



Technical Assistance Report

Project Number: 39107
February 2006

Technical Assistance
Kingdom of Nepal: Operationalization of Managing for
Development Results
(Financed by the Support of Managing for Development Results
Cooperation Fund)

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 January 2006)

Currency Unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.01
\$1.00	=	NRs71.11

ABBREVIATIONS

ADB	–	Asian Development Bank
CSP	–	country strategy and program
DDC	–	district development committee
DPMAS	–	district poverty monitoring and analysis system
EA	–	executing agency
IAP	–	immediate action plan
M&E	–	monitoring and evaluation
MfDR	–	managing for development results
MLD	–	Ministry of Local Development
MPPW	–	Ministry of Physical Planning and Works
MTEF	–	medium-term expenditure framework
NPC	–	National Planning Commission
NRM	–	Nepal Resident Mission
PMAS	–	poverty monitoring and analysis system
PPIS	–	project performance information system
PRS	–	poverty reduction strategy
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sectors	–	Multisector (law, economic management, and public policy; transport and communications; water supply, sanitation, and waste management)
Themes	–	Capacity development, sustainable economic growth, governance
Subthemes	–	Policy, institutional, legal, regulatory reforms; fostering physical infrastructure development; public governance

NOTES

- (i) The fiscal year (FY) of the Government and agencies ends on 15 July. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2005 ends on 15 July 2005.
- (ii) In this report, "\$" refers to US dollars.

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Director General	K. Senga, South Asia Department (SARD)
Director	S. Hafeez Rahman, Country Director, SARD
Team leader	B. D. Pant, Principal Regional Cooperation Specialist, SARD
Team member	Md. Shahid Parwez, Programs/Project Implementation Officer, SARD

I. INTRODUCTION

1. His Majesty's Government of Nepal (the Government) is implementing the Tenth Plan (FY2003–FY2007), which is also the Government's poverty reduction strategy (PRS). Its objectives are to reduce chronic poverty and social exclusion. The plan is based on (i) broad-based and higher economic growth, (ii) social development, (iii) targeted programs for excluded groups, and (iv) good governance. The plan's implementation presents major challenges for the Government because of the ongoing conflict and political instability. Together with other development partners, the Asian Development Bank (ADB) is helping the Government implement the plan through a country strategy and program (CSP, 2005–2009)¹, which is ADB's first pilot results-based CSP (RB-CSP). The CSP clearly links the strategic priorities of the plan, ADB's operations to support the priorities, and the results (outputs or outcomes) expected during CSP implementation. These links reflect a results chain and are presented in a matrix. The matrix represents the core of the managing for development results (MfDR) framework. Since the Government also expressed strong commitment to implement MfDR at the Marrakech and Paris high-level forums, it requested ADB to provide technical assistance (TA) to develop the capacity of government institutions to operationalize MfDR. The request was appropriate in light of ADB's pilot RB-CSP. ADB therefore agreed to include an advisory TA in its 2005 country program, during the Country Program Confirmation Mission in December 2004.

2. The objectives, scope, financing, and implementation arrangements of the TA² were discussed with the Government and other key stakeholders during the Fact-Finding Mission³ on 19–28 September 2005.

II. ISSUES

3. Aid harmonization, alignment, and development effectiveness (of which MfDR is a component) are central themes emerging from the Monterrey and Marrakech meetings and the successive Paris high-level forums. The international community and donors, including ADB, are fully committed to these themes. The Paris Declaration envisages developing member countries assuming ownership of their development strategies and associated operations frameworks. However, MfDR is a new concept and tool to enhance the impact and effectiveness of development and poverty reduction programs, and the Government does not have adequate experience in this area.

