal to be gained in terms of sharing perspectives on policymaking and planning, and potential efficiencies in jointly conducted analysis, assessments and consultations, as well as the selection of indicators.

6. No donor can afford to go it alone. Achieving results at the country level requires greater horizontal and vertical integration, but offers the advantages of harmonization. ADB and its development partners have aligned their expected outcomes and indicators with the Government's Tenth Plan, but more needs to be done to capture the benefits of harmonization (e.g., shared program cycles, harmonization and simplification of reporting procedures) and scaling up with partners what works.

7. Find a way to streamline the process. While a results-based approach is expected to bring improved efficiencies and development effectiveness over the long run, additional resources may be required to better support the development of the RB-CSP in the early stages. However, to date, greater resources have not been allocated by Management for this purpose. Preparing the pilot was a experiment in learning by doing for the ADB staff from SARD, NRM and SPRU. With the experience of this pilot, ADB should now be in a better position to guide the preparation of RB-CSPs with greater efficiency in the future. For example, better coordinating the start date and sequencing of the CPA and the CAPE (so they are conducted 12 months prior to the CSP preparatory stage) would likely improve the quality and usefulness of these diagnostic tools and may reduce the need for some thematic assessments prepared separately for the CSP. It is worth exploring other ways of reducing the heavy burden of the assessment and analysis that goes into the RB-CSP preparation.

8. Improve the linkages of sector strategies to CSP expected outcomes. New tools may be required to do this successfully, as well as better coordination. Some country teams (i.e., Uzbekistan) have integrated the sector road maps with results frameworks to provide a more coherent link from project level to sector level to country program level: others are developing results-based sector roadmaps. While there is a need for an anchor person from headquarters to liaise with various sectoral operations and to coordinate sector inputs, this role must be clearly defined and understood. The Nepal pilot also shows the importance of having a strong country team leader.

9. Broad-based capacity development and institutional strengthening are needed in the broader organizational and institutional context. Having agreed to pilot the RB-CSP, ADB now finds itself with some very powerful mechanisms in place for results management. The challenge is how to make use of this, given the limited capacity for results management across government line ministries, and to some extent within ADB. In order to catch up capacity development will need to be addressed for the foreseeable future.

10. Don't get stuck on measurement – combine qualitative and quantitative indicators – be pragmatic. A key finding of the RB-CSP Nepal Pilot is that measurement may be less important than the strategic management process (which is a learning process) and dialogue that are key elements of preparing and operationalizing the RB-CSP. This is about moving beyond strict accountability toward using results information for decision-making. At NRM, staff are trying to think through and demonstrate how they contribute to results.

11. Someone is needed to mine the data within the Resident Mission. Managing the data requirements of a RB-CSP and improving the quality of the data available are important tasks. Selecting baselines and SMART indicators from the many data sources available (e.g. from the PMAS, other national and district-level statistics, and surveys) capacity can be greatly enhanced by support from a statistics specialist skilled in results management.

12. There is no one-size-fits-all approach, even a conflict situation can be an opportunity. The pragmatic approach taken in Nepal shows how a results orientation can be instrumental in enabling country programming even in a conflict situation. There is no one-size-fits-all approach to results management, and no blueprint for RB-CSPs, rather the promotion of results management must be based on national objectives, and mechanisms that make sense in a national context—ownership and partnership are critical and must be sustained. Remember that navigating in a storm requires the best instruments to get answers to questions on: “are we going in right direction in right manner?”, and “if so, how do we know?” As a strategic management tool the RB-CSP can provide this.

MATRIXES

Matrix 1	Country Strategy and Program Results Framework
Matrix 2	Updated Results Monitoring Framework

COUNTRY STRATEGY AND PROGRAM RESULTS FRAMEWORK (FY2005–FY2009)

Long-Term Development Goals	Medium-Term Development Agenda ^a		Asian Development Bank Strategic Focus		Risks and Assumptions
	Strategic Goals ^b	Key Constraints ^c	Intermediate Outcomes ^d	Intermediate Indicators ^e	
Pillar I:	Broad-based Economic Growth				
<ul style="list-style-type: none"> Accelerate broad-based economic growth to 8.3% per annum by FY2017. Reduce poverty level to 10% by 2017. 	<ul style="list-style-type: none"> Achieve annual average growth rate of 6.2% during 2002–2007. Increase overall private investment to 23.5% of GDP by 2007. 	<ul style="list-style-type: none"> Political instability and conflict. Poor linkages between urban and rural areas, and to markets. Regional, ecological, and rural–urban disparity in income and economic opportunity. Weak infrastructure, particularly transport and ICT. 	<ul style="list-style-type: none"> Improved connectivity of different parts of the country, particularly of the rural poor, to markets and livelihood opportunities. Improved economic status of backward regions and rural areas. 	<ul style="list-style-type: none"> Expanded national road network. Enhanced domestic air transport services. Improved access of communications services to VDCs. Increased number of districts connected through road network. 	<ul style="list-style-type: none"> No further deterioration of conflict or political instability. Public confidence. Project designs are appropriate to country conditions. Timely implementation of projects.
		<ul style="list-style-type: none"> Weak financial service delivery mechanism. 	<ul style="list-style-type: none"> Enhanced access of the rural poor to financial services. Strengthened financial intermediaries. 	<ul style="list-style-type: none"> Reduction in nonperforming assets of the Agricultural Development Bank of Nepal. Increased number of small loans and borrowers. 	<ul style="list-style-type: none"> Continued government commitment to restructuring and reform of financial sector. Improved institutional capacity and financial viability of financial institutions.
	<ul style="list-style-type: none"> Achieve annual average agricultural growth of 4.1% by 2007. 	<ul style="list-style-type: none"> Low productivity and slow growth of output in agriculture sector Lack of rural infrastructure to connect production pockets to markets Poor access to basic productive resources for agriculture (irrigation, rural credit, and electrification). 	<ul style="list-style-type: none"> Higher agricultural productivity to rates nearer regional average. Increase agricultural income and employment opportunities of rural people. Increased commercialization of agriculture. 	<ul style="list-style-type: none"> Improved access to key inputs, outputs, and markets <ul style="list-style-type: none"> Increased rural road density. Increased access to irrigation, especially shallow tubewells Increased rural electrification ratio. Increased cash crop ratio and livestock production. Increased agricultural and rural credit availability. 	<ul style="list-style-type: none"> Unimpeded access of projects to rural areas APP targets supported by appropriate national budgetary allocations. Presence of community and private sector organizations that can be empowered to deliver rural services

