



# **Risk Assessment and Risk Management Plan: Agriculture and Natural Resource Sector**

**Nepal**

*Asian Development Bank.*

## I. Introduction<sup>1</sup>

1. **Background:** Given the political transition in Nepal, ADB aims to assess governance risk in agriculture and natural resource sectors (ANR) and use this information while preparing its next country partnership strategy (CPS).
2. **Purpose:** The purpose of this study is to assess the PFM, procurement, and corruption risks in ANR sector in Nepal and prepare a risk management plan to address them.
3. **Methodology:** As ADB (2013) has defined, corruption in this study refers to the abuse of public or private office for personal gain. Corruption starts with compromise (Tauro, 2013), commercialization (TSA, 2012), and when an individual feels that the expected gain is higher than the expected costs (penalty) being involved in corruption (Huther, J. and A. Shah, 2000; Dix, 2011)). This usually happens when public financial management procedures are ignored, and procurement of public goods and services takes place.
4. This study is based mainly on review of secondary information collected from government documents, research papers, newspapers, journals and magazines. The secondary information was substantiated by a small purposive survey of Surkhet and Dhanusha; and consultations with ADB supported projects as well as related stakeholders.

## II. Context

5. **Political instability:** The first Constituent Assembly could not give the new constitution in four years and a new election date for the second Constitution Assembly has been announced for 22 November 2013. Some parties still suspect that it will not be materialised. Hence, the country is politically fragile and the government is not stable.
6. **Economy and income:** Agriculture is the mainstay of Nepalese economy. Agriculture (and forestry) contributes 35 percent to GDP, engages 76.3 percent households (MOF, 2012) and 73.9 percent active labour force (NPC, 2010). The per capita GNI in 2011/12 was US\$ 712 (MOF, 2012). The latest data shows that there are 25.4 percent people living in poverty (NPC, 2010).
7. **Institutions:** There are several acts such as Water Resources Act (1992), Land Act (1967), Forest Act (1993), Soil and Water Conservation Act, Environment Protection Act (1997), Food Act (1996), Pesticide Act (1991), Nepal Agricultural research Council Act (1992), Mines and Mineral Act (1993) that regulate the conservation and utilization of ANR while Local Self Governance Act (1998), Public Procurement Act (2007), Prevention of Corruption Act, and Fiscal Act (year-wise), are the major acts that regulate development administration of ANR sector. Yet there is no agricultural act in the agrarian country.
8. Since July 2002, there are no elected representatives in the local government. Fund in the form of public goods flows through local government units and services flow through the line agencies. Since there is no elected local government, the local government is run by the

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government appointed civil servants resulting into lack of ownership and accountability of the development outcomes. For the service flow, the line ministries and line agencies are in place.

9. **Constraints:** The Interim Government has announced date for election of second CA on 19 November 2013. Yet, it will take at least five years for Nepal to get the elected local government. Since the federal model is not yet decided, it is still unclear as how the water, forest and land resources will be governed under the new political model.

10. Low productivity of agriculture and depletion of natural resources are the major constraints of the ANR sector. Small (0.8 ha) holding with number (3.3) small fragmented parcels (with 0.24 ha per parcel) (MOAD, 2012), has made mechanisation and commercialisation of agriculture a hard task in nepal.

11. **Major reforms:** Agriculture research was given autonomy in 1991. Agriculture Extension was devolved as per LSGA 1998. Fertiliser marketing was given to the private sector in 1998. Agricultural Inputs Corporation was converted in to Agriculture Inputs Company Limited and National Seed Company Limited in 2002. Likewise, the quantitative restriction on imports and import licensing were eliminated, and there is zero tariffs for information technology products. Subsidy on installation of tubewells was removed.

12. In the forestry sector, the major reform is the people's participation in forest management. GON has already handed over 1,841,629 ha forest area to Forest User Groups [18,088 - Community forest User Groups (CFUG), 6,800 - Leasehold Forestry Group (LFG), and 19 - Collaborative Forest Management Group (CFG)] mobilizing 2,798,272 households (Thapa et al, 2013).

13. In the irrigation sector, GON has adopted policy of handing over the management of irrigation system to the community. There are already more than 16,000 WUGs spread over the country.

### III. Description of the agriculture and natural resource (ANR) sector

14. There are several natural sectors such as forest, water, land, mines, environment, human labour etc. Giving detail of all these sectors was beyond the scope of this study. Hence, as suggested by ADB, this study has tried to briefly summarise the sub-sectors in natural sources sector and then focus more on agriculture and irrigation water.

#### A. Brief outlook of ANR sector

15. **Agriculture sub-sector:** Agriculture contributes 35.1 percent to GDP, engages 76.3 percent households (MOF, 2012) and gives employment to 73.9 percent active labour force (NPC, 2010). Of the total land (14,718,100 ha), agricultural occupies 21 percent (3,091,000 ha) (MOAC, 2008). Of the total cultivated area, 54 percent is irrigated (MOI, 2011). Average land holding is very small (9.1% landless, 43.5% with 0.1 to 0.5 ha, 42.5% with 0.5 to 2 ha and only 4.4% with more than 2 ha) (NLSS, 2010).

16. High cost of production due to low level of mechanisation, scattered resource allocation, absence of insurance scheme for high value commodity, absence of commodity focused economic zoning, absence of export-led production and processing zoning, etc. are major issues in commercialisation and scaling-up production. Non-availability of production inputs such as fertiliser and seeds on time and of good quality; inadequate irrigation facilities, difficulty

in accessing credit and non recognition of agri-business and its stocks as collateral by credit providing institutions, etc are the major issues in production system.

17. Transforming a farmer to entrepreneur, crop diversification and commercialisation of subsistence agriculture, increasing cropping intensity and scaling-up of production to meet the marketing volume, enhancing farm productivity, reduction of post-harvest losses, promotion of processing, integration of Nepali agricultural products into export markets and some development challenges faced by the agriculture sub-sector.

18. **Forestry sub-sector:** Maximization and equitable distribution of forest benefits, effective compliance monitoring, updating community forest inventory, renewing forest operational plans, achieving inter-ministerial coordination, controlling high timber smuggling, reducing deforestation and forest degradation, enhancing processing and value addition, penetrating international markets by Nepali products, and enhancing participation of women and other disadvantaged social groups are the major challenges to be addressed in the forestry sub-sector.

19. **Land sub-sector:** Large number of small and fragmented parcels of land resulting into low scope for mechanization and commercialization, increasing use of fertile agricultural land into non-agricultural use, and lack of land utilization map for nature conservation and urban development are major issues in land development.

20. **Water sub-sector:** The surface water available in the country is estimated to be about 225 billion m<sup>3</sup> (BCM) per annum or equivalent to an average flow of 7,125 m<sup>3</sup>/s, out of which only 15 BCM per annum is in use. Around 95.9 percent of 15 BCM has been used for agriculture, 3.8 percent for domestic purpose and only about 0.3 percent for industry. An estimate shows that less than 8 percent of the country's water potential is used for irrigation (WECS, 2011).

21. Enhancing capacity of national and local government to support irrigated agriculture, improving management and maintenance of irrigation systems by government and water users' associations (WUA), enhancing productivity and profitability of irrigated agriculture and enhancing participation of women in the irrigation system are the major challenges in irrigation sub-sector.

22. **Other natural resource sub-sectors:** Mines, environment and human labour are other natural resource sub-sectors. Mining is the smallest sub-sector which is almost stagnant during the last ten years. In environment sub-sector, increasing urbanization, unplanned settlement, deforestation, uncontrolled use of pesticides, etc. are major challenges. Country has already prepared National Adaptation Plan of Action (NAPA) to address the climate change issues.

23. Human labour is the most important natural resource in Nepal. There are 400,000 labour entering labour markets annually (MOF, 2012) while there is already 30 percent underemployment. Enhancing entrepreneurship and creating employment opportunity in the country, providing necessary support to the ones willing to work abroad, enhancing the access of women and DAGs in the employment opportunity in both domestic and international labour markets (NPC, 2010), protection of labour's rights working abroad, are major challenges that need to be addressed.

## **B. Mandated sectoral functions**

24. There are several organisations mandated for various functions regarding the promotion and regulation of agriculture and natural resources sectors. The most important three organisations are briefly discussed here.

25. Agriculture sector is led by the Ministry of Agriculture development. It is the apex body of GON to look after the overall development of agriculture and allied fields. The Ministry of Agricultural Development consists of five divisions, two centers, one research and development council, four departments, four projects and autonomous bodies of one research council, four corporations and a few development committees and boards.

26. Irrigation is led by the Ministry of Irrigation. Ministry of Irrigation (MOI) has the responsibilities of utilization and management of the water resources to contribute to agricultural development. The ministry has two departments, one board and one committee.

27. Forestry sector is led by the Ministry of Forests and Soil Conservation. Its mandate includes sustainable conservation of forest and watershed through participatory management and promote forest based enterprises to promote employment and livelihoods. MOFSC has five departments.

## **C. Accountability**

28. In addition to their mandated functions, the ministries are accountable to achieve the sectoral development objectives and are also accountable to the sectoral budget expenses. The authority to the sectoral ministries comes from the Ministry of Finance. The Secretaries of the sectoral ministries are accountable to the sectoral development budget. They are accountable to the Parliamentary Account Committee and Parliamentary Account Committee where they have to answer the questions raised on the achievement of the development objectives and budget expenditure.

## **D. Policies and strategies**

29. Policy towards mobilising natural resources of the country first appeared in the Constitution of Nepal 1991. It was followed by the inclusion in periodic plans prepared after 1991. In addition to acts, there were several policies. Land Use Policy (2012), Agriculture Policy (2004), Irrigation Policy (2003), Fertiliser policy (2002), Forestry Sector Policy (2000), Leasehold Forest Policy (2002), Biodiversity Strategy (2002), Agriculture Development Strategy (2013), etc are related with ANR sector. Detail list of acts, policies and strategies related with agriculture and natural resources sector is presented in Annex 2. In fact, there are more than 80 acts, policies and strategies, however, surprisingly there is no agricultural act in Nepal despite being an agrarian country. It is most urgent to regulate the conversion of prime agricultural land into non-agricultural use or conversion of fragile marginal land into agricultural use.

30. One interesting aspect of the government policy is that the policies that are related with the management of same resource are developed and implemented by different organisations. For example, Land Use Policy, Agriculture Policy, Irrigation Policy and Agricultural Roads Policy are all dealing with the proper utilisation of land and increasing its productivity. But, they are developed by different four ministries and implemented almost in isolation.

## E. Financing

31. There are four major and directly related ANR sectors in the annual budget. The total of agriculture, forestry, irrigation and land reform constitutes about 4.4 percent of the total budget (Table 2). Of the total allocated budget, 57 percent was for the recurrent expenses and the remaining 43 percent was for the capital expenditure. Of the total allocated budget in ANR sector in 2011/12, 76.67 percent was financed by the GON followed by 16.60 percent from grant assistance and 6.73 percent from the loan.

Type	Government of Nepal	Grant	Loan	Total
Recurrent expenses	14,220,289	2,178,358	674,471	17,073,118
Capital expenses	8,573,397	2,757,568	1,325,364	12,656,329
Total expenses	22,793,686	4,935,926	1,999,835	29,729,447
Amount				
Percent	76.67	16.60	6.73	100.00

Source: MOF, Budget speeches of MOF, 2012a and MOF 2013a

## IV. Findings

### A. Country systems

#### 1. Public financial management

##### a. ANR Sector - budget versus expenses

32. The breakdown of allocated budget and expenses for 2010/11 and 2011/12 shows that only 88 percent of the allocated budget was expended (Table 2). It shows that the spending capacity is low and thus needs to be enhanced. But at the end, the targeted capital expenditure was not achieved. There was a transfer of capital expenditure to recurrent expenditure in both the years. It was also noted that Nepal is spending more than Rs. 1.32 to manage Rs. 1 in ANR sector. This is much higher than in many other countries where the ratio is less than 1.