4. The need to manage for better development results has come to the forefront of the global development agenda since the Monterrey Conference on Financing for Development in 2002, and the Marrakech Round Table on MfDR in 2004. These conferences called on developing countries to increase their commitment to policies and actions that promote economic growth and reduce poverty. Despite several decades of external assistance, social indicators in large parts of the developing world have remained poor. Clearly, development assistance needs to be made more effective and aid flows enhanced to reduce poverty and achieve the Millennium Development Goals. With the high-level forums in Paris and the adoption of the Paris Declaration on Aid Effectiveness in March 2005, MfDR is progressing in developing countries. The planning and implementation of national plans, budgets, and

¹ ADB. 2004. *Country Strategy and Program (2005–2009): Nepal*. Manila.

² The TA first appeared in *ADB Business Opportunities* on 15 August 2005.

³ The Mission comprised mission leader B. Pant, principal regional cooperation specialist and results monitoring advisor, Nepal Resident Mission (NRM); S. Ra, senior country programs specialist, NRM; S. Shrestha, senior governance and capacity building officer, NRM; and Md. Shahid Parwez, programs/project implementation officer, NRM. S. Hafeez Rahman, country director, NRM provided overall guidance.

antipoverty strategies are becoming increasingly results-oriented. With the MfDR process, developing countries are now more responsible for coordinating donor assistance programs. Different donor agencies have been providing support to the Government in different forms and various magnitudes to implement MfDR. MfDR is a major change initiative, requiring a change in management strategy. The gradual institutionalization of results management would help government agencies to more systematically approach strategy development, planning, resource allocation, and project and program implementation and monitoring. This would allow enhanced harmonization and alignment, and thus the delivery of more flexible and relevant forms of development assistance from the donor community.

5. The Government, despite the complex political and security context, has taken steps to develop some core elements of MfDR. It has established an MfDR framework and mechanisms that link planning, budgeting, project and/or program implementation, and monitoring to development results (outputs and outcomes). While the PRS provides a medium-term development strategy and priorities to reduce poverty, the medium-term expenditure framework (MTEF) provides an important basis to link the PRS to the annual budget by prioritizing available resources. The immediate action plan (IAP) has institutionalized an annual process to implement the priority reforms of PRS. A national poverty monitoring and analysis system (PMAS) has been developed, sector-specific business plans are being prepared, public service delivery is being devolved in 14 pilot districts, and a district poverty monitoring and analysis system (DPMAS) has been created to introduce and streamline MfDR at different Government tiers. A project performance information system (PPIS)—a tool to monitor physical and financial progress of projects and programs—has also been developed and is now operational in the National Planning Commission (NPC). The DPMAS, PRS, IAP, MTEF, PMAS, and PPIS are core elements of the Government's MfDR process. However, these elements are yet to be systematized and need to be streamlined with logical links in an MfDR framework at all Government levels. A clearly spelled-out MfDR approach would create greater acceptance of the structures and systems already in place.

6. These Government initiatives, while laudable, are challenging to sustain and institutionalize because of the capacity constraints of the various government agencies. Significant capacity building of key government institutions will be needed to implement the pilot RB-CSP of Nepal, which is also its priority. The challenge of building MfDR capacity in Nepal is much larger, more demanding, and more resource-intensive than in other countries. Development of capacity to strengthen performance includes the gamut of skills, from monitoring, evaluation, financial management, specialized analytical and technical skills, as well as management's ability to make decisions based on monitoring information. ADB has been working with key government agencies to promote understanding and use of MfDR.

7. Given that MfDR is a new way of doing business and shifts the emphasis from inputs and processes to outputs, outcomes, and impacts, long-term sustained capacity building of multiple government agencies will be required. In particular, management practices and systems and staff competencies will require major strengthening. However, building such capacity needs to be carefully prioritized and focused to avoid an across-the-board attempt to reorient and reskill systems and staff in too many agencies and areas. Thus, prioritization, focus, and sequencing will be crucial to the TA's success.

