

**BOARD
OF
DIRECTORS**

ASIAN DEVELOPMENT BANK

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R325-00
15 December 2000

**PROPOSED TECHNICAL ASSISTANCE TO NEPAL
FOR INSTITUTIONAL SUPPORT FOR GOVERNANCE REFORMS**

1. Attached for the consideration of the Board is a paper on the above subject.
2. In the absence of any request for discussion (which should be communicated to the Secretary by the close of business on 5 January 2001), the recommendation in paragraph 22 of the Paper will be deemed to have been approved, to be so recorded in the minutes of a subsequent meeting of the Board. Any notified abstentions or objections will also be recorded in the minutes.

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ASIAN DEVELOPMENT BANK

TAR: NEP 34445

PROPOSED

TECHNICAL ASSISTANCE

TO THE

KINGDOM OF NEPAL

FOR

INSTITUTIONAL SUPPORT FOR GOVERNANCE REFORMS

December 2000

CURRENCY EQUIVALENTS

(as of 1 December 2000)

Currency Unit	–	Nepalese Rupee/s (NRe/NRs)
NR1.00	=	\$0.013385
\$1.00	=	NRs74.896

- (i) The Nepalese rupee is pegged to the Indian rupee (Re) at NRs1.60 to Re1.00 and is fully convertible on all current account transactions.
- (ii) For calculations in this report, the exchange rate of \$1.00 = NRs72.2 is used, the rate prevailing during fact-finding.

ABBREVIATIONS

ADB	–	Asian Development Bank
CIAA	–	Commission for the Investigation of the Abuse of Authority
MOF	–	Ministry of Finance
MOGA	–	Ministry of General Administration
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July. FY, before a calendar year denotes the year in which the fiscal year ends, e.g., FY2000 ends on 15 July 2000.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. The proposed advisory technical assistance (TA) is a follow-up to an earlier TA to prepare an action plan on civil service reforms in Nepal, which began on 16 June 1999.¹ The Asian Development Bank (ADB) Reconnaissance Mission for the proposed Civil Service Reform Program loan visited Nepal from 28 March–14 April 2000. After the Mission, ADB and the Government agreed that the Government needed more time to formulate its governance strategy and reform program. Subsequently, the Government asked ADB to provide institutional support for its governance reform program.² Following this request, ADB fielded the TA Fact-Finding Mission from 28 August–8 September 2000. The Mission met with representatives of Government agencies, major aid agencies in Nepal, and other stakeholders. The Mission reached an understanding with the Government on the objectives, scope, cost estimates, and implementation arrangements for the TA. The TA framework is presented in Appendix 1.

II. BACKGROUND AND RATIONALE

2. Attempts to reform Nepal's civil service have all been relatively unsuccessful. The lessons learned are that broad-based political commitment needs to be fostered if politicians, especially ministers, are engaged in the process of deciding on reform priorities and solutions. Second, resistance from bureaucrats and civil service trade unions must be overcome by ensuring greater consultation. Third, the Government needs to consult more widely with external stakeholders within Nepal—in particular, civil society, the private sector, and academics—to generate a wider range of options and support for reform. The principal constraints to operation of an efficient, service-oriented civil service include fiscal problems, corruption, low productivity and staff morale, and performance and service issues.

3. **Fiscal Problems.** The Government must take decisive action to improve its internal efficiency before it can start to build a civil service that is capable of delivering better services. The civil service wage bill lacks transparency as personnel expenditures appear both in the development and regular budget, and the number of civil servants engaged is not closely related to the number of approved establishment posts. Temporary appointments are a major source of political patronage.

4. **Corruption.** Corruption is a systemic problem that undermines the performance of the bureaucracy and the current Prime Minister has announced his determination to tackle it. Corruption is manifested in a variety of transactions involving civil servants not following prescribed rules and regulations. The present enforcement mechanisms are extremely weak and the legislative framework for preventing and controlling corruption is grossly inadequate. Both are priority areas that must be addressed. Civil society needs to be fully involved in discussing the anticorruption program, and a coalition of stakeholders needs to be built, both within and outside government, to push for reform in this area, and for governance reform generally.

5. **Low Staff Productivity and Morale.** During the past decade the productivity of the civil service has deteriorated significantly and staff morale is very low. The causes of this situation are complex and must be addressed on a broad front, including attention to merit-based promotion and increased salary levels.

¹ TA 3117-NEP: *Formulating an Action Plan on Civil Service Reforms*, for \$630,000, approved on 14 December 1998.

² The TA first appeared in *ADB Business Opportunities* (Internet edition) on 24 August 2000.

