



REVIEW OF THE IMPLEMENTATION OF THE
**GOVERNANCE AND
ANTI-CORRUPTION**
POLICIES OF THE ASIAN DEVELOPMENT BANK

FOR REVIEW PURPOSES ONLY

**DOCUMENTATION OF THE
NEPAL CONSULTATION WORKSHOP**

DRAFT

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Though we have attempted to provide an accurate account, the attached document is preliminary and may contain errors or omissions. Please contact us with any corrections. Thank you.

**Documentation of the Nepal Consultation Workshop on the
Review of the Implementation of ADB's Governance and Anticorruption Policies**

Hotel Yak and Yeti, Kathmandu, 17 November 2004

NOTE: *This document is primarily intended for participants of the workshop. Though others are welcome to consider the contents, the information will be less clear to people who did not attend the live event.*

The Asian Development Bank (ADB) in collaboration with the Ministry of Finance organized a consultation workshop with a group of government and civil society participants in Nepal. In plenary and small groups, participants identified major issues in governance and anticorruption, assessed ADB's progress, and recommended action to strengthen ADB's work. This document presents a summary of the workshop's outputs such as the trends and issues, assessments, and actions relevant to ADB's work in governance and anticorruption. The Agenda for the workshop follows in an appendix.

The **purpose** of the workshop was for ADB to listen to diverse stakeholders as they collectively:

- Considered what ADB has and has not achieved, and lessons learned in Nepal in governance & anticorruption;
- Described issues in governance and anticorruption in Nepal and the region that will affect ADB's future work; and,
- Recommended appropriate roles and priority actions for ADB in governance and anticorruption in Nepal.

I. Regional/Country Trends in Governance and Anticorruption

In the initial plenary session, participants were asked to list current issues and trends that were important governance and anticorruption work in Nepal and in Asia. They identified:

- Lack of on the spot resolutions. Cannot have this without the rule of law.
- Lack of advocacy and awareness. Society recognizes "corrupt rich" over the poor.
- Lack of consolidated programs. Activities of ADB (donors) scattered. No definite political or economic impact.
- Lack of access to information.
- Rent-seeking state (structure/behavior).
- Poor division of roles and responsibilities between politicians & bureaucrats.
- Poor delegation of power.
- Lack of specific Code of Conduct for public employees.
- Culture of impunity (for wrongdoing).
- Lack of accountability for behavior in public service.
- Lack of prompt, effective, and firm accountability measures.
- Political dishonesty.

II. ADB's Performance: Participants' Report Card

In small groups, this session asked participants to consider ADB's governance and anticorruption performance versus its key result areas as committed in key policies using a Report Card. Their assessment are as follows:

Key Result Areas (KRAs):

KRA 1: Ensure country leadership and ownership of the governance and anticorruption development agenda (major impact of ADB's work).

Assessment and Examples:

Participants acknowledged that ADB has started this process and cited the support to the Technical Audit System as an example. However, sustainability issues were also raised. Another concern is to verify the design, needs and expectations of countries on ADB's approach.

KRA 6: Enhance strategic alliances and partnerships with the international development community in governance and anticorruption.

Assessment and Examples

Overall, ADB's performance is negative. There is no comprehensive effort and no integrated coordinated national governance reform strategy. ADB and other donors have not contributed and supported the ICNGRP and CSO/private sector governance are not included. Moreover, ADB has done some joint program assessments and harmonization with other donors.

KRA 7: Empower the poor people and civil society organizations through processes used to identify and design projects.

KRA 8: Ensure stakeholder participation to establish priorities and poverty reduction targets, and help direct project identification and design.

Assessment and Examples

ADB has been doing well in these areas and the scenario is improving. ADB recognizes the important role of civil society and has supported capacity building of bodies. This is also evident in civil society's involvement in the project cycle management such as recording various consultation processes both during design and implementation stages. Civil society has also been involved during the design stage of the Fifth Water Supply Project, including in some marketing. Through this, ADB has learned several lessons in social auditing. However, investments in these areas are still lacking.

KRA 9: Introduce transparent procedures that ensure full disclosure of information for all dealings with public sector entities (public visibility and disclosure of information).

Assessment and Examples

The participants stated that ADB is getting transparent but it is still not sufficient. There are several issues that were raised such as:

- The statement "full disclosure of information" needs to be explained and ADB needs to review its disclosure policy.
- Participants were unsure about the existence of the report card, the process through which it is developed and if ADB shared those information.

- Some participants were also not familiar with ADB projects. Although there is some progress in fiscal decentralization participants lacked information, and thus it was difficult to evaluate the issue.

One specific example in this area was the Electricity Tariff Fixation. Participants said that the electricity tariff is uncompetitive and the tariff fixation process is not publicly visible (i.e., no press conference or public hearing). In some instances, donors pressurize to increase tariff. Another example is the donors' support to the decentralization efforts in the health sector program. This evolved out of a 3-year process by government that donors should support.

