



# NEPAL PORTFOLIO PERFORMANCE REVIEW NPPR 2011

**Portfolio Performance and  
Aid Effectiveness**

November 17-18, 2011

Ministry of Finance  
Government of Nepal

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## Message from The Finance Secretary

Nepal Portfolio Performance Review (NPPR) has been a key dialogue mechanism between Government of Nepal and its Development Partners (DPs) over the past 10 years in Nepal. Initially supported by four DPs (ADB, DFID, JICA and WB), it now brings, together on an annual basis, most DPs and key Government agencies to identify bottlenecks in development programmes' implementation and agree on concrete steps to address them. Government has given high priority to this initiative, for example, Council of Ministers not only take note of action agreed but also endorses them and take reports of its progress periodically. I am happy to note that few more DPs have participated as core partners of NPPR this year. Also, I noted that the theme of NPPR 2011 is relevant as the overall aid effectiveness agenda is in the discussion globally. In Nepal, Foreign aid plays an important role in Nepal's socio-economic development, representing 26% of the national budget for fiscal year 2010-11. Over the past 10 years, the Government of Nepal has made significant efforts to ensure aid effectiveness. In the changing context, we are revising existing Foreign Aid Policy, 2002. Aid Information Platform is being implemented successfully. One thing we have to be clear that whatever mechanism we built on, ultimately we need to improve our projects/program's performance on the ground. Aid commitment is not enough. Disbursement need to be increased. I hope NPPR is helpful, among others, in attaining this objective.

I am also happy to note that Foreign Aid Coordination Division (FACD) of the Ministry of Finance has organized all review meetings of NPPR 2010 action plan on time. I also noted that the overall progress of NPPR - 2010 action plan implementation has been found satisfactory. Out of eighteen key actions, five actions have been complied with. Twelve actions are work-in-progress. Out of which, few actions are delayed against the target dates. One action is due. In this context, it has been observed that additional effort is required for effective implementation of reform actions.

Mr. Lal Shanker Ghimire, Joint Secretary, Foreign Aid Coordination Division, has been continuously leading this initiative. Mr. Kailash Raj Pokharel, Under Secretary of the FACD deserves special appreciation for successfully coordinating NPPR and other related activities for the last four years. I would also like to thank relevant officials of various ministries and National Planning Commission particularly the Champions who have taken lead role for implementation of Action Plan. Five DPs, namely ADB, DFID, JICA, UN and The World Bank have produced background paper this year, which gives us insight of the project performances and valuable suggestions in this regard. I thank them all.

November 10, 2011

*K. H. Baskota*  
Krishna Hari Baskota

# **PART I**

## **MAIN REPORT**

### **GOVERNMENT OF NEPAL**

### **BACKGROUND PAPER**

# Review – 2011

## Portfolio Performance and Aid Effectiveness

### Part I

#### 1. Background

NPPR has been a key component of the dialogue between Government of Nepal and its Development Partners (DPs) over the past 10 years. Initially supported by four DPs (ADB, DFID, JICA and WB), it now brings together on an annual basis most DPs and key Government agencies to identify bottlenecks in development programmes' implementation and agree on concrete steps to address them. The latest Paris Declaration Survey for Nepal (2011) recommended building on NPPR best practice to strengthen mutual accountability mechanisms. Aid commitment is not enough to bring result; aid has to be disbursed, which has been a continuous issue in Nepal aid portfolio.

#### **Lessons learnt from NPPR process**

NPPR has shown the value of focusing on a limited number of specific doable indicators and targets (less than twenty), which requires both Government of Nepal (GON) and Development Partners to identify the most critical issues. This limited number of targets also makes implementation easier, as each “champion” can focus on addressing a maximum of 6-7 priority issues. This avoids dilution of efforts and dilution of accountability.

The strong monitoring framework, with regular review meetings and clearly identified targets and indicators, is also a key component of the success of NPPR. One positive development over the past couple of years is that more and more resident donors are participating in NPPR meetings. This has helped enrich the process and the dialogue during NPPR meetings.

Overall, NPPR has been a relevant forum for discussion of key effectiveness issues on the national side. Two areas are observed for further discussion to improve NPPR's role in ensuring overall aid effectiveness:

- In addition to the existing work on transversal efficiency and process issues, NPPR should also include a segment looking at key development results in priority sectors
- In the spirit of partnership and mutual accountability, key aid effectiveness indicators should be introduced also for development partners, to complement the existing targets and indicators set for GON.