Long-Term Development Goals	Medium-Term Development Agenda ^a		Asian Development Bank Strategic Focus		Risks and Assumptions
	Strategic Goals ^b	Key Constraints ^c	Intermediate Outcomes ^d	Intermediate Indicators ^e	
Pillar II:	Inclusive Social Development				
Improve livelihoods and human resource capacity.	<ul style="list-style-type: none"> • Improve the availability and quality of social infrastructure and services: <ul style="list-style-type: none"> - Improve access to, and quality of basic education; - Increase sustainable access to safe drinking water and sanitation in urban and rural areas. 	<ul style="list-style-type: none"> • Weak basic social services and infrastructure (education, safe drinking water, and sanitation). 	<ul style="list-style-type: none"> • Improved quality of basic education. • Improved access to vocational training. • Improved access to clean drinking water and sanitation. • Reduced water borne diseases. • Increased women's participation in income-generating activities. 	<ul style="list-style-type: none"> • Increased proportion of trained teachers. • Increased participation in vocational training. • Enhanced literacy of women. • Increased scholarships to deprived groups and women. • Improved access to clean drinking water and sanitation. • Reduced waterborne diseases. 	<ul style="list-style-type: none"> • Insecurity in rural areas. • Institutional capability and accountability at local level.
	<ul style="list-style-type: none"> • Promote social and economic inclusion of women and the disadvantaged by removing social, legal, economic, and other constraints. 	<ul style="list-style-type: none"> • Social and ethnic-based exclusion. • Gender disparity. 	<ul style="list-style-type: none"> • Mainstreamed participation by women and excluded groups in development and decision making roles. • Increased economic and social benefits to women and excluded groups. 	<ul style="list-style-type: none"> • Increased participation of women and excluded groups in all ADB-assisted projects. • Increased representation of women and disadvantaged groups in civil service and political positions. • Increased proportion of women teachers. 	<ul style="list-style-type: none"> • Continued public consensus and government commitment.
Pillar III:	Good Governance				
Make governance efficient, accountable, and transparent.	<ul style="list-style-type: none"> • Promote people-centered and inclusive governance. • Enhance efficiency of public services. • Enhance government accountability and transparency. 	<ul style="list-style-type: none"> • Overcentralization. • Low participation by women and excluded groups in public service and political positions. • Absence of elected local bodies. • Weak institutional capacity of local organizations. 	<ul style="list-style-type: none"> • Enhanced participation and empowerment of excluded groups in the governance process. • Increased decentralization. • Enhanced capacity of local organizations. • Improved resource management at local level. 	<ul style="list-style-type: none"> • Implementation of affirmative action measures in the Governance Reform Roadmap. • Increased proportion of women and disadvantaged groups in public and political positions. • Increased devolution of service delivery to local 	<ul style="list-style-type: none"> • Continued government commitment to the spirit of good governance and decentralization. • Improvement of need-responsive service delivery at local level. • No further deterioration of conflict or political instability.

Long-Term Development Goals	Medium-Term Development Agenda ^a		Asian Development Bank Strategic Focus		Risks and Assumptions
	Strategic Goals ^b	Key Constraints ^c	Intermediate Outcomes ^d	Intermediate Indicators ^e	
	<ul style="list-style-type: none"> Accelerate decentralization. 	<ul style="list-style-type: none"> Low resource mobilization at local level. 		bodies and improved fiscal resource management: <ul style="list-style-type: none"> Further progress on devolving responsibilities for key services in education and agriculture; Increased development resources to local bodies; Increased share of internal resources to total development budget of the districts. 	
	<ul style="list-style-type: none"> Control corruption. 	<ul style="list-style-type: none"> Weak institutional, legal, and judicial capacity. Limited measures to prevent and control corruption. 	<ul style="list-style-type: none"> Improved budget implementation. Improve access, quality, accountability and responsiveness of public service delivery. Strengthened anticorruption institutions. 	<ul style="list-style-type: none"> Strengthened preventive/punitive measures to combat corruption: <ul style="list-style-type: none"> Anticorruption Strategy implemented; Increased number of corruption cases prosecuted and convicted; Technical audit agencies established and made operational. 	<ul style="list-style-type: none"> Political support. Public consensus for, awareness of, and support for clean government.
Implementation Mechanisms To Deliver Results					
Improve Development Effectiveness.	<ul style="list-style-type: none"> Enhance efficient utilization of resources. 	<ul style="list-style-type: none"> Weak institutional capacity to utilize resources. 	<ul style="list-style-type: none"> Improved management of public spending. Enhanced efficiency of public investment. Strengthened country ownership and commitment. Enhanced effectiveness of ADB operations. 	<ul style="list-style-type: none"> Clear prioritization of government projects and programs. Improved flexibility in project/program implementation modality. Improved disbursement performance. Reduced project delays. Improved project performance rating. 	<ul style="list-style-type: none"> Improved project design and modality appropriate to country conditions Political commitment to prioritization and to boosting aid utilization. Adequate budgetary allocation.

Long-Term Development Goals	Medium-Term Development Agenda ^a		Asian Development Bank Strategic Focus		Risks and Assumptions
	Strategic Goals ^b	Key Constraints ^c	Intermediate Outcomes ^d	Intermediate Indicators ^e	
	<ul style="list-style-type: none"> • Improve service delivery. 	<ul style="list-style-type: none"> • Political instability and conflict. • Absence of Parliament and local bodies. • Weak monitoring and evaluation systems, and use of available information. 	<ul style="list-style-type: none"> • Enhanced institutional capacity of central and local bodies, users groups, NGOs, and CBOs. • Increased role of private sector in service delivery. • Improved M&E capacity. • Strengthened public audit system at local level. 	<ul style="list-style-type: none"> • Increased program focus at local level. • Increased number of quality district plans prepared. • Increased partnerships with private sector, NGOs, and CBOs in service delivery. • Public audit reports at local level published. 	<ul style="list-style-type: none"> • Adequate implementation capacity of government agencies, CBOs, and private sector. • Emergence of local accountability mechanisms.

ADB = Asian Development Bank, APP = Agricultural Perspective Plan, CBO = community-based organization, GDP = gross domestic product, ICT = information and communications technology, M&E = monitoring and evaluation, NGO = nongovernment organization, VDC = village development committee.

^a Selected components of national agenda that overlap with ADB's strategic priorities in Nepal.

^b Strategic goals of the Tenth Plan.

^c As identified in the Tenth Plan to achieve the strategic goals.

^d Achievement of these outcomes is the combined responsibility of the Government and its development partners, including ADB, the civil society, private sector, and other development aid agencies.

^e Indicators to track success of implementation toward expected outcomes. Baselines, targets, and indicators for monitoring progress have been identified and will be updated regularly.

Source: The Tenth Plan and Asian Development Bank.

UPDATED RESULTS MONITORING FRAMEWORK

PILLAR I: BROAD BASED ECONOMIC GROWTH

Medium-term Goals ³⁴	CSP Strategic Focus		Tracking Indicators	Baseline FY02/10 th Plan ⁴	FY03	FY04	FY05	Milestones/ Targets FY2007	Monitoring	Data Source	Sources of Inf.	
	Intermediate Outcomes ²	Intermediate Indicators ³										
<ul style="list-style-type: none"> • Achieve annual average growth rate of 6.2% during 2002–2007 	<ul style="list-style-type: none"> • Improved connectivity of different parts of the country, particularly of the rural areas, to markets and livelihood opportunities • Improved economic status of less developed regions and rural areas • Strengthened financial intermediaries • Improved business environment 	<ul style="list-style-type: none"> • Expanded national road network 	<ul style="list-style-type: none"> • Length of additional strategic road network (SRN) constructed (km) 	113	93	98		1,025	Yearly	DOR	DOR Report 2005	
			<ul style="list-style-type: none"> • Length of additional SRN paved/sealed 	190	188	90		1,764	Yearly	DOR	DOR Report 2005	
		<ul style="list-style-type: none"> • Increased number of districts connected through road network 	<ul style="list-style-type: none"> • Number of district HQs connected by roads 	60	60	60	61		70	Yearly	DOR	DOR Report 2005
		<ul style="list-style-type: none"> • Enhanced air transport services 	<ul style="list-style-type: none"> • No. of additional domestic airports with year-round services (paved) 	4	6	0	1		15	Yearly	CAAN	CAAN Report 2004
		<ul style="list-style-type: none"> • Improved access of communications services to VDCs 	<ul style="list-style-type: none"> • Number of tele centers (e-service) in VDCs 	0	15	4	5		1,500	Yearly	NITC	NITC Report 2005
		<ul style="list-style-type: none"> • Affirmative policies for regional development 	<ul style="list-style-type: none"> • Implementation of Regional Development Strategy 						Regional development strategy incorporated in the 11 th Plan (2007)	5 yearly	NPC	NPC
		<ul style="list-style-type: none"> • Improved 	<ul style="list-style-type: none"> • Initiation of power sector restructuring and NEA unbundling in Nepal 						Off-grid rural electrification of the rural areas started NERC established. Electricity generation, transmission and distribution function separated and streamlined	Yearly	NEA	NEA
			<ul style="list-style-type: none"> • Streamlined registration and licensing of firms 	37	37	37			Completed	Yearly	MOI&C	NPC, 2005

³⁴ Strategic goals of the Tenth Plan.