8. Nepal's monitoring and analysis systems have historically treated input monitoring as a standard administrative task of line ministries and the NPC. Making the transition to MfDR has been an ongoing challenge given the institutional and technical limitations of government agencies. MfDR is resource-intensive, requiring a significant amount of consultations,

participatory processes, and iterative learning. The transition from a traditional input and output approach to focusing on outcomes is critical in implementing MfDR. Macro, meso, and micro initiatives need to be linked in the results-based planning and implementation. MfDR can provide a powerful reporting mechanism that can improve accountability of organizations and the rigor of the oversight function.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The overall objective of the TA is to help the Government operationalize and institutionalize MfDR to implement ADB's pilot MfDR CSP (2005–2009) approved in October 2004. The TA will help the Government; (i) institutionalize MfDR approaches within NPC, selected line ministries, and district development committees (DDCs), (ii) develop sector-wide results frameworks and action plans, and (iii) strengthen monitoring and evaluation (M&E) systems in MfDR, including establishing focal points for results management in line ministries and selected DDCs.

10. The TA will (i) introduce a culture of MfDR in government agencies; (ii) facilitate the realization of specific outputs, outcomes, and impacts in development work; and (iii) establish a measure of accountability in implementing development activities. The specific TA outputs are; (i) enhanced MfDR capacity of government agencies, mainly NPC, Ministry of Physical Planning and Works (MPPW), Ministry of Local Development (MLD), and three DDCs (in Jhapa, Dang, and Jumla); (ii) development of results frameworks and actions plans for the selected line ministries, and identification of relevant output and outcome indicators at the national and district levels; (iii) development of methodologies and operational tools for MfDR; (iv) institutionalization of MfDR by building on existing DMPAS in the selected three districts; (v) replication of PPIS in two line ministries; and (vi) strengthened institutional mechanism for implementing MfDR in selected national and district government agencies. The two line ministries⁴ and three DDCs were selected based on their capacity to implement MfDR approaches and relevance of ADB operation. The three selected DDCs are among 14 districts where the Government has launched full devolution. Jhapa, Dang, and Jumla are in the eastern, western and mid-western development regions, respectively, each with unique physical, economic, and sociocultural characteristics. The TA framework is in Appendix 1.

B. Methodology and Key Activities

11. **Institutionalization of MfDR.** MfDR's success depends on organizations' ability to create a management culture focused on results. The TA will help the Government operationalize MfDR in NPC, MPPW, MLD, and the selected three districts. Operationalizing MfDR will include (i) assessing the existing institutional arrangements by identifying the constraints and needs for the effective implementation of an MfDR process; (ii) developing and adopting methodologies, mechanisms, and systems to mainstream MfDR; (iii) helping the Government pilot MfDR practices and systems; (iv) enhancing the capacity of staff and institutions in specific areas needed to mainstream MfDR through learning institutions and networking; and (v) creating Government awareness and ownership by organizing workshops, seminars, and sharing information with a wider audience.

⁴ MPPW and MLD participated actively and effectively during the Results Framework Review Mission. MLD also participated in ADB. 2005. *Study on Capacity Development in South Asia*. Manila.

12. **Development of a Sector-Specific Results Framework.** The results framework presents a logical relationship among outputs, outcomes, and strategic development goals. Key to its success is stakeholder involvement throughout the management cycle in defining realistic expected results, assessing risk, monitoring progress, reporting on performance, and integrating lessons learned in management decision making. Through its first pilot results-based CSP, ADB will help the Government and donor community (i) think through the country's development agenda, (ii) increase selectivity and focus, and (iii) more clearly define expected outcomes. The TA will help the Government strengthen the development framework by developing a sector-specific MfDR strategy to be implemented nationally and locally. The sector-specific strategies will help achieve the broader objectives of the overall development framework.

