Nepal: Strengthening Public Management Program

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Strengthening Public Management Program</th>
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<tbody>
<tr>
<td>Project Number</td>
<td>36172-063</td>
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<tr>
<td>Country / Economy</td>
<td>Nepal</td>
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<tr>
<td>Project Status</td>
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<tr>
<td>Project Type / Modality of Assistance</td>
<td>Grant Technical Assistance</td>
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<tr>
<td>Source of Funding / Amount</td>
<td>Grant 0305-NEP: Strengthening Public Management Program</td>
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<tr>
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<td>Asian Development Fund</td>
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<td>Government of the United Kingdom</td>
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<td>TA B173-NEP: Supporting the Strengthening Public Management Program</td>
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<td>Technical Assistance Special Fund</td>
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<td>ATF - DFID-United Kingdom</td>
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<td>Strategic Agendas</td>
<td>Inclusive economic growth</td>
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<td>Drivers of Change</td>
<td>Gender Equity and Mainstreaming</td>
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<td>Governance and capacity development</td>
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<td>Knowledge solutions</td>
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<td>Partnerships</td>
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<td>Sector / Subsector</td>
<td>Public sector management / Decentralization - Public administration - Public expenditure and fiscal management</td>
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<td>Description</td>
<td>The program seeks to promote an enabling environment in Nepal for the effective delivery of public goods and services, especially at the local level. It will do this by strengthening national and local linkages in public financial management (PFM), mitigating fiduciary risks through greater transparency and public participation, modernizing procurement systems, and enhancing the effectiveness of oversight and accountability agencies. The program will support efforts by the Government of Nepal to reform budget, fiscal and fiduciary risk management at the subnational or local government level (district development committee [DDC], municipality and village development committee [VDC]), public procurement, and oversight and accountability institutions at the national level. The program is aligned with ADB's Nepal country partnership strategy for 2010-2012, which seeks to enhance transparency and accountability, strengthen local governance, and increase the effectiveness of service delivery.</td>
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<td>Project Rationale and Country/Regional Strategy</td>
<td>Nepal has made substantial progress towards establishing lasting peace and stability since the decade-long civil conflict ended in 2006. However, the transition to a new political, social and economic order has been slower than expected due to the difficult and complex task of drafting a new constitution. While the country has achieved significant economic and social development objectives in the last decade and a half, steady economic growth, sharp reduction in income poverty and improving social indicators such as life expectancy, maternal and child mortality, and literacy and enrollment rates, there is a need to significantly improve the delivery of public goods and services, especially to the poor and disadvantaged, to gain greater public trust and facilitate the ongoing peace process. Several analysts point to weak governance as a key constraint to the post-conflict economic recovery of Nepal and its further growth and development. The country ranks below the South Asian average on all six of the World Bank's governance indicators. Key areas of weakness include gaps in public financial management (PFM) at the national and local government level, budget and fiscal management weaknesses at the local government level, inefficient public procurement system, and weak oversight and accountability institutions. While the government is making efforts to address these weaknesses, there are still certain gaps in both the national and sub-national PFM reforms resulting in persistent PFM deficiencies at the local government level. These gaps include lack of synchronization and linkages between reforms at the national and local government levels, for example, in the areas of budget and fiscal management. To address these deficiencies, there needs to be a comprehensive and integrated approach to PFM reforms at the national and sub-national levels. Close and clear linkages between PFM reforms at the national and local government levels are essential for tangible and sustainable results in terms of improved PFM and reduced fiduciary risks. Improving the PFM and fiduciary environment both at the national and local government levels is an important prerequisite for achieving sustained improvements in public service delivery, development effectiveness and the overarching goal of poverty reduction. In this context, the Strengthening Public Management Program will help address the PFM gaps outlined above, implement the government's Public Financial Management and Fiduciary Risk Reduction (PFMFRR) Action Plan and deepen the various ongoing PFM reform measures. The Program will support critical PFM and fiduciary reforms at the national and local government levels to promote fiscal sustainability at the local government level, implement the integrated PFMFRR Action Plan, enhance the transparency, economy and efficiency of public procurement at the national and local government level, and reduce corruption risks in public institutions by strengthening the capacity of anti-corruption and accountability institutions. The Program is fully in line with the priorities of ADB's Country Partnership Strategy (2010-2012) and the government's Three-year Interim Plan (FY2011-FY2013). Both of these strategy and plan documents seek to enhance transparency and accountability, strengthen local governance, and increase the effectiveness of public service delivery.</td>
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Impact | Public goods and services are delivered more effectively in Nepal, especially at local government levels. |
Local government budget and fiscal management improved
Fiduciary risk management strengthened at the local government level.
Public procurement system enhanced.
Institutions for oversight and accountability strengthened.