² Achievement of these outcomes is combined responsibility of the Government and its development partners, including ADB, the civil society, private sector, and other development agencies.

³ Indicators to track success of implementation towards expected outcomes. Baseline, targets, and indicators for monitoring progress have been identified and will be updated regularly

⁴ The fiscal year (FY) of the Government ends on 15 July. FY before a calendar year denotes that year in which the fiscal year ends. For e.g. FY2004 ended on 15 July 2004.

Medium-term Goals ³⁴	CSP Strategic Focus		Tracking Indicators	Baseline FY02/10 th Plan ⁴	FY03	FY04	FY05	Milestones/ Targets FY2007	Monitoring	Data Source	Sources of Inf.
	Intermediate Outcomes ²	Intermediate Indicators ³									
		corporate and financial governance	<ul style="list-style-type: none"> Enhanced financing services 					Completed by FY2008	Yearly	ADB	ADB TA3580-NEP report 2003,T-2.9
			<ul style="list-style-type: none"> Improved legal environment 					<ul style="list-style-type: none"> Promulgation of CFG laws (FY2006) 	Yearly	MOF	MOF
			<ul style="list-style-type: none"> NRB, SEBO, & CRO strengthened 					Completed by FY2006	Yearly	NRM	MOF
<ul style="list-style-type: none"> Achieve annual average agricultural growth of 4.1% by 2007 	<ul style="list-style-type: none"> Increased agricultural production Increased agricultural income and employment opportunities of rural people Increased commercialization of agriculture Strengthened rural financial services 	<ul style="list-style-type: none"> Improved access to key inputs, outputs, and markets Expanded rural road network 	<ul style="list-style-type: none"> Length of additional local roads constructed (km) 	2,361	905	840		21,000	Yearly	DoLIDAR	NPC, 2005
		<ul style="list-style-type: none"> Increased access to year-round irrigation 	<ul style="list-style-type: none"> Additional area under year-round irrigation (ha) ('000) 	471	4.4	6.4	6.6	FY2010 46,200	Yearly	DOI	NPC, 2002 MOWR 2005
		<ul style="list-style-type: none"> Increased rural electrification ratio 	<ul style="list-style-type: none"> Proportion of households electrified (cumulative) 	40	43	48		60	Yearly	NEA	NPC, 2005
		<ul style="list-style-type: none"> Increased cash crop and livestock production 	<ul style="list-style-type: none"> Cash crop/total agriculture GDP ratio 	32	32	29	30	FY2010 32	Yearly	DOA	NPC2002/MOAC2003-04/MOF2005
			<ul style="list-style-type: none"> Total market able surplus of the agricultural produce. (MT) ('000) 	80	75.7	213	400	FY2010 626,572	Yearly	DOA	MOA 2003-04-05
		<ul style="list-style-type: none"> Expansion of rural credit availability 	<ul style="list-style-type: none"> Livestock/total agriculture GDP ratio 	32.4	30.82	32.82	32.83	FY2010 41.5	Yearly	DLS	CBS2002/ 10 th Plan/ A1995
			<ul style="list-style-type: none"> Rural Microfinance Development Center Disbursements (NRs Million) 	66	137	119	321	432	Yearly	RMDC	RMDC Annual Report 2005
			<ul style="list-style-type: none"> ADB Disbursements (NRs Million) 			2,294	2,702	3,106	Yearly	ADB	ADB2005
			<ul style="list-style-type: none"> ADB NPL level. 			37	34	24	Yearly	ADB	ADB2005

PILLAR II: INCLUSIVE SOCIAL DEVELOPMENT

Medium-term Goals	CSP Strategic Focus		Tracking Indicators	Baseline FY02/10 th Plan	FY03	FY04	FY05	Milestones/ Targets FY2007	Monitoring	Data Source	Sources of Inf.
	Intermediate Outcomes	Intermediate Indicators									
<ul style="list-style-type: none"> Improve the availability and quality of social infrastructure and services 	<ul style="list-style-type: none"> Improved access to and quality of basic education Increased access to vocational training Improved access to clean drinking water and sanitation 	<ul style="list-style-type: none"> Increased enrollment and improved performance of students 	<ul style="list-style-type: none"> Net enrollment ratio in primary school (%) 	81.1	82.4	84	88	90	Yearly	MOES	MOES
			<ul style="list-style-type: none"> % of learning achievement at grade 5 			52.4	57	59	Yearly	MOES	MOES
		<ul style="list-style-type: none"> Increased proportion of trained teachers 	<ul style="list-style-type: none"> Proportion of trained teachers (%) 	16.2	17.4	30.5	35	100	Yearly	MOES	NPC, 2005
			<ul style="list-style-type: none"> No. of persons trained in vocational skills ('000) 	3.8	4.6	5		7.1	Yearly	MOES	MOES
		<ul style="list-style-type: none"> Improved access to clean drinking water and sanitation 	<ul style="list-style-type: none"> Proportion of people served with clean drinking water (%) 	71.6	72.8	73		83	Yearly	MPPW	NPC, 2005
			<ul style="list-style-type: none"> Percentage of households with sanitation facilities (%) 	20	26.2	39		50	Yearly	MPPW	NPC, 2005
<ul style="list-style-type: none"> Promote social and economic inclusion of women and the disadvantaged by removing social, legal, economic, and other constraints 	<ul style="list-style-type: none"> Increased economic and social benefits to women and excluded groups 	<ul style="list-style-type: none"> Increased participation of women and disadvantaged groups in development projects 	<ul style="list-style-type: none"> Proportion of ADB-assisted projects intervention with women and disadvantaged groups (%) 	-	-	68		70	Yearly	Staff calculation	ADB
		<ul style="list-style-type: none"> Increased representation of women and disadvantaged groups in civil service 	<ul style="list-style-type: none"> Number of women, dalits and janjatis in civil service 	8,008	-	8,042		10,000	Yearly	MOGA	NPC, 2005
		<ul style="list-style-type: none"> Increased participation of women and disadvantaged groups in labor force 	<ul style="list-style-type: none"> Proportion of women teachers in primary school (%) 	21.4	22.1	21.1	30	32 (FY2006)	Yearly	MOES	NPC, 2005