Considering this, NPPR 2011 is trying to focus on results framework and mutual accountability which ultimately boost the aid effectiveness efforts, in addition to the traditional key areas that NPPR is being pursued over the years. What we believe that it is necessary also to look at key development results, in

order to have a more comprehensive picture of development effectiveness in Nepal, and to verify if efforts on transversal management issues have a positive impact on development achievements on the ground. However, results framework exercise is in infantile stage in Nepal. Some scattered efforts are underway. Some agency's business plan has been worked out but still to be adopted and implemented. Capacity building is further essential on overall results area. Staged approach could be the best solution moving steadily but firmly in results framework. After all agencies adopted their business plan and sectoral results framework, it will be the starting point for all stakeholders to formulate their own results frameworks to achieve stated objectives and targets in priority sector based on defined outcome and output indicators. NPPR is also expected to be further inclusive among the Development Partners.

## **2. Overview of Aid Effectiveness in Nepal**

Foreign aid plays an important role in Nepal's socio-economic development, representing 26% of the national budget for fiscal year 2010-11. In addition, significant aid flows are channelled directly to beneficiaries outside the national budget. The main sectors receiving external support are energy, education, local development and health, followed by roads, drinking water, peace and rehabilitation, and agriculture.

### **Nepal's commitment to aid effectiveness**

Over the past 10 years, the Government of Nepal has made significant efforts to strengthen the effectiveness these crucial resources. Flagship initiatives include the education and health Sector wide Approaches (SWAp), as well as the Local Governance Capacity Development Program (LGCDP). The first national aid policy was adopted in 2002, prior to the Paris Declaration on aid effectiveness. It clarified the mandates of national institutions with regard to aid management, and provided guidance on aid modalities and priorities for Nepal.

Since then, Nepal has been an active participant in international initiatives for aid effectiveness. In 2005, Nepal was among the original signatories of the Paris Declaration on Aid Effectiveness, which set a number of targets and objectives, for both donors and recipient countries, in order to improve the development effectiveness of aid.

In addition, Nepal is also a contributor to the International Aid Transparency initiative (IATI), which brings together donors, developing countries and civil society to design international standards for publication of aid data, and advocate with donors for implementation of these standards.

The monitoring surveys on the implementation of the Paris Declaration, conducted in Nepal in 2008 and 2011, as well as the 2010 Paris Declaration evaluation, are key sources of information about the performance of development effectiveness in general and effectiveness of aid in particular.

*Overview of Paris Declaration Monitoring Survey ( 2008 and 2011) for Nepal*

<b>Indicators</b>	<b>2008 Results</b>	<b>2011 Results</b>	<b>Target 2010</b>
			85%
Aid on budget	46% (av.)	56% (av.)	
Coordinated technical assistance	15%	47%	50%
Using country public financial management system	68%	65%	76%
Using country procurement system	56%	37%	N/A
Parallel project implementation units (number)	106	68	64
In-year predictability	47%	55%	65%
Programme-based approaches	23%	31%	66%
Joint missions	23%	32%	40%
Joint country analytic work	28%	63%	66%

**Key achievements and challenges**

Good progress has been made in ensuring broader participation and wider national ownership of the development strategies. Participatory mechanisms have been put in place at all levels (from local to national), ensuring participation from all groups, including minorities, excluded and disadvantaged groups. Inclusive development is at the heart of the national development strategy. Remaining challenges in this area relate to the capacity of the various groups to effectively play their role and have their voices heard in the consultation process.

The definition of a long-term vision for the development of the country depends to a large extent on the finalization of the political transition and adoption of the new constitution, which will define the structure of the state. In the meantime, the new Three Year Plan (TYP, 2010-13) is used as a reference for the prioritization of development programmes. A revision of the 2002 Foreign Aid Policy is also planned in the near future to reflect the new aid environment and architect of new coordination mechanisms, and provide direction on aid modalities and priorities.

Significant efforts have also been made to introduce results-based management systems. Results-based monitoring and evaluation guidelines have been adopted by the National Planning Commission, and the corresponding information systems are under implementation. Despite these positive elements, the quality of results-based planning and reporting is still constrained by capacity issues, in particular at the local level. Capacities to use the results-based management systems to their full potential must be developed.



On the development partners' side, the last few years have seen some progress on donor harmonization, with more joint programmes, more donors joining the existing pooled funds, and better coordinated analytical work.

However, these positive developments on the harmonization side have not yet been translated into better alignment with national systems, especially Public Financial Management and procurement systems. On the contrary, the results of the 2011 Paris Declaration survey reflect a decrease in the use of national systems between 2007 and 2010, in spite of Government efforts to strengthen PFM and procurement systems through better policies and procedures, as well as capacity development. This negative trend suggests a need for GoN and Development Partners to work more closely on these issues and find a mutual agreement on which steps are needed on both sides to gradually increase the use of national systems.

Aid predictability, and aid transparency in general, have seen some recent improvements with the implementation of the online Aid Management Platform (AMP). However, commitment will be necessary on the development partners' side to ensure that regular and timely reporting in AMP becomes standard practice. At this stage, the quality and timeliness of reporting in AMP still varies greatly between development partners.

