

ASIAN DEVELOPMENT BANK

TAR: NEP 31026

TECHNICAL ASSISTANCE

TO THE

KINGDOM OF NEPAL

FOR

STRENGTHENING THE PROJECT PERFORMANCE MANAGEMENT SYSTEM

December 1997

CURRENCY EQUIVALENTS

(as of 31 October 1997)

Currency Unit	-	Nepalese Rupee/s (NRe/NRs)
NRe1.00	=	\$0.0171
\$1.00	=	NRs58.50

ABBREVIATIONS

CMED	-	Central Monitoring and Evaluation Division
CPRM	-	Country Portfolio Review Mission
EA	-	Executing Agency
GDP	-	Gross Domestic Product
IT	-	Information Technology
M&E	-	Monitoring and Evaluation
MIS	-	Management Information System
MOA	-	Ministry of Agriculture
MWR	-	Ministry of Water Resources
MWT	-	Ministry of Works and Transport
NPC	-	National Planning Commission
NPCS	-	National Planning Commission Secretariat
PPMS	-	Project Performance Management System
TA	-	Technical Assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July.
- (ii) In this Report, "\$" refers to US dollars.

I. INTRODUCTION

1. The Government of Nepal recognizes that there is a need to improve its development management capacity including the processes of selecting new projects and of managing and monitoring of ongoing projects. The institutional capacity needed for this (in terms of accountability, skills, systems, and processes) does not currently exist to the extent required. Accordingly, during the Bank's Country Program Confirmation Mission in November 1996, the Government requested the Bank for technical assistance (TA) to help introduce/strengthen a results-based project performance management system (PPMS) at the national level and within selected line agencies. Such a system will facilitate measuring institutional performance on project implementation through objectively verifiable indicators with clearly established accountability and quick corrective actions. Accordingly, a TA to help set up/strengthen such a system was included in the 1997 TA program for Nepal.¹ A Fact-finding Mission visited Nepal in July 1997 to assess the need and capacity of the National Planning Commission Secretariat (NPCS) and other selected ministries at the line agency level.

II. BACKGROUND AND RATIONALE

2. The need for ensuring efficient utilization of resources becomes extremely important in a country like Nepal where such resources are critically scarce. Domestic savings have been low, averaging about 12 percent of the gross domestic product (GDP) since the turn of the century, and were less than 9 percent in FY1995/96. The Government revenue effort has improved only marginally from about 9 percent of GDP in 1980/81 to about 11 percent in 1996/97. The country's development budget is increasingly dependent on funds from external sources, which accounted for almost 60 percent in 1996/97. While external assistance and public investments have grown rapidly, these development efforts have not resulted in commensurate improvement in economic growth and poverty reduction. At the heart of these shortcomings are poor development and public resource management. Major factors inhibiting development include poor project selection, inadequate preparation, weak project management, inadequate accountability, and ineffective project monitoring and supervision.

3. An assessment of the Bank's postevaluation findings (as of the end of September 1997) indicates that of the 26 projects postevaluated, only 15 (57.7 percent) were considered as generally successful, 5 (19.2 percent) as partly successful, and 6 (23.1 percent) as unsuccessful. This rate of unsuccessful projects is among the highest in the region.² While specific reasons for such poor performance vary, major constraints identified include (i) lack of proper institutional arrangements for assuring quality in project identification/selection/formulation and implementation; and (ii) lack of an effective follow-up monitoring, managing, and evaluation system. An assessment of the ongoing project portfolio also leads to a similar conclusion. Of the 24 Bank-assisted projects currently under implementation, 13

¹ The TA first appeared in *ADB Business Opportunities* in July 1997.

² Generally, a project rated as unsuccessful is seen to be a technical and economic failure in the sense that the project facilities operate at a very low level of installed capacity, if at all, with little prospect of improvement. Unsuccessful ratings for some of the other comparable countries in the region were as follows: 11.4 percent in Bangladesh, 12.5 percent in Lao People's Democratic Republic, 8.7 percent in Pakistan, and 12.5 percent in Sri Lanka.

projects are below their projected progress and require continuous close monitoring.¹ Thus, project monitoring and management has not been effective and needs improvement both at the central level as well as at the line agency level with proper linkages among them.²

4. The Ministry of Finance is entrusted with responsibility to prepare the country's annual budget. Against the background of stagnating revenue, various line ministries compete for limited resources from the Ministry. The development budget is encumbered with an excessive number of nonprioritized projects from these ministries each demanding scarce funding. Resources are distributed thinly among a wide variety of projects none of which receives the funding support they require to achieve the intended benefits.³ There is an urgent need to improve the efficiency of resource utilization and management in Nepal by helping strengthen project formulation and management capacity among the line ministries as well as at the national planning level in NPCS to ensure more efficient and effective use of public funds.