PILLAR III: GOOD GOVERNANCE

Medium-term Goals	CSP Strategic Focus		Tracking Indicators	Baseline FY02/10 th Plan	FY03	FY04	FY05	Milestones/ Targets FY2007	Monitoring	Data Source	Sources of Inf.	
	Intermediate Outcomes	Intermediate Indicators										
<ul style="list-style-type: none"> Promote people-centered and inclusive governance Enhance quality and efficiency of public services Promote decentralization 	<ul style="list-style-type: none"> Enhanced local participation and empowerment of excluded groups Enhanced capacity of local organizations Sound local management and greater resource transfers 	<ul style="list-style-type: none"> Implementation of affirmative action measures 	<ul style="list-style-type: none"> Number of applications from women, dalits and janjatis for civil services position ('000) 	24.6	55.3	38.3		50	Yearly	MOGA	NPC, 2005	
		<ul style="list-style-type: none"> Progressive devolution of services delivery responsibilities 	<ul style="list-style-type: none"> Measures to promote inclusion and decentralization 					Civil Service Ordinance promulgated	Local Service Act promulgated to be promulgated in FY2006		MOGA	MOGA
		<ul style="list-style-type: none"> No. of districts with full devolution 							14 in FY06	Yearly	MLD	MLD
		<ul style="list-style-type: none"> Number of DDCs with citizen charters 		-	43	54	75	Completed	Yearly	MLD	NPC, 2005	
		<ul style="list-style-type: none"> Increased development resources to local bodies 	<ul style="list-style-type: none"> Number of schools transferred to community 	-	90	1,500	2,233	2,000 in FY06	Yearly	MOES	NPC, 2005	
		<ul style="list-style-type: none"> Proportion of conditional grant in total development budget (%) 	<ul style="list-style-type: none"> Number of complaints to CIAA 	1.6	2.1	2.0		3	Yearly	MLD	NPC, 2005	
		<ul style="list-style-type: none"> Increased share of internal resources to total development budget of the districts 		2,522	3,966	3,732		5,000	Yearly	CIAA	NPC, 2005	
<ul style="list-style-type: none"> Prevent corruption Enhance government accountability and transparency 	<ul style="list-style-type: none"> Strengthened anticorruption institutions Transparent allocation of budget 	<ul style="list-style-type: none"> Increased number of corruption cases prosecuted and convicted 	<ul style="list-style-type: none"> Number of cases prosecuted/ convicted 	162	211	183		500	Yearly	CIAA	NPC, 2005	
		<ul style="list-style-type: none"> Legislation on anti-money laundering promulgated 						To be promulgated in FY2006	Yearly	MOF	MOF	
		<ul style="list-style-type: none"> Anticorruption institutions strengthened 	<ul style="list-style-type: none"> Monitoring of income declaration established and random checks conducted 						NVC to develop monitoring mechanism in FY2006			
		<ul style="list-style-type: none"> National Vigilance Center established and Technical Audits conducted 	<ul style="list-style-type: none"> Project-based Social audits conducted in districts 		Established	8	13	35 in FY2006	Yearly	OPMCS	OPMCS	
		<ul style="list-style-type: none"> Technical audit agencies established and made operational 				37	37	MLD to monitor public hearing by local bodies from FY2006		MLD	MLD	

PILLAR IV: MECHANISMS TO DELIVER RESULTS

Medium-term Goals	CSP Strategic Focus		Tracking Indicators	Baseline FY02/10 th Plan	FY03	FY04	FY05	Milestone/ Targets	Monitoring	Data Source	Sources of Inf.	
	Intermediate Outcomes	Intermediate Indicators										
<ul style="list-style-type: none"> Enhance efficient and effective utilization of resources 	<ul style="list-style-type: none"> Improved management of public spending Strengthened country ownership and commitment Enhanced development effectiveness of ADB operations 	<ul style="list-style-type: none"> Clear prioritization of government projects and programs 	<ul style="list-style-type: none"> Proportion of projects under P1, P2, and P3 (%) 	NA	<ul style="list-style-type: none"> P₁ - 59% P₂ - 33% P₃ - 8% 	<ul style="list-style-type: none"> P1-72.5 P2- 13.3 P3 – 4.2 			Yearly	NPC/MOF	NPC, 2005	
		<ul style="list-style-type: none"> Improved development impact 	<ul style="list-style-type: none"> Promulgation of Procurement Law 					Draft law prepared	Law enacted	Yearly	ADB	ADB
		<ul style="list-style-type: none"> Aligning and harmonizing procurement procedures 	<ul style="list-style-type: none"> Harmonized standard bidding documents 					Draft SBD prepared	Finalize and use the SBD	Yearly	ADB	ADB
			<ul style="list-style-type: none"> Use of Results framework in key line ministries 						2	Yearly	ADB	ADB
		<ul style="list-style-type: none"> Institutionalization of RBM practices in key line ministries 	<ul style="list-style-type: none"> Number of districts completing and updating DPPs 	-	52	52			75	Yearly	MLD	NPC, 2005
<ul style="list-style-type: none"> Improve service delivery 	<ul style="list-style-type: none"> Enhanced institutional capacity of public bodies and civil society institutions Increased role of private sector and civil society in service delivery Strengthened public/social audit system at local level 	<ul style="list-style-type: none"> Increased number of quality district plans prepared 	<ul style="list-style-type: none"> Grant allocation to DDC bodies on poverty based formula (Rs. in million) 	810	810	842.5		900	Yearly	MLD	NPC, 2005	
			<ul style="list-style-type: none"> Proportion of ADB supported projects being implemented in partnership with NGOs and CBOs 	-	-	64	64	64	Yearly	ADB	ADB	
		<ul style="list-style-type: none"> Proportion of ADB supported projects being implemented in partnership with private sector 					13	13	Yearly	ADB	ADB	

N/A – Not available currently.

APPENDICES

Appendix 1	Nepal RB-CSP Preparation to Early Implementation – Main Tasks, Outputs, and Responsible Parties
Appendix 2	MfDR Principles
Appendix 3	Changes in Focus in 2004 RB CSP
Appendix 4	A Brief Situation Analysis of Nepal
Appendix 5	The Government of Nepal's Institutional Capacity for Managing for Results
Appendix 6	List of Nepal Country Team
Appendix 7	Nepal Resident Mission Organizational Chart (2004)
Appendix 8	Checklist for Ensuring Quality-at-Entry

SUMMARY CHECKLIST: NEPAL RB-CSP PREPARATION TO EARLY IMPLEMENTATION- MAIN TASKS, OUTPUTS AND RESPONSIBLE PARTIES (24 MONTHS IN TOTAL)		
Phase/Milestone	Key Actions and Outputs	Responsible Parties & Stakeholders (L= leads, S= Support; C= Consulted)
I. PRE-CSP ANALYSIS AND ASSESSMENT (7-8 months) October 2003- April 2004		
	<ul style="list-style-type: none"> ➤ Economic Growth Analysis ➤ Country Poverty Analysis ➤ Supporting thematic analyses, including roadmaps (in the context of growth and poverty): <ul style="list-style-type: none"> ○ Gender ○ Private Sector ○ Environment ○ Governance ○ Agriculture & Rural Development ○ Transport & Communication ○ Energy ○ Education ○ Water Supply ○ Sanitation and Urban Development ○ Social Protection ○ Financial Sector & Private Enterprise Development ○ Results Based Monitoring and Evaluation* 	L: CT S: COSO, CTL, ERD, OCO, RSDD, RM C: Government
II. CSP PREPARATION (12-14 Months) October 2003-October/December 2004		
1. Pre Consultations	<ul style="list-style-type: none"> ➤ Participatory stakeholder consultations 	L: CT, NRM S: Government and development partners C: Government/development partners/civil society
2. CSP Stocktaking: Meeting Chaired by Regional DG	<ul style="list-style-type: none"> ➤ CT Status Report with rationale for preparing the CSP ➤ Status of growth, poverty and other assessments and the need for new supplemental studies ➤ Planned OED CAPE study ➤ Resources required for updating analysis and assessment ➤ Proposed CT and its TOR ➤ Go/NoGo decision to prepare a new CSP 	L: RMT S: CT C: ERD, OED, RSDD
3. Updating of Pre-CSP Analyses and Assessments	<ul style="list-style-type: none"> ➤ Updated Analysis and Assessments ➤ Assessment of strategies and assistance by other funding agencies 	L: CT S: COSO, CTL, ERD, OCO, RSDD, RM
4. Local Consultations	<ul style="list-style-type: none"> ➤ 5 Region Parallel Local Consultations (150 stakeholders and partners) 	L: CT, NRM S: Government and development partners C: Government and development partners/civil society
5. Preparation of CSP Initiating Paper	<ul style="list-style-type: none"> ➤ Draft CSP Initiating Paper (CIP) <ul style="list-style-type: none"> ○ Identifies binding constraints to growth ○ Summary of key development issues ○ Proposed strategic focus ○ Skeleton results framework ○ CSP Mission members, TOR, and timeframe for CSP preparation 	L: CT leader, S: CT C: RMT, RSDD, ERD
6. CSP Initial Consultation Mission*	<ul style="list-style-type: none"> ➤ Draft CIP confirmed with DMC stakeholders (government, civil society, private sector, external funding agencies, etc.) ➤ Mission is fielded, aide memoire is submitted to government 	L: CT leader S: CT members, RM C: Government and other DMC stakeholders