The Program will be implemented in close collaboration with key government agencies, including the Ministries of Finance and Federal Affairs and Ministry of Finance.

Akin, Cigdem

TA will deliver three major outputs: (a) key public financial management (PFM) diagnostic tools; (b) municipal administration and revenue system (MARS); (c) electronic government procurement (e-GP) system.

All ministries prepared procurement plans but information is not yet available as to how many ministries published electronically. Development of software for e-procurement was completed in July 2015. 72 DDCs (96%) and 146 municipalities (67%) prepared procurement plans in FY2016. About 1500 staffs of DDC and municipalities have been trained by PPMO. However, due to the delay in piloting the MARS (largely caused by the disruption caused by the 2015 earthquake and the subsequent prolonged trade and transit disruption), and the disruption in the effective operation of MARS due to the local elections and establishment of new local governments in May/June 2017, progress on tax compliance is not yet evident. Data not available. About 1,634 DDC and VDC staff were trained as of FY2015. The proportion was 65% (out of 105,976 community-level projects) in FY2012; and 80% (out of 146,135 projects) in FY2016.

The Program was designed with wide stakeholder consultations at various stages, including concerned government agencies, development partners and community organizations. The program has strong government ownership and solid backing across the development partners in Nepal who are actively supporting the government in the areas of public financial management, decentralization, local governance and community development. The Program is being co-financed by the Government of United Kingdom. The European Union has also agreed in principle to provide additional co-financing by the end of 2012.

The Program will be implemented in close collaboration with key government agencies, including the Ministries of Finance and Federal Affairs and Local Development, National Vigilance Centre and the Public Procurement Monitoring Office. The Program will be implemented in close coordination with the assistance programs of key development partners such as the World Bank, the United Kingdom’s Department for International Development, European Union, Canadian International Development Agency, Embassy of Norway, Demark, and Swiss Development Cooperation, and German Development Cooperation, among others.

Three consulting services packages will be procured. Package 1 will procure the consulting services of (1) international consulting firm specializing in public sector management to provide support for the achievement of key policy actions, notably the PETS surveys, the sub-national PEFA assessment, and the development of MCSP framework. Package 2 will procure the consulting services of (1) international consulting firm for the development of MARS, and Package 3 will procure the consulting services of individual consultants: (1) international and (1) national; and (1) international consulting firm specializing in e-GP development for the development of e-GP. Subject to confirmation of additional co-financing from the EU, supplemental support for public procurement capacity building and other PFM reforms will also be procured. Both packages 2 and 3 will include procurement of computer hardware and development of software. A firm will be recruited for each package using quality- and cost-based selection method with a standard quality-cost ratio of 90:10 due to their highly technical nature. All consultants will be recruited in line with ADB’s Guidelines on Use of Consultants (April 2010, as amended from time to time). All procurement of goods and services will follow ADB’s Procurement Guidelines (2010, as amended from time to time). At the end of the TA, all equipment procured will be retained by the government. All disbursements will be made in accordance with ADB’s TA Disbursement Handbook (May 2010, as amended from time to time).

The TA will deliver three major outputs: (a) key public financial management (PFM) diagnostic tools; (b) municipal administration and revenue system (MARS); and (c) electronic government procurement (e-GP) system.

Description of Project Outputs

Status of Implementation Progress (Outputs, Activities, and Issues)
### Grant 0305-NEP

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<thead>
<tr>
<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Effectivity Date</th>
<th>Revised Closing</th>
<th>Actual Closing</th>
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#### Financing Plan

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<th>Total (Amount in US$ million)</th>
<th>Date</th>
<th>ADB</th>
<th>Others</th>
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<td>Cofinancing</td>
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#### Grant Utilization

- **ADB**: 21.00
- **Net Percentage**: 100%

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#### Grant Utilization

- **ADB**: 4.00
- **Net Percentage**: 84%

### TA 8173-NEP

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<th>Actual Closing</th>
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#### Financing Plan/TA Utilization

| ADB Cofinancing Counterpart Gov Beneficiaries Project Sponsor Others Total Date | Amount |
|-------------------------------|--------|--------|------------------|-----------------|---------------|
| 500,000.00                     | 6,050,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 6,550,000.00 | 17 Jun 2022 | 5,371,587.26 |

### Additional Information

- **Date Generated**: 18 September 2023

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