5. NPCS is responsible for prioritizing development projects submitted to it by various line ministries. In addition, NPCS, in particular its Central Monitoring and Evaluation Division (CMED), is also entrusted with coordinating and monitoring the project performance status of different ministries and their departments. While CMED has benefited from the small-scale TA provided by the Bank in 1993 for strengthening postevaluation capability,⁴ it is still far from developing the required skills and competencies for institutionalizing an effective PPMS. This is also true at the line ministries levels where technical strength and expertise for project formulation, design, implementation, monitoring, and assessment remain weak.

6. The Government recognizes this concern, and the Approach Paper on the Ninth Plan (1997-2000) developed by NPCS places high priority on the need to establish an effective PPMS both at NPCS and at the line ministries level in line with its emphasis on results-based management. The Plan Approach also calls for developing a computerized global network to directly link the Planning cells, and monitoring and evaluation divisions of all the ministries with CMED, making exchange of information easy. The Bank's Country Portfolio Review Missions (CPRMs) have emphasized to the Government the need for a coordinating entity with technical strength to manage projects efficiently and with authority to take decisive and timely actions to resolve the identified problems. The CPRMs have also experienced coordination problems in project management between the central level and the line ministries level.

7. Nepal continues to face not only limited financial resources but also equally constrained limited institutional and human resources. The proposed TA will aim at enhancing

¹ These include 9 projects substantially below their contract award targets and 12 projects below their disbursement targets.

² The Bank has recently provided TAs to establish/strengthen PPMS in several developing member countries, including Bangladesh, People's Republic of China, Papua New Guinea, Philippines, Sri Lanka, and Thailand.

³ A review of the FY1997/98 budget showed that nine projects have received insufficient budget allocation.

⁴ The TA grant of \$100,000 (TA No. 1967-NEP: *Strengthening the Postevaluation Capability of the National Planning Commission Secretariat*, for \$100,000, approved on 22 October 1993) was provided with a limited objective of strengthening the postevaluation capability of CMED and some of the key line ministries. The TA helped create positive awareness of the importance of a postevaluation system in the various line ministries and in CMED. A manual for postevaluation was prepared and distributed to various line ministries. CMED has now been upgraded and has an annual budget of its own for postevaluation activities since 1996/97. The technical assistance completion report has rated the TA as generally successful.

and assisting NPCCS (in particular its CMED) and the three line ministries—Ministry of Agriculture (MOA), Ministry of Water Resources (MWR), and Ministry of Works and Transport (MWT)—in helping establish/strengthen their PPMS (including project identification, formulation, monitoring and supervision activities). The three ministries together are responsible for implementing 37 of the country's total 81 core projects and account for over 29 percent of the total development expenditure in 1997/98. These three ministries also account for over 70 percent of Bank assistance to Nepal. Such strengthening of PPMS in these major agencies will enhance the Government's overall project management capability, including Bank-financed projects by addressing (i) process-related problems that could arise before the effectiveness of Bank loans, as well as (ii) implementation-related problems during the project implementation stage.

III. THE TECHNICAL ASSISTANCE

A. Objective

8. The objective of the TA is to establish an accountable and result-oriented institutional framework in Nepal at the national and selected line ministry levels for the programming, budgeting, and management of development projects. The project will be a success when the Government has developed capability to (i) identify and prioritize projects based on clear development criteria, (ii) implement and monitor them effectively by keeping track and comparing project results with actual and expected outputs and impacts, and (iii) hold implementing agencies accountable for project outcomes.

9. The TA involves a process-oriented, in-country capacity building program of assistance in accordance with the Bank's *Guidelines on Capacity Building Services in DMCs*. Subject to the successful accomplishment of this TA, the approach will be further refined and expanded for application to other major line ministries in the second and third phases.

B. Scope

10. The TA will help establish systems, procedures, and technical skills and competencies at the central level (NPCCS) and at the line ministry level (MOA, MWR, and MWT) in the following key areas: (i) project planning and performance management (both at the levels of NPCCS, and Ministries of Agriculture, Water Resources, and Works and Transport); and (ii) accountability for performance (also at line ministry level).