7. CSP Initiating Meeting*, Chaired by VP	<ul style="list-style-type: none"> ➤ CIP circulated by regional DG to meeting members ➤ Decision on the strategic focus of ADB operation <ul style="list-style-type: none"> ○ sector, thematic, geographic, regional cooperation focus 	L: Regional DG S: CT, RMT C: VP, RSDD, ERD
8. Updating of Sector and Thematic Roadmaps	<ul style="list-style-type: none"> ➤ Updated sector/thematic roadmaps ➤ Updated Concept papers ➤ Co-financing opportunities identified 	L: CT S: OCO
9. CSP Mission* CPM/CSP Mission	<ul style="list-style-type: none"> ➤ Results Framework Consolidated ➤ Agreement with Government <ul style="list-style-type: none"> ○ priority sectors ○ thematic areas ○ geographical focus ○ medium-term goals ➤ Agreement with Government on assistance program ➤ Possible co-financing confirmed with other funding agencies ➤ Updated concept papers (for initial 3 years) ➤ MOU ➤ BTOR submitted to the respective VP for endorsement, and copied to all staff concerned and the President 	L: CT leader/ CSP mission leader S: CSP mission members, other CT members, OCO, RM, RMT C: DMC stakeholders
III. FINALIZATION OF CSP APPROVAL (4-5 Months) April-October 2004		
10. Management Review Meeting, Chaired by President*	<ul style="list-style-type: none"> ➤ 1st draft CSP circulated by Regional DG to MRM w/ issues papers ➤ Management guidance on issues and endorsement on CSP focus 	L: Regional DG S: CT, RMT C: President, VP, ERD, OED, RSDD
11. CSP Confirmation by Government	<ul style="list-style-type: none"> ➤ 2nd draft CSP cleared by Regional DG, and sent by OCD Director/CD to Government <ul style="list-style-type: none"> ○ Copied to management ➤ Government endorsement for the CSP and clearance for publication 	L: CT leader S: CT members, RM staff C: Regional DG, OCD Director/CD, Government
12. CSP Approval by the President, and Endorsement by the Board	<ul style="list-style-type: none"> ➤ Edited CSP circulated to the Board ➤ Briefing for the President ➤ Board endorsement ➤ Summary of Board Discussion 	L:CT leader S: CT member, RMT, OSEC C: Management, Board
13. CSP Publication	<ul style="list-style-type: none"> ➤ Published CSP 	L: OER
IV. OPERATIONALIZATION AND EARLY IMPLEMENTATION OF RB-CSP (6+ Months) October 2004-November 2005		
14. Awareness Raising and Capacity Development *	<ul style="list-style-type: none"> ➤ Consultations with Government ➤ Results Team formed within NRM ➤ Participation in high level international forum on MfDR in Ottawa, Bangkok, and Paris ➤ TA for operationalizing results management within 2 Government line ministries. ➤ SARD RETA for CD in MfDR 	L: RMT, Government, RD, SPRU C: RMT, Government
15. Refining and Fine-tuning of Results Framework *	<ul style="list-style-type: none"> ➤ RB-CSP Monitoring Matrix ➤ Implementation Guidelines 	L: RMT C: Government
16. Early Monitoring	<ul style="list-style-type: none"> ➤ Shift to Bi-monthly Reporting 	L: RMT, Government C: Government, RD
17. Evaluation and Revision*	<ul style="list-style-type: none"> ➤ Operations Review Mission, September 2005 ➤ Spring Cleaning Exercise ➤ Country Portfolio Review 	L: RD, SPRU C: Gov, SPRU, Board

Note: * Indicates that SPRU played a significant role.

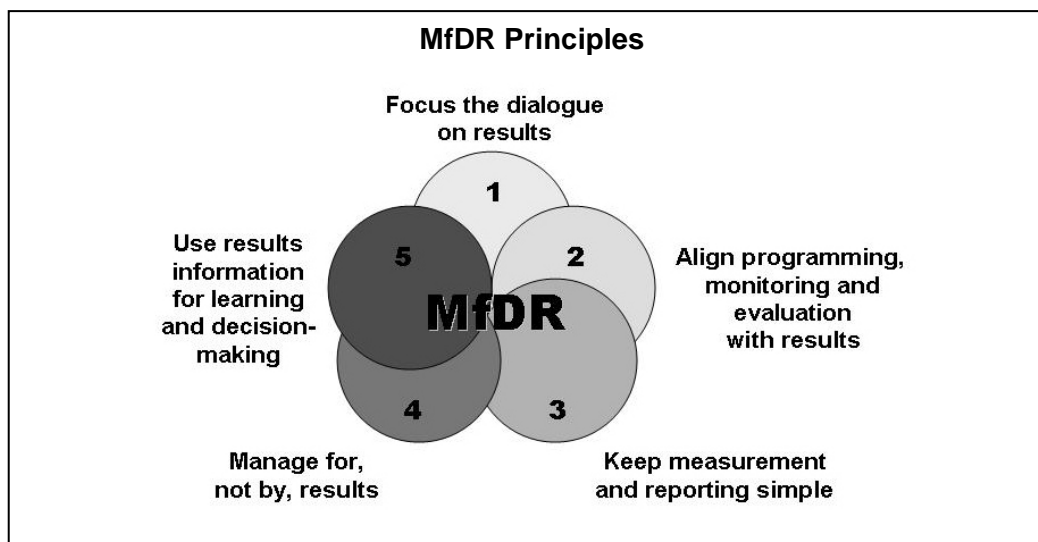
MFDR PRINCIPLES³⁵

MfDR is a management approach for improving the planning, monitoring, and evaluation of operations in order to achieve and sustain intended development results. It relies on:

- Clear goals and objectives
- Systems for measuring, monitoring, and reporting on performance and results
- The use of feedback and learning during on-going operations
- Beneficiaries participation in the development process
- Clear accountability in a decentralized framework
- Linking of results with planning and resource allocation.

