



Technical Assistance Report

Project Number: 37404
December 2005

Technical Assistance Kingdom of Nepal: Regional Development Strategy

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 15 December 2005)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.0134
\$1.00	=	NRs74.34

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	Country Strategy and Program
DDC	–	District development committee
GTZ	–	German Technical Cooperation Agency
JICA	–	Japan International Cooperation Agency
NDC	–	National Development Council
NPC	–	National Planning Commission
VDC	–	Village development committee

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Law, economic management, public sector management
Subsectors	–	National government administration, public finance and expenditure management, subnational government administration
Themes	–	Sustainable economic growth, governance
Subthemes	–	Promoting economic efficiency and enabling markets, fostering physical infrastructure development, public governance

NOTE

In this report, "\$" refers to US dollars.

Vice President	L. Jin, Operations Group 1
Director General	K. Senga, South Asia Department (SARD)
Country Director	S. Hafeez Rahman, Nepal Resident Mission (NRM), SARD
Team Leader	Sungsup Ra, Senior Country Programs Specialist, NRM

I. INTRODUCTION

1. His Majesty's Government of Nepal (the government) requested technical assistance (TA) to prepare a regional development strategy during the 2004 Country Programming Mission. An advisory TA on Regional Development Strategy was included in the country program for 2005¹, and a position paper was prepared in February 2005². A joint TA Fact-Finding Mission (the Mission) from the Asian Development Bank (ADB), the German Technical Cooperation Agency (GTZ), and the Japan International Cooperation Agency (JICA) was undertaken in Nepal from 25 April to 2 May 2005. The Mission reached an understanding with the Government regarding the TA's objectives, scope, costs and financing, implementation arrangements, terms of reference for consultants, and counterpart support.

II. ISSUES

2. Although regional development has been a key policy objective since the 4th Five Year Plan (1970-75), spatial disparity between and within regions is still significant. For example, the Human Development Index for the entire country is 0.46, with variations that range from 0.30 in the Mugu district to more than twice this index (0.65) in the capital city, Kathmandu.³ Subsequent five-year plans and national development budgets continue to exhibit a strong sectoral bias, through strategies and with programs that are fragmented and unfocused. Five Year Plans and budgets did not incorporate explicit policies or programs to address acute spatial disparity, or to exploit comparative advantages at the regional or subregional levels. While the sectoral strategies provide a basis for regional planning, there is no clear basis for coordination among central government agencies, which continue to implement sectoral programs without due consideration for the synergies that stem from integrated investment and prioritization within a region.

3. While the gradual implementation of decentralization policy will increase the role of local bodies, district development plans are often preoccupied with local issues within geographic jurisdictions that are too small for effective coordination of strategic development. Moreover, decisions relating to the priority and distribution of resources between regions will always remain a central prerogative. However, the capacity of central institutions to comprehensively conduct policy formulation, planning, programming and implementation for effective regional development requires strengthening.

4. Nepal is located between two fast growing economies. The economies of the People's Republic of China (PRC) to the north and India to the south are both expanding rapidly with high growth rates. A shift from purely sectoral to regional planning would allow Nepal's locational advantage to be fully exploited in linking these fast growing economies. Growth potential for transit related development needs to be assessed together with new trading opportunities that stem from improved access to international markets. Such activities can trigger development and need to be considered as key interventions within an overall policy for regional development, within Nepal and within the South Asia region in general.

5. Aware of the above, the Government has requested ADB's assistance to prepare a regional development strategy to provide: (i) a comprehensive spatial development policy framework within the forthcoming 11th Five Year Plan, (ii) an effective basis to coordinate

¹ The TA first appeared in *ADB Business Opportunities* on 29 January 2005.

² Gurung, Harka. 2005. *Nepal: Regional Strategy for Development*. ADB: Manila (Study report for the Asian Development Bank, February).

³ United Nations Development Program. 2004. *Human Development Report*. Manila.

investments in an integrated and sequenced manner for inclusion within the Medium Term Expenditure Framework, and (iii) a means to monitor and evaluate progress towards meeting regional priorities as well as the overall objective of reducing poverty while stimulating economic growth.

6. Such a strategy has to recognize and address a number of challenges: (i) the successful implementation of the regional development strategy will hinge on resource mobilization. Accordingly, substantial external assistance will be required, reflecting large development needs in relation to limited scope to rapidly expand the domestic tax base; (ii) regional disparity especially when aligned with political, social, and ethnic tensions, often leads to or exacerbates conflict. Accordingly due attention should be given to plans and programs for investments that will be implemented in the conflict environment and assist to address root causes of the conflict; and (iii) the active participation and ownership of all stakeholders, including representatives of the political parties, is essential for success in the absence of central and local level politicians.