6. **Performance and Service Issues.** Although in recent years some sector ministries have made efforts to provide better services, these efforts have tended to be piecemeal. The Government must now improve ministry performance, but this must be achieved in the most effective and appropriate manner. In the budget speech of FY2001, the Government stated unequivocally that Nepal needs a civil service that is both results- and people-oriented. A coherent approach to improving the performance of Nepal's civil service is now required to give the public a voice in determining the services to be available and how they will be delivered. This will involve extensive stakeholder consultation to design and participate in implementing the new approach.

7. **The Government's Objectives for the Governance Reform Program.** While governance reform initiatives in the past have not been implemented particularly successfully, the current Government has consistently indicated that its top priorities are ensuring good governance, providing efficient and effective service delivery, and combating corruption. The Government has subsequently initiated action in a number of these areas, such as reducing the number of ministries and permanent and temporary positions in the civil service, preparing and tabling important governance legislation, and forming the Public Expenditure Review Commission. However, assistance is required to provide detailed strategies, policies, and analysis to justify and support such governance reforms.

8. Based on its assessment of past failures to implement civil service reform, the constraints mentioned in paras. 2-6, and stakeholder consultations undertaken in 2000, the Government has refined its governance reform program. The goal of the program is to develop a much more results- and people-oriented governance environment that will contribute to accelerated economic growth and poverty reduction by introducing appropriate governance policies and mechanisms. These objectives will only be realized in the long-term, over perhaps 10-15 years. The indicative medium-term program to begin achieving the objectives is incorporated in a preliminary program policy matrix that the Government has developed as part of its consultative process, in preparation for a program loan.

9. The Government now requires assistance to move from the definition of its reform program, with which the previous ADB TA assisted,³ to initiate the first steps in its long-term program. The pressing needs at the moment are (i) to strengthen the Government's capacity to implement the reforms; and (ii) to help the Government prepare policies and legislation, and undertake the first reform actions. The proposed TA will strengthen the recently established Governance Reform Coordination Unit in the Ministry of General Administration (MOGA), and two change management units in the Ministry of Finance and the Cabinet Secretariat that the Government will establish to lead the reform process.

10. The TA will help the Government assess options and priorities to implement the reform program in the most efficient, cost-effective manner to achieve the desired objectives. It will also contribute to broadening the support base, and forming a coalition to press for the reforms, through extensive stakeholder consultation and participation. The TA is part of the ongoing assistance program intended to support the Government in preparing to implement the policy-based program loan now being discussed for possible approval in 2001 (para. 1). The TA is designed to meet the proposed program loan's first tranche conditions, which would occur

³ TA 3117-NEP: *Formulating an Action Plan on Civil Service Reforms*, for \$630,000, approved on 14 December 1998.

during TA implementation, whereupon the program loan would be considered for approval. The TA would then continue to support actions to meet the loan's second tranche conditions.

III. THE PROPOSED TECHNICAL ASSISTANCE

A. Objective

11. The TA's objective is to enhance the Government's capacity to lead, coordinate, and support implementation of its long-term governance reform strategy. This will be accomplished by enabling the Government to reach a number of key milestones during the first 18 months of reform. Emphasis will be placed on building skills and confidence in MOGA's Governance Reform Coordination Unit, change units in specified ministries, and senior-level ministry management teams. Social auditing of the reform program by civil society,⁴ and coalition building to ensure that the reform agenda is carried forward, will be promoted. The consultants will facilitate rather than implement the reform program, using a process approach.

B. Scope

12. The scope of the TA reflects the Government's governance reform strategy and consists of five functional components. The TA activities consist of the initial program interventions, which will be supported by the program loan proposed for 2001. The first component involves reform management, including building skills and confidence in MOGA's Governance Reform Coordination Unit, and in full-time change units in the Ministry of Finance and the Cabinet Secretariat. Staff will acquire specific technical and change management skills by working on real reform problems under the guidance of the consultants. Senior civil servants engaged in established Cabinet and secretary subcommittees, and in senior ministry management teams will participate in a leadership development program designed by the TA team. The second component on efficiency and wage bill control requires preparation of staff redundancy and early retirement schemes, including review and refinement of the recently introduced voluntary early retirement scheme and consideration of alternative approaches to reducing personnel levels. In particular, a comprehensive financial analysis will be undertaken of the proposed early retirement scheme. To secure efficiency gains, a policy and action plan will be developed to abolish, contract out, privatize, or delegate to agencies the noncore functions of the Government. Existing establishment and wage bill controls will be reviewed and proposals developed to strengthen them.