Sector	Type	FY 2010/11			FY 2011/12		
		Allocated budget	Budget expense	Expense of allocation (%)	Allocated budget	Budget expense	Expense of allocation (%)
Total	Amount	25,635,519	22,768,305	88.82	29,729,447	26,233,816	88.24
Recurrent	Amount	14,577,602	14,637,155	100.41	17,073,118	15,741,455	92.20
	Percent	56.86	64.29		57.43	60.00	
Capital	Amount	11,057,917	8,131,150	73.53	12,656,329	10,492,361	82.90
	Percent	43.14	35.71		42.57	40.00	
Ratio of recurrent by capital expenses		1.32	1.80		1.35	1.50	

##### b. Local level planning process

33. The budget allocation as shown above starts with the planning at the local level. Elite capture and misallocation of fund was found starting right from the planning stage ( step 1 - selection of projects to step 9 - District Council meeting). Besides the elite capture during the regular process in 14-step planning process, there are more captures during the council meeting. Proposals entering laterally during council meetings are also getting approval.

### c. Public financial management process

34. Review of various documents and interaction with related stakeholders in this study was done in line with the broad objectives of PFM to achieve overall fiscal discipline, to allocate resources to prioritised needs, and contribute to manage public services effectively and efficiently. As was found, Figure 1 presents a schematic process of public financial management system and the areas of malfunctioning in the delivery of public goods and services in Nepal.

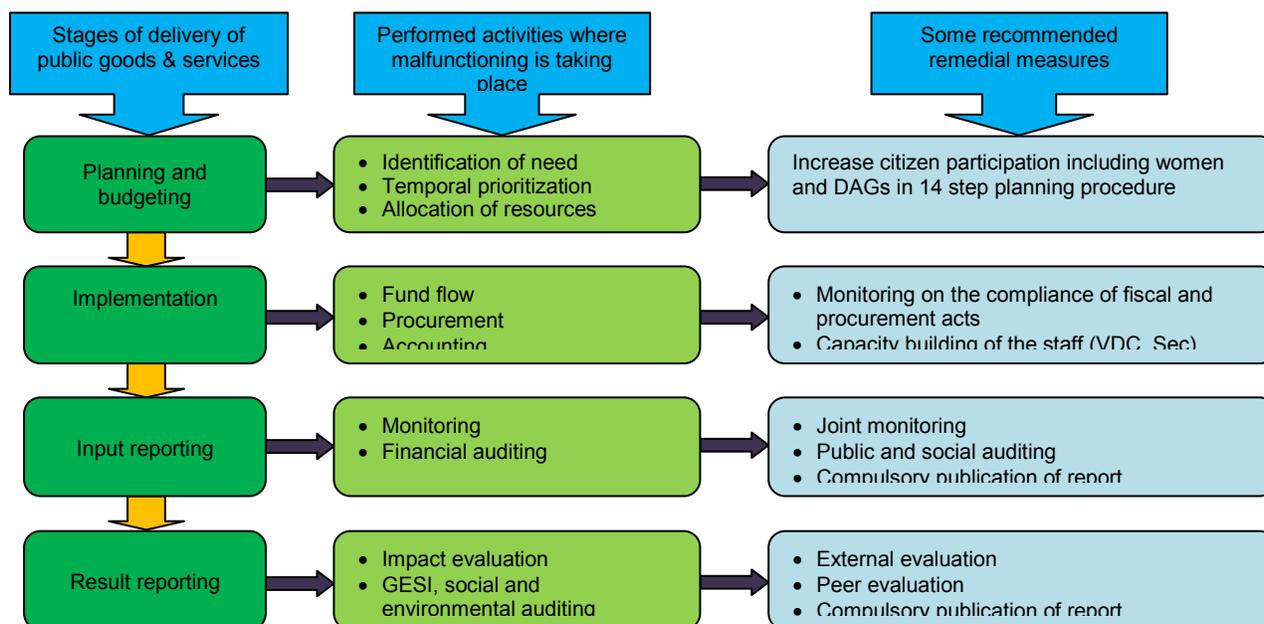


Fig 1: Public financial management system and the areas of possible malfunctioning in the delivery of public goods & services

### d. Fund flow and reporting mechanism

35. The fund for public goods and services flows from the ministry to the user group through various channels. User group (UG) is formed by the local people. As a rule, the user group should be formed democratically by the local people and should include at least 33 percent women; and among the three key positions (Chair, Secretary or Treasurer), there must be one woman. However, there is an elite capture in the formation process. Either the elite groups of people form it or the political party appoints the chair, vice chair and the members of the UG. The chairperson or other members of the executive committee come to district headquarters to get the fund and charge to the project their cost of living in the headquarters. They also manipulate this cost. Because of this cost, group members are taking it as an opportunity to go to district headquarters and make money from it. This attitude has initiated conflict amongst the members and corruption within the group as well.

36. It was suggested by the VDC secretaries consulted that this cost can be avoided by transferring the fund to the local savings and credit cooperative societies in their respective communities.

### e. Some issues in public financial management system

- i. *Budgeting process*: Lack of norms, budget scattered over too many small projects, misallocation at the time of release, delayed authorisation letter, etc are the major issues in budgeting process.

- ii. *Political interventions in project management cycle*: As the entire project cycle is managed by one organisation (person) in most cases, there is a high chance of corruption (Figure 2). It was expressed by some of the stakeholders that if selection of contractor as in the case of selection of consultants is done by a third party and the monitoring of the project implementation is done by another party, it would result into a good check and balance of the project activities.

Figure 3: Types of political interventions in project management cycle & its impact on the results

Stages of project	Political intervention (corruption)	Impact on project (result)	Recommended remedial measure
Feasibility study	<ul style="list-style-type: none"> <li>Selection of consulting firm</li> <li>Recruitment of staff by the consulting firm</li> <li>Estimation of cost</li> <li>Environmental impact assessment</li> </ul>	<ul style="list-style-type: none"> <li>Poor quality</li> <li>Incompetent</li> <li>Overestimated</li> <li>Impacts underestimated</li> </ul>	<ul style="list-style-type: none"> <li>Use of well-designed criteria</li> <li>Selection by autonomous body</li> <li>Matching with market costs</li> <li>Endorse by public hearing</li> </ul>
Appraisal	<ul style="list-style-type: none"> <li>Politicization</li> </ul>	<ul style="list-style-type: none"> <li>No rejection</li> </ul>	<ul style="list-style-type: none"> <li>Use multistakeholder platform</li> </ul>
Implementation	<ul style="list-style-type: none"> <li>Frequent change of project in-charge</li> <li>Procurement process</li> </ul>	<ul style="list-style-type: none"> <li>Project delayed</li> <li>Cost inefficient</li> </ul>	<ul style="list-style-type: none"> <li>Introduce a rule of minimum years</li> <li>Matching with market prices</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>Quality overstated</li> <li>Work schedule and critical path overlooked</li> <li>Recommended for time extension</li> </ul>	<ul style="list-style-type: none"> <li>Poor quality</li> <li>Project delayed</li> <li>Cost escalation</li> </ul>	<ul style="list-style-type: none"> <li>Quality endorsement by the citizen</li> <li>Strict compliance on work schedule and critical path</li> <li>Punishment for delayed completion should be higher than cost of escalation</li> </ul>
Evaluation	<ul style="list-style-type: none"> <li>Selection of consulting firm</li> <li>Recruitment of staff by the consulting firm</li> <li>Selection of sample for evaluation</li> <li>Selection of evaluation criteria</li> <li>Input basis</li> </ul>	<ul style="list-style-type: none"> <li>Poor quality</li> <li>Incompetent</li> <li>Highly skewed to better areas</li> <li>Based on positive results only</li> <li>Result overlooked</li> </ul>	<ul style="list-style-type: none"> <li>Use of well-designed criteria</li> <li>Selection by autonomous body</li> <li>Strict compliance to statistical sampling</li> <li>Strict compliance to all monitoring indicators</li> <li>Public audit</li> </ul>

- iii. *Joint planning*: Because there is a separate channel of budgeting and fund flow of the line agencies, they do not feel comfortable to come under DDC umbrella. Divisional and regional level offices and centrally implemented projects have their own planning process and do not come under DDC umbrella during planning.
- iv. *Budget releasing process*: Delayed approval of proposal and lengthy budget releasing process has significantly affected the development process negatively. For example, there was a request for the apple, peach and parsimom saplings from the provision of 15 percent capital development grant in Guti VDC Surkhet. The planting time of these fruit saplings is December 4th week to January 1st week. The development budget was not released until April.
- v. *Manipulation of community contribution* in project activities and weak monitoring of the process resulted into corruption.
- vi. *Public audit is not conducted* or if it is conducted, the process is not followed properly.

- vii. *Weak monitoring by VDC Secretary*: As the budget is released late and all the activities start towards the end of the fiscal year and run in rush, the VDC secretary becomes helpless in monitoring.
- viii. *Social mobilisers (SM)* provided by the LGCDP through politically affiliated NGOs are not supported by other parties.
- ix. *Software fund is not tied-up with the hardware fund* due to which the results are not maximised and the software package is completed in papers only.
- x. *Partner and project selection is not transparent*. It was unanimously suggested that all the non-selected applicants should be given reasons for their non-selection as done by DFIF by one common email to all.
- xi. *Selection committee should include a citizen representative* of the respective sector - include a representative from Central Agriculture Cooperative Union for agriculture programme and a representative from National Federation of Irrigation Water User Association Nepal (NFIWUAN), for irrigation programme, and so forth.
- xii. *Preparation and compliance to work plan* alone can improve a financial management system a lot and reduce corruption significantly.

**f. Some evidences of malpractices in public financial management of ANR activities**

- i. *Registration of public land* by land mafia under political protection by Land Measurement Office in Chabahil (MR, 2012).
- ii. *Drowning of bank loans* by (i) preparation of false document for non-existing land (Rs. 2.5 million) (THT, 2011a); over-valuation of low quality land (105.05 million) (TKP, 2012), preparing fake certificates with new name and photographs (19 million) (THT, 2011b).
- iii. *Polluting water by draining municipal waste into water bodies*, Unsustainable use (overuse) of ground water (with no or poor recharging possibility), supply of poor quality water for drinking and suggesting at the same time to boil before drinking but charging full cost to the citizen, etc.
- iv. *Illegal harvesting of logs and encroachment of forest area* such as 231 ha of Dhorpatan Hunting Reserve encroached since 1990 (TKP, 2012a), Rs 430 million worth of timber cut down despite the order of the Department of Forest not to cut down the trees (TKP, 2012b).
- v. *Illegal extraction of soil, sand, boulders and grits* was reported to have been protected by the political parties and the high officials of the government in Chhure forest area (THT, 2013).
- vi. *Environmental impact*: The billions invested Himal Cement Company had to close-down (14 Jan 2002). The system does not hold anybody accountable for such a big loss to the nation.
- vii. *Case of human labour*: Despite the significant contribution of remittance income (Rs 330.9 billion) to GDP (21.2%), there is no proper care of people working abroad. Many women are raped and are returning home with a baby (with unidentified father) (TRN, URL 6 June 2013). More than 600 people are dying every year while working abroad (NN, 2012).

**g. Weak higher level institutional mechanism for resource use monitoring**

37. As a result of weak higher level institutional mechanism (the Parliamentary Committee on Natural Resources and Means and CIAA), monitoring of the natural resources remained very weak in the recent past. As a result, there were several cases of corruption in the natural resource sector. One of such cases is presented in Box 1.

**Box 1: Rampant Sand and Boulder Mining in Chhure**

- Around 200 crusher industries, with majority of them illegal, established across the country with annual transaction of Rs 60 billion of which Rs 50 billion worth is exported to India.
- The parliamentary Committee on Natural Resources and Means (CNRM) visited different sand and stone mines located at Lele and Chapagaon in Lalitpur. There was order to stop mining and take action. No mining firm had been taken action against despite orders to stop their operation.
- Some of the mines continued to run allegedly under the protection of Local Development Minister.
- The Chairperson of the CNRM was informed of the minister's illegal step. The Committee was to meet and take a decision on the matter. The Parliament dissolved.
- The mining continued. It was covered by many media including televisions. The case is taken by CIAA and in under CIAA investigation now. CIAA has summoned Secretaries of Local development, Forests and Environment. Outcome is yet to be seen.

