



Completion Report

Project Number: 45217-002
Technical Assistance Number: 8261
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Nepal: Support for Formulating an Economic Development Vision

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TA Number, Country, and Name:			Amount Approved: \$700,000	
TA 8261-NEP: Support for Formulating an Economic Development Vision			Revised Amount: Not applicable	
Executing Agency (EA): National Planning Commission		Source of Funding: TASF-IV	Amount Undisbursed: \$240,335	Amount Utilized: \$459,665
TA Approval Date: 11 December 2012	TA Signing Date: 9 January 2013	Fielding of First Consultants: 15 January 2015	TA Completion Date Original: 30 April 2014	Actual: 30 September 2018
			Account Closing Date Original: 30 April 2014	Actual: 13 November 2018
Description <p>The technical assistance (TA) supported the Government of Nepal to formulate an economic development vision through a consultative process backed up by technically sound analysis. It came on the backdrop of political transition following the peace process that started in 2006. In 2008, the first constituent assembly to draft a new constitution was elected. The constituent assembly's tenure was extended twice until May 2012. It was then dissolved, and an interim government was formed to hold the second round of constituent assembly elections in 2013. At government's request, ADB provided the TA to support preparing a strategic framework to place Nepal on a high growth path.</p>				
Expected Impact, Outcome, and Outputs <p>The TA's expected impact was the initiation of economic reform and development programs toward achieving the government's vision of attaining more inclusive, double-digit economic growth by 2022. The expected outcome was a broad-based national consensus on economic policies, reform agenda, strategic directions and actions, and key programs for achieving the vision of double-digit inclusive economic growth. The three outputs include (i) a comprehensive diagnostic synthesis report on Nepal's key development challenges; (ii) a high-level international economic summit organized; and (iii) a framework for Nepal's long-term development vision and a medium-term development plan prepared.</p>				
Delivery of Inputs and Conduct of Activities <p>The TA's implementation period was extended four times resulting in a cumulative extension of 53 months by the time of closing in 2018. Between 2013 and 2017, the key reasons for delays included the dissolution of the constituent assembly, formation of a technocratic government and election for the second constituent assembly, frequent changes in the government, the April–May 2015 earthquakes, 2015–2016 trade disruptions, and elections to the three tiers of government under the federal system of governance after the adoption of a new constitution in 2015. In 2014, the executing agency (EA) role was transferred from the Ministry of Finance (MOF) to the National Planning Commission (NPC).</p> <p>The unexpected dissolution of the constituent assembly and the prolonged political vacuum it created led to substantial front-end delays. The TA implementation gained momentum only in January 2015. The coalition government formed in 2014 showed interest in taking the process forward, and subsequently in early 2015 concrete steps were agreed to implement TA activities. However, the 2015 April and May earthquakes, followed by trade disruption, led to further delays. Nonetheless, there was some momentum again in March 2016 and in 2017 as noted under the achievement of outputs. Meanwhile, the political transition continued with changes in government in 2016 and 2017. Nepal also successfully completed elections to the three tiers of government in 2017. In brief, the ongoing political changes and emerging priorities required government's immediate attention. In turn, this meant that the TA activities did not receive adequate guidance in a timely manner.</p> <p>Despite delays, the initially planned and additional activities were completed. Activities under outputs 1 and 3 continued until 2018, while output 2 was achieved by 2016. The key event supported under the TA included a one-day high-level international seminar (output 2). Besides, several analyses were completed and accepted by the government. In total, 3 international and 12 national consultants were mobilized. Of them, there were 6 individual input-based contracts, with the utilization of 43 person-months in total, and 9 lump-sum contracts with 19 person-months utilization. This is significantly more than the original allocation of 9 and 11 person-months, respectively, for 3 international and 3 national consultants. Several resource persons were mobilized to support the international seminar. In general, the consultants' deliverables were of good quality. Most of the work entailed deep engagement with various stakeholders. For instance, the international seminar was inaugurated by the Prime Minister and attended by several ministers, senior political leaders, eminent international economists, and the ADB Vice President. While there were some contract variations, once contracted most of the work was completed in a timely manner. Overall, the consultant performance is rated <i>satisfactory</i>.</p>				

As agreed with the government, ADB managed the procurement and monitoring of the activities. ADB made regular follow-ups for timely completion of the activities and responded affirmatively to accommodate additional activities that met the TA's scope. ADB's performance is rated *satisfactory*.

The EA and MOF provided full support to the activities that were executed, including organizing the international economic seminar. The consultants' tasks were completed in close consultation with the EA, and the EA endorsed the consultant's deliverables. The TA's financial closing was completed in a timely manner. Overall, the government's performance is rated *satisfactory*.

At completion, about 34% of the total TA amount was unutilized, as budget for international consultants was overestimated and the contingencies left unutilized.

Evaluation of Outputs and Achievement of Outcome

The output 1 was *substantially achieved*, with the preparation of several background papers. These include analysis on the sector framework and development vision for energy, transport, urban, education, agriculture as well as thematic and special topics on private sector growth and investments, trade deficit, exports potential, city-based growth, diaspora engagement, and local-level data system. To further support the analyses, a General Equilibrium Model of Nepal and the World (GEMNeW) was prepared. The modeling exercise entailed an intensive knowledge transfer exercise involving civil servants and other officials mostly at a mid-managerial position. Drawing on these analyses as well as the proceedings of the international seminar, an organizing framework for a long-term economic development vision titled 'Envisioning Nepal 2030: Contribution to a Policy Framework' was prepared. The report has been translated into Nepali for wider dissemination.