13. The third component deals with anticorruption measures. Proposed anticorruption legislation will be reviewed and assessed to determine if it meets international best practice. An analysis of the institutional framework for combating corruption, focusing on the judicial system, the Commission for the Investigation of the Abuse of Authority (CIAA), the Auditor General's Office, and the Special Police (at district level) will also be undertaken. The CIAA's investigative capacity will be enhanced and a special CIAA cadre established. The fourth component concerns personnel management. A long-term civil service pay policy will be developed following an examination of the trade-offs between the payment of a living wage, closer parity with private sector pay, and a widening of differentials within the salary structure. Improved merit-based employee selection and promotion policies and procedures will be developed to ensure that more talented staff are recruited and promoted to senior positions. The Civil Service Act will be amended to reduce political interference in the transfer and placement of staff, and procedures will be developed to audit the incidence and frequency of transfers. Staff grievance

⁴ e.g., nongovernment organizations and universities.

and disciplinary procedures will also be strengthened. Finally, a computerized personnel information system will be developed. Procedures will be put in place to maintain and update the system, and to link it to the payroll.

14. The fifth component involves performance improvement. The Ministry of Finance will give ministries that develop a performance improvement plan enhanced control over their budgets and staff, including the retention of efficiency savings. Operational procedures will be developed to allow the new performance principles to be put into practice. The Governance Reform Coordination Unit will define the methodologies and processes for developing performance improvement plans including the formulation of client service standards. Performance improvement plans will be prepared in one service delivery ministry and one central ministry with the support of the Governance Reform Coordination Unit. In addition to the five TA components, the expected impact of the governance reform program on poverty and gender will be analyzed, and mitigation measures to reduce any expected negative impact will be recommended and incorporated into the design of the proposed program loan for the governance program.

C. Cost Estimates and Financing Plan

15. The TA is estimated to cost \$1,795,000 equivalent, of which the foreign exchange cost is \$1,175,000 and the local currency cost is \$620,000 equivalent. ADB will provide \$1,525,000 on a grant basis from the ADB-funded TA Program, to cover the entire foreign exchange cost and \$350,000 equivalent of the local currency costs. The Government will contribute the remaining local currency cost of \$270,000 equivalent to provide office accommodation, counterpart staff support, facilities for seminars and meetings, and other administrative expenses. A Government representative will be invited to be an observer at TA contract negotiations. Details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

16. MOGA will be the Executing Agency for the proposed TA. TA activities will be guided at the highest level by an effective Cabinet subcommittee, the Administrative Reforms Coordination and Monitoring Committee,⁵ and by an executive committee⁶ to provide strategic leadership for the reform program within the civil service. Both committees have been established, and have met. The Governance Reform Coordination Unit will coordinate the reform process, and report through the secretary, MOGA to the executive committee. The Coordination Unit will effectively act as the TA Implementing Unit, and will be strengthened under the TA. Change units will be established in key central ministries to direct and support reforms in other ministries and departments. Effective senior management teams will also be established in line ministries responsible for implementing the reforms. The organization chart provided in Appendix 3 reflects these arrangements.

17. The TA will be implemented over 18 months from February 2001 to July 2002. Tripartite meetings of the Government, TA consultants, and ADB will be chaired by the secretary of

⁵ Chaired by the Prime Minister, with membership including the minister of MOGA (currently the Prime Minister), the Minister of Finance, chair of the Public Service Commission, Vice Chair of the National Planning Commission, the chief secretary, and the joint secretary of the Monitoring Division in the Prime Minister's Office as member secretary.

⁶ Chaired by the chief secretary, with membership consisting of the secretaries of the National Planning Commission, Prime Minister's Office, Ministry of Finance, Law and Justice, and concerned line ministries, with the secretary of MOGA as member secretary.

MOGA, and held on a quarterly basis to review TA implementation progress, address issues arising during TA implementation, and provide guidance to the TA consultants. The executive committee will meet every two months to guide the TA and resolve policy and implementation issues. The executive committee will regularly invite concerned stakeholders from civil society and other stakeholders to attend its meetings. Provision will be made for external experts to participate in an annual retreat of the committee. In addition, two stakeholder consultation forums will be held to discuss progress and obtain inputs on the scope and implementation of the reform program.

18. Thirty-eight person-months of international and 62 person-months of domestic consulting services will be provided, including consultants with experience in (i) developing change units and leadership development; (ii) developing redundancy and early retirement schemes; (iii) devolving noncore Government functions; (iv) effective management of civil service wage bills; (v) anticorruption institutions and legislation; (vi) anticorruption investigation; (vii) developing civil service pay policies; (viii) introducing merit-based recruitment, and designing personnel transfer and grievance procedures; (ix) developing computerized personnel information systems; (x) developing civil service performance improvement schemes; and (xi) assessing poverty and gender impacts.⁷ The consulting services will be provided by an international consulting firm in association with qualified domestic consulting firms with experience in governance reforms, particularly of the civil service. Outline terms of reference for the consultants are attached in Appendix 4.