**Excerpted from ekantipur.com Posted on: 23 Jan 2011 and 24 May 2013**

**2. Procurement**  
**a. Procurement system**

38. As stated by the procurement Act 2007, procurement should be transparent, maximising return per unit expense and from a fairly competitive market. Depending upon amount, procurement could be through tender, sealed quotation, direct negotiation, or force account. Every public entity should have a procurement unit. The procurement unit needs to (a) prepare procurement plan; (b) pre-qualification document, bidding document and contract, (c) consulting service proposal document, and (d) publish public notices relating to procurement by following the PPMO guidelines and the prescribed standard formats. The procurement plan should be approved from the appropriate authority.

39. It was found that the procurement units were either not formed or were not functional. The procurement practice in Nepal reflects that Project Managers/Senior Engineers and Accountants take the responsibility for carrying out procurement.

**b. Procurement control mechanism**

40. The procurement control mechanism starts right from the same public office that procures goods and services. The accountant/account officer who handles the procurement process belongs to the fiscal administration faculty and is trained on the financial rules and regulations to be followed while making any procurement. S/he is the one who prepares the memo first. Yet, for various reasons corruption takes place. Above her/him is her/his organization chief who should be also monitoring that the procurement takes place correctly. In addition, there are nine higher level organisations promoting and monitoring the public procurement.

- (i) Financial Comptroller General Office (FCGO)
- (ii) Public Expenditure and Financial Accountability (PEFA) Steering Committee
- (iii) Public Procurement Monitoring Office
- (iv) National Vigilance Centre
- (v) Office of the Auditor General

- (vi) Commission for the Investigation of Abuse of Authority
- (vii) Parliamentary Committees: Public Accounts Committee, and Procurement Review Committee
- (viii) Ministry of Home Affairs (Special Police, Regional and District Administration Offices)

### c. Procurement issue - a critique

41. It was found through the review as well as consultation that both buyers and sellers are corroding the procurement process as shown in Box 2.

<b>Box 2: Corrosion of procurement by buyers and sellers</b>	
<p><b>What are public purchasers (buyers) doing?</b></p> <ul style="list-style-type: none"> <li>• leak confidential information about the budgetary provisions</li> <li>• prepare a tailored specification that matches with the qualifications of the specific supplier</li> <li>• find ways to disqualify potential supplier in the prequalification process</li> <li>• restrict some critical information</li> <li>• leak confidential information of some suppliers</li> <li>• break the total quantity and award by quotation</li> <li>• break the quantity further and procure directly from the favoured supplier</li> <li>• claim urgency, get approval from the involved line officers and award contract without bidding process</li> </ul>	<p><b>What are sellers (suppliers) doing?</b></p> <ul style="list-style-type: none"> <li>• use political power and interfere evaluation process</li> <li>• use street gangsters to threaten the authorities</li> <li>• collude to fix the price of materials to be supplied</li> <li>• prepare false papers (prepare documents in others' names as well)</li> <li>• provide inferior technical specifications (standards)</li> <li>• bribe others with compensating variation to make them happy not to participate in the bid</li> <li>• take bribe from others the equivalent variation for not participating in the bid</li> <li>• bribe the authorities to leak the important information</li> </ul>
<p><b>Suggested remedial measures:</b> There was no fit-to-all measure recommended by any related experts and stakeholders consulted. From the review of various documents and consultations, this study has found the following remedial measures being recommended for the reduction of corruption in the procurement process in Nepal. Enhancing human resource capacity, dissemination of information on public procurement mechanism, and electronic-tendering were found recommended to minimise the possible corrosion of the procurement process.</p>	

42. Role of civil society organisations is also very important (Thapa, 2011). From the review findings and the consultation with the civil society organisations in the field, it was found that the civil societies can publicise information on public budget, create networks of social workers to detect and publicise bad procurement practices and corruption, monitor and pressurize to maintain transparency and fairness, help public prosecutor while handling cases related to corruption, etc.

### d. Some weaknesses of the procurement system

43. In the review process, several weaknesses were found in the public procurement system (Paudel, 2013). Based on these reviews and the consultation outcomes, the following weaknesses were found that could be remedied (Table 3).

<b>Table 3: Some weaknesses of the procurement system</b>		
Current provision	Issues	Recommended remedial measures
All public organisations should have formed a procurement unit (Clause 7 of PPA 2007)	Either not formed or low effectiveness of procurement unit	Revamp with a new approach Train the staff in procurement unit Procurement to be done only by a trained staff
Public organization must have a procurement plan if the annual procurement exceeds Rs 1 million	No preparation of annual procurement plan	Imposition of a new rule that does not allow procurement of any good and service without the approval of a procurement plan
Comply with and follow the	Releasing budget even in the	need to stop the process of releasing budget

preparatory activities before the public procurement	third trimester due to which there is not enough time to complete the activities	in the third trimester so that there is ample time to complete the project activities on time
Public Procurement Monitoring Office has developed e-bidding website	People do not have easy access to electronic media	Need to give orientation to the potential bidders about the e-bidding process
Capacity enhancement of staff involved in public procurement	Training programme and budget allocation not enough	Policy reform to include regular capacity enhancement training and allocation of required budget for it
Institutionalisation and implementation of good governance practices	Not enough R&D carried out to establish the system	Conduct R&D, recommend for policy reformulation and enactment
User's committee can directly take-up projects up to Rs 6 million	User's committees are sub-contracting the activities, are using heavy equipments, etc	The User's committee guidelines needs to be revisited in line with its weaknesses
Ease the process of public procurement	Absence of standard bidding document	Initiate a standard e-bidding practice on a standard e-bidding document
Cost estimation should be based on the objectively conducted study findings	Cost estimation are driven by the volume of available budget	Strict monitoring of the cost estimate with the surveyed market price

#### e. Recommended interventions for improving procurement

44. There were several issues found in the review and many suggestions were also made by the stakeholders consulted during the study. A brief summary of the recommended interventions is presented as follows.

45. **Lowest bid versus quality:** The procurement regulation is in favour of lowest cost. If it is accepted that the lowest bidder can do it with the proposed low cost (sometimes even below 50%), then the cost was overestimated. The one who overstated the cost should be penalised. If the estimated cost is accepted as correct, then the lowest bidder should not be awarded the contract as for sure there will be a significant effect on the quality. One way to correct it would be to ask the contractor to give a seminar on its working modality. It can be evaluated from the presentation if the contractor can really deliver the result with the minimum quoted price.

46. **Enhancing people's participation in bidding:** Enhancing people's participation was recommended as one of the good measure to achieve fairness in the bidding process. Dissemination of information to all potential bidders and providing security to bidders were major suggestions of the consulted stakeholders to achieve fairness in bidding process. As shown in Box 3, a local call for bid is in English in a Nepali local newspaper. It was opined that this should be in Nepali to remove the language barrier.

47. **Quality monitoring by citizens:** In the absence or inefficient quality monitoring mechanisms including laboratory facility and technicians, the result delivery is affected significantly. Knowing that the monitoring is weak or is not going to happen, the bidders quote low price with an intention that they will supply low quality materials. Some evidences are cited here as examples.

- i. *Recent case of fertilizer:* The chemical fertilizer (Urea) imported from India to the Eastern region, was found of low quality. Out of the 48,000 sacks of fertilizer brought from India, 1,200 sacks of fertilizer have low quality fertilizer, 400 bags had low weight (FNN, 2013).
- ii. *Case of paddy seed:* Failure of paddy seed distributed in the Mid and far Western hill regions of Nepal at subsidized rates affected 1463 agricultural families causing food insecurity (AHRC, 2010).
- iii. *Case of hybrid maize:* Hybrid maize crop failure in Bara District triggered food insecurity among 15000 smallholder farmers (FIAN, 2011).

- iv. *Case of pesticide import from Indonesia:* Import of a large quantity of DDT from Indonesia was given a stay order by the Supreme court in 1994 (TND, 1994). DDT belongs to persistent organic pollutants (POP).
- v. *Overuse of pesticide and cancer cases in Kavre:* Over the years, cancer, stomach diseases, and liver problems have increased due to the intake of low-quality foods that have been grown using harmful chemicals (MR, 2013).
- vi. *Case of low yielding cows:* Farmers from Surkeht purchased pregnant cows from a supplier as 50 percent cross-breds of Jersey. However, the milk yield was equal to as 12.5 percent cross-breds when they came in milch. A good monitoring of pedigree would have corrected the problem.

48. **Cost auditing of procurement:** Though cost audit is not much emphasized in Nepal (Poudel, 2012), it was discussed that it is very important in ARN sector in general and more specifically in the area of planting material production or breeding stock production where the price of such material is heavily subsidized by the government. Cost audit is important to analyse the price of output before subsidizing.

49. **Tender is not an appropriate process for planting materials:** Quality of good seed is verified when it grows and gives a desired crop. Hence, when the crop comes into bearing, the contractor is no more in contact. For this reason, there is a tendency of supplying a low quality seed. To avoid such possibilities, the seed purchase should be by direct negotiation from a recognised source holding the chief of the programme accountable for the quality of the seed rather than the supplier of the seed.

50. **Procurement capacity building and retaining human resource:** The Public Procurement Monitoring Office (PMMO) has limited staff and thus monitors sample districts (about 15 districts) each year. Due to transfer process, the PMMO has difficulty of retaining the trained human resources. One way to retain the trained human resource is to form a procurement faculty in the civil service and develop cadre in the faculty.

51. **Amendment in legislations:** When a firm is blacklisted, the contractor is not blacklisted together. The contractor registers a new firm and the impact of blacklisting is not significant. This risk should be addressed in the amended legislation.

#### f. **Challenges in promoting integrity**

52. A good audit is considered as one of the tools to promote procurement process. In various articles published in the Nepalese Journal of Government Auditing (Khatry, 2012) and the outcomes of the consultation with the stakeholders and the communities, the following challenges in the audit process has appeared pertinent to be addressed in future.

- i. Educating people that audit is also to help people to keep good records of account
- ii. Enhancing capacity to fight against corruption and efforts to integrate ethics and integrity in auditing practice
- iii. Punishing violators as the appropriate evidence are not available on time
- iv. Improving the governance system (weak at the present)
- v. Cultivating professionalism in auditing (which is yet to be developed)

### 3. **Corruption anomaly**

#### a. **Corruption outlook and donor's policy for Nepal**

53. Though Nepal is pursuing a policy of zero-tolerance towards corruption under the leadership of Prime Minister (TIN, 2012), in Transparency International (TI)'s 2012 corruption index, Nepal was placed at 139th place amongst 176 countries assessed for corruption (TI,

2012). All the donors including ADB have their own strategies to reduce corruption in Nepal. ADB intends to improve governance and reduce corruption in member developing countries. ADB's approach is centered upon supporting competitive markets, supporting promising anticorruption efforts, and ensuring that ADB projects and staff adhere to the highest ethical standards. DFID's anticorruption strategies are more on rigorous monitoring and strengthening risk management procedures (DFID, 2013). Likewise, EU's preventing corruption policy focuses on raising integrity in the public sector (Europa, 2007). World Bank's strategy emphasises capacity building of member countries to fight against corruption and mainstreaming corruption considerations for bank's operational work (Huther and shah, 2000). USAID (2004) emphasises anticorruption knowledge management and incorporation of goals and activities across Agency's work. SDC emphasised tightening monitoring, working more with civil societies and encouraging the use of social accountability tools (SDC, 2006).

#### b. Lapses of the system - impetus for corruption

54. **Low citizen participation:** Citizen participation is one of the pillars of good governance (Afesis, 2009). Low (or no) citizen participation, means therefore, a start of corrupt governance.

A brief summary of the findings of this study on the result of no (or poor) citizen participation in governance is presented in Table 4.