While the various aspects of a country's Country Strategy and Program planning and implementation process may vary depending on the circumstance of the DMC, the principles of MfDR should form an integral part of a sound basis in results management. These are listed below:

- Focus the dialogue on results at all phases of the development process
- Align programming, monitoring and evaluation with results
- Keep measurement and reporting simple
- Manage for, not by, results
- Use results information for learning and decision-making



Source: *MfDR Principles in Action: Sourcebook on Emerging Good Practice*

³⁵ From Marrakech Roundtable 2004, as reported in *Managing for Development Results Principles in Action, Sourcebook on Emerging Good Practice*, DAC Working Party on Aid Effectiveness and Donor Practices, Joint Venture on Managing for Development Results, Paris 2005

CHANGES IN FOCUS IN 2004 RB-CSP

Table 3.1: Change in Sector Focus: between the 1999 COS and 2004 RB-CSP

1999 COS (10 Sectors)	2004 RB-CSP (6 Sectors)
1. Agriculture	1. Agriculture and rural development
2. Irrigation	--
3. Roads	2. Transport and Communication
4. Power	3. Energy
5. Finance	4. Finance and Private Enterprise Development
6. Basic Education	5. Education
7. Health	--
8. Water Supply and Sanitation	6. Water Supply Sanitation, and Urban Development
9. Environmental Improvement	--
10. Natural Resources	--

Table 3.2: Changes to the Portfolio in Line with RB-CSP 2004

Sectors	Interventions	Status
Agriculture & Rural Development	<u>Loan</u> <ul style="list-style-type: none"> • Community Ground Water Irrigation Sector Dev II (2005) • Agribusiness Development (2006) • Water Management Improvement (2006) <u>TAs</u> <ul style="list-style-type: none"> • Study of Aquaculture (2005) • Crop Diversification II (2006) 	<ul style="list-style-type: none"> • Restructured/Renamed: Decentralized & Community Water Management (DCWM, 2007) • Deferred (2008) • Restructured/Renamed DCWM (2007) <ul style="list-style-type: none"> • Dropped • Dropped
Water Supply & Sanitation	<u>Loan</u> <ul style="list-style-type: none"> • Kathmandu Valley Water Distribution, and Urban Development (2004) <u>TA</u> <ul style="list-style-type: none"> • Secondary Towns Urban Urban Environmental Improvements (STUEI, 2005) • Small Towns Water Supply (2006) • Kathmandu Valley Sewerage Treatment (2006) 	<ul style="list-style-type: none"> • Restructured/Deferred/Renamed to Kathmandu Valley Water Distribution, Sanitation and Urban Development (KVWSU, 2008) • Restructured and deferred (2007) <ul style="list-style-type: none"> • Restructured/Merged to STUEI (2007) • Restructured/Merged to KVWSU (2008)
Cross-cutting Areas	<u>TA</u> <ul style="list-style-type: none"> • Devolution Study (2004) • Soc. Protection Program (2006) • Capacity Building for NPC 	<ul style="list-style-type: none"> • Dropped • Dropped • Dropped
Transport/Communications	<u>Loan</u> <ul style="list-style-type: none"> • Road Access Roads Network (2006) <u>TA</u> <ul style="list-style-type: none"> • Rural Access to Communication (2005) 	<ul style="list-style-type: none"> • Restructured/Renamed/Advanced (2005) • Restructured/Renamed to ICT for Public Service Delivery (2005)
Finance	<ul style="list-style-type: none"> • <u>Loan</u> • Rural Finance Development (2005) • <u>TA</u> • Financial Market Development (2006) 	<ul style="list-style-type: none"> • Restructured to the cluster program (2005) • Restructured/Renamed to Financial Sector and SME Development (2007)
Cross-cutting	<u>Loan</u> <ul style="list-style-type: none"> • Governance Reform and Decentralization Program (2006) <u>TA</u> <ul style="list-style-type: none"> • Public Sector Management Program II (2005) 	<ul style="list-style-type: none"> • Restructured to the cluster program • Dropped

Source: Note to file provided by ADB Nepal Resident Mission

A BRIEF SITUATION ANALYSIS OF NEPAL

A. The Economy

1. Nepal's slowly improving economic indicators and recent gains in fighting poverty belie the country's challenges for medium-to-long term economic growth and poverty reduction. This landlocked agrarian economy has yet to capitalize on its strategic location wedged between China and India.

2. The economy has recovered modestly since 2002, with GDP growth in FY2004 of 3.3 percent, up from 2.9 percent and -0.4 percent in 2003 and 2002. However, this is far below its performance in the 1990s when Nepal grew at a rate of about 5 percent per year. A deteriorating foreign investment climate and low level of capital expenditure over the past three years has made it difficult to finance Nepal's development needs. Foreign loans finance 2/3 of the fiscal deficit. A slowdown in economic reforms over the past year, political uncertainty and the lack of credible progress toward restoring peace and stability have undermined Nepal's ability to mobilize resources¹.

3. Agriculture makes up 40 percent of GDP and employs about 60 percent of the labor force. Growth in this sector slipped to two percent in 2005, due in large part to weather conditions and a deteriorating security situation, but is further limited by producers' subsistence orientation, inadequate access to irrigation, an insufficient transport network, lack of access to modern technology and credit. Strong growth in remittance flows from overseas workers led an economic recovery in 2004 with remittance-driven consumption expenditures accounting for almost all the growth in GDP². The services sector also contributed, expanding from 25-40 percent of GDP since the 1980s.

B. Poverty and Social Development

5. Nepal is one of the poorest countries in the world with a per capita GDP of \$289 in 2005. In 2004 it ranked 140 out of 177 in the UN's Human Development Index (HDI),³ second from the bottom of South Asian countries. In 2002, 82 percent of the population was living on incomes below the international poverty comparator of US\$2.00 per day.⁴

6. Wealth is highly concentrated, contributing to significant urban-rural and regional disparities in human development and the marginalization of disadvantaged groups⁵, see Table A4.1 below. Poverty incidence in Kathmandu is one-tenth that of the rest of the country⁶, while the rural conflict-affected areas of the Mid-west and Far-west Mountain districts remain the most disadvantaged with high unemployment. It will be difficult for Nepal to meet any of the Millennium Development Goals (MDGs) by 2015.

7. However, results from the Government's Second Living Standards Survey (NLSSII, 2004) are encouraging. The survey reports a decline in headcount poverty incidence from 42-31 percent since 1996. This is attributed to a tripling of remittances (an estimated 700,000 Nepalese working abroad), along with increases in non-farm income, higher agricultural wage, rapid urbanization and a decline in fertility. The NLSSII also shows marked improvements in

¹ ADB.2005. *Economic Development Outlook*. Manila

² ADB.2005. *Operational Review*. Manila

³ United Nations. 2004. *Human Development Report, Human Development Index*. New York

⁴ ADB. 2005. *Nepal Country Strategy and Program (2005-2009)*, Appendix 3, p.83, as cited by the United Nations Development Programme (UNDP).

⁵ On average Dalits earn less than half of what upper-cast groups earn. 75 percent of women in Nepal area classified as illiterate compared to only one-third of the men. CSP, Appendix 3, pg. 84

⁶ World Bank. 2003. *World Bank Country Assistance Strategy*. Washington, DC.

social indicators: adult literacy increased from 36 to 48 percent, employment went from 67-74 percent, access to electricity increased from 14 to 37 percent, access to piped water increased from 33 to 44 percent, there were also improvement in education and infant and child mortality rates toward meeting the MDGs.⁷

C. Conflict and Political Instability

1. Since the restoration of democracy in 1991, Nepal's government has been burdened by intra and inter-party fighting and changes in regime (13 governments in 13 years). This complex political environment of competing interests, with the palace, Government, political parties and the CPN/M vying for power and control, has tested the Government's commitment to meeting the development needs of its people⁸. Since 1996, the conflict has adversely affected Nepal's economy. An estimated 12,000 people have been killed, and approximately 300-400,000 rural families have been displaced. This cost the Government an estimated \$400 million in damages to infrastructure; lost economic and business opportunities brought on by insecurity and Bandhs (strikes); a drop in tourism; disruptions in transport and other services; withdrawal of financial institutions from the rural areas; lost livelihoods and lost childhoods (700 private schools closed).⁹

Table A4.1: Socio-Economic Indicators Urban/Rural Disparities

Social Indicators	Kathmandu	Urban	Rural	Mid-west Mountains	Far-west Mountains
Life Expectancy at Birth	69.5	64.5	60.6	54.5	54.3
Adult Literacy	73.5	8.3	45	42.5	41.7
Literacy: Male/Female	85/60	80/56	59/31	57/29	61/23
Infant Mortality	30.6	51.7	70.3	103.0	88.4
Population Without Access to Safe Drinking Water	11	12	22	36	33
Mean Years of Schooling	5.9	5.1	2.4	2.2	2.1
GDP Per Capita (PPP\$)	3438	2224	1162	988	1079

Source: United Nations. 2004. Human Development Report. Nepal Human Development Index, citing 2001 statistics.