19. Selection and engagement of the TA consultants will be undertaken in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB. The consultant will purchase required office equipment in accordance with ADB's *Guidelines for Procurement*. Equipment procured under the TA will be handed over to MOGA upon completion of the TA. The consultant will assist the Government in continuing the consultation process on the governance reform program with a broad range of concerned stakeholders, including politicians, civil servants, civil society, the private sector, and others. The consultations are an integral part of the process of building awareness of, and support for the reform program.

20. The consultants will prepare (i) an inception report including a detailed TA work program to be submitted after one month after TA implementation commences; (ii) interim reports for the quarterly tripartite meetings, indicating progress made, outstanding issues, and work plans for the next quarter; (iii) a draft final report recording achievements and recommendations to the Government to be submitted two months prior to TA completion; and (iv) a final report submitted at the conclusion of the consulting services. All reports will be submitted to the executive committee and ADB.

21. To ensure that the TA is closely coordinated with other external assistance agencies, and to maximize the TA's impact on governance, implementation will be closely coordinated with the Nepal governance aid group, which meets every two months, and with staff of the Nepal Resident Mission.

⁷ The poverty and gender impact assessment consultant will analyze the expected impact of the reform program on poverty and gender.

IV. THE PRESIDENT'S RECOMMENDATION

22. The President recommends that the Board approve the provision of technical assistance, on a grant basis, to His Majesty's Government of Nepal in an amount not exceeding the equivalent of \$1,525,000 for the purpose of Institutional Support for Governance Reforms.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions And Risks
<p>Goal</p> <p>Develop a results- and people-oriented civil service to contribute to economic growth and poverty reduction by introducing appropriate governance policies and mechanisms.</p>	<p>Improved access, quality, and efficiency of Government services</p>	<p>Client satisfaction surveys</p> <p>Annual reports of ministries</p>	<p>People have confidence in Government services.</p> <p>The ratio of personnel expenditures to operating costs is improved.</p> <p>Staff are able and motivated to provide better services.</p>
<p>Purpose</p> <p>Enhance capability of the Government to lead, coordinate, and support implementation of governance reform.</p>	<p>Quarterly reviews of strategy implementation conducted by the executive committee and annual reports are presented to Parliament</p> <p>Agreed milestones in reform program reached</p> <p>Client ministries satisfied with support provided by change units</p>	<p>Minutes of executive committee meetings</p> <p>Annual report on progress of governance reforms</p> <p>Quarterly reports of the Reform Coordination Unit (RCU)</p> <p>Sample survey of clients</p>	<p>Ministers and top civil servants are committed to reform.</p> <p>Secretaries in central ministries and other key ministries are competent.</p>
<p>Outputs</p> <p>1. Enhanced Reform Management</p> <p>1.1 Enhance skills and confidence in RCU and change units</p> <p>1.2 Develop leadership qualities in executive committee and ministry senior management teams.</p> <p>1.3 Develop stakeholder coalition to be advocated for the reform process.</p>	<p>All personnel appointed to RCU and change units demonstrate application of change management and relevant technical skills</p> <p>Senior officials demonstrate application of agreed leadership qualities</p> <p>Coalition of stakeholder groups actively demanding reforms</p>	<p>Assessment by Technical Assistance (TA) team, Asian Development bank (ADB), and Government</p> <p>Assessment workshop conducted jointly by TA team and Nepal Administrative Staff College</p> <p>Assessment by all stakeholders at workshops</p>	<p>Personnel are selected to RCU and the change teams on the basis of merit.</p> <p>Senior officials are willing to participate in the leadership development program.</p> <p>The Government is unwilling to foster or engage with coalition; willing coalition groups exist and engage in process.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions And Risks
<p>2. Improved Efficiency and Wage Bill Control</p> <p>2.1 Develop financially viable redundancy and early retirement schemes.</p> <p>2.2 Develop policy on devolving noncore Government functions.</p> <p>2.3 Prepare proposals to strengthen wage bill and establishment controls.</p>	<p>Procedures manual approved by the executive committee, applied and accepted by assistance agencies</p> <p>Policy approved by Cabinet and implemented</p> <p>Proposals accepted and implemented by the Ministry of Finance (MOF) and Ministry of General Administration (MOGA)</p>	<p>TA progress reports</p> <p>Minutes of executive committee meeting</p> <p>TA progress reports</p> <p>Cabinet Secretariat records</p> <p>TA progress reports</p>	<p>The size of the compensation package is not politically determined.</p> <p>Political commitment exists for devolution of noncore functions.</p> <p>Political commitment exists for strengthening the wage bill and establishing controls.</p>
<p>3. Strengthened Anticorruption Measures</p> <p>3.1 Enhance skills of Commission for the Investigation of the Abuse of Authority (CIAA) staff.</p>	<p>All staff appointed to CIAA demonstrate application of investigative skills</p>	<p>Assessment by TA team, ADB, and Government</p>	<p>Personnel are selected to the CIAA on the basis of merit.</p>