No participation in	Consequence
Planning	Elite capture of development benefits
Budget allocation	Misinterpretation of the budgetary provision
Project design	Estimation of high cost for the project
Monitoring	Passing of low quality work
Public auditing	Passing of fraud bills and vouchers
GESI auditing	Marginalization of disadvantaged groups
Environment auditing	Overlooking of potential disaster
Evaluation	Low impact of the investment

55. **Intended project delays:** This study has found two causes for the intended delays of the projects as follows.

- (i) No proper work plan or no monitoring of the work plan - the public agency does not prepare the work plan correctly or prepares giving longer time than required with the late start date.
- (ii) No critical path method is analysed and presented to the public authority by the contractor. Even if it is prepared, the contractors do not comply with the identified critical path.

56. **Misuse of policy provisions:** Policy provisions are to ease the process and expedite the service delivery. However, such provisions are misused for the personal benefit. Some areas of misuse identified by the stakeholders consulted are summarised here.

- (i) *The provision of advancing certain part of the contract amount* to the contractor is intended to support the contractor to start-up the work on time. However, the contractors do not settle their advance up to 5/6 running bills and park it at interest earning financial institutions.
- (ii) *Procurement from a more competitive market* is to get a material at a fair price. However, it should be noted that the cost of transportation then to the project site from the market where it was purchased should not be higher than the difference in the price of the material where it was purchased and the nearest market from the project site.
- (iii) *The provision of sealed quotation for procurement* is intended to facilitate the project implementation. It does not preclude the attempt to fetching a fair price. In the contrary, there is a misuse of the provision. Quotation system allows lowest rate of three quotations. All three quotations are prepared by the same firm or contractor.

- (iv) *The provision of direct negotiation for smaller work* is to facilitate the project work and the use of local resources. But in practice, public agencies are breaking the total work into number of small piece works and are contracting out by direct negotiation.
- (v) *The provision of outsourcing of resource person* is to find a suitable expert for the delivery of the specific project result. But the public agencies are found outsourcing the resource person when the existing resource persons in the organization do not have enough workload.

**c. Review of some recent corruption cases in ANR sector in Nepal**

**57. Political protection of corruption**

- (i) Minister supported capturing of forest land - 47 ha of the Kawasoti-based community forest in the name of 78 persons (THT, 2013a).
- (ii) Fraud registration of public land in private name - Chapali Bhadrakali VDC, Ward 3, 47 ropani public land was registered in private name (CIAA, 2012 p. 40).
- (iii) Minister supported illegal trade - the Chamber of Commerce and Industry in Rupandehi was pressed to issue a certificate of Nepali origin to 3,000 mt of betelnuts (MR, 2012).

**58. Misuse of legal provisions**

- (i) Breaking a total construction work into smaller piece works - Case of Rajapur-Babai irrigation management was quoted by OAG (2011, p.235): The work of 30.7 million was broken down into 23 pieces and contracted out under the provision of direct negotiation (OAG, 2011 p. 355)
- (ii) Provision of revision - the projects are intentionally delayed and at the end variation proposal is approved with higher costs (OAG, 2011, p.235).
- (iii) Provision of outsourcing - outsourcing while having human resource in the organisation - Department of Urban Development (OAG (2011, p.245)
- (iv) Tendency of manipulating the procurement process - there was a manipulation of procurement process by the National Trust for Nature Conservation Khumaltar. The NVC alerted the NTNC and forwarded the case to CIAA for further investigation (NVC, 2013b).

**59. Weak effort in maximising the results** In ANR sector, there are several areas where maximisation of result depends on proper monitoring inputs being delivered and the process being followed in deliveing the inputs. Some issues in minitoring maximisation efforts are summarised as follows.

- (i) Weak result monitoring - R&D uptake pathway should be monitored - a case of NARDEF (OAG, 2011, p.144)
- (ii) Misuse of public resources - a case of NARDEF call for bid wher private sectors account all costs incurred whereas government sectors use government facilities to do so (OAG, 2011, p.145)
- (iii) Labour intensive technology displaced by capital intensive technology in rural (agricultural) road construction - (OAG, 2011, p. 365).
- (iv) Packaging of input to maximse output - lacking in irrigation programme (OAG, 2011 p. 371)
- (v) Beneficiary coverage monitoring - over reporting by adding all the participants of the programme in all activities, whereas there can be many repeating.

60. **Weak compliance monitoring**

- (i) Compliance with the EPA and EPR - Non-complying with EPA and EPR in sand and boulder mining is a serious issue (Box 1).
- (ii) Regular monitoring of the local development activities - The absence of monitoring mechanism and the regular monitoring of the local development activities has become the source of impetus for false reporting and corruption (OAG, 2011 p. 409)
- (iii) Strict compliance to fiscal regulation and monitoring: The existing provision says that the expenses in the last quarter should not be more than 40 percent and the expense of the last month of the fiscal year should not be more than 20 percent. However, the practice does not reflect compliance to this provision. OAG (2011 p. 455) has reported that this provision is usually relaxed by giving various reasons. If the regulation is relaxed for one case, other cases get impetus for manipulation. Hence, strict compliance to the rules and regulations is required to minimize corruption.

61. **Monitoring administrative procedures**

- (i) Tendency of fund transfer from development to administration - The tendency of transferring development budget to administration and physical materials such as vehicles and office amenities was found reported at many places (OAG, 2010 p. 136). It should be strictly monitored and discouraged.
- (ii) Proper monitoring of the service providers such as agro-vets - less than one thirds of the agro-vets have renewed (OAG, 2010, p. 127). If they do not renew their services are not authorized and the problems that arises from their business is not prosecutable.
- (iii) Implementation of internal control mechanism - The OAG (2011 p. 452) has noted that most of the public organisations do not have this system and has thus recommended that this system must be enforced.

**d. Interventions required to curb corruption**

62. Based on the findings of the review and the recommendations of the related people consulted, this study has found that government should consider intervening in the following areas to curb corruption.

63. **Capacity building of demand side of public goods and services:** It is required to make citizens aware that there are special provisions for the specific sectors of the community. Only then, demand from citizen about their rights and entitlements can be expected. Awareness raising can be done by simple orientation, publication of IEC materials, trainings, etc. As shown in Box 4, a simple citizen awareness raising programme can also bring significant difference in the public financial management system regarding budget allocation.

**Box 4: Allocation of budget for Dalit development**

There was a problem of budget allocation for Dalit development. When the facilitator from HUSADEC Nepal conducted meeting with the Dalit community and clarified the motive of the budget and the process, the Village Level Dalit Committee got the budget from the VDC and used that budget to support the downtrodden dalits.

Human Rights, Social Awareness and Development Centre (HUSADEC, 2012), Muga VDC, Dhankuta

65. **Reducing political influence in user group formation and budget allocation:** It was found that the group formation at the community level does not follow a due process. LGCDP

Mid term Evaluation and the Carter Centre (TCC, 2011) research on political parties in local bodies in Nepal have reported that although all parties in the VDC get positions on users committees, the major parties get more and better positions. This kind of political intervention should be checked by empowering local people on their rights and give them full information on the objective of forming a user group, its functions and accountability. From various successful models of group formation, this study has found that political influence in the group formation can be reduced by adopting the following procedures:

- (i) the social mobiliser (hired democratically and politically neutral) should be present during the group formation
- (ii) operation guideline should be prepared and strictly followed
- (iii) within the group responsibilities should be assigned by the group members
- (iv) working modality should be developed by the group

66. **Raising the expected value of punishment:** It was hypothesised by Huther and Shah (2000) that a self-interested individual will seek out or accept corruption if the expected gains outweigh the costs, i.e. when:  $E[B] = nxE[G] - \text{prob}[P] \times [P] > 0$ ; where E is the expectations operator, n is number of corrupt transactions, G is the gain from the corrupt transaction, prob [P] is the probability of paying a penalty, and P is the penalty for the corrupt activity.

67. When the opinions of the people consulted during this study were summed up, it was validated that the value of punishment for committing a corruption should be very high. It was opined that the  $E[B] = nxE[G] - \text{prob}[P] \times [P] < 0$ . The value of punishment should be high enough so that others would not dare to accept corruption.

68. **Reducing multiple funding for the same project:** There were cases multiple funding for the same project reported (Gabriele et al, 2010). Joint planning and monitoring is a good tool to avoid duplication of resources and maximization of output. Joint planning and monitoring forum also serves the purpose of public, GESI and environment auditing.

69. **Citizen monitoring of PFM:** The overall participation of citizen is reported to be very low in planning and budgeting. There should be well designed criteria for citizen participation and criteria for the approval of final plan by the citizen. Likewise, participation of citizen, if occurs, is only a formality. The elites have a say in the decision making process. The naïve citizens could not come-up with a written proposal in the planning meeting to articulate their problem and the prioritized needs. In that case citizens should be supported with a small, simple and user-friendly proposal writing format like the one developed by the Sahakarya Project for five districts (Jumla, Dailekh, Surkhet, Dadeldhura and Baitadi). The format is in Nepali and only two pages (see Annex 1).

70. Citizen participation in public expenditure should be enhanced by publishing the reports in most easily accessible media such as the Gorkhapatra. Also, the donors' monitoring and evaluation reports should be also published in Nepali and CSOs should scrutinize them and bring to the general public.

71. **Raising citizen awareness through information flow:** One of the tools to raise peoples awareness on the PFM is to flow the information about the project to the people. MOF has also circulated directives asking the public organisations to keep a hoarding board that reflects the public budget. However, this is not practiced well. It was expressed by many people in the field that such boards are prepared for the sake of taking a photograph only and then are not kept in the office courtyard. The hoarding board serves as a public audit tool also. It should be strictly monitored and all oeragisations should comply with the policy.

72. **Holding government accountable by the citizen:** Absence or weak demand from the citizen for good governance means a chance for the government to manipulate the budgetary provisions and make undue advantage from it. Citizen can hold the government accountable to the prescribed standards by monitoring the work performance. For example: citizen complained the low quality fertiliser imported and supplied to the farmers (FNN, 2013). But citizens are not aware about the provision of 15 percent grant under LGCDP for agriculture. Likewise, the agriculture improvement tax (5% to India and 10% to others) is hardly discussed in ANR development sector.

73. There is subsidy provisions for in ANR sector grabbed by the elite group. For example, subsidy for transportation of apple from Jumla to Nepalgunj and Marpha to Pokhara (Thapa et al, 2003). As the subsidy is not enough to transport all marketable surpluses, the subsidy provisions are captured by the elite group in the district headquarters leaving the rural mass far away from such provisions.

74. Use of social accountability tools such as social audit, public audit, GESI audit and environmental audit, to hold government accountable was heavily emphasized by the LGCDP. However, the use of such tools is least practiced. The use of these tools can be made mandatory for the release of subsequent budget in any programme.

75. **Penalising inefficient public service provider:** In order to get the topping-up grant under LGCDP, the local government (DDC, VDC, Municipality) has to pass the MCPM. If for any reason the local government fails in MCPM, there is no penalty to the office bearers. But the citizens of that VDC/Municipality or District are deprived from the additional grant provisioned by the government.

76. **Working with hope:** Even if it is seen everywhere that PFM reform is not satisfactory and non-compliance to regulation is noted, one good reason to still keep on trying is to work with hope that a time will come when the documented wrong doers will be prosecuted by the government as per the then existing laws.

## **B. ADB systems**

### **1. ADB's country partnership strategy for Nepal for 2013-15**

77. ADB's country partnership strategy (CPS) is guided by its Strategy 2020 (ADB, 2008). ADB's country strategy for Nepal is built on four pillars: broad-based and inclusive economic growth, inclusive social development, governance and capacity building, and climate change adaptation and environmental sustainability (ADB, 2009). It will support the transition to lasting peace and stability by improving governance and achieving stronger and more sustainable socioeconomic growth.

78. In the period of 2013-25, ADB aims to support in seven sectors including agriculture and natural resources (ANR) sector. ADB's plan for agriculture sector includes increased agricultural productivity through diversification, commercialization, and improved access to agricultural inputs; and increased resilience to impacts of climate change and disaster risks.