13. **Strengthening M&E.** The Government's M&E systems are linked to various planning and budgeting processes. The M&E system needs to be strengthened and to be extended to national and local outcomes and outputs. This requires capacity-building initiatives to be tailored to the country's institutional context, and M&E dimensions to be fed back into program design. The TA will help the Government establish such a link in the existing M&E divisions/units of the selected line ministries and DDCs in monitoring and providing critical real-time feedback on delivery of development results. A detailed implementation and monitoring action plan will be developed to monitor the results framework. The TA aims to improve the institutional capacity of DDCs to pilot the MfDR-selected districts by providing training. The PPIS has been developed to monitor physical and financial progress of projects and is now operational in NPC; it will be institutionalized in the selected line ministries to give more results focus to government initiatives.

C. Cost and Financing

14. The total cost of the proposed TA will be \$500,000. ADB will provide \$400,000 on a grant basis from ADB's Support of Managing for Development Results Cooperation Fund and the Government will contribute counterpart funding of \$100,000. The TA will finance the services of international and domestic consultants, procurement of equipment, international and local short-term training for the staff of NPC, selected line ministries and DDCs, and partial support for organizing workshops. Cost estimates for these are in Appendix 2.

D. Implementation Arrangements

15. The TA will be implemented by NPC, which will also be the Executing Agency (EA). NPC will implement the TA through MLD, MPPW, and DDCs. A focal point specially tasked to implement activities under the TA will be established within the M&E divisions of MLD, MPPW, and three selected DDCs. The Under Secretary, Poverty Monitoring Division, will be the project director, and be responsible for monitoring project implementation activities, supervising consultants, and reviewing their outputs. The line ministries and DDCs will also appoint senior officials for project implementation and coordination with NPC in their agencies.

16. The Government will establish a steering committee chaired by the NPC vice chair. The members will be MLD secretaries concerned, MPPW, representatives of the selected DDCs, and the project director. The steering committee will guide TA implementation. The project director will function as the member secretary of the steering committee. The steering committee will be assisted by technical committees, to be formed as needed.

17. The TA will be implemented over 2 years, from March 2006 to February 2008. The TA will have a total of 35 person-months of consultancy (5 person-months' international and 30 person-months' domestic). All consultants will have extensive experience in MfDR. A consulting firm will be hired to provide the services. The consultants will be selected and engaged in accordance with the *Guidelines on the Use of Consultants by ADB and its Borrowers* and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants. Domestic consultants with sector-specific knowledge and experience in results management will be recruited. The international consultant will be employed on an intermittent basis and will be responsible for recruiting the domestic consultants and organizing training. The consultants will submit (i) an inception report within 1.5 months after the TA starts, (ii) progress reports every 3.0 months, (iii) a draft final report after the core TA activities are completed, and (iv) a final report after ADB's comments are incorporated. The consultants will provide all the reports to the EAs (three copies) and ADB (three copies).

18. The TA will provide limited computer equipment, which will be procured in accordance with ADB's *Guidelines for Procurement* and handed over to agencies concerned upon the TA's completion. Needs-based capacity will be developed. The TA will support short-term local and external training; study tours; and exposure to the best practices in MfDR so that the staffs of NPC, MLD, MPPW, and DDCs can learn from the experience of other countries in the region. The institutions and individual participants will be selected based on organization, competency, and institutional assessments. Upon completion of the training, the trainees will submit a comprehensive report on the training's achievements to the heads of their organizations, with a copy to ADB and the Ministry of Finance.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$400,000 to the Government of Nepal to be financed on a grant basis by the Support of Managing for Development Results Cooperation Fund for Operationalization of Managing for Development Results, 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 Development effectiveness achieved in the context of broad-based economic growth through improved connectivity of different parts of the country</p>	<ul style="list-style-type: none"> • MfDR capacity of government agencies strengthened • Institutional mechanism for public sector management and accountability enhanced • Rural access to public services improved 	<ul style="list-style-type: none"> • Mission reviews • Official communications and reports • Official government statistics 	<p>Assumption Government willing to adopt MfDR agenda in public sector undertakings</p> <p>Risks Inadequate commitment among government officials Conflict may delay achievement of targets</p>
<p>Outcome MfDR approach adopted in NPC, two line ministries, and three DDCs</p>	<ul style="list-style-type: none"> • Organizational strategy and practices for MfDR introduced in selected government agencies • MfDR guidelines for linking planning, budgeting, and M&E exercises implemented at all levels 	<ul style="list-style-type: none"> • Review assessment of TA progress • Official communication reports 	<p>Assumption Government's willingness to adopt MfDR in day-to-day operations</p> <p>Risk Delays in appointment of key counterpart staff</p>
<p>Outputs</p> <ul style="list-style-type: none"> • Institutionalization of MfDR • Development of sector-specific results framework • Strengthening of M&E system 	<ul style="list-style-type: none"> • Development of MfDR tools and methodologies at different Government levels • Sector-specific results framework prepared by 2007 • MfDR-focused M&E system introduced 	<ul style="list-style-type: none"> • Assessment of TA progress • Official communication report • Official government statistics 	<p>Assumption Government's commitment to adopt changed systems and processes ensure available and reliable data</p> <p>Risk Data on the identified indicators may not be available regularly</p>