<p>4. Improved Personnel Management</p> <p>4.1 Prepare long-term civil service pay policy.</p> <p>4.2 Develop merit-based recruitment and promotion policy and practices.</p> <p>4.3 Develop improved transfer, grievance, and disciplinary procedures.</p> <p>4.4 Introduce computerized personnel information system.</p>	<p>Policy approved by Cabinet and implemented</p> <p>Improved policy and practices approved by executive committee and implemented</p> <p>Improved procedures approved by the executive committee and implemented</p> <p>Personnel changes input on a regular basis</p>	<p>TA progress reports</p> <p>Cabinet Secretariat records</p> <p>Minutes of executive committee, TA progress reports</p> <p>Minutes of executive committee, TA progress reports</p> <p>Assessment by TA team, ADB, and Government</p>	<p>Political support for enhancing the pay of civil servants continues.</p> <p>Civil servants believe that personnel selection should be based on merit rather than seniority.</p> <p>There is no political interference in transfer and placement decisions, and disciplinary actions .</p> <p>The system is well managed by MOGA and staff are trained to maintain and update it.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions And Risks
<p>5. Enhanced Performance Improvement Processes</p> <p>5.1 Establish framework for performance improvement.</p> <p>5.2 Facilitate introduction of performance improvement plans in two ministries.</p>	<p>Operational procedures agreed by the Prime Minister's Office and Ministry of Finance</p> <p>Performance improvement plans in two ministries developed and implemented</p>	<p>TA progress reports</p> <p>TA progress reports</p>	<p>MOF is willing to give ministries more budgetary discretion.</p> <p>Ministries take ownership of their performance improvement plans.</p>
<p>Activities</p> <p>1. Coach, mentor, and train change unit staff and Government officials.</p> <p>2. Adopt a consultative process to develop a leadership competencies framework.</p> <p>3. Conduct a Leadership development program for senior officials.</p> <p>4. Critically review the recently gazetted voluntary early retirement scheme.</p> <p>5. Consult widely to determine feasible options for devolving noncore functions.</p> <p>6. Review existing payroll and establishment controls using sampling methods and case studies.</p> <p>7. Train CIAA staff in investigative skills.</p> <p>8. Adopt a consultative process to examine options for the development of a pay policy.</p>	<p>At least 20 officials participate in guided reform activities</p> <p>Number of persons consulted and number of workshops conducted</p> <p>At least 50 senior officials participate in the program</p> <p>Summary of strengths and weaknesses produced within three months of TA start-up.</p> <p>Number of persons consulted and workshops conducted</p> <p>Summary of key issues produced within six months of TA start-up.</p> <p>At least 10 staff trained</p> <p>Number of persons consulted and workshops conducted</p>	<p>TA progress reports</p> <p>Summary of consultations</p> <p>Training records</p> <p>TA progress reports</p> <p>Record of consultations</p> <p>TA progress reports</p> <p>Training records</p> <p>Record of consultations</p>	<p>Change unit staff are selected and available.</p> <p>Government officials and management development specialists take part in consultations.</p> <p>Senior officials devote their time to development activities.</p> <p>Government officials make information available to consultants.</p> <p>Staff with appropriate qualifications are appointed.</p> <p>Government officials, external experts and the private sector are willing to participate in discussions.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions And Risks
9. Examine the Strengths and weaknesses of existing recruitment, promotion, transfer, grievance, and disciplinary policies and procedures.	Summary of strengths and weaknesses produced within 3 months of TA start up	TA progress reports	
10. Critically review the status of ongoing initiatives to computerize the Government's personnel records.	Status report produced within 1 month of TA start up	TA inception report	Agreement can be reached with all stakeholders.
11. Prepare a coherent and practical strategy for establishing a CPIS that is acceptable to Government, meets the needs of users, and builds on previous work.	Strategy paper developed within three months of TA start up	TA progress reports	MOF is willing to permit some degree of enhanced financial discretion for ministries.
12. Consult with MOF to identify the scope for enhanced budgetary discretion to implement ministry performance improvement plans.	Consultations completed successfully within nine months of TA start-up	Record of consultations	Line ministries make key staff available for training.
13. Train RCU and line ministry staff in the agreed performance improvement methodology.	At least 10 persons trained	Training records	Senior management teams accept responsibility for the development of ministry performance improvement plans.
14. Facilitate workshops of ministry senior management teams to develop performance improvement plans.	At least 20 days of workshops conducted for each ministry in which all members of the senior management team participate	TA progress reports	
Inputs			
1. International consultants	38 person-months	ADB review missions and tripartite review meetings	Timely recruitment and deployment of consultants
2. Domestic consultants	62 person-months		
3. Total costs	\$1,795,000		
• ADB financing	\$1,525,000		
• Government financing	\$270,000		Adequate and timely provision of counterpart budget, staff, and facilities