11. Specifically, the TA will have the following components:

- (i) **Project Performance Management System:** This component will help develop and implement (a) monitorable performance indicators for each institution (in terms of respective outputs [key result areas]), impacts (strategic result areas), and resource requirements; (b) an accountability system; and (c) a project management system that tracks project progress in terms of actual vis-a-vis targets to permit implementation of the "output based accountability" concept (in NPCCS, MOA, MWR, and MWT). This component will also provide research facility to update NPCCS with analytical information on the sectors and the economy as required.

- (ii) **Management Information System:** This component will integrate the management information system (MIS) at central and line ministries' levels with PPMS to facilitate project management by helping identify problems well on time for necessary corrective actions. This component will also help set up interministerial linkages of MIS between NPCCS, MOA, MWR, and MWT.
- (iii) **Human Resource Development:** This will focus on strengthening and sustaining professional capabilities of the staff of NPCCS, MOA, MWR, and MWT in implementing PPMS. Training programs and a series of domestic workshops will be carried out to ensure effective transfer of skills and expertise. This will also include study visits to appropriate member countries in the region by four senior officials, one from each of the recipient agencies, to share project management experiences.
- (iv) **Provision of Computer Facilities:** Under this component, a computer networking system will be established (at the central as well as line agencies levels) among NPCCS, MOA, MWR, and MWT.

12. Detailed terms of reference for the proposed TA are given in Appendix 1.

C. Cost Estimates and Financing Plan

13. The total cost of the TA is estimated at \$550,000 equivalent comprising \$373,000 in foreign exchange and \$177,000 equivalent in local currency. The Bank will provide \$500,000 to finance the entire foreign exchange cost and about \$127,000 equivalent in local currency cost, mainly for the services of domestic consultants and expenditures on in-country training and workshops and related activities. The TA will be financed by the Bank on a grant basis from the Bank-funded TA program. The Government will finance the balance of the TA cost, including counterpart staff, office accommodations and supplies, secretarial support, and other miscellaneous expenses. The cost estimates and the financing plan for the TA are in Appendix 2.

D. Implementation Arrangements

14. The National Planning Commission Secretariat will be the Executing Agency (EA) for the TA with the head of CMED responsible for the overall implementation of the TA. A six-member steering committee to be headed by the Vice-Chairman of NPC will be formed at the commencement of the TA with secretaries of NPCCS, MOA, MWR, and MWT as its members and the head of CMED as its member secretary. The committee will provide guidance for smooth implementation of the TA by monitoring progress, resolving problems that may arise during the implementation, guiding international and domestic consultants, and reviewing TA contribution and the consultants' outputs. The committee will first meet during TA inception and then quarterly during TA implementation.

15. The TA will be implemented over a period of 18 months commencing in March 1998. The TA will require the services of three international consultants for a total period of eight and a half person-months. One consultant will have expertise in result-focused PPMS, will be engaged for four person-months, and will act as the Team Leader bearing the overall responsibility of the final report of the TA. The second international consultant, to be engaged for

three person-months, will also have expertise on project performance management with particular experience in training. The third international consultant will be an MIS expert and will be engaged for one and a half person-months. Four domestic consultants with expertise in project management, sectoral and macroeconomy, MIS, and training/workshops (including one data analyst cum research assistant) will be recruited for a total of 32 person-months¹ to assist the international consultants and to carry out the series of domestic workshops and training to staff from NPC, MOA, MWR, and MWT. All consultants will be recruited by the Bank either on an individual basis or following a simplified technical proposal in accordance with the Bank's *Guidelines on the Use of Consultants*, and other arrangements satisfactory to the Bank on the engagement of domestic consultants. The equipment to be procured consists primarily of computers and software and will be procured by the Bank in accordance with the Bank's *Guidelines for Procurement*.

16. The EA will be responsible for implementing the TA, including provision of office space, counterpart staff, and office support facilities. It will make domestic and international travel and meeting arrangements for consultants, and provide any other inputs as necessary for effective TA implementation. It will also ensure adequate financial resources to keep the PPMS established under the TA in fully operational conditions.

17. To facilitate the payment of such items as per diem, travel, and other incidental expenses during implementation of the TA, an advance payment facility will be established. The EA will establish an adequate system of accounting and controls for proper administration of the facility.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance, on a grant basis, to His Majesty's Government of Nepal in an amount not exceeding the equivalent of \$500,000 for the purpose of Strengthening the Project Performance Management System, and hereby reports such action to the Board.

¹ This includes 12 person-months for the data analyst.