Sector-Wide Approaches (SWAs) in Education and Health have significantly contributed to improving harmonization, alignment and mutual accountability in their respective sectors. Results-based management is stronger in these sectors and there are efforts to better coordinate technical assistance activities. Overall, the adoption of SWAs or Programme Based Approaches (PBAs) seems to have a positive impact on development results. While existing SWAs and PBAs have seen positive change, the implementation of similar approaches in other sectors has been slower than anticipated. GoN and development partners should jointly agree on the sectors or sub-sectors where such approaches should be implemented in the short term.

Technical Assistance remains fragmented. It is also the aid modality over which GoN has the less control, with many TA projects or components being implemented directly. There is a need for better coordination of TA at sector level, to ensure consistency, complementarity and alignment on national priorities. Efforts to pool TA should be encouraged, to streamline TA reporting and accountability, ensure stronger ownership, allow for more flexibility and reduce transaction costs. All development partners should be involved in these efforts, including INGOs.

Recent OECD analysis of fragmentation in Nepal over the period 2005-2009 shows that for almost all sectors and donors, the increase in the volume of aid over this period has been marked with an increase in fragmentation (number of donors per sector) and proliferation (number of sectors per donors). On the basis of this initial analysis, it seems that a division of labour exercise could help maximize synergies, build on DPs' comparative advantages and reduce transaction costs.

Mutual accountability mechanisms have so far been limited to SWAP or PBA sectors and at the national level through the Nepal Portfolio Performance Review process (NPPR). However, NPPR has so far been focused on a few national management issues, and active participation was limited to four DPs. GoN has proposed to open the current NPPR cycle to other DPs and to

include some strong components on mutual accountability and on development results, in addition to the traditional four areas (PFM, HR, procurement and M & E).

As the High Level Aid Effectiveness Forum in Busan, 2011 is highlighting aid issues in the context of overall development effectiveness, NPPR focus on portfolio implementation and effectiveness is relevant.

### **3. Highlights of Key Areas of Reform for Improved Portfolio Performance in Nepal**

#### **3.1 Reform of Public Financial Management (PFM) in Nepal**

Improving governance and accountability underpins the agenda of the Government of Nepal (GoN). Strengthening Public Financial Management (PFM) is a key element of the GoN's strategy for strengthening governance, optimizing outputs from public resources and ensuring inclusive and broad-based development. The overarching goal of a PFM system is to improve efficiency of fiscal operations and enhance government accountability and transparency as well as to improve control of expenditure. The increasing indiscipline in budget execution, ineffective expenditure control and lack of transparency mainly in procurement pose significant fiduciary risks to development endeavors of the country. The GoN's intention of establishing a sound PFM system that ensures the transparent, efficient, economical and accountable use of budgetary resources and donor funds has resulted in several initiatives to strengthen overall PFM system in Nepal. PFM in general incorporates the management of government revenue, budget, expenditure, deposit, debt, reimbursement, procurement and other important aspects of financial management such as accounting, recording and reporting. It also includes internal control, final audit and external scrutiny of the financial transactions. Hence, strengthening treasury system, financial monitoring and reporting as well as capacity building for PFM are the most critical elements of a sound public financial management practice. Hence, an effective PFM system contributes to reduce fiduciary risk of the public expenditures. Similarly, a sound and predictable PFM system not only mobilizes external resources from development partners but also ensures effective utilization of such resources and establishes transparency and accountability mechanism of the public funds. It also contributes to channelize all resources and funds through the national system. However, a number of donor supported reform programs, namely by WB, ADB, DfiD have already been implemented by the GoN in the PFM areas. The ongoing PFM reform initiatives undertaken by Financial Comptroller General Office (FCGO) are as follows:

#### **Single Treasury Account (TSA): A Success Story**

GON, following international best practice, decided to introduce TSA system for government payment and receipt processing in 2009. A World Bank mission in February 2009 advised the Government that under the proposed TSA regime the basic role of the DTCO will change from that of ex-post consolidation of expenditure/ receipt transactions to that of ex- ante control. To be able to perform these functions, the DTCO offices will need to have access to an information system which has the functionality required to support basic treasury operations and be equipped

with the necessary technological infra-structure to operate these systems. A central module also needs to be implemented at the FCGO/ MOF. Since the role of the staff at the DTCOs change significantly under the new regime, from ex -post consolidation of transactions to ex-ante control of expenditure transactions, adequate training need to be provided to DTCO staff and staff augmentation may be necessary at the DTCO for it to be able to perform the transaction processing functions that will be transferred to it under the proposed scheme.

The modified TSA system has been piloted in two districts – Bhaktapur DTCO (16 November 2009 and Lalitpur DTCO (17 January 2010) and has since then been extended to 22 districts over the last 18 months. An additional 16 districts have also been brought under the coverage of TSA from this fiscal year. The TSA regime was first implemented only for expenditure transactions