7. The TA concept is fully consistent with the operational priorities of the new Country Strategy and Program (CSP) for Nepal, approved in October 2004. The CSP recognizes that priority setting has been poor with respect to addressing regional imbalances in social and economic development. As a result there is no spatial focus for public investment in the Five Year Plans and national budgets. Accordingly, the CSP identifies assistance for regional development, particularly in the areas of strategy formulation, institutional capacity for planning and implementation, and priority setting of public investment for regional development, as a key operational priority. Strengthening these areas will support the broad economic growth thrust of the CSP and greatly contribute to the successful implementation of its overall objectives.

8. Major development partners supported the concept of the TA. GTZ and JICA participated in the Mission. GTZ and JICA agreed to work together with the Bank to assist the Government in implementing the TA and to review the possibility of sending experts in areas complementing the TA activities based on their own mission findings. Further consultations with other development partners will be undertaken in the course of finalization of the TA.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The impact of the TA is a regional development strategy that will sustainably reduce regional disparities in living standards, while utilizing spatial development potentials more effectively. The outcome will be clearly prioritized development plans and programs based on the regional development strategy prepared by the TA and the establishment of an improved policy and implementation mechanism for achieving regional development objectives. It will also help address inequalities that are a root cause of the present conflict.

10. The TA will take a two-pronged approach. The first prong will assist to reduce poverty, which is most acute in the remote rural areas. The second prong recognizes that certain locations in Nepal have better economic potential than others, and accordingly, investments in these will stimulate national development and provide benefits to less advantaged hinterlands. Both prongs should explore opportunities to work in partnership with the private sector and civil society to prepare and implement plans. The TA design and monitoring framework is in Appendix 2.

11. The TA will assist the Government to prepare a medium to long term (5 to 10 years) regional development strategy, supported by integrated multisector investment programs that identify key projects to trigger new or additional economic activity in accordance with development potential. The strategy will assist NPC to prepare the 11th Five Year Plan by providing specific spatial guidance (regional development concepts) that help to determine regional resource allocation. The multisector investment programs will provide a rationale for prioritization of projects for inclusion in the national budget through the Medium Term Expenditure Framework.

B. Methodology and Key Activities

12. The TA has four components.

13. Component 1, following reviews of regional disparities, economic opportunities, and committed programs/projects, will define economic regions⁴ and for each will prepare a regional development concept, to maximize its potentials through a medium term multi-sector investment program that includes initial key investments to kick start development. The regional development strategy will be prepared based on the regional development concepts, considering the synergies from integrated investment across regions and borders.

14. Component 2 will review previous regional policy and the institutional, financial, legal, and administrative context. Drawing from lessons learned, and the output of component 1, recommendations will be made for new policy initiatives and appropriate reforms with particular attention to achieving regional development objectives as part of national budget preparation.

15. Component 3 will ensure stakeholder's active participation in analyses and formulation of components 1 and 2 recommendations by organizing workshops, seminars, meetings, and consultations, as well as conferences to disseminate lessons learned from best practices. In addition, the NPC website will be utilized to propagate information concerning the project and to elicit comments and contributions from interested parties. The TA will liaise closely with donors/agencies active in the development of Nepal in order to achieve a unified approach to regional development.

16. Component 4 will train staff concerned on the methodology of component 1. Manuals will be prepared to assist staff to monitor/evaluate implementation of the regional development strategy, and to make adjustments as necessary. Senior officials/representatives will be invited to join an exposure visit to selected countries to observe and learn about the operations and benefits of strategies for regional development.

17. For the preparation of component 1, the TA will take into account available human and financial resources, being important constraints to the number and nature of key investments, their timing and cost. The TA will prepare indicative costs and financing options for key investments with due regard to the merits of stimulating private-public partnerships while focusing on priority sectors, in particular, transport, energy, water, agriculture, and forestry. External assistance for key investments will be a critical factor and hence the TA will liaise closely with agencies active in the development of Nepal. The regional strategy will serve as an effective basis to coordinate investments within the Medium Term Expenditure Framework.

18. Component 2 will assist the Government to identify appropriate reforms that will rectify inherent administrative problems as well as facilitate implementation of the regional

⁴ Economic regions are for planning purposes and may not be coterminous with administrative regions.

development strategy in a demand responsive manner, and within the spirit of effective decentralization. However, the ability of the local bodies to carry out regional planning is constrained by limited functional responsibility and weak institutional capacity. In recognition of these constraints, this component will focus on improving and refining existing procedures, most of which are centralized at the National Planning Commission (NPC) and the line ministries. However, the TA will explore ways and means to involve local bodies through consultative procedures with their associations.⁵ Component 2 should tackle reform on an incremental basis on the understanding that the strategies and programs can be started as soon as possible under the present arrangements.