Other comments from the participants were:

- If the donors have a consolidated governance plan, does this mean that the plan is donor-owned? Shouldn't it be owned by people of Nepal? The integrated comprehensive national policy should be supported by ADB.

KRA 11: Increase government accountability through support for fiscal decentralization and local empowerment.

Assessment and Examples

ADB has not directly supported fiscal decentralization program. There is, however, significant engagement of civil society, community-based organizations and local governments (i.e., district development committees) in ADB's sectoral assistance program. In addition, ADB's core governance interventions include civil service and public enterprise reforms and anticorruption programs.

KRA 12: Strengthen ADB's capacity to effectively address governance issues (project management).

Assessment and Examples

Participants expressed that ADB is not doing very well in this area. There is too much reliance on consultants and needs to optimize its input by helping to build local capacity.

Others:

A. Anticorruption support

There is serious institutional deficiency in anticorruption institution/organization. There is insufficient support in terms of logistics, skill and institutional capacity, and knowledge development. Further, society's rejection of corrupt is weak (e.g. corrupt engineers find good brides). ADB's support is needed to take corruption case to its logical end.

The following KRAs were not tackled by the participants:

- KRA 2. Taking a Long-Term Approach
- KRA 3. Addressing Governance Issues in a Systematic and Focused Manner
- KRA 4. Measuring Development Impact
- KRA 5. Demonstrating Zero Tolerance
- KRA 6. Improving Public Expenditure Management

III. Recommended Actions for ADB on Governance & Anticorruption

In the second small group session, the participants were asked, “what ADB needs to do to achieve its commitments under the policies?” In particular, what should be ADB’s role and priority actions?

The response were as follows:

1. Continue ADB’s support in anticorruption and governance.
2. To make governance and anticorruption efforts more effective, on-the-spot resolution mechanisms must be established and strengthened to ensure accountability. An example would be law enforcement mechanisms.
3. Enhance capability of the private sector and public institutions to tackle corruption cases (by defending lawyers and before the court) and develop a code of conduct. CIAA-investigated cases are forwarded to the Special Court but the lawyers are weak. Institutional capacity of defending mechanism is poor and weak and there is a lack in logistics, skill, and opportunity. Must consider this aspect to win the corruption issue.
4. Do not prioritize projects, which increase prices making Nepali products uncompetitive in the global context (i.e. tariff increases in electricity). ADB should consider this.
5. Promote stakeholders’ participation in project cycle activities. Increased participation of stakeholders must be promoted. We have vacuum at the local level so we need a mechanism that works.
6. Strengthen civil society organizations at local level to function as watchdogs on governance and anticorruption issues.
7. ADB should focus and include/mainstream backward and vulnerable classes in the development management process and manage a poverty reduction strategy.
8. ADB should support government and its national governance plan. It must work towards the development of a holistic, integrated and coordinated governance action plan. This can be done, for example, by capturing the instrumental sectors involved in delivering goods so that governance and anticorruption are included.
9. Create “critical mass” of people to contribute to the whole process of the Country Strategy Program (CSP), as well as to review, assess and manage knowledge and ADB’s interventions through a continuous development process.
10. ADB should review its disclosure policy to promote increased information sharing and to improve ADB’s own transparency.
11. More ADB support for research on:
 - Sector-specific assessment and analysis of governance and anticorruption.
 - Independent assessment of the country’s governance system and situation. At present, the country’s governance assessment has been conducted internally and serves the internal needs of donors. ADB should look and include assessments done by independent institutions both from the private and public research institutions.

We encourage participants to comment or give feedback on this report through e-mail at governance_review@adb.org. Thank you.

APPENDIX



NEPAL COUNTRY CONSULTATION WORKSHOP PURPOSE & AGENDA

Purpose:

The purpose of the workshop is to gather diverse stakeholders to collectively:

- Discuss issues arising from the findings of the desk review on governance and anticorruption;
- Describe regional trends in governance and anticorruption that influence poverty reduction and will affect future work; and,
- Identify action points for ADB's Medium Term Action Plan (2005-09) on Governance and Anticorruption to reduce poverty.

Agenda:

8:30 AM	Arrival / Registration / Welcome
9:00 AM	Expectations/Introductions/Overview/Ground Rules
9:40 AM	Regional/Country Trends in Governance & Anticorruption to Reduce Poverty
10:15 AM	Implementing the Policies in Nepal - Highlights
10:45 AM	Governance & Anticorruption Desk-Based Review: Background and Issues
11:15 AM	ADB's Contribution to [country] Achievements and Performance (small groups)
12:15 NN	LUNCH
1:30 PM	Report Back: ADB's Contribution and Performance
2:15 PM	Priority Actions by ADB for Governance & Anticorruption Work (small groups)
3:15 PM	Report Back: Recommended Priority Actions and Results for the Medium-Term Action Plan for Governance and Anticorruption (2005-2009) (plenary)
4:00 PM	Implications & Next Step
4:30 PM	Close