TERMS OF REFERENCE FOR CONSULTANTS

A. Performance Management System Specialist (Team Leader [4 person-months] and Training Specialist [3 person-months])

1. Primarily, the consultants will have the following responsibilities:
 - a. **PPMS Specialist**
 - (i) Provide overall leadership encompassing the supervision of the completion of assignment tasks by other international consultants and domestic consultants and reporting achievement of milestones to the Project Steering Committee and the Bank.
 - (ii) Review the country's existing project performance management system (PPMS), practices, indicators, approaches, and methodologies. Based on the review, provide overall technical input to the design, development, and implementation of a PPMS system for the three line agencies, namely the Ministry of Agriculture (MOA), the Ministry of Water Resources (MWR), and the Ministry of Works and Transport (MWT), and one Central Agency, the National Planning Commission Secretariat (NPCS), in particular, its Central Monitoring and Evaluation Division (CMED). PPMS in this context covers the process of proposing development projects, evaluation, prioritization of development projects, implementation and monitoring of project outputs and developmental impacts in a manner that integrates the monitoring with the management information systems of the central as well as the line agencies.
 - (iii) Ensure a diagnostic is conducted of the nominated agencies' current project identification through implementation process cycle, utilizing teams from the selected Government agencies whose members have been trained by the local and international consultants in applying continuous improvement techniques. The diagnostic will include an assessment of the Management Information System (MIS) of the selected agencies and the extent these MIS may require modification to enable PPMS to be integrated with MIS.
 - (iv) Prepare guidelines, manuals/handbooks on approaches, methodologies, and procedures for program/project monitoring and evaluation. Devise a mechanism of regular revision of the tools, approaches, procedures, etc. for their upgrading/effectiveness.
 - (v) After briefings to senior management and obtaining their approval, overview the implementation of PPMS proposals so that planned pilot testing and cutover to the new systems occur on schedule and in accordance with expected performance indicators. Field-test the indicators, approaches, methodologies, and procedures by applying them in a program/project monitoring and evaluation exercise and finalize them. Design system procedures to channel the results of project performance progress effectively to those involved in the project cycle and to high-level committees such as the National Development Action Committee and Ministerial Development Action Committee.

- (vi) Develop the technical skills of the domestic consultants so they are able to provide support to the Government agencies on design and implementation of PPMS. Initiate and overview the development of PPMS practices for the designated agencies through the use of domestic consultants working in conjunction with the agency teams.
- (vii) Prepare an implementation plan using the diagnostic and a desk review of project management and monitoring practices of other multilateral agencies, which sets out the key tasks, their duration, responsibilities, milestones, and reporting points.
- (viii) Oversee the selection and installation of computer equipment and software for networking within and among the selected Government agencies.
- (ix) Work closely with the Steering Committee in planning and scheduling all the activities of the technical assistance (TA). Prepare an inception report within one month of TA commencement and a draft final report three weeks before the end of the assignment, circulate it to key Government officials and the Bank, and finalize it upon the end of the assignment, incorporating feedback obtained from the Bank and key Government authorities.

b. Training Specialist

- (i) Assess the training needs of designated agencies arising from the introduction of the proposed PPMS and in conjunction with domestic consultants; develop a training plan and suitable training materials.
- (ii) Conduct several training sessions and workshops for staff from NPCCS, MOA, MWR, and MWT to test out the training program effectiveness and ensure that the program can be completed by the domestic consultants.
- (iii) Identify appropriate countries in the region (not exceeding three), and help in making arrangements for short study visits by senior officials from selected Government agencies.
- (iv) Assist the Project Team Leader in completing any assessments and reports that require training expertise.

B. Management Information System (MIS) (1.5 person-months)

2. The terms of reference of the consultant will include, but will not be limited to, the following responsibilities:

- (i) Assess the existing information system in NPCCS, MOA, MWR, and MWT; prepare and implement the workplan on the management information system (MIS) component of the TA.

- (ii) Ensure that each unit/division in NPCCS, MOA, MWR, and MWT is equipped with timely information capability at various steps of the project cycle for taking timely measures. Develop, train, and equip appropriate divisions/units of NPCCS, MOA, MWR, and MWT in overall administration and monitoring of Bank-financed projects including (a) planning and scheduling of project activities, (b) project management liaison, and (c) project monitoring and control.
- (iii) Institute a system of project information technology (IT) by assessing cost-effective, state-of-the-art IT connectivity solutions; assess current IT solutions that the Government, bilateral, and multilateral institutions are implementing in various Government ministries and departments to ensure the systems developed under the TA are compatible.
- (iv) Provide the necessary computing and MIS support for NPCCS, MOA, MWR, and MWT, and design and implement the necessary systems.
- (v) Ensure effective transfer of skills to counterpart officers, including training and professional skills development.
- (vi) Perform other tasks as agreed upon with the team leader.
- (vii) Conceptualize and design project monitoring and evaluation system for the NPCCS, which will also be used by MOA, MWR, and MWT; supervise domestic consultants who will develop and implement the system.