19. Component 3 is critical to generate a sense of ownership among all stakeholders for the output of the TA. The absence of elected representatives does pose a risk that the TA becomes a bureaucratic exercise without adequate consultation among the people. To avoid this, it will be necessary to consult with elected representatives whose tenure has expired. For this, the active participation of the associations that represent local bodies will be sought. Consultations with other stakeholders at central and regional levels will also be conducted. Particular attention should be given to the private sector, and to marginal groups and the poor, whose voice is seldom heard in matters of regional development. Outcomes will be disseminated to all sections of society through workshops, publications and websites. Innovative suggestions and ideas from any stakeholder will be welcome.

20. Component 4 is essential if the process of regional planning is to be sustainable. However, at present regional planning is not carried out in the sense intended by the TA. The only institution that conducts this kind of analysis is NPC. Other ministries do not have this function within their mandate, beyond their own sectoral interests. Appropriate target groups will therefore depend on the outcome of component 3. Nevertheless, it is envisaged that training programs will be tailored to build core competency and to introduce and sustain improved or new procedures to be conducted by the National Planning Commission and the line ministries. Orientation programs will also be provided to local bodies (through their associations) as well as other stakeholders, including organizations representing the private sector and civil society.

C. Cost and Financing

21. The TA is estimated to cost \$920,000 equivalent, of which the foreign exchange cost is \$406,000 and the local currency cost is \$514,000 equivalent. ADB will provide \$760,000 on a grant basis from ADB's TA funding program to cover the entire foreign exchange cost and \$354,000 equivalent of the local currency costs. Main components to be funded by ADB are the foreign and domestic consultants, equipment, workshops and seminars, and administration support costs. The Government will contribute the remaining local currency cost of \$160,000 equivalent to provide office accommodation, counterpart staff support, facilities for seminars and meetings, and other administrative expenses. Details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

22. The National Planning Commission will be the executing and implementing agency. A steering committee, chaired by the NPC Vice Chairman, and comprising representatives from relevant ministries, local governments, private sector, civil society, and experts, will provide strategic leadership and coordination for the preparation of the regional development strategy

⁵ The Association of District Development Committees of Nepal (ADDCN), the Municipal Association of Nepal (MuAN), and the National Association of Village Development Committees in Nepal (NAVIN).

and investment plans. The committee will assign working groups to study and report on priority areas as required and will integrate working group reports into a cohesive plan. A permanent regional planning unit will be established within the NPC, headed by a NPC member. It will work in close collaboration with the TA team on the understanding that it will continue thereafter the processes/procedures identified and established during the course of the TA. The unit will liaise with relevant government agencies and provide counterpart technical staff to the TA consultants as necessary. The steering committee and working groups will liaise closely with the high level task force which was established to prepare a strategy for the development of transit facilities in Nepal to facilitate People's Republic of China (PRC)-India trade. Appendix 3 sets out the implementation arrangements.

23. The TA will be implemented over 12 calendar months, beginning around February 2006 to ending in March 2007. Tripartite meetings of the Government, TA consultants, and ADB will be chaired by the NPC vice chairman, and held every 4 months to review TA implementation priorities, address issues arising during TA implementation, and provide guidance to the TA consultants. The steering committee will meet at the beginning of the project and then every two months to guide the TA and resolve policy and implementation issues. The steering committee and working groups will regularly invite representatives of civil society and other stakeholders to contribute to the TA. Stakeholder consultation seminars and meetings will be held to discuss the TA's progress and obtain their inputs on the TA findings.

24. The TA will provide 81 person-months of consulting services (11 person-months of international consulting services in the fields of regional development, macroeconomics, and infrastructure planning and 70 person-months of domestic consulting services). The domestic consultants will be selected to cover sectoral and cross-cutting issues in the fields of regional planning, macroeconomics, public finance institutions, infrastructure planning and engineering, transportation, trade, tourism, agriculture, natural resources, environment and participatory/social development, and further consulting input needs identified as plan preparation proceeds. Consultants will be recruited by the Bank through a firm using a simplified technical proposal, in accordance with ADB's *Guidelines on the Use of Consultants*, and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. International and local consultancy firms will be required to form an association for the submission of bids and for the execution of the TA. Outline terms of reference for consultants are in Appendix 4.

25. To reinforce the Government's ownership, TA contributions to the regional development strategy will be in the form of NPC outputs. However, the consultants will prepare monthly progress reports summarizing TA activities and institutional and technical issues. In addition, 4 reports will be submitted to the steering committee and ADB. The consultants will prepare (i) an inception report including a detailed TA work program to be submitted no later than one month after fielding of TA consultants; (ii) a midterm report 6 months after TA commencement; (iii) a draft final report to the Government to be submitted 2 month before TA completion; and (iv) a final report submitted within 3 weeks after receiving comments on the draft final report.

