

# TECHNICAL ASSISTANCE COMPLETION REPORT<sup>1</sup>

Division: NRM/SARD

<b>TA No., Country and Name:</b> TA 4460-NEP : Strengthening the National Accounts System		<b>Amount Approved:</b> \$350,000  <b>Revised Amount:</b>	
<b>Executing Agency</b> Central Bureau of Statistics	<b>Source of Funding</b> TASF	<b>Amount Undisbursed:</b> \$100,869	<b>Amount Utilized:</b> \$249,131
<b>TA Approval Date:</b> 3 December 2004	<b>TA Signing Date:</b> 24 January 2005	<b>Fielding of First Consultants:</b> 22 April 2005	<b>TA Completion Date</b> <b>Original:</b> 14 June 2007 <b>Actual:</b> 14 June 2008  <b>Account Closing Date</b> <b>Original:</b> 14 June 2007 <b>Actual:</b> 30 June 2009
<p><b>Description</b></p> <p>Nepal's national accounts (NA) statistics were (as of the time of the above TA formulation) still based on the 1968 System of National Accounts (SNA). Gross domestic product (GDP) estimates and its components are deficient due to the lack of sufficient and regular data sources. Besides, these estimates suffer from conflicting data sets, lags in data availability, and data gaps. Timely access to administrative records is also limited due to shortcomings in record keeping and processing. As a result, NA compilation relies heavily on fixed ratios derived from previous surveys or ad hoc assumptions. Also, Nepal does not yet have quarterly national accounts (QNA) estimates, which are essential for policy makers and general users to measure business cycles more quickly than the NA.</p> <p>The TA was, therefore, provided to the Central Bureau of Statistics (CBS), the Government's central statistical agency, for strengthening its capacity for improving the annual NA along the lines of the 1993 SNA and making initial preparations for the collection and compilation of necessary data for QNA estimates.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The expected impact of the TA was a strengthened NA system conforming to international standards. The outcome of the TA was capacity development of CBS in compiling NA statistics based on the 1993 SNA, improved data coverage for the compilation of timely and quality NA estimates and preparations for compiling QNA.</p> <p>Expected TA outputs were: (i) harmonized concepts of the NA aggregates aligned with the 1993 SNA; (ii) benchmarked and rebased NA estimates to the year 2000; (iii) improved data coverage and reduced data gaps in the NA; (iii) preparations for development of a system of compiling QNA; and (iv) survey designs for conducting a household income and expenditure survey (HIES) by Nepal Rastra Bank (NRB).</p> <p><b>Delivery of Inputs and Conduct of Activities</b></p> <p>CBS was the executing and the implementing agency. A steering committee (SC) chaired by the Member of the National Planning Commission guided the implementation of the TA. A technical committee, chaired by the Director General of CBS and comprised of experts from various data collecting agencies, supported the work of the SC and provided technical guidance to the staff of the NA section of CBS.</p> <p>All TA activities were completed as envisaged, except for a small component for assisting NRB in preparing survey designs for the 2006 (HIES). NRB did not avail of this assistance as the survey schedule was advanced and the relevant TA consultant could not be mobilized to meet the advanced schedule. However, the TA contributed to the survey by revising the survey questionnaires for soliciting necessary information for improving the NA.</p> <p>The TA provided a total of 24.5 person months of consultant services—1.5 person months of an international NA specialist (as envisaged in the original TA design) and 23 person months of domestic consultant inputs (compared to 20 person months envisaged originally). National consultant inputs included 12 person months (compared to the original provision of 7 person months) of a NA expert, 7 person months of a survey sampling specialist (as originally provisioned), 3 person months of a tax expert (not originally provisioned), and 1 person month of a data expert (not originally provisioned). These adjustments to the national consultant inputs were made through minor changes in scope approved in February 2006 and January 2007. All consultants completed their assignments satisfactorily.</p> <p>The TA period was extended twice by a total of 12 months. The first extension of 9 months (i.e., until mid-March</p>			

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2008) was provided in view of the initial delay in conducting the NA-related surveys due to the tenuous security situation in different parts of the country. The second extension (until mid-June 2008) was provided because of the postponement of the pre-arranged training program by the Central Statistical Organization of India.