### **2. ADB project implementation**

79. Project implementation in Nepal suffered from serious start-up delays, frequent changes in project personnel, cost overruns in land acquisition, delay in agreement compliance, procurement problems, and weaknesses in financial management. This was mainly because of

a post-conflict situation and frequent government turnover, and a geographically dispersed program (IED-ADB, 2013). The program was *effective* in delivering intended results. Performance in the agriculture was good while that in drinking water supply has been less than expected. This was mainly because of the problems with Melamchi project - a problem of tunnel burrowing contract and local resident's protests which were in fact beyond the control of ADB.

80. There are currently three ADB projects in agriculture sector (Commercial Agriculture Development Project (CADP), Raising Incomes of Small and Medium Farmers Project (RISM) (formerly Crop Diversification and Commercialization Project), and High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project. Likewise, there are two projects in water supply (Kathmandu Valley Wastewater Management Project and Third Small Towns Water Supply and Sanitation Sector Project); and one (Building Climate Resilience of Watersheds in Mountain Eco-Regions) in forestry and water-shed management sector.

**3. Public financial management (PFM)**

**a. PFM framework**

81. In order to achieve efficiency in public financial management (PFM), ADB stresses that revenues must be properly assessed, collected, and administered; budgets must be judiciously prepared and executed; fiscal discipline must be maintained; and procurement, accounting, internal control, and intergovernmental fiscal relations must be well managed (ADB. 2013a).

82. As shown in Figure 4, there are three ways of donors' fund flow to the community. When it follows a government channel, there is a project management unit established in the government ministry/department like in the case of Himali project. If it is through the government system, the project follows the government's financial management syetm and respects the audit reports of OAG. If it is through the NGOs/ CBOs, then the project follows the donor's financial management system within the purview of government overall financial regulation and gets the account audited by a registered audit firm.

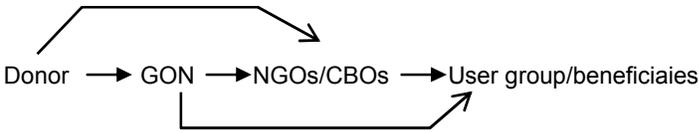


Figure 4: Flow of fund from donors to beneficiaries

83. ADB has collaborated with governments and development partners to conduct Public Expenditure and Financial Accountability (PEFA) assessments. PEFA's assessment serves as a common platform for coordinated donor support to public financial management reform agendas, including alignment with country systems.

**b. Some issues in public financial management**

84. **Borrowers were forced to buy from a specific supplier:** In some projects like CGISP, the borrowers were asked to buy the required materials from the specified supplier where the price, as per the water user group (WUG) members, was 30 percent higher than in the normal local market. Borrowers should have freedom to buy materials from a competitive market.

85. **Compliance to the created expectation:** The WUG members in CGISP expressed that they were told that they will get \$50 as a subsidy upon the successful installation of the shallow tube well (STW) through their STW maintenance fund. This was not materialised.

86. **Obtaining concurrence is time taking:** The field project managers told that it takes about 30-45 days to get concurrence from ADB. It was recommended that ADB should give more flexibility to the project directors.

87. **No public audit:** There was neither a public audit nor a social audit practiced. Since these are good tools to promote transparency, it should be promoted.

88. **Weak appraisal of agricultural road proposals:** Agricultural roads were supposed to connect the agricultural production pockets and the market or the main roadhead. It was argued by the stakeholders consulted that people are taking agricultural roads as an opportunity to sell their land for residential purpose and get better price of their land. The issue here is conversion of agricultural land into non-agricultural use which needs to be addressed by integrated agriculture development policy.

89. **Weak proposal writing capacity:** The projects that requires beneficiaries to present their written proposal in a standard format provided by the project has somehow created a situation for the elites to win. It was argued heavily by the women's groups that they had a great difficulty in understanding the requirements of the proposal and they found the format difficult for them to fill. Some women even gave-up the idea of submitting the proposal just due to her inability to fill the form and follow-up.

90. It was recommended by the community women that the formats should be simple short and user friendly. A sample of a simple format is presented in Annex 1.

#### 4. Procurement

91. **Existing system:** All the projects supported by ADB need to follow ADB's procurement Guidelines 2013. The MOU with the ADB's client is, therefore, guided by these guidelines. ADB opts open competition through international competitive bidding (ICB) to achieve efficiency in public procurement. In case ICB is not attainable, then other methods of procurement such as limited international bidding (by direct invitation) without open advertisement, national competitive bidding (in the country of the borrower), shopping (based on comparing price quotations obtained from several suppliers), Direct contracting (contracting without competition (single source)), Force account (construction by the use of the borrower's own personnel and equipment), etc.

#### 5. Some issues to be addressed

##### 92. Recruitment of human resource

Experiences of existing ADB supported projects shows that all the experts whose CVs were used during the project bidding time did not turn-up to work for the project when the project was awarded. When the replacement was reassembled, the better or at least a similar CV was required. As the bidders used the very high ranking CVs during bidding, it was difficult to find a similar CV later. Similar was the case with the projects when a local bids were called. Project implementation was negatively affected and even delayed in many cases due to this problem in human resource recruitment. During the course of consultation, four suggestions have come-up as follows to minimise this problem.

- (i) The project should stick with its selection deadlines so that the freelancers will not have to wait without job due to delayed selection process.
- (ii) The selection committee should verify with the proposed expert about his/her availability for the project and his/her clarity about his/her role in the project.
- (iii) The project should require the bidder to submit all the credentials with the CV so that the CV cannot be customised to fit the project requirements and fetch high points.
- (iv) If the proposed first best person is not available, the project should have flexibility to accept the second best CV with (at least) 10% points lower than the first best.

93. **ADB's approval process:** It was experienced that getting approval from ADB (no objection letter) was taking about a month's time. In some instances, it was affecting negatively in catching-up with the time of agricultural activity.

94. **Corruption:** ADB's anticorruption policy requires borrowers (including beneficiaries of ADB financed activity), as well as bidders, suppliers, and contractors under ADB-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts (ADB, 2013d). ADB emphasizes and attaches great importance of accountability for public officials, and transparency and predictability in government operations and critical principles in the fight against corruption. ADB stresses on improving accounting and auditing procedures as the first line of reforms in the public finance system.

95. Despite ADB's anticorruption strategies and established monitoring procedures, there have been many corruption in ADB funded projects in Nepal. As presented earlier, there were several cases of wrong interpretation of the provisions and misallocation of the budget in LGCDP (Sahakarya, 2012), political influence in the user group formation (TCC), misprocurement in HIMALI (NVC, 2012), frequent change of project in-charge in Melamchi (NGOF, 2010), etc. In fact, the field level monitoring responsibility goes to the implementing agency, which is the local government in case of LGCDP and the Department of Livestock Services in case of HIMALI. Yet, it reflects that monitoring of monitoring agency by ADB needs some improvement.

## 6. Portfolio performance review

96. One of the serious concerns for the portfolio was the increasing number of late submissions of the audited project accounts/agency financial statements such as audited project account /agency financial statements (APA/AFS) by projects. The projects with late submission of APAs/AFS increased significantly to 70.6 percent in 2010 compared to 36.8 percent in 2009. However, due to close follow-up with respective projects and Office of Auditor General, the performance in 2011 improved, and 67 percent of APAs/AFS were submitted before the deadline in 2011.

97. The major reasons accorded for low performance were frequent transfer of project staff, weak procurement and financial capacity, delay in budget presentation and budget approval, poor monitoring, and poor disbursement of donors' resources. In addition, increased procurement risks at decentralised level, delay in land acquisition and lack of counterpart funds due to the government's allocation of one-third budget in the first trimester of the current fiscal year were other reasons that contributed to this low performance. What so ever may be the reason, the poor performance in disbursement suggests Nepal's poor absorbing capacity of aid thereby clearly indicating that the PFM system must be improved significantly.

98. **Current and planned reforms:** The following paragraph presents achievements in financial reforms and planned reforms for future (excerpted from MOF, 2013b: Portfolio Performance for Development results).

**a. Current reforms**

Public financial management

- (i) GoN has established a PEFA Steering Committee and Secretariat to oversee the implementation of action plan.
- (ii) Nepal has assessed PEFA indicators and adopted action plan that serve as the national policy for the overall improvement in PFM system, process and institution.
- (iii) Treasury single account approach has extended to 60 districts
- (iv) FCGO has approved a new internal audit manual which is being implemented
- (v) Various training programs have been conducted on PEFA, TSA and Internal Auditing. Orientation and refresher trainings have also been provided to the accounting staff.

Public procurement

- (i) PPMO has prepared guidelines for strengthening capacity of procurement monitoring entities
- (ii) Standard bidding documents have been issued to various agencies
- (iii) Government has already adopted a policy of making e-tendering mandatory for public procurements worth more than Rs 10 million
- (iv) Personnel Information System is implemented in Civil Service Records Office which is successfully capturing the employee's situation of vacancy, transfer, training, disciplinary actions, etc.

**b. Planned Reforms**

Public financial management

- (i) Complete the ongoing TSA roll over to all districts and continue further reform in TSA system
- (ii) Priority will be given to internal auditing making available more staff and training
- (iii) Further improvement in external auditing in terms of quality and timeliness by using
- (iv) risk based module will be continued
- (v) Capacity building activities in PFM will continue
- (vi) Integration of BMIS, FMIS and AMP will be done
- (vii) Second PEFA assessment is planned for 2014

Public procurement

- (i) Preparation of public procurement plans will be continued in more and more government agencies.
- (ii) Continue capacity building of PEs on various procurement components – e GP, bidding and contracting, etc.
- (iii) Awareness program to bidders to generate compliance, accreditation framework preparation, CPI assessment will be done.
- (iv) Procurement audit guidelines will be prepared and audit started.
- (v) Targeted PEs will use e-GP system.
- (vi) Procurement Guidelines will be issued.
- (vii) All vacant positions of PPMO will be fulfilled and continue strengthening of PPMO staff capacity.

## V. Donor Engagement

### A. Current/planned donor support

99. There are about 27 projects in implementation supported by 13 donors. Expect a few projects (irrigation projects of ADB and WB, High Value Agriculture Project of IFAD, Drinking water project of ADB which are on loan basis) other projects are either technical assistance or grants. Most of the TA/grant projects are implemented by the donors through I/NGOs and the loan projects are implemented by the GON.

100. In addition, there are some projects in planning too. ADB has the following three projects in planning.

- (i) Mainstreaming Climate Change Risk Management in Development - TA
- (ii) Third Small Towns Water Supply and Sanitation Sector Project - Loan
- (iii) Building Climate Resilience of Watersheds in Mountain Eco-Regions - Grant

101. WB has shown only one (Enhancing Resilience of Endangered Species to Climate Change) project in planning.

### B. Summary of recent ADB engagement and sector lessons learned

102. Currently ADB is engaged in eight projects in ANR sector in Nepal (Table 10). Out of them, one is on loan, two as technical assistance and four on grant. Some of these projects were started in 2010 while some are just started and ADB has not yet released budget (3) for the implementation.

SN	Projects	Type /modality	Period
1	Kathmandu Valley Wastewater Management Project	Loan	2013-16
2	Third Small Towns Water Supply and Sanitation Sector Project	Technical Assistance	2013-14
3	Building Climate Resilience of Watersheds in Mountain Eco-Regions	Technical Assistance	2011-13
4	High Mountain Agribusiness and Livelihood Improvement Project	Grant	2011-16
5	Community Irrigation Project	Grant	2010-13
6	Raising Incomes of Small and Medium Farmers Project (formerly Crop Diversification and Commercialization Project)	Grant	2011-17
7	Community Managed Agriculture Irrigation Sector project	Grant	2010-13

103. There have been various lessons learned regarding governance risk from these projects. Key lessons are summarized here.