IV. THE PRESIDENT'S DECISION

26. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$760,000 on a grant basis to the Government of Nepal for Regional Development Strategy and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <ul style="list-style-type: none"> Improved prosperity of regional (and the national) economies. Inequality, as a root cause of the present conflict, is sustainably addressed. 	<ul style="list-style-type: none"> Overall increase in the human development indices of regions and a reduction in regional disparities. 	<ul style="list-style-type: none"> Measures or indices of Human Development, as published in various reports, such as the Nepal Human Development Report (UNDP). TA specifies tripartite meetings, draft and final reports. 	
<p>Outcome Component 1</p> <ul style="list-style-type: none"> An effective strategy for allocation of resources between regions is incorporated within the forthcoming 11th Five Year Plan, national budgets and related investment programmes. 	<ul style="list-style-type: none"> Clearly prioritised development plans and programmes are prepared and used as a basis for investment within economic regions of Nepal. 	<ul style="list-style-type: none"> Secondary data from relevant sources, supplemented by primary data as required. 	<ul style="list-style-type: none"> Conflict and political instability does not undermine the ability of the Government to perform its functions. Strong commitment from the Government and all stakeholders.
<p>Component 2</p> <ul style="list-style-type: none"> Effective coordination and utilization of limited resources. 	<ul style="list-style-type: none"> Investments generate measurable synergies. 	<ul style="list-style-type: none"> The 11th Plan, MTEF and annual budgets contain integrated projects and programs for regional development. 	<ul style="list-style-type: none"> Ministries are willing to cooperate.
<p>Component 3</p> <ul style="list-style-type: none"> Government and all stakeholders are ready to implement plans and programmes. 	<ul style="list-style-type: none"> The proposed regional development strategy and the proposed investment program are readily accepted and used as a basis for integrated cross-sectoral investments. 	<ul style="list-style-type: none"> The proposed regional development strategy and the investment programs are quickly realized. 	<ul style="list-style-type: none"> Active participation and ownership from stakeholders.
<p>Component 4</p> <ul style="list-style-type: none"> Actors are capable to effectively conduct regional planning functions. 	<ul style="list-style-type: none"> MTEF and annual development budgets are professionally prepared. 	<ul style="list-style-type: none"> The proposed regional development strategy and the investment programs are quickly realized. 	<ul style="list-style-type: none"> Availability of adequate qualified staff to undergo training.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Outputs Component 1 <ul style="list-style-type: none"> • Plans and programs for economic regions to develop their economic and socio-economic potentials. 	<ul style="list-style-type: none"> • Plans and programmes are incorporated in 11th Plan and are used to determine investments, and as basis for better coordination at all levels. 	<ul style="list-style-type: none"> • Assessments of development potentials within each economic region. • Existing plans and programmes of ministries. • Output of working committees. • Tripartite and steering committee meetings. 	<ul style="list-style-type: none"> • Assessments and projections of development potential may be incorrect.
Component 2 <ul style="list-style-type: none"> • Adjusted or revised institutional responsibilities and procedures for effective preparation, implementation and monitoring of the plans and programmes. 	<ul style="list-style-type: none"> • NPC establishes a permanent regional development unit for execution of the TA. • Ministries cooperate in the preparation of the plans and programmes. 	<ul style="list-style-type: none"> • Tripartite and steering committee meetings. • Output of working committees. • Procedural improvements leading to more efficient, transparent and speedy decision making. 	<ul style="list-style-type: none"> • NPC and ministries are able and willing to cooperate.
Component 3 <ul style="list-style-type: none"> • Full participation and ownership of all stakeholders in the preparation of plans and programs. 	<ul style="list-style-type: none"> • Extensive consultation procedures are carried out. • Public and stakeholder involvement in processes 	<ul style="list-style-type: none"> • Minutes from the steering committee. • Proceedings of workshops, seminars and other consultation exercises • Media comment on transparency of process. • Demonstrated sense of ownership among stakeholders. 	<ul style="list-style-type: none"> • Depends on NPC and line ministries embracing public participation • Public participation might be undisciplined and raise expectations
Component 4 <ul style="list-style-type: none"> • Improved institutional capacities for regional planning. 	<ul style="list-style-type: none"> • Training and orientation programmes are devised and delivered 	<ul style="list-style-type: none"> • Feedback from participants of training and orientation programs. • Demonstrated ability to conduct regional planning. 	<ul style="list-style-type: none"> • Trainees are willing and able to participate.
Activities with Milestones All Components <ul style="list-style-type: none"> • Inception report • Monthly progress reports • Midterm report 			Inputs: ADB <ul style="list-style-type: none"> • \$760,000 • 81 person-months of consultancy inputs

Activities with Milestones <ul style="list-style-type: none">• Draft final report• Final report	Inputs: Government <ul style="list-style-type: none">• counterpart funds GTZ <ul style="list-style-type: none">• Advisory inputs JICA <ul style="list-style-type: none">• Advisory inputs Others <ul style="list-style-type: none">• To be determined
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MTEF = Medium Term Economic Framework, NPC = National Planning Commission, UNDP = United Nations Development Program