The NA section of CBS was provided with 7 desktop and 5 laptop computers, 3 laser printers, 5 motorcycles, 7 UPS units, a multimedia projector and a scanner, which facilitated the TA activities and contributed to the capacity building of CBS in the NA activities.

While the TA fund advance facility facilitated TA implementation, it substantially delayed closure of the TA account due to significant delays in liquidating the advanced funds caused by the lack of adequate supporting documents.

ADB monitored the TA activities through regular review missions, which provided continuous guidance for effective implementation. Tripartite meetings were held to review the progress of the TA.

#### **Evaluation of Outputs and Achievement of Outcome**

A key achievement of the TA was the improved NA of Nepal, with improved data coverage and reduced data gaps. This was achieved by benchmarking, rebasing, classifying and upgrading the country's NA to 1993 SNA. Migration to the 1993 SNA (beginning NA estimates for FY2008, taking FY2001 as the base year) has made Nepal's NA internationally comparable and more useful for policy analysis and formulation. The benchmarking exercise involved some 30 surveys covering various sectors of the economy, providing a basis for the NA estimates in detail.

To institutionalize the improved NA system, a comprehensive manual was prepared on the NA methodology and data sources with detailed information on the overview of Nepal's NA system, GDP estimates by industries, institutional sectors and expenditure category, sequence of accounts, technical notes, glossary of terms and data tables. The manual provides useful reference for the users as well as the compilers of NA statistics to sustain the methodology and quality of the NA in accordance with the 1993 SNA and standardize NA data. The improved NA also laid a ground work for developing a system for compiling QNA. To this end, the TA helped in reviewing data sources and methodology and conducting studies for developing a system of QNA in future. All of this helped to build the capacity of CBS staff to sustain the NA estimates in line with the revised 1993 SNA series.

The TA was generally efficient in terms of cost, implementation and achieving the intended objectives.

#### **Overall Assessment and Rating**

All the activities envisaged in the TA were accomplished, except for the design of the HIES. The terms of reference of the consultants were appropriate, and their outputs timely and satisfactory. The TA inputs contributed to capacity strengthening of CBS in improving Nepal's NA statistics. CBS staff demonstrated strong ownership of the TA activities, working closely with the TA consultants and proactively undertaking the TA activities. For these reasons, the improved NA will likely be sustained. Although the TA period was extended, it was for reasons of unforeseen and extenuating political circumstances beyond the EA's and Government's control. Overall, the TA is rated satisfactory.

#### **Major Lessons**

Given the experience with the fund advance facility under the TA, it would be important to ensure adequate administrative capacity to manage Advance Payment Facility at TA design stage.

#### **Recommendations and Follow-Up Actions**

An integrated approach to the overall statistical system is essential to sustain the achievements of the TA and ensure reliability and timeliness of the NA. Such an integrated approach (developed under a previous TA—TA3451-NEP: Strengthening the National Statistical System) requires a strong statistical institution, an adequate legal framework, an effective coordination mechanism, and increased resource allocation for regular sample surveys and optimal utilization of administrative data. While the Government has taken preparatory actions on these, including drafting of a new statistics act and conducting an organizational management study for restructuring and elevating the status of CBS as a more autonomous institution, the reform process has been protracted. These reforms need to be introduced urgently. Mindful of the challenging political transition the country is undergoing, ADB should continue to follow up and support the Government in implementing these reforms.

Given its weak institutional capacity, the Government needs continued support for strengthening its statistical system, including the NA, as concluded by the comprehensive diagnostic study on Nepal's statistical system under TA 6333-REG: Technical Assistance for Statistical Capacity Building in the Asian and Pacific Region. Assistance to strengthen Nepal's statistical system needs to be a part of ADB's country partnership strategy, and any future assistance should be considered within the framework of the findings of TA 6333-REG and be built on the achievements of this TA.