- (i) People's participation is a good tool for effective monitoring of the flow of public goods and services.
- (ii) Joint planning and monitoring (by donors, community representatives, government and civil society representatives) is useful in multiple funding of the same project.
- (iii) Simple and user-friendly proposal writing format helps the community people to articulate their needs and get the project in competitive grant process.
- (iv) Verification of rates quoted in the bid document can minimize the project cost.
- (v) Proper monitoring of the compliance on work-plan and the critical path for the completion of the project contributes possible delays and cost overruns.
- (vi) Quality monitoring by citizen is a good tool to maintain the quality of project results.

- (vii) By uniting in a group, community people can thwart politically protected corruption.
- (viii) Beneficiary contact monitoring model can check the double counting of the project beneficiaries and reduce false reporting of the project coverage.
- (ix) Capacity building of the demand side on the provisions of the public goods and services can hold the government accountable.
- (x) Capacity building of the local government can help to reach the real needy community with public goods and services.
- (xi) Empowering local people on their rights and entitlements can reduce political influence in user group formation.
- (xii) Blacklisting of wrong-doers as recommended by OAG can discourage the potential manipulation in procurement.
- (xiii) Protection of contractor from the problems created by the local people can help the project complete on time.
- (xiv) Continuity of the same person well-versed with the project nature and modality should be in the project for the project to take pace.
- (xv) Participation of local communities during both planning and implementation is crucial for proper prioritization and allocation of resources
- (xvi) Working with political parties is important to create ownership of the project results.
- (xvii) Donor collaboration is crucial to generate influence on political parties jointly.
- (xviii) Working with local NGOs, CBOs and user groups on projects has increased projects' responsiveness and accountability to beneficiaries.
- (xix) Conduction of public, social, GESI and environment audit enhances transparency of the project inputs and ownership of the project outputs.

## **VI. Risk Analysis**

104. Risk analysis in this report is focused on the analysis of the probability of not handling the public funds by the public agencies in the best possible way. In this study, this probability was analysed by reviewing the evidences from the recent past and opinions of the stakeholders consulted.

105. Unstable government and lack of agricultural act leading to no consistent focus on the agricultural and natural resources sectors, no people's representative in the local government bodies, disintegration of integral components of agriculture (such as agriculture, irrigation, agricultural roads, cooperatives, etc), low citizen participation in planning and implementation, elite capture in budget allocation, political influence on user group formation and budget allocation, lack of joint planning and monitoring, non-compliance to the agreed MOU, etc. were the major risks identified in public financial management.

106. Likewise, non-compliance with legal provisions, manipulation of legal provisions, non integrity, intereference by using political power, collusions, bribery, delayed release of the budget, weak procurement unit, etc were the some of the major risks in public procurement sector.

107. Political protection of corruptions, projects delays, weak result monitoring, lack of capacity in holding government accountable to people, overlooking of good governance practices, no monitoring by citizen, etc were the major risks in reducing corruption.

## A. Country system

**Table 10: Governance risk assessment in ANR sector**

Description	Risk Identified	Likely	Relatively Serious	Not Mitigated Over CPS Period	High Risk
<b>Public financial management</b>					
<i>Resource use monitoring</i>	Weak institutional mechanism for resource use monitoring	✓	✓	✓	✓
	Unstable government, absence of heads of constitutional bodies	✓	✓	✓	✓
	Political protection of illegal resource extraction	✓	✓	✓	✓
<i>Regulatory framework governing ANR sector</i>	Absence of agricultural act despite Nepal being an agrarian country	✓	✓	✓	✓
	Inadequate quality checking laboratories	✓	✓		
	Absence of act that would regulate the unlimited use of pesticides and agrochemicals	✓	✓		
<i>Local level planning, project identification and prioritisation</i>	Low citizen participation and elite capture	✓	✓	✓	✓
	No conduction of social, GESI and environmental auditing	✓	✓		
	Selection of less important projects leaving the needy communities away from the public resource	✓	✓		
<i>Fund flow to user group</i>	Political influence and elite capture of the key positions	✓	✓		
	No conduction of public audit	✓	✓	✓	✓
	Manipulation of community contribution part	✓	✓	✓	✓
<i>Nepalese budgeting process</i>	Demanding more than the ceiling provided thereby open room for favouritism during commodity selection	✓			
	Releasing budget in the areas where no budget was allocated creating competition in bribing for more allocation	✓			
	Late approval of the programme delaying the technically feasible time. For example; Citrus fruits need to be planted in July-August, whereas programmes are approved in September-October.	✓	✓		
<i>Project management cycle</i>	Choosing inappropriate organisation for implementation	✓	✓		
	Frequent change of project-incharge	✓	✓	✓	✓
	Lack of joint monitoring to avoid resource duplication	✓	✓		
	Monitoring and evaluation reports (to increase transparency) not published	✓	✓		
	Inappropriate preparation and compliance to identified critical path of the project	✓	✓	✓	✓
<b>Public procurement</b>					
<i>Procurement control mechanism</i>	No complying with legal provisions	✓			
	Cost auditing not practiced	✓	✓	✓	✓
<i>Violation of procurement rules and integrity by the public organisation</i>	Leaking confidential information and restricting some critical information	✓	✓	✓	
	Preparing a tailored specification that matches with the qualifications of the specific supplier	✓	✓		
	Leak confidential information of some suppliers	✓	✓		
<i>Violation of rules and integrity by the supplier</i>	Breaking the total quantity and award by quotation or procure directly from the favoured supplier	✓	✓	✓	✓
	Using political power, interfere evaluation process, and threaten the authorities	✓	✓	✓	✓
	Colluding to fix the price of materials and taking part in the bid	✓	✓		
	Bribing the authorities to leak the important information	✓	✓		

Description	Risk Identified	Likely	Relatively Serious	Not Mitigated Over CPS Period	High Risk
<i>Functioning of the procurement system</i>	Weak or no forming and operationalising the procurement unit	✓	✓		
	Budget not released timely to give time to complete the procurement process	✓	✓	✓	✓
<i>Enhancing people's participation in bidding</i>	People's access to electronic media to promote e-bidding is inadequate	✓	✓	✓	✓
	Inadequate message dissemination	✓	✓	✓	✓
	Lack of security/protection of bidders	✓	✓		
<i>Promoting integrity</i>	Absence of quality monitoring by citizens	✓	✓	✓	✓
	Programme to educate people that audit is also to help people to keep good records of account not included	✓	✓		
Achieving transparency in selection process	Enhancing capacity to fight against corruption and efforts to integrate ethics and integrity in auditing practice not emphasised	✓	✓		
	Citizen participation in implementing partner and project selection is not transparent	✓	✓	✓	✓
Ensuring quality work with the lowest bidder	The non-winners in the selection process are not informed about how can they improve in the future	✓	✓		
	The low bidders (bidding with unrealistic costs) are likely to deliver low quality results	✓	✓	✓	✓
Ensuring quality of planting materials	The bidders are quite likely to supply low quality planting materials or animal breeds as the result of the supplied materials or breeds comes only after some time	✓	✓	✓	✓
<b>Corruption reduction</b>					
<i>Lapses of the system - impetus for corruption</i>	Low citizen participation	✓	✓	✓	✓
	Project delays	✓	✓		
	Misuse of policy provisions	✓	✓	✓	✓
	Political protection of corruption	✓	✓	✓	✓
	Weak result monitoring	✓	✓		
<i>Curbing corruption</i>	Overlooking the legal provision of blacklisting	✓	✓	✓	✓
	Inadequate programme on capacity building of both demand and supply sides of public goods and services	✓	✓	✓	✓
	Overlooking of compliance monitoring of work plan and critical path	✓	✓	✓	✓
	Citizen monitoring of PFM not emphasised	✓	✓		
<i>Institutional development</i>	Holding government accountable by the citizen is weak	✓	✓	✓	✓
	Penalising inefficient public service provider not practiced	✓	✓		
	No institutionalisation of public audit system	✓	✓		
	Weak mechanism of developing equally competent second person in each public organisation	✓	✓	✓	✓
<i>Raising expected value of punishment</i>	Negligence in declaring private property by the public service holders	✓	✓		
	Programme on awakening people from their silence towards corruption not included	✓	✓		
	The expected value of punishment for corruption is low	✓	✓	✓	✓

## B. ADB system

Table 11: Governance risk assessment in ANR sector					
Description	Risk Identified	Likely (Tick)	Relatively Serious (Tick)	Not Mitigated Over CPS Period (Tick)	High Risk (All three columns ticked)
<b>Public financial management</b>					
<i>Fund flow to the target group</i>	• Implementing user groups in the field are not selected democratically	✓	✓	✓	✓
	• Fund flow in the field is not monitored regularly	✓	✓		
	• Inadequate field monitoring of project activity by ADB personnel	✓			
	• Project personnel do not well-understand the implementation procedure	✓	✓		
	• Low disbursement of projects funds from ADB	✓	✓		
<i>Donor harmonisation of implementation procedure</i>	• Duplication in the similar project districts	✓	✓		
	• Different implementing procedures and norms				
<i>ADB's objectives and policies are clear to the targeted beneficiaries</i>	• Inadequate joint monitoring	✓	✓		
	• Lack of beneficiaries access to ADB's policies and projects that are targeted to reach them	✓	✓	✓	✓
	• ADB's country partnership strategies and monitoring reports are not published in Nepali to enhance transparency	✓	✓	✓	✓
<b>Public procurement</b>					
	• Projects do not follow ADB's procurement guidelines	✓	✓		
	• Projects require borrowers from a specific suppliers	✓	✓	✓	✓
	• Goods and service providers do not understand ADB's procurement policy	✓	✓	✓	✓
	• Overlooking of collaboration with government to publish the procurement notices in Nepali when the procurement is expected from Nepali suppliers from the domestic market	✓	✓	✓	✓
	• Recruitment of human resource is time taking	✓	✓	✓	✓
	• Obtaining concurrence is time taking	✓	✓		
<b>Corruption reduction</b>					
	• Insufficient capacity building of public organisations for improving accounting and auditing procedures	✓	✓	✓	✓
	• Weak monitoring of the compliance of financial regulations by the borrowers.	✓	✓	✓	✓
	• Weak contractor performance monitoring leads to acceptance of substandard result delivery	✓	✓		

### C. Risk management plan

High Risks	ADB Actions	Indicators (that actions are practical and evaluable)
<b>Country systems</b>		
<b>Public financial management</b>		
Weak institutional mechanism for resource use monitoring	Ensure that the monitoring reports are produced	Monitoring reports
Unstable government, absence of heads of constitutional bodies	Prepare Plan B (alternate) including more monitoring missions from ADB	Risk and assumption report Alternate plan
Political protection of illegal resource extraction	Commission studies and publicise the findings in mass media	No of studies Number of media publishing
Absence of agricultural act despite Nepal being an agrarian country	Put a clause in legal reform before approving a new project	Act document
Low citizen participation and elite capture	Conduct citizen awareness raising programme to inform citizen about the project provisions and citizen's role in the project	Number of conducted activities and unrepeatd number of households participating in the activity
No conduction of public audit	- Make public audit mandatory - Make keeping hoarding board compulsory at the project site	Public audit report Hoarding board
Manipulation of community contribution part	- Random field verification	Verification report
Frequent change of project-incharge	- Train a second person and third persons who are likely to remain for longer period - Involving second/third person as a co-author of all the project reports - Electronic filing system maintained and shared with ADB	Number of second/third persons trained Updated electronic document inventory
Inappropriate preparation and compliance to identified critical path of the project	Put a clause in the project appraisal that contractor must produce a critical path analysis outcomes	The project document contains alternatives paths and the identified most critical path
<b>Public procurement</b>		
Non complying with legal provisions	- Report to the counterpart government agency for necessary action - Follow-up on the report	Number of reports being made and actions taken by the government
Cost auditing not practiced	Introduce cost auditing for achieving efficiency in results	Project document has cost auditing criteria included
Breaking the total quantity and award by quotation or procure directly from the favoured supplier	- Ensure that procurement plan is prepared and approved - Comply to the approved plan	Detail procurement plan, preparation and approval dates
Using political power, interfere evaluation process, and threaten the authorities	- Promote e-bidding	Number of e-bidding
Budget not released timely to give time to complete the procurement process	- Ensure that budget is released on time	
People's access to electronic media to promote e-bidding is inadequate	Provide free access to potential bidders to the project computer and internet service	Number of potential bidders using the project computer and internet facility
Inadequate message dissemination	Produce IEC materials and disseminate	Types and number of IEC materials produced and disseminated
Absence of quality monitoring by citizens	- Ensure citizen participation in the monitoring team	Team composition structure
The non-winners in the	- The non-winners should be informed in	The result sheet with detail notes of