COST ESTIMATES AND FINANCING PLAN
(\$)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank (ADB) Financing ^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	252,000	0	252,000
ii. Domestic Consultants	0	182,000	182,000
b. International and Local Travel ^b	25,000	15,000	40,000
c. Reports and Communications	0	5,000	5,000
2. Equipment ^c	20,000	0	20,000
3. Seminars, Conference, and Counterpart Training	50,000	90,000	140,000
4. Miscellaneous Administration and Support Costs ^d	0	16,000	16,000
5. Representatives for Contract Negotiations ^e	5,000	0	5,000
6. Contingencies	54,000	46,000	100,000
Subtotal (A)	406,000	354,000	760,000
B. Government Financing			
1. Office Accommodation	0	40,000	40,000
2. Remuneration of Counterpart Staff	0	50,000	50,000
3. Facilities for Seminars and Meetings	0	30,000	30,000
4. Other Administrative Expenses	0	40,000	40,000
Subtotal (B)	0	160,000	160,000
TOTAL	406,000	514,000	920,000

^a Financed by ADB's technical assistance funding program.

^b Including costs for hiring vehicles and for domestic airfares.

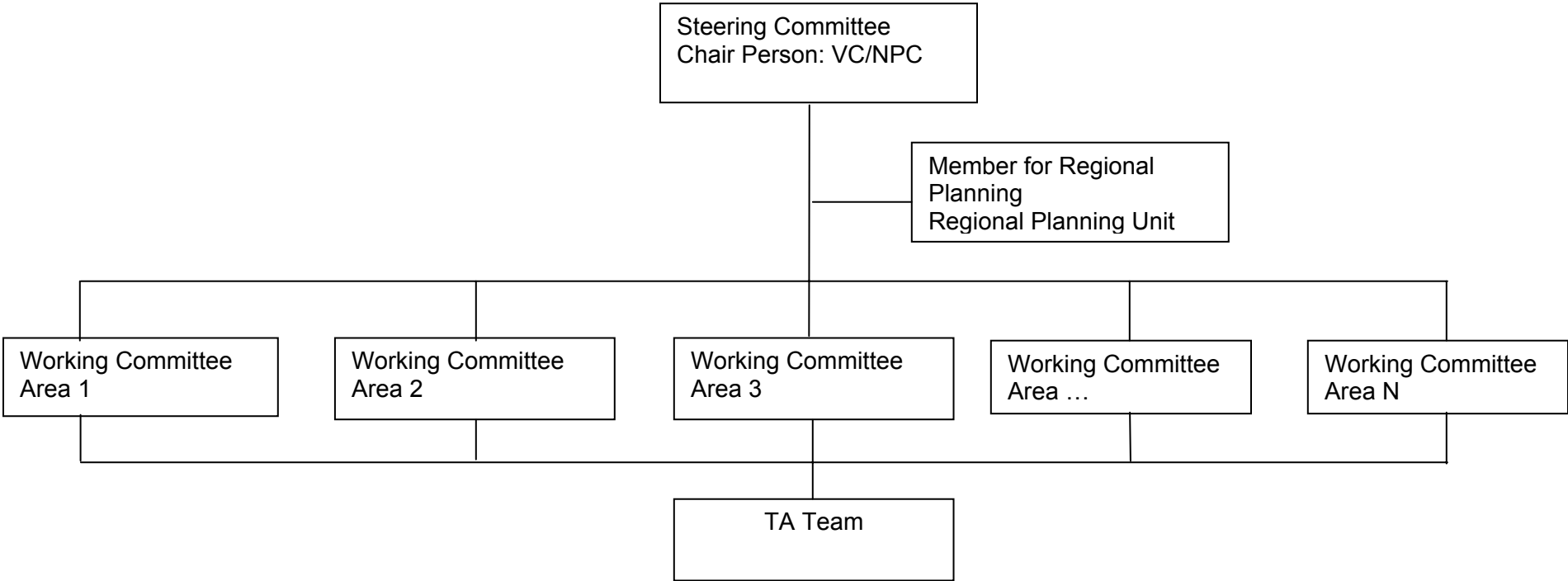
^c Procurement of computer equipment and services for web site design and maintenance.

^d Including office utilities and supplies, and secretarial expenses.

^e Including cost of travel and per diem for two Government observers to attend contract negotiations in Manila.

Source: ADB estimates.

TECHNICAL ASSISTANCE IMPLEMENTATION ARRANGEMENTS



OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The TA will assist the Government of Nepal to prepare and implement a regional development strategy that will provide a spatial dimension to the forthcoming 11th Five Year Plan. These terms of reference are to be read in conjunction with relevant sections (of this TA paper), which forms part of these terms of reference and provides further details and overall guidance.