COST ESTIMATES AND FINANCING PLAN

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	950,000	0	950,000
ii. Domestic Consultants	0	217,000	217,000
b. International and Local Travel ^a	70,000	15,000	85,000
c. Reports and Communications	0	12,000	12,000
2. Equipment ^b	17,000	0	17,000
3. Seminars and Meetings ^c	0	30,000	30,000
4. Consultations with Civil Society ^d	0	20,000	20,000
5. Miscellaneous Administration and Support Costs ^e	0	16,000	16,000
6. Representative for Contract Negotiations ^f	3,000	0	3,000
7. Contingencies	135,000	40,000	175,000
Subtotal (A)	1,175,000	350,000	1,525,000
B. Government Financing			
1. Office Accommodation and Transport	0	90,000	90,000
2. Remuneration and Per Diem of Counterpart Staff	0	60,000	60,000
3. Facilities for Seminars and Meetings	0	50,000	50,000
4. Other Administrative Expenses	0	70,000	70,000
Subtotal (B)	0	270,000	270,000
Total	1,175,000	620,000	1,795,000

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

^b Procurement of a photocopier, computers, printers, fax machine, and other office equipment.

^c Costs for local seminars and meetings.

^d Including local contracts for perception surveys and coalition building.

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

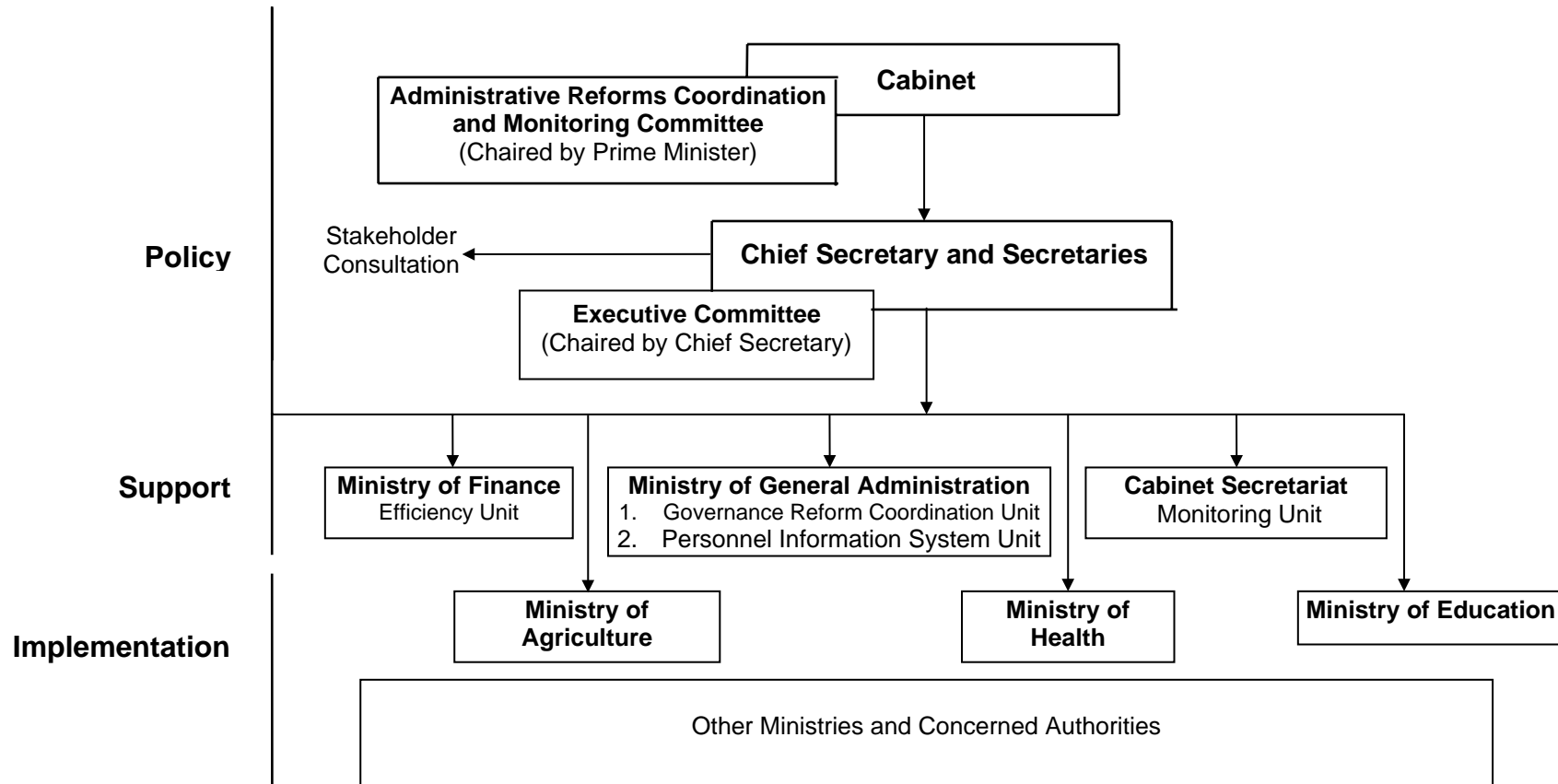
^f Travel expenses for inviting a representative of the Executing Agency for contract negotiations.