The output 2 was *achieved* with the successful organization of a high-level international seminar titled '[Envisioning Nepal 2030](#)' in March 2016. Along with the senior government officials and political leaders, various eminent international economists and development practitioners, representatives of think tanks and academia also participated in the seminar. The proceedings of the seminar have been posted on the website of NPC.

The output 3 was *achieved* with the preparation and publication of the proceedings of the Envisioning Nepal 2030 seminar. The proceedings cover insights on pathways of Nepal's roadmap to prosperity, followed by a discussion on different thematic areas underpinning long-term growth.

The expected outcome was *likely achieved*, with the contribution to a vision for long term development incorporated in the government's 15th Periodic Plan, supported by deliberations and assessments of development agenda at the international seminar and other workshops involving participation across the political spectrum. The high-level international seminar brought attention and participation of key stakeholders in Nepal. Moreover, the additional activities under output 2 contributed to achieving the outcome. Specifically, the interaction with eminent economic thinkers of Nepal in February 2017 and a strategic country-direction workshop organized jointly by NPC and Malaysia's Performance Management and Delivery Unit (PEMANDU) in April 2017 brought together political leaders across the spectrum to deliberate on the long-term development vision. However, all this fell short of presenting a joint declaration by political party leaders on the economic reform agenda. Achieving a joint declaration on a reform agenda was a very ambitious goal to begin with, especially when the political environment is not stable. Nevertheless, the initiatives taken under the TA generated awareness and focus on economic priorities for a long-term economic development as envisaged. As a result, Nepal's 15th Periodic Plan (FY2020–2024) includes a dedicated section on the long-term development vision for the country. This includes a baseline for various development indicators in FY2019 and the development targets for FY2043. The targets and assessments cover key areas including growth, poverty, infrastructure development, education, health, and so on. The government expects the 15th to 19th five-year periodic plans to contribute to the long-term development goals and targets. The implementation of the long-term vision will be challenging. Nevertheless, this initiative has come at a time when Nepal's subnational governments, especially the provincial governments, have embarked on their development planning. The long-term development vision at the federal level is expected to motivate the subnational governments to align with it in their development planning. In other words, there is positive signaling effect of the long-term vision on the subnational governments' planning initiatives.

In addition, at the impact level, there has been a substantial achievement. The first indicator which includes three legislations—covering public–private partnership, foreign investment and labor laws—have all been introduced between 2017 and 2019. With respect to the second indicator, the efforts to improve public utility management, notably the energy sector, has been achieved with the passage of the Nepal Electricity Regulatory Commission Act in 2017. The electricity regulatory commission is currently being operationalized.

Overall Assessment and Rating

The TA design is assessed *relevant* as (i) it supported the government in formulating a long-term socio-economic vision noted in its Three-Year Interim Plan (2011–2013), which envisaged transforming Nepal from least-developed to a developing economy, and (ii) aligned with ADB's Country Partnership Strategy 2010–2012 of promoting stronger, suitable and inclusive economic growth to reduce poverty and inequality in the country. Although aligned with the government and ADB's priorities, it is important to note the TA's design flaw given the overly ambitious outcome indicator. For significant time overrun in implementation, due to political environment and other unpredictable events, the TA is rated as *less than efficient*. On the other hand, the TA is rated *effective* based on the achievement of outputs and contribution towards the outcome. Lastly, the TA is rated *likely sustainable* as the government has introduced a long-term development vision through the latest periodic plan. In April 2019, Nepal's Cabinet approved the approach paper for the 15th Periodic Plan. The approach paper has a dedicated chapter on the development vision of 25 years (i.e., up to 2043) with goals and targets. Although the time frame of the development vision that the TA supported was for 2030 only, the government's vision draws ideas and analyses from various works completed under it. For the first time the government has formally adopted a long-term development vision in the planning process. This vision will encompass five periodic plans (i.e., 15th–19th Five-Year Plan) and is thus expected to bring continuity and coherence in the planning process. With the assessment of the TA as *relevant, less than efficient, effective, and likely sustainable*, the overall assessment is *successful*.

Major Lessons

The TA supported the government to address a structural issue of brining linkages between development plans of Nepal. In an environment of political flux, this required a persistent effort and longer engagement than originally envisaged. The key lesson is to fully appreciate the eventualities that can affect such initiatives. The political reality and the situation on the ground should have been fully considered when designing the outcome statement which required cross-party political support on a reform agenda. ADB showed flexibility by extending the TA and working with different governments whenever there was opportunity to make progress. ADB also responded flexibly by allocating resources based on the demand from the government. For instance, national consultants were identified and recruited within a short period to complete various analyses. The key lesson therefore is to adopt implementation flexibility in future works where political environment is unstable.

Recommendations and Follow-Up Actions

Under the federal system, Nepal's sub-national governments are mandated to prepare periodic plans and medium-term expenditure frameworks. The annual budgets should accordingly align with the plans and frameworks. As such it will be useful for the subnational governments to strengthen their planning process, including assessment of the long-term needs, adequate budgeting, mechanism for effective implementation and accountability, and provisions for a robust monitoring and evaluation system. ADB can explore possible engagement to support the provincial governments in their planning exercise. Further, ADB will explore producing knowledge products based on various works completed under the TA.