2. The TA comprises four components. These are described in detail in Section IIIB, "Methodology and Key Activities". The conduct and timing of these activities will be over a period of 12 months. These are described in Section IIID. This section also gives details of the implementation arrangements, whereby the National Planning Commission will be the executing and implementation agency, a steering committee will be established to guide the assistance and to convene Working Groups to study and report on priority areas. The TA will work closely with a permanent Regional Planning Unit, headed by a NPC member for regional planning (to be established within the NPC). The TA will fully utilize existing sector strategies and plan documents, and will closely coordinate its activities with existing projects and programs including ADB assisted ones.

B. Consulting Services

3. The TA will be conducted by a consulting team comprising: 11 months of international consultancy, including a regional development specialist/team leader (8 months), a macro-economist (2 months) and a transport planning specialist (1 month), plus 70 person-months of domestic consultants, as specified in section D below. These fields of expertise reflect the areas of work identified at the start of the TA. The domestic team's expertise, period of service and timing may change, subject to the agreement of the steering committee and the ADB.

4. Consultants will be recruited in accordance with the guidelines of the Asian Development Bank for the use of consulting services. International consultant companies will be required to enter into an association with domestic consultant companies. Either company may be the lead company.

C. Detailed Terms of Reference: International Consultants

5. International consultants are required to have an advanced degree in fields related to their position and tasks. They should have extensive experience (15–20 years) in regional planning projects in developing countries, in particular, the South Asia region. They should have excellent communication skills, with demonstrated diplomatic and negotiating abilities, to interact with senior government official concerning sensitive issues of cultural and political differences. The specific technical tasks associated with each consultant are outlined below.⁴

⁴ The team leader and the ADB project officer may augment the tasks outlined as required to comply with ADB guidelines and procedures and to improve the quality of the overall Project. The tasks are to be carried out in close cooperation with the Government, and extensive consultation needs to take place to ensure transfer of know-how and ensure full ownership of the processes and documents by the concerned agencies.

1. Regional Planning Specialist (International, 8 person months)

6. As team leader, the regional planning specialist will organize and manage the consulting team and coordinate the overall TA. He or she will be accountable for the quality and timeliness of all deliverables, and ensure that all components are clearly and concisely documented to the satisfaction of the ADB.

7. Working together with the TA team, the regional planning specialist will take a lead role to undertake component 1, which shall comprise the following tasks:

- (i) Using secondary data, analyze and assess the macro-economic status of Nepal and identify opportunities and constraints at the regional, national and international levels.
- (ii) Using available and appropriate indices, identify regional disparities within Nepal.
- (iii) Review the development programs of all concerned ministries, departments, agencies and local bodies with particular regard to committed projects and proposals.
- (iv) Define economic regions (for planning purposes) covering all 75 districts by analyzing relevant characteristics, including but not confined to, topography, climate, fauna and flora, land use and natural resources, access, population distribution, settlements and economic centers, economic activities and trading patterns. Economic regions may or may not be coterminous with the existing administrative regions.
- (v) For each economic region, prepare a development concept that seeks to maximize its potentials, together with a medium term multi-sector investment program for implementation of the concept. The summation of the concepts will represent the regional development strategy for Nepal.
- (vi) Identify key investments to kick start development in each of the economic regions, and prepare a tentative cost estimate and feasibility analysis for each investment.
- (vii) Confirm that the development concepts, related investment programs and key investments are financially sustainable, and where ever possible utilize the potential for private sector financing, either independently or through public-private partnership modalities.
- (viii) Ensure that the recommendations take full account of the findings of the High Level Task Force established (under the coordination of the National Planning Commission in June 2005) to investigate and report on the potential for trade related development through improvements to transportation facilities en route between China and India.

8. In addition, he or she will play an active role in the conduct of the remaining components, and in association with the TA team, will undertake the following tasks:

- (i) Taking into account the conclusions of the above, review the 10th Five Year Plan, recent national budgets (and other relevant plans or documents relating to resource allocation) to assess the effectiveness of macro-economic and regional development policy.
- (ii) In the light of the lessons learned, and taking the above conclusions, recommend new policy initiatives for regional development.
- (iii) Organize workshops, seminars, meetings and other consultations, as well as prepare and circulate working papers for comments, in order to ensure that all stakeholders participate in the analyses and formulation of TA recommendations.

- (iv) Prepare and conduct training sessions and manuals for critical steps of the analyses in order that concerned staff fully understand the methodology used and are able to repeat processes if necessary to adjust or update the regional strategy and its implementation.

2. Macroeconomist (international, 2 person-months)

8. He or she will be responsible for analyzing previous economic and financial policies concerning national and regional development, examining the content and composition of the Medium Term Expenditure Framework (MTEF) and national budgets, and play an important role in defining the economic regions, as well as assessing their potentials, and assisting in the identification and key investments and their feasibility assessments.

9. Working in association with the TA team, he/she will assist the international regional development specialist with particular attention to the following tasks of component 1.