⁷ As cited in ADB's 2004 Nepal Results-Based Country Strategy and Program, Poverty Assessment, Appendix 3

⁸ ADB. 2004. Nepal Country Strategy and Program, p. 2

⁹ For more details see ADB Nepal Country Strategy and Program, p. 2 and Ra, S. and B. Singh, 2005. *Measuring the Economic Costs of the Conflict*, NRM Working Paper Series: Kathmandu. No. 2. Manila: ADB.

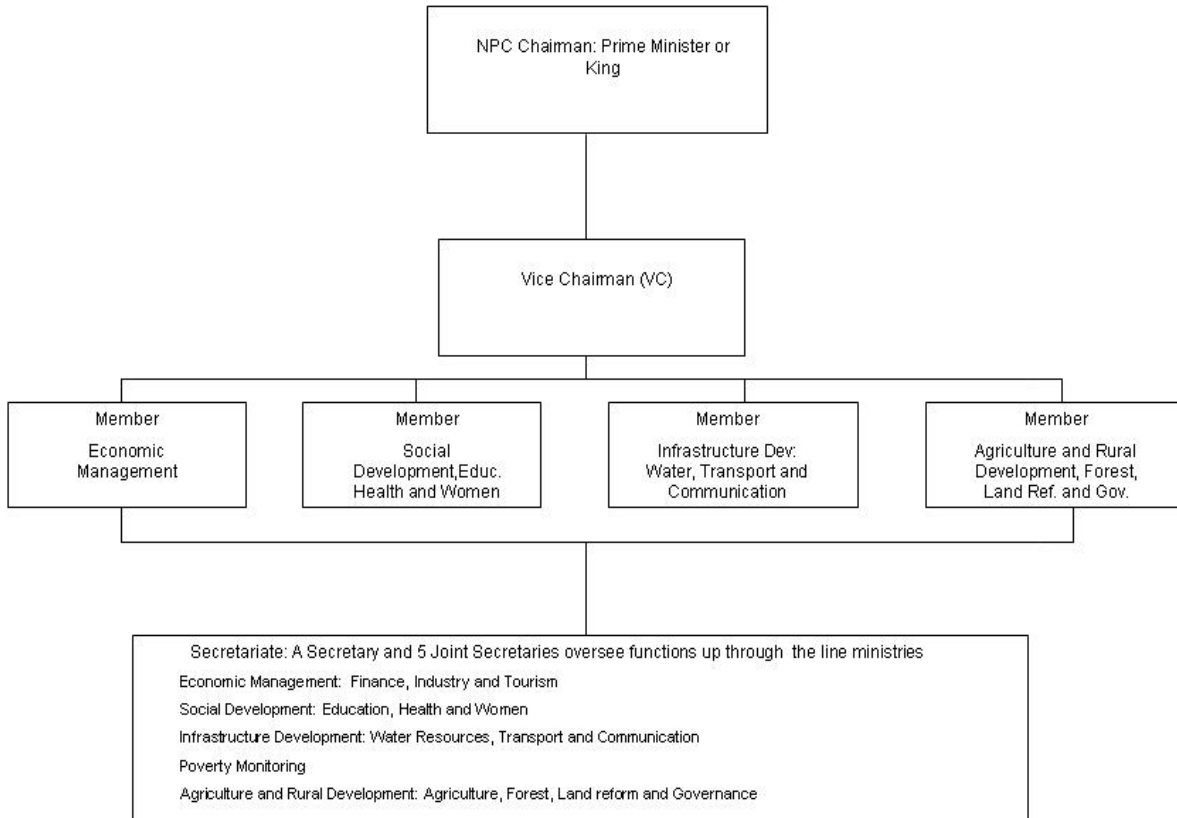
THE GOVERNMENT OF NEPAL'S INSTITUTIONAL CAPACITY FOR MANAGING FOR RESULTS

1. The National Planning Commission leads the Government's results management initiative, for achieving the goals of the PRSP/Tenth Plan. It is responsible for coordinating the monitoring and evaluation of performance indicators and for providing policy direction in response to feedback. The Government has taken some encouraging steps to put in place the basic elements of a results-based system for planning, budgeting, implementing and monitoring. In recognition of this Nepal has been the subject of two case notes included in the *OECD/DAC Joint Venture Managing for Development Results Principles in Action: Sourcebook on Emerging Good Practice*. Capacity for leadership in MfDR within the NPC extends from the Vice Chairman to four members (who oversee 25 line ministries), and into the secretariat, where further MfDR oversight is provided first to the line ministries, and then down to the district level, see the organizational overview of the National Planning Commission (NPC) below.

2. The Government devised a monitoring framework for the Tenth Plan and linked the long-term plan to the annual budget through the Medium Term Expenditure Framework (MTEF). This has helped the Government to prioritize and introduce a results orientation to budget allocation, resulting immediately in fewer projects for Kathmandu, and an increase in allocation per project, particularly for social sector and poverty reduction interventions. The Immediate Action Plan (IAP) was institutionalized to ensure a more effective implementation of reform priorities. Sector business plans were drawn up to implement the main elements of the Tenth Plan. A Poverty Monitoring and Analysis System (PMAS) was set up to monitor and assess the progress of the PRS. The Government has announced a pilot plan to launch full devolution across 14 districts (one district per zone) out of seventy-five.

3. A recent restructuring of the National Planning Commission (NPC) has resulted in upgrading the Poverty Monitoring Unit to division status, to facilitate the monitoring of progress of all first priority reform initiatives under the Immediate Action Plan (IAP). It has been granted more autonomy, better institutional capacity and staff. "Poverty-based resource allocation" at the local level is underway, in some sectors, e.g. education, see text box below. And results monitoring and reporting is being streamlined within some ministries, even at the district level.

Organizational Overview of the National Planning Commission (NPC)



4. The IAP provides a system for prioritizing the Government’s projects and reform initiatives into three categories. Criteria for this include: how well they address national objectives, impact on poverty, involve peoples’ participation, assist women, and consistency with the Tenth Plan. All first level priorities (or P1s are tracked by the NPC). Second and third level prioritized projects are tracked by line ministries. All government projects are monitored by hard copy trimesterally, including the P1 policy initiatives which account for 76% of the Nepal’s development budget (65-70 percent are donor funded). Issues and problems arising at the ministerial level, left unresolved are brought before the National Development Committee of the NPC, Chaired by the Prime Minister (or the King). This Committee meets bimonthly, to provide policy feedback and instructions on what changes in policy must be undertaken.