Source: Staff estimates.

(Reference in Text: page 4, para. 15)

CIVIL SERVICE REFORM MANAGEMENT AND IMPLEMENTATION ARRANGEMENTS

(Reference in text: page 4, para. 16)



Components:

- Leadership
- Efficiency
- Anticorruption
- Staff Competence
- Performance Improvement

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The members of the consulting team will primarily act as facilitators, enabling reform activities to be carried out by Government personnel. A description of their role for each of the components follows.

A. Reform Management.

1. **Skills and Confidence Building in Change Units:** one international consultant for 18 person-months, also serving as the team leader

2. The consultant will develop the skills and confidence of the personnel appointed to the Reform Coordination Unit and two other change units to enable them to direct and support the introduction of specific reforms in ministries and departments, and to build an external coalition of support for the reform program. The strategy adopted for staff development will emphasize experiential learning through which individuals will work on real reform problems under the guidance of an experienced consultant. An initial assessment of the strengths and weaknesses of individual staff will be made and personal development plans prepared. Each staff member will subsequently be assigned to the consultant as a mentor. The consultant will design and conduct structured training workshops where appropriate to give opportunities to test staff skills in a safe environment. These training events will be followed by the immediate application of skills to the tasks set out in the Government's governance reform program. The consultant will provide continuous feedback to individual staff to enable them to improve their performance. A final performance assessment will be carried out for all staff and development activities identified.

2. **Leadership Development:** one international consultant (team leader) and one domestic consultant each for 9 person-months

3. The consultants will develop the leadership qualities of the senior officials who are members of the technical assistance executive committee and ministry management teams. A competency framework will first be developed that combines generic competency with behaviors that are culturally acceptable in Nepal. This framework will be established using a consultative process. The consultants will subsequently design a leadership development program based on the agreed competency framework and conduct this program for the first group of senior officials. These will include the members of the executive committee and the senior management teams of the first ministries earmarked for the development of performance improvement plans. The consultants will redesign the program as appropriate based on the experience with the first group. An assessment workshop will be conducted prior to the end of the TA contract to measure the competencies of participants.

B. Efficiency and Wage Bill Control

1. **Staff Redundancy and Early Retirement Schemes:** one international consultant for 1 person-month

4. Working closely with the Ministry of General Administration (MOGA) and Ministry of Finance (MOF) staff, the consultant will assist the Government to refine its present voluntary early retirement scheme, which currently involves lump-sum compensation for civil servants over 50 years of age. The consultant will also examine alternative approaches to reducing personnel levels. Financial analyses will be carried out to compare the compensation costs with

the salary savings. A procedures manual will be developed to ensure that such schemes are effectively administered. In preparing this manual, the consultant will pay particular attention to abolishing vacated posts, and ensuring that retirees are not subsequently reengaged elsewhere within the public sector.

- 2. Policy and Procedures on Devolving Noncore Functions:** one international consultant for 2 person-months, one domestic consultant for 3 person-months

5. The consultants will assist the staff of MOF's Efficiency Unit to develop a policy for devolving the Government noncore functions. Options to be considered will include abolition, contracting out, privatization, and delegation of functions to agencies. The consultants will assist in developing a methodology to enable the Government to assess the appropriateness of these different options. Once Cabinet has approved the policy, the consultants will facilitate the preparation of an action program by the Efficiency Unit in consultation with line ministries. The objective of the program will be to achieve a number of actions that are both practical and significant in terms of cost savings. It should build on the functional reviews that were conducted under the earlier TA. The consultants will also assist in defining the procedures and any necessary legal provisions for separating functions from the Government.

- 3. Establishment and Wage Bill Controls:** one international consultant for 2 person-months, one domestic consultant for 5 person-months

6. The consultants will review the existing establishment and payroll controls to manage the civil service wage bill more effectively. This will include an examination of the employment of temporary civil servants and the payment of government counterpart staff under the development budget. Particular attention will be paid to the procedures for creating new teacher posts and the provision for an independent audit of teacher numbers and pupil enrolments. In view of the planned introduction of a computerized personnel information system, consideration will be given to how the Government's personnel records and payroll can be better integrated. Proposals will be developed to strengthen the existing controls in close consultation with MOF and MOGA.