- (i) Conduct a macro-economic review of Nepal's economy with attention to the role played by regions and their scope for enhancing contributions nationally and internationally.
- (ii) Assess the extent to which the priorities and allocations within the MTEF and national budgets correspond to the conclusion of a) above.
- (iii) Analyze the nature/distribution of economic activity, and its linkages with hinterlands (both internally and externally), to define economic regions for planning purposes.
- (iv) For each economic region, assess their economic potentials and formulate recommendations to exploit these as a central part of their development concept and multi-sector investment program.
- (v) Assist in identifying key investments and financial studies to assess their feasibility.
- (vi) Review and recommend public-private partnership modalities (where appropriate) as a means to minimize the public sector financing requirement for the multi-sector investment programs and key projects.

10. For the remaining components of the TA, he or she will be responsible for the following tasks.

- (i) Financial review of the 10th Five Year Plan, the national budget and any other document relating to the distribution of funds for national and regional development.
- (ii) Preparation of recommendations for improved disbursement of development funds, taking into account above conclusions, the overall recommendations of components 1 and 2, and the Government's policies for decentralization.
- (iii) With regard to financial procedures/practice, review the institutional, administrative and legal framework and prepare appropriate recommendations for improvement or reform.
- (iv) Involvement in participatory exercises with stakeholders.
- (v) Assist in the preparation of training programs and manuals concerned with economic and financial affairs for monitoring, evaluation and updating of the strategy.

3. Transportation Planning Specialist (international, 1 person-month)

10. He or she will be responsible for all transportation aspects of international, national and regional development, play an important role in defining the economic regions, as well as assessing their access needs, and assist in the identification and key investments and their feasibility assessments.

11. Working in association with the TA team, he/she will assist the international regional development specialist with particular attention to the following tasks of component 1.

- (i) Review of transport policy, related programs and committed projects.
- (ii) Assessment of road access, aviation services and any other means of transport as a critical determinant for the definition of economic regions.
- (iii) Identify a program of improvements to transportation services, consistent with the development concepts for each economic region
- (iv) Assist in the identification and preparation of key investments, their feasibility assessments and their suitability for private sector financing.

12. For the remaining components of the TA, he or she will be responsible for the following tasks.

- (i) With regard to transportation, review the institutional, administrative and legal framework and prepare appropriate recommendations for improvement or reform.
- (ii) Involvement in participatory exercises with stakeholders
- (iii) Assist in the preparation of training programs and manuals concerned with transportation for monitoring, evaluation and updating of the strategy.

D. Terms of Reference: Domestic Consultants (70 person-months over 12 months)

13. 70 person-months of domestic consultant services will be required to provide expertise in regional development, macro-economics, finance, institutional development, transport planning, infrastructure planning and engineering, trade, tourism, public-private partnerships, agricultural economics, natural resources, environment, digital cartography, participatory and social development and project coordination.

14. Domestic consultants will report to the international regional planner. They will work in close association with the international experts to undertake the following general tasks:

- (i) Reviews and analyses of available information, data, policies, programs etc., relevant to the completion of component 1 and 2 as well as making significant contributions to the recommendations therein.
- (ii) Taking a leading role in the conduct of component 3, with particular attention to stimulating the active participation and involvement of all stakeholders.
- (iii) With assistance of the international experts, preparation/conduct of training program and manuals in line with the objectives of component 4, with special attention to the need to adjust the content and delivery of material to the particular needs of target groups.
- (iv) Provide translation services as necessary.

15. Tasks for domestic consultants will be the same as those for international experts of the same disciplines. The domestic macroeconomist will serve as the deputy team leader. He or she will help the team leader manage the domestic consultants, assist in responding to the steering committee and tripartite meetings, help the team leader to liaise closely with the Government and other stakeholders, in addition to providing specialist advice identified on

macroeconomic issues. Domestic consultants without international counterparts will undertake the tasks specified below in addition to the general duties summarized above.

1. Institutional Development

16. The institutional development specialist will
- (i) Review the present institutional, administrative and legal structure as they relate to the preparation and implementation of the Five Year national plans and the national budgets. Identify strengths and weaknesses based on an assessment of the capacity and numbers of institutions, assigned responsibilities and arrangements for coordination.
 - (ii) In accordance with the output of component 1, prepare recommendations for adjustment or incremental reform taking into account relevant legislation and policies for decentralization and strengthening of local bodies for good governance.

2. Infrastructure Planning and Engineering

17. The infrastructure planning and engineering specialist will
- (i) Assess the quality and quantity of the infrastructural services available in the regions and identify deficiencies in the level of service.
 - (ii) Prepare indicative costs for proposed investments identified in the development concepts and multi-sector investment plans for each economic region.
 - (iii) Prepare tentative designs and costs, along with appropriate feasibility studies, for the key investments identified in each economic region.
 - (iv) Together with the institutional specialist, review the institutional, administrative and legal structures as they relate to infrastructure and recommend adjustments or reforms consistent with the conclusions and output of i), ii), and iii) above.