selection process are not informed about how can they improve in the future	the same email along with the winners on the strengths and weaknesses of all the applicants	selection
The low bidders (bidding with unrealistic costs) are likely to deliver low quality results	- The suspected lowest bidders should be asked to organise a workshop and present their working modality to the management team	The working modality document
The bidders are quite likely to supply low quality planting materials or animal breeds as the result of the supplied materials or breeds comes only after some time	- Quality of planting materials/ animal breeds are reflected only when the crop comes into bearing or animal gives birth. By then the suppliers are not there. hence, the project should be allowed to purchase such materials directly from a known and trusted buyer by making the project director accountable for the result.	The procurement plan document and justifications
<b>Corruption</b>		
Low citizen participation	Include citizen orientation activity in the project to inform them about the project and their role	Number of citizen orientation activity organised and the non-repeating households participating in the orientation
Misuse of policy provisions	Ensure joint monitoring and public audit	Number of joint monitoring and public audits conducted Number of organisations participating in the joint monitoring, and number of people taking part in the public audit
Political protection of corruption	Commission field studies and publicise the findings in mass media	Number of field studies commissioned and publication in mass media
Weak result monitoring	Introduce annual external result monitoring system	The external annual assessment manual The external annual assessment report
Overlooking the legal provision of blacklisting	Include a criteria to disqualify the bidder if it is recommended for prosecution by any of the authorised agencies such as CIAA	Number of cases reported
No programme on capacity building of both demand and supply sides of public goods and services	Ensure that capacity building activities are included in the project	Number of capacity building activities
Overlooking of compliance monitoring of work plan and critical path	Put a clause in the project that each monitoring mission should report on the compliance of identified critical path	Inclusion of the section in the report on monitoring of the compliance on the identified critical path
Citizen monitoring of PFM not emphasised	Ensure the use of social accountability tools by the project	Project progress reports
Holding government accountable by the citizen is weak	Conduct citizen awareness programme on social accountability tools and the concept of helpdesk	Number of activities conducted and number of nonrepeating participants covered
Weak mechanism of developing equally competent second person in each public organisation	Conduct capacity development training to the second/third person and provide all the project information to this person as well	Number of persons covered
The expected value of punishment for corruption is low	Increase the level of punishment for corruption very high so that the others think twice before doing corrupt activity	Legislative reform
<b>ADB systems</b>		
<b>Public financial management</b>		
<i>Implementing user groups in the field are not selected democratically</i>	Develop well-designed criteria and contract-out the implementing partner/user group selection task	Criteria for selection Number of contracts awarded for the said purpose

<i>Lack of beneficiaries access to ADB's policies and projects that are targeted to reach them</i>	Conduct citizen awareness raising programme to inform citizen about the project provisions and citizen's role in the project	Number of activity conducted and nonrepeating citizens participating in the activity
<i>ADB's country partnership strategies and monitoring reports are not published in Nepali to enhance transparency</i>	Prepare and publish project documents in Nepali and disseminate it widely	Number of projects docuemnts
<b>Public procurement</b>		
<i>Goods and service providers do not understand ADB's procurement policy</i>	Organise periodic training on procurement policy	Number of trainings comducted
<i>Projects require borrowers from a specific suppliers</i>	Conduct orientation about the freedom to buy from the competitive markets	Number of suppliers
<i>Overlooking of collaboration with government to publish the procurement notices in Nepali when the procurement is expected from Nepali suppliers from the domestic market</i>	Ensure that procurement notices are published in Nepali and the bidding documents presented in Nepali are also accepted	Number of bid notices and the number of notices in Nepali Number of bids received in Nepali
<i>Recruitment of human resource is time taking</i>	If the proposed first best person mentioned at the time of project selection is not available at the time of recruitment, the project should have flexibility to accept the second best CV with 10% points lower than the first best	Revised policy
<b>Corruption</b>		
<i>Insufficient capacity building of public organisations for improving accounting and auditing procedures</i>	Introduce a system of identifying irregularities due to technical capacity of the staff involved and collaborate with OAG to conduct PFM training in those lines	Number of potential problem ares identified and number of trainings conducted
<i>Weak monitoring of the compliance of financial regulations by the borrowers.</i>		
<i>Tailormade project achievements are explained to the monitoring missions</i>	Introduce uninformed monitoring system	Number of monitorings conducted Number of sites visited

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## Annex 1: Proposal writing format

साना परियोजना प्रस्तावको शारांस ढकबाँ उचयवभत ककबचथ कजभतण

ज. प्रस्तुत गर्ने संस्थाको नाम :
द. ञाना :
घ. साना परियोजनाको शिर्षक (विवरणमा दिईएको समस्याको आधारमा मिलाएर राख्ने) :
ड. अवधि (महिना) : ..... देखि ..... सम्म
ढ. साना परियोजनाको शोधकरी विवरण : (साना परियोजना समस्यामा आधारित हुन्छन् । तसर्थ यहाँ हल गर्न पर्ने समस्याको शोधो उल्लेख हुनु पर्छ) :
ण. अपेक्षित नतिजा (यो साना परियोजना सञ्चालन गरपछि तुरुन्त देखिने प्रतिफल के हुन्छ, त्यस्ता प्रतिफल उल्लेख गर्ने) :
ट. सूचा हरु (अपेक्षित नतिजा प्राप्त हुँदा त्यो कति, कहाँ, कहिले र कसरी देख्न सकिन्छ भे ब्यहोरा प्रष्ट हुने गरी उल्लेख गर्ने) :

ठ. साना परियोजनाका कृयाकलापहरु (यो साना परियोजना सञ्चालनमा गर्नुपर्ने सबै कृयाकलापहरुको सुचि र सो कृयाकलाप गरीने समय उल्लेख गर्ने) :		
क्र.सं.	कृयाकलापहरु	समय (सो कृयाकलाप सञ्चालन हुने महिना र सम्भव भए दिन समेत उल्लेख गर्ने) :

ड. लागत अनुमान (उपरोक्त कृयाकलापहरु सञ्चालन गर्दा लाग्ने उपकरण, मानविय श्रोत, तथा अन्य सामग्रीको विवरण सहितको लागत उल्लेख गर्ने) :					
क्र.सं.	सामग्री विवरण	ईकाई	परिमाण	प्रति ईकाई लागत रु	जम्मा लागत रु
अन्य विवरण (यदि केहि भएमा) :					

ढ. प्रस्तावित लागतको शारांस						
क्र.सं.	योगदानको श्रोत	योगदानको किसिम (नगद वा जिन्स, श्रम खूलाउने र जिन्स भए त्यसको किसिम समेत खूलाउने)	ईकाई	परिमाण	जम्मा लागत रु	कैफियत
ज	जिबिस/गाबिस					
द	उपभोक्ताहरु					

घ	संस्था आफै					
ङ	गैर सरकारी संस्था					
छ	अन्य (खूलाउने)					
परियोजनाको जम्मा लागत रु						

ज्ञ. गाविसबाध हुने योगदानको विवरण :			
क्र.सं.	विवरण		लागत रु
ञ	कार्यक्रम लागत रु (बुँदा ड बाध)	(क)	
ट	अप्रत्यक्ष लागत (कार्यक्रम खर्चको ... .. प्रतिशत)	(ख)	
घ	प्रत्यक्ष लागत		
	प्रत्यक्ष लागतको जम्मा	(ग)	
जम्मा लागत (क ख ग)			

ज्ञ. यस परियोजनाबाध सेवा पूग्ने लाभान्वितहरु (यस परियोजना सञ्चालन भएबाध यसको फाईदा कस्ले पाउंछ भे प्रष्ट विवरण आउनु पर्छ) (यसमा तालिम र भ्रमण कार्यक्रमहरुको हकमा लाभान्वित वर्गहरुको विवरणमा ३रधूरी तथा पूरुष र महिला संख्या दूवै उल्लेख हुनुपर्छ र यदि निर्माण वा संस्थागत विकास भनिएको ५ भने ३रधूरी संख्या मात्र उल्लेख गर्ने) लाभान्वित वर्ग भाले गरिबीको रेखा मूनिका जनता, महिला, जनजाती तथा पेशागत जातीहरुलाई जनाउदछ । तसर्थ प्रस्ताव प्श गर्ने संस्थाहरुले परियोजना प्रस्ताव गर्दा यी लक्षित वर्गलाई लाभ पूग्ने गरी उनीहरुको आवश्यकतामा आधारित माग अनुसारको हुनु पर्नेछ ।

क्र. सं.	गा.वि.स.	ब्राह्मणक्षेत्री		जनजाती		पेशागत जाती		अन्य जाती		जम्मा	
		पूरुष	महिला	पूरुष	महिला	पूरुष	महिला	पूरुष	महिला	पूरुष	महिला
	सबै गा.वि.स. को जम्मा										
द्रष्टव्य (यदि केहि भएमा)											

प्रस्ताव पेश गर्ने संस्थाको आधिकारिक ब्यक्तिको

नाम : ..... पद :

.....

सहि : ..... परियोजना प्रस्ताव पेश गरेको मिति :

.....

संस्थाको शप :

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- **Annex 2: List of legislations related with ANR sector**

**Laws (act, regulations, directives and guidelines)**

1. Interim Constitution of Nepal 2007
2. Aquatic Animal Protection Act, 1961 (Amendment, 1998)
3. National Park & Wild Life Reserve Act, 1973
4. Forest Act, 1993 and Forest Regulation 1995
5. Soil and Watershed Conservation Act 1982
6. Private Forests Nationalization Act, 1957
7. Environment Protection Act, 1997
8. National Trust for nature Conservation (NTNC) Act 2039
9. International Centre for Integrated Mountain development (ICIMOD Act 2040)
10. Nepal Seed Act 1988
11. National Tea and Coffee Development Board Act 2049 (1993)
12. Agriculture Crop Act 1954
13. Nepal Agricultural Research Council Act, 2048(1992)
14. Agriculture and Forestry University Act, 2067 (2010)
15. Irrigation Rules, 2056 (2000)
16. Animal Feed Act 1965
17. Cattle Feed Act 1976
18. Medicine Act 1976
19. Feed Act, 2033 (1976)
20. Seed Act 1988
21. Drugs Act, 2035, (1978)
22. Food Act, 2052 (1996)
23. Plant Protection Act, 2064 (2007)
24. Pesticides Act, 2048 (1991)
25. Animal Health and Livestock Services Act, 2055 (1999)
26. National Dairy Development Board Act, 2048(1992)
27. Animal Slaughterhouse and Meat Inspection Act, 2055(1999)
28. Nepal Veterinary Council Act, 2055 (1999)
29. Consumer Protection Act 1998
30. Industrial Enterprises Act, 1992
31. Local Self Governance Act 1999
32. Export, Import Control Act 1957
33. Labor Act, 1992
34. Draft Bill on CITES (2011)
35. Draft bill on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their utilization (2000)
36. Draft bill on protection of Plant varieties
37. Collaborative Forest Management Guidelines 2068
38. Traditional Knowledge Documentation procedure 2007
39. Working procedure for Infrastructure construction and operation in Protected Areas, 2065