LIST OF NEPAL COUNTRY TEAM

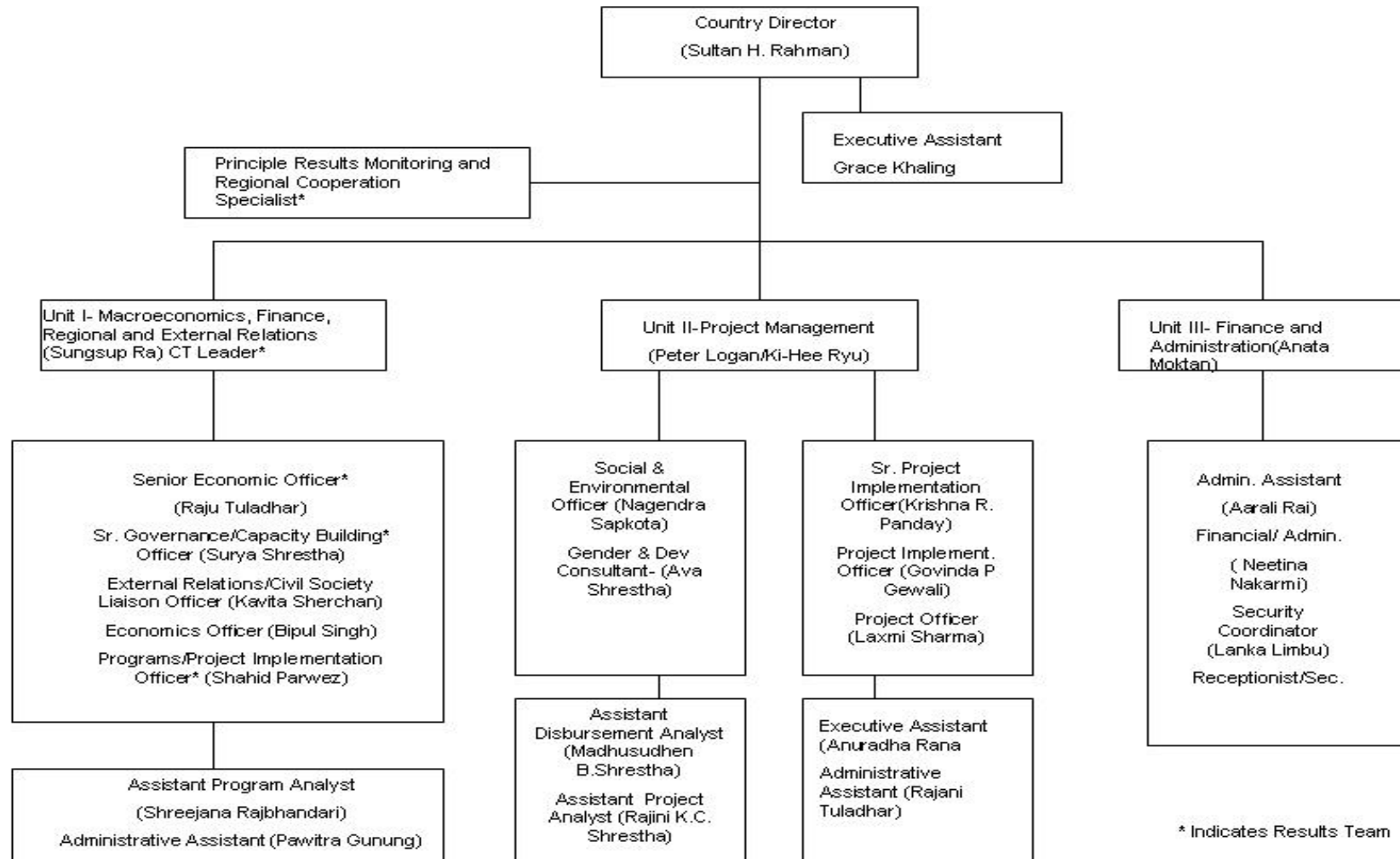
A. Nepal Country Team Members

Division/Dept	Staff	Support Staff
NRM	Sungsup Ra* Raju Tuladhar Laxmi Sharma	Shreejana Rajbhandari Anuradha Rana
SAOC	Sunniya Durrani-Jamal*	Hazel Varian
SAAE	Snimer Sahni* Brian Fawcett	Joy Alipio Cherry Puray
SAGF	Rainer Harter H. P. Brunner	Marivi Panis
SAEN	Pil-Bae Song*	Vicky Austria
SATC	K. E. Seetharam* Nianshan Zhang	Weyeh Villanueva Virgie Avila
SASS	Keiichi Tamaki* Ayako Inagaki	Dette de Castro Edna Atangan

B. Nepal Country Focal Persons

COPP	Toshimasa Dojima*
CTL	Roslaini Rasuman*
ERD	D. S. Maligalig*
EREA	Peter Choynowski* Dave Dole
OCO	Haruya Koide* Martin P. Endelman
OGG	Caroline Vandenabeele* Vankina Rekha
PSOD	Michael Lim* Takeo Koike
SPD	Ziba Farhadian-Lorie* Per Oyvind Bastoe
RSDD	Asha Newsum*

NEPAL RESIDENT MISSION ORGANIZATIONAL CHART (2004)



CHECKLIST FOR ENSURING QUALITY-AT-ENTRY

Target: PPTA MISSION

Objective: With greater attention to improved development effectiveness, this checklist has been developed to ensure project quality at entry through better practices with the intention of designing projects that will be results oriented.

Proposed Loan:

Key Control Area	Yes	No	N/A ¹	Milestone ²	Indicators of achievement	Remarks
1. Clear strategic approach with linkage to government's development strategy and CSP						
2. Project is in government's priority 1 level						
3. Outcome is measurable and monitorable						
4. Result focussed design and monitoring framework developed						
5. Clear result monitoring mechanism developed						
6. Has limited number of project components						
7. Institutional assessment undertaken to determine EA and IA's capacity						
8. Capacity building support clearly identified and stated						
9. Project implementation or management unit established						
10. Implementation modality is participatory and community based.						
11. Limited number of EAs/IAs with roles and responsibilities clear and well defined						
12. Fund flow mechanism well defined						
13. Content of subsidiary/project agreement discussed						
14. Action plan for environment impact assessment and social impact assessment agreed						
15. Land acquisition and resettlement action plan prepared						
16. Procurement package simple and unambiguous						
17. Realistic disbursement schedule prepared						
18. Budget and funding for the 1st year of project implementation agreed						
19. Action plan for financial management, procurement and monitoring and evaluation system agreed						
20. TOR for recruitment of consultants prepared						

21. Standard bidding documents for the 1st year of project discussed					
22. Draft audit arrangement and TOR discussed					
23. Advance action for procurement and consulting services, and retroactive financing are agreed					
24. Thorough assessment of the external environment undertaken (Conflict and political environment)					
25. Full participation of HQ, NRM, Project Management Unit (EA/IA) and other stakeholders during design					
26. Loan conditions emphasize incremental reforms rather than a fundamental refor.					
27. Limited and achievable number of covenants					
28. Draft Project Administration Memorandum ready				By Negotiation	
29. MOU of Appraisal mission states key features from the PAM					
30. Lessons learnt from past projects incorporated					
31. To the extent possible promotes public private partnership					
32. Takes into account coordination with other donors for harmonization					

¹. Not Applicable

². Milestone of each control area will be defined by the Mission leader

Prepared by:

Date:

Reviewed by:

Date:

Position: Mission Leader

Position:

Country Programs

Specialist

² Achievement of these outcomes is combined responsibility of the Government and its development partners, including ADB, the civil society, private sector, and other development agencies.

³ Indicators to track success of implementation towards expected outcomes. Baseline, targets, and indicators for monitoring progress have been identified and will be updated regularly.