Activities with Milestones	Inputs
<p>1.1 Establish steering committee</p> <p>1.2 Establish links between national plans and strategies, resource allocation, and implementation</p> <p>1.3 Develop a strategy to introduce MfDR in the selected government agencies</p> <p>2.1 Conduct inception and concluding workshops; prepare an inception report</p> <p>2.2 Train government officials to understand and use MfDR</p> <p>2.3 Streamline Government systems and processes to implement MfDR</p> <p>2.4 Implement pilot programs in two line ministries and three districts</p> <p>2.5 Help the line ministries prepare results frameworks and business plans and improve their results orientation</p> <p>2.6 Identify indicators, set targets and milestones, and specify data sources for results-based monitoring, including poverty and MDGs</p> <p>3.1 Develop operations guidelines to mainstream MfDR in government agencies/donor-assisted projects at national, sectoral, and local levels</p> <p>3.2 Develop a plan to monitor MfDR initiatives</p> <p>3.3 Draft and final reports</p>	<p>ADB</p> <ul style="list-style-type: none"> • Government staff time and expertise: \$70,000 • Government accommodation and utilities: \$30,000 • Local experts: \$101,000 • International experts: \$75,000 • Travels: \$20,000 • Training, workshops, and conferences: \$114,000 • Equipment: \$30,000 • Contingencies: \$50,000 • Overhead and field visits: \$10,000 • Total: \$500,000

DDC = district development committee, M&E = monitoring and evaluation, MDGs = Millennium Development Goals, MfDR = Managing for Development Results, and NPC = National Planning Commission.

COST ESTIMATES AND FINANCING PLAN
(\$ '000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Support of Managing for Development Results Cooperation Fund^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants (5 person-months)	75.00	0.00	75.00
ii. Domestic Consultants (30 person-months)	0.00	101.00	101.00
b. International Travel	14.00	0.00	14.00
c. Local Travel	0.00	6.00	6.00
2. Training, Workshops, and Conferences			
a. External Training, Workshops, and Study Tours	40.00	0.00	40.00
b. In-country Short-Term Training	0.00	64.00	64.00
c. Inception and Concluding Workshops	0.00	10.00	10.00
3. Equipment	0.00	30.00	30.00
4. Field Visits by EA Officials	0.00	4.00	4.00
5. Misc. Administration and Support Cost	0.00	6.00	6.00
6. Contingencies	8.22	41.78	50.00
Subtotal (A)	137.22	262.78	400.00
B. Government Financing			
1. Office Accommodation and Transport	0.00	20.00	20.00
2. Remuneration and Counterpart	0.00	70.00	70.00
3. Facilities for Seminars and Meetings	0.00	10.00	10.00
Subtotal (B)	0.00	100.00	100.00
Total	137.22	362.78	500.00

EA = executing agency, misc. = miscellaneous.