### Annex 6.3: National legislation

#### Policies/strategies

1. National Conservation Strategy 1988
2. Master plan for the forestry Sector 1989
3. National Biodiversity Strategy 2002
4. National Biodiversity Strategy Implementation Plan 2005
5. The Elephant Conservation Action Plan 2010
6. The Greater One-horned Rhinoceros Conservation Action Plan (2006 - 2011)
7. Tiger Recovery Plan
8. Wildlife protection, breeding and research procedure 2060
9. Wildlife Compensation Policy, 2065
10. Wetland policy 2012
11. National Action Program (NAP) on Combat Desertification (2003)
12. Forestry Sector Policy 2000
13. Leasehold Forest Policy, 2002
14. Herbs and NTFP policy 2004
15. Guideline for NTFP Based Enterprise 2005
16. Terai Arc Landscape (TAL) strategic plan (2004-2014)
17. Sacred Himalayan Landscape - Nepal Strategic Plan (2006-2016)
18. Churia Area Programme Strategy 2008
19. National Agro-biodiversity Policy 2008
20. Rangeland Policy, 2012
21. Fire management strategy 2067
22. Forest Encroachment control strategy 2069
23. Nepal Land-use Policy 2069
24. Agriculture Bio-diversity Policy, 2063 (2007)
25. Bio-technology Policy 2063
26. National Bio-safety framework 2063
27. National Seed Policy, 2056 (2000)
28. Agriculture Perspective Plan (APP) 1995/96- 2014/15
29. National Agricultural Policy-2061
30. Agro-business Promotion Policy, 2064 (2006)
31. National Tea Policy, 2057 (2000)
32. National Coffee Policy, 2060
33. Irrigation Policy, 2060 (2003)
34. National Fertilizer Policy, 2058 (2002)
35. Agriculture Development Strategy 2013 (Draft)
36. Dairy Development Policy, 2064 (2007)
37. Organic Chemical Fertilizer Guideline 2068
38. National Action Plan (NAP-169)-for the implementation of ILO 169
39. Climate Change Policy 2011
40. National Adaptation Programme for Action (NAPA) 2010
41. Local Adaptation Programme for Action (LAPA) framework 2012
42. Nepal Environmental Policies and Action Plan (NEPAP) 1993
43. Sustainable development agenda for Nepal, 2003
44. Revised Forest Sector Policy 2000
45. National Water Supply Sector Policy 1998 (Drinking water supply – MDG related)

- **Annex 3: List of people met**

Krishna Prasad Paudel	Joint Secretary	National Vigilance Centre, Singh Durbar
Kailash Raj Pokharel	Under Secretary	Ministry of Finance
Mahesh Kharel	Programme Director	National Planning Commission
Hikmat Bista	Senior Agricultural Economist	Ministry of Agriculture Development
Pashupati pokharel	Agricultural Economist	Ministry of Agriculture Development
Sukdev Khatry	Deputy Auditor General	Office of the Auditor General
Bachhu Ram Dahala	Former Auditor General	Office of the Auditor General
Jeeban Subedi	Director	Office of the Auditor General
Siddhanta Vikram	Senior Public management Specialist	ADB - Nepal Resident Mission
Narendra bagadur Chand	Senior Procurement Officer	ADB - Nepal Resident Mission
Govinda P. Gewali	Senior Project Officer	ADB - Nepal Resident Mission
Rajendra K. Manandhar	Joint Secretary	Public Procurement Monitoring Office
T. N. Ghimire	Senior Media Officer	Transparency International Nepal
Shreedhar Sapkota	Joint Attorney	Commission for Investigation of Abuse of Authority
Keshava Koirala	Country Director / Former Project Team Leader for Community Ground Water Irrigation Support Project	Centre for International Studies and Cooperation
Shankar Krishna Shrestha	Director	Public Procurement Monitoring Office
Krishna Prasad Acharya	Joint Secretary	Ministry of Forest and Soil Conservation
Ram Prasad Pulami	Joint Secretary (Planning)	Ministry of Agriculture Development
Dipendra Manohar Chaudhary	Technical officer	RISMFP
Min Bahadur Thapa	VDC Secretary	Latikoili VDC Surkhet
Saran Baduwal	VDC Secretary	Guti VDC Surkhet
Shree Narayan Sharma	Regional Director	Regional Agriculture Directorate Surkhet
Damber Singh Nepali	Agriculture extension Officer	Regional Agriculture Directorate Surkhet
Damber Bahadur Singh	Regional Director	Regional Livestock Directorate Surkhet
Saroj Pandit	Regional Director	Regional Irrigaation Development Directorate Surkhet
Rajendra Bhari	Chief	High Value Agriculture Development Project, Surkhet
Hari Prasad Gurung	Horticulture Development Officer	High Value Agriculture Development Project, Surkhet
Yam Lal Giri	Planning Officer	District Agriculture Development Office Surkhet
Bimala Adhikari	Member	Nari Ekata Agriculture and Community Cooperative Society, Ward 2, Surkhet
Anju Nepali	Member	Birendranagar Municipality, Surkhet
Lalita Adhikari	Member	Nari Ekata Agriculture and Community Cooperative Society, Ward 2, Surkhet
Gaumaya Maski	Member	Birendranagar Municipality, Surkhet
Gita Tiwari	Chairperson	Nari Ekata Agriculture and Community Cooperative Society, Ward 2, Surkhet
Sabitra Khatri	Member	Birendranagar Municipality, Surkhet
Amrit BC	Chairperson	Nari Ekata Agriculture and Community Cooperative Society, Ward 2, Surkhet
Krishna Kharel	Planning Officer	Birendranagar Municipality, Surkhet
Tanka Prasad Lamichhane	Programme Officer	District Agriculture Cooperative Union Limited Surkhet
Devendra Kumar Khadka	Chairperson	District development Committee, Surkhet
		District development Committee, Surkhet
		Ganeshpur Milk Producers' Cooperatives, Chhinchu, Surkhet

Som Dhakal	Treasurer	Ganeshpur Milk Producers' Cooperatives, Chhinchu, Surkhet
Lalit Bahadur Oli	Secretary	Ramghat Village Development Committee, Surkhet
Thakkar Khadka Gopal Thapa	Member Manager	Bheri Animal and Agriculture Women's Group Shikher samaiji Savings and Credit Cooperative Society, Ramghat, Surkhet
Tilak Dangi	Chairperson	District Milk Producers Cooperative Union, Surkhet
Tila Oli	Chairperson	Bheri Animal and Agriculture Women's Group
Dala Bahadur Sunar	Manager	Bheri Animal and Agriculture Women's Group
Nar Bahadur Chand	Member	Pavitra Agriculture Cooperative Society
Ram Bahadur Gharti	Member	Pavitra Agriculture Cooperative Society
Naula Singh Khatri	Chairperson	Pavitra Agriculture Cooperative Society
Chitra Maya Gharti	Entrepreneur	Pavitra Agrovet, Mehelkuna, Surkhet
Sameer Regmi	Entrepreneur	Mehelkuna Agrovet, Mehelkuna, Surkhet
Hari KC	Engineer	District Development Committee, Surkhet
Jagat KC	Programme Coordinator	Environment Development Society, Surkhet
Chandra Thani	Chairperson	Federation of Community Forest Nepal District Chapter, Surkhet
Guru Prasad Subedi	Local Development Officer	District development Committee, Dhanusha
Ram Satyal	Senior Social development Consultant	Rural Access Improvement Decentralised Project (RAIDP - WB)
Rabindra Prasad Yadav	Engineer	Rural Access Improvement Decentralised Project (RAIDP - WB)
Dr. Ratna Kumar Jha	Senior Plant Protection Officer	District Agriculture Development Office, Dhanusha
Ram Chandra Mandal	VDC Secretary	Tarapatti Sirsiya VDC, Dhanusha
Satyanarayan Pratihasta	VDC Secretary	Tallogodar VDC, Dhanusha
Kari Prasad Shah	Member of User Group	Ganguli Irrigation Water User Group, Ganguli-9, Ghorghas VDC, Dhanusha
Nagendra Lal karna	Member of User Group	Ganguli Irrigation Water User Group, Ganguli-9, Ghorghas VDC, Dhanusha
Navin Kumar Misha	Member of User Group	Ganguli Irrigation Water User Group, Ganguli-9, Ghorghas VDC, Dhanusha
Ramchandra Jha	Member of User Group	Lagma Irrigation Water User Group, Lagma Pchhuwaritol, Lagmagaraguthi - 9, Dhanusha
Anar Jha	Member of User Group	Lagma Irrigation Water User Group, Lagma Pchhuwaritol, Lagmagaraguthi - 9, Dhanusha
Aarchana Jha	Member of User Group	Lagma Irrigation Water User Group, Lagma Pchhuwaritol, Lagmagaraguthi - 9, Dhanusha
Shyam Nandan Yadav	Division Chief	Community Irrigation Development Division, Dhanusha
Dr. Shambhu Shah	Senior Veterinarian	District Livestock Service Office, Dhanusha
Ram Pukar Thakur	Livestock Development Officer	District Livestock Service Office, Dhanusha
Jayakrishna Mishra	Chairperson	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Ramchandra Shah	Vice Chairperson	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Rajesh Chaudhary	Treasurer	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Yogendra Shah	Member	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Rameshor Hathi	Member	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Dwarika Mahato	Senior Social Worker	Muglaiya Irrigation Water user Committee Devpura Rupaitha, Rampur, Dhanusha
Madhab Karkee	Coordinator	Promoting Accountability in Nepal (PRAN - WB), Centre for International Studies and Cooperation, Baluwatar
Dilip Shah	Manager	Terai Private and Public Forest Resource Preservation and Rural Development Association

Mohan Gautam	Acting Chief	(TPFDA), Bengadaber, Dhanusha Community Groundwater Irrigation Sector Programme, Dhanusha
Ramsagar Yadav	Accountant	Community Groundwater Irrigation Sector Programme, Dhanusha
Hari Narayan Mandal Suresh Sharma Rajan Nepal	District Forest Officer Assistant Forest Officer Programme Coordinator	District Forest Office, Dhanusha District Forest Office, Dhanusha Janaki Women Awareness Raising Society (JWAS), Dhanusha
Sanjeeb Mandal	Programme Officer	Janaki Women Awareness Raising Society (JWAS), Dhanusha
Shambhu Prasad Deo	Project Director	Raising Incomes of Small and Medium Farmers' (RISMF) Project, Harihar Bhawan
Dal Prasad Pudasainy	Planning Officer	Raising Incomes of Small and Medium Farmers' (RISMF) Project, Harihar Bhawan
Yadav Padhyoti	Agriculture Economist (Procurement)	Raising Incomes of Small and Medium Farmers' (RISMF) Project, Harihar Bhawan
Dr. Amar Bahadur Shah	Project director	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project, Harihar Bhawan
Dala Ram Pradhan	National Team Leader - Mountain Agribusiness Expert	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project, Harihar Bhawan
Nirmal Prasad Chapagain	District Capacity Development Specialist	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project, Harihar Bhawan
Kaushal Kishor Poudel	Senior Programme Officer	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project, Harihar Bhawan
Dr. Guru Prasad Khakural	Veterinarian	High Mountain Agribusiness and Livelihood Improvement (HIMALI) Project, Mustang
Shrawan Adhikari Bhanu Praasd Acharya Babu Ram Subedi	Senior Programme Officer Auditor General Deputy Financial Comptroller General	FAO Nepal Office of the Auditor General, Babarmahal Financial Comptroller Office, BANamnagar, Kathmandu
Tolendra Karki	Account Officer	Public Expenditure and Financial Accountability (PEFA) Secretariat, Anamnagar
Dr. Purna Bahadur Chhetri	Senior Rural Development Specialist	South Asia Region, The World Bank
Dr. Hiramani Adhikari	Senior Governance Specialist	South Asia Governance and Public Sector, The World Bank
Narendra Kumar Gurung	Chief Programme Manager	Japan International Cooperation Agency, Hariharbhawan
Nama Raj Adhikari	Senior Programme Officer	Japan International Cooperation Agency, Hariharbhawan
Rajendra Bahadur Bajracharya Navin Hada	Joint Financial Comptroller and Coordinator AID project Development Specialist	PEFA Secretariat, Anamnagar  General Development Office, USAID
Yamuna Ghale	Senior Programme Officer	Swiss Agency for Development and Cooperation SDC, Nepal
Bandhu Ranjan	Public Finance Programme Manager	DFIF, Nepal