3. Trade and Tourism

18. The trade and tourism specialist will
- (i) Assess the prevailing patterns of trade, marketing and tourism in terms of its characteristics, constraints and potentials.
 - (ii) On the basis of i), participate in identifying economic regions, and preparing regional development concepts and multi-sector investment programs for each region.
 - (iii) Assist in the identification, preparation and feasibility assessment of key projects that relate to trade, marketing and tourism.

4. Public-Private Partnerships

19. In close collaboration with the international regional planner and the macro-economists (domestic and international), the expert will undertake the following tasks.
- (i) Review the success and failures of public-private partnerships (PPP) in Nepal and on the basis of this recommend which PPP modalities are appropriate for consideration during the preparation of the regional development concepts, multi-sector investment programs and key projects for each economic region.

- (ii) For appropriate investments/projects identify a PPP modality and prepare a tentative profile describing how this may be achieved.
- (iii) Conduct discussions with private sector representatives to test the feasibility of profiles.

5. Agriculture Economics

20. The agriculture economist will

- (i) Working in close collaboration with the environmentalist and natural resource planner assess prevailing land use from an agricultural perspective in terms of crops, cropping patterns, inputs, yields, marketing etc, and summarize constraints and potentials.
- (ii) On the basis of i), participate in identifying economic regions, and preparing regional development concepts and multi-sector investment programs for each region.
- (iii) Assist in the identification, preparation and feasibility assessment of key projects that relate to agriculture.

6. Natural Resources

21. The natural resources specialist will

- (i) Working in close collaboration with the agricultural economist and environmentalist, assess the prevailing natural resources in terms of existing land and potential land uses.
- (ii) On the basis of i), participate in identifying economic regions, and preparing regional development concepts and multi-sector investment programs for each region.
- (iii) Assist in the identification, preparation and feasibility assessment of key projects that relate to utilization of natural resources.

7. Environment

22. The environment specialist will

- (i) Working in close collaboration with the agricultural economist and natural resource planner, assess the environment in order to identify areas of sensitivity, for which regulations are necessary to control or preserve the fauna or flora, as well as areas of special interest, which may represent development potential.
- (ii) On the basis of i), participate in identifying economic regions, and preparing regional development concepts and multi-sector investment programs for each region.
- (iii) Assist in the identification, preparation and feasibility assessment of key projects that relate to the environment.

8. Digital Cartography

23. The digital cartographic specialist will

- (i) Prepare a computerized mapping system for recording/presenting spatial information gathered during the TA. If appropriate, this may utilize existing mapping systems already in operation within the National Planning Commission or other agencies. Alternatively a new system may be devised that is capable of easy access, can operate on typical hardware and software environments and can perform the required tasks of assembling and manipulating diverse sets of information in an easily readable form.
- (ii) Working together with other team members, prepare maps/plans for the economic regions that analyze the existing situation and present the development concept(s).
- (iii) Assist in the dissemination of the above through electronic transfer or hardcopy.

9. Social and Participatory Development

24. The social and participatory development specialist will

- (i) Review the welfare and living condition of ethnic groups within economic regions in order to identify special measures that may be warranted to uplift their development and better integrate them into mainstream society.
- (ii) On the basis of i), participate in preparing regional development concepts and multi-sector investment programs to ensure marginal groups are included as beneficiaries.
- (iii) Assist in the identification, preparation and feasibility assessment of key projects that relate to social development.
- (iv) Ensure that stakeholder consultations and participatory exercises give adequate attention to the needs and priorities of marginal groups and ethnic minorities, and that the TA is conducted in a gender sensitive manner.

E. Reporting Requirements

25. The team leader, in close collaboration with the deputy team leader, will submit the following reports to the Government and the ADB:

- (i) Inception report, including a tentative work program, within 1 month of TA start.
- (ii) Progress reports to the steering committee every 2 months, to include a summary of progress, outstanding issues and work plans for the next two months.
- (iii) Mid-term report, 6 months after TA start, containing the draft output of component 1, together with preliminary findings and recommendations for the remaining components.
- (iv) Draft final report of all components 2 months before TA completion.
- (v) Final report 3 weeks after receiving comments on the draft final.

F. Conference and Consultations

26. The National Planning Commission, with the consultants' help, will organize:

- (i) an international conference on regional planning. This will include about 5 speakers of international repute who will provide advice and guidance drawn from the experience of other countries that have successfully prepared and implemented regional development policies. The content and output of the

conference will be a timely input to the preparation of the regional development concepts, investment programs and key projects, and will enable participants, representing all sections of society, to better appreciate the need and potential benefits of such.

- (ii) a series of workshops to discuss the progress reports, the mid-term report and the draft final report with all concerned agencies, interested funding agencies and representatives from civil society and the private sector.