^a Administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Scope of Services

1. The scope of consultant services (5 person-months international and 30 person-months domestic) requires expertise in Managing for Development Results (MfDR). An international consultant with such expertise will lead the consultancy team, consisting of two domestic consultants. The consultants will (i) review the mechanisms for planning and implementing results-based national plans, budgets, and strategies, including the measurement, monitoring, and reporting at the national and subnational levels, as well as for designing results frameworks; and (ii) guide the improvement of impact and effectiveness of development and poverty reduction programs and strategies. The consultants will provide training, develop manuals and guidelines for enhancing development effectiveness, as well as monitor and report development results. The consultants will also help the National Planning Commission (NPC), Ministry of Physical Planning and Works, Ministry of Local Development, and the selected District Development Committees (DDCs) design results frameworks and operating procedures, and develop business processes and monitoring systems. The consultants will report to the project director and the Asian Development Bank (ADB).

B. International Consultant (5 person-months)

2. The consultant will do the following:

- (i) Develop a detailed methodology and work plan to operationalize MfDR.
- (ii) Review the progress in implementing the Poverty Reduction Strategy (PRS) and achieving Millennium Development Goals (MDGs), and conduct policy dialogue.
- (iii) Review the Government's MfDR initiatives, analyze the constraints on them, and derive implications for capacity development and institutionalization of MfDR.
- (iv) Review the Government's monitoring and evaluation (M&E) mechanisms at different levels, identify the gaps in them, and help develop a results framework.
- (v) Jointly with the Government and ADB/Nepal Resident Mission's (NRM) MfDR team, review the technical assistance domestic consultants' job descriptions for MfDR and identify areas that can be developed.
- (vi) Recruit domestic consultants, develop and supervise their work, and in consultation with the project director, guide them as needed.
- (vii) Help the selected line ministries prepare a comprehensive results-based management framework, including identification of intermediate and final indicators for monitoring progress in development results.
- (viii) Help NPC, the selected line ministries, and DDCs strengthen their capacity to implement a results-based monitoring and management system.
- (ix) Help the executing agencies (EAs) train staff members and produce performance improvement plans.
- (x) Help the selected line ministries develop comprehensive business plans to facilitate results-based monitoring
- (xi) Help NPC develop MfDR guidelines for NPC, the line ministries, and DDCs.
- (xii) Develop a plan to monitor the pilot initiatives.
- (xiii) Work closely with other donor partners in designing long-term support to sustain efforts to practice MfDR in the Government.
- (xiv) Work as a resource person on MfDR at various levels and on different occasions.
- (xv) Help the resident mission develop a learning and dissemination system for MfDR.

- (xvi) Perform any other job as suggested by the steering committee and project director.

B. Domestic Consultants (30 person-months)

3. The domestic consultants will do the following:

- (i) Supervised by the project director, assist the team leader (international consultant).
- (ii) Identify and analyze the links between plans, budgets, agency actions, and feedback mechanisms.
- (iii) Guided by the international consultant and in consultation with the EAs and NRM, help the line ministries and DDCs prepare the comprehensive results-based frameworks, including the identification of intermediate and final indicators for monitoring progress in their sectors.
- (iv) Help the international expert identify institutional structures and systems, including M&E, and suggest ways to improve them for MfDR implementation.
- (v) Review the ongoing and planned performance management initiatives in NPC, line ministries, and DDCs, and recommend ways to improve MfDR.
- (vi) Assess the competencies and strengths of NPC, line ministries, and DDCs in results management; design needs-based capacity-building programs; and organize training programs on MfDR.
- (vii) Help the line ministries review and improve the business plans.
- (viii) Help develop guidelines and operational manuals for the use of NPC, line ministries, and DDCs in MfDR.
- (ix) Assist the NPC, line ministries, and DDCs on a range of issues to develop and implement a performance management culture and work process in their day-to-day operations.
- (x) Undertake other tasks assigned by the team leader and EAs.