C. Anticorruption Measures

- 1. Review of Proposed Anticorruption Legislation and Institutional Framework for Anticorruption:** one international consultant for 2 person-months, one domestic consultant for 5 person-months

7. Draft legislation to amend the Commission for the Investigation of the Abuse of Authority (CIAA) Act, constitute a special court, and manage corruption control laws have been tabled in Parliament. The consultant will review the proposed legislation and assess whether it meets international best practice. An analysis of the institutional framework for combating corruption, focusing on the judicial system, CIAA, the Auditor General's Office, and the Special Police (at district level) will also be undertaken.

- 2. Skills in the CIAA:** one international consultant for 2 person-months and one domestic consultant for 4 person-months

8. Following the appointment of new staff to the CIAA, the consultant will train them in investigative skills. Subsequently, the consultant will work alongside CIAA staff to conduct real investigations to ensure that the skills are applied and embedded.

D. Personnel Management

1. **Long-Term Civil Service Pay Policy:** one international consultant for 2 person-months, one domestic consultant for 12 person-months

9. The consultant will facilitate the development of a long-term civil service pay policy. The policy will establish the key objectives to be achieved over the next 10 years, the strategies for attaining them, and the actions that need to be taken in the medium-term. In particular, the trade-offs between the payment of a living wage, closer parity with private sector pay, and widening of differentials within the salary structure will be examined. Financial projections of alternative pay scenarios should be prepared that are consistent with the Government's budgetary parameters.

2. **Merit-Based Recruitment and Promotions:** one international consultant for 1 person-month, one domestic consultant for 2 person-months

10. The consultants will work alongside MOGA staff to develop improved merit-based selection policies and procedures to ensure that more talented staff are recruited and promoted to senior positions. Strengths and weaknesses of the existing policy and procedures will first be examined. The new policy should be reflected in amendments to the Civil Service Act. The consultants will train staff in MOGA and line ministries to apply the new procedures. In addition, methods will be established to enable the Public Service Commission to monitor and audit the application of these new procedures.

3. **Transfer, Grievance, and Disciplinary Procedures:** one international consultant for 1 person-month (performed by consultant for D2), one domestic consultant for 2 person-months

11. The consultants will work alongside MOGA staff to develop improved employee transfer, grievance, and disciplinary procedures. Strengths and weaknesses of the existing procedures will first be examined. The new procedures should be reflected in amendments to the Civil Service Act. Because of political interference in staff transfers and placements, the consultants will advise on methods to audit the incidence and frequency of transfers. MOGA and line ministry staff will be trained to apply the improved procedures.

4. **Computerized Personnel Information System:** one international consultant for 3 person-months, one domestic consultant for 12 person-months

12. The consultants will help the Government introduce a computerized personnel information system that is linked to the payroll. This work will build on the computerized personnel database that has been established as a result of the ongoing civil service census. Therefore, the first task of the consultants will be to examine the status of the current database and to review the completeness and accuracy of the records it contains. The consultants will ensure that the system is able to generate reports that support personnel decision - making, that procedures for updating records are established, and that the technology is adequately maintained and supported. Training will be provided for users, and the staff appointed to a personnel information system unit to operate and maintain the system.

E. Performance Improvement

1. **Framework for Performance Improvement:** one international consultant for 2 person-months

13. The consultant will assist the Government to define the institutional framework for performance improvement within ministries. The consultant will work in collaboration with MOF officials to define the financial incentives that will be given to ministries that undertake to develop a performance improvement plan. In addition, the consultant will design the operational procedures for the utilization of a performance improvement fund that will provide incremental resources for individual ministries. The fund is intended to enable ministries to break operational barriers to performance improvement, and resources are expected to be used for skill development, improved business processes, engagement of scarce skilled staff, procurement of tools and equipment.

2. **Performance Improvement Plans:** one international consultant for 2 person-months (performed by consultant for E1), one domestic consultant for 6 person-months

14. The consultants will facilitate the development of performance improvement plans in one service delivery ministry and one central ministry by their senior management teams. These performance improvement plans will incorporate client service standards, with the full participation of the clients (the public). Initially, the consultants will design the methodology to be used to prepare performance improvement plans and coach MOGA staff to apply them. Subsequently, the consultants will support MOGA staff as they work with individual ministries to apply the methodology, including delivering a training of trainers program in the ministries, and extensive consultations with the public to ensure the sustainability of the performance improvement program.

F. Poverty and Gender Impact Assessment: one domestic consultant for 2 person-months

15. A poverty and gender impact assessment specialist will analyze the expected negative and positive impact of the governance reform program on poverty and gender. The consultant will recommend mitigation measures to reduce any expected negative impact. These measures will then be incorporated into the design of the proposed program loan for the governance program.