C. Terms of Reference for the Domestic Consultants

3. The terms of reference will include, but will not be limited to, the following responsibilities:

- (i) Using Ministry personnel, carry out a diagnostic study that establishes the current policies, practices, skills, systems, and organizational arrangements for the conduct of project selection through impact assessment within NPCCS, MOA, MWR, and MWT, and assess the current status with the desired levels required for an effective PPMS to be in place.
- (ii) In consultation (or workshops) with Government officials, prepare an implementation plan which will achieve the institutional strengthening and capacity building of the selected line ministries and NPCCS in PPMS. In completing this task, teams will be formed at each of the three Ministries and NPCCS and will be trained by international consultants to analyze and develop improved processes. Domestic consultants will be included in the teams so that they will become familiar with the process improvement techniques and the key elements in selecting and managing projects.
- (iii) Develop proposals for the realignment of Planning Division Cells and M&E Divisions so that the selected line agencies have primary responsibility for operating a sound PPMS process and that Ministerial Planning and Monitoring

Units have a supportive role in ensuring that selected line agencies have the systems and skills to fulfill their managerial obligations.

- (iv) Facilitate the implementation of improved processes and organizational arrangements by providing adequate training to the implementation teams and ensuring that they are effectively skilled, fully briefed on their roles, supported by senior management, and operating within an approved implementation plan with milestones and measurable goals.
- (v) Taking into account the Government's current efforts to strengthen and develop its project performance management and evaluation capacity, determine the training requirements of the recipient agencies in Nepal and the possible areas of coordination between them. Propose strategies to meet the identified training requirements and coordination needs; assess the capacity of the existing in-country training units (if any) of the agencies and educational institutions in Nepal to meet the training needs.
- (vi) Provide up-to-date technical inputs to the NPC and NPCSS on recent developments in given sector(s) and on the overall economy from time to time.

D. Overall Accountabilities of the International and Domestic Consultants

The international and domestic consultants will be responsible and accountable, among others, for the following:

- (i) Translate the overall objectives and scope of the TA into a practical and implementable work plan within the first month of TA inception.
- (ii) Undertake, within the first six weeks of TA inception, a detailed assessment of the technical skills and capacities of counterpart staff; this will be for staff in professional/technical positions from NPCSS, MOA, MWR, and MWT.
- (iii) Submit to the Steering Committee, within six weeks of TA inception, an initial Training and Professional Skills Development Program for officials in the recipient agencies; on the basis of the guidance/direction provided by the Steering Committee, revise and update the training program and then ensure, throughout the period of TA, a strong focus on the transfer of skills and expertise to local counterparts.
- (iv) Ensure that the Project performance milestones are met and the anticipated outputs are delivered.
- (v) The Project management specialist, as team leader, will coordinate and submit, in addition to the reports and outputs listed above, a draft final report to the Government and the Bank three weeks before the end of the assignment, and a final report at the end of the term.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Bank Financing			
(from the Bank-funded TA program)			
1. Consultants			
a. Remuneration			
(i) International Consultants	170	-	170
(ii) Domestic Consultants	-	72	72
b. Per Diem/Hotel			
(i) International Consultants	40	-	40
(ii) Domestic Consultants	-	3	3
c. Travel			
(i) International Consultants	25	-	25
(ii) Domestic Consultants		2	2
2. Computer Facilities ^a	45	-	45
3. Workshops, In-country Training, Study Visits and Reports/Communications	15	30	45
4. Vehicle Hire	-	15	15
5. Bank Resource Persons	15	-	15
6. Government Observer	5	-	5
7. Contingencies	53	10	63
Subtotal (A)	368	132	500
B. Government Financing			
1. Office Accommodation, Supplies and Utilities	-	20	20
2. Counterpart Staff Remuneration	-	20	20
3. Workshops and Other Miscellaneous Expenditures	-	10	10
Subtotal (B)	-	50	50
Total	368	182	550

^a Includes hardware, software, system development services, training, and communication facilities.

(Reference in text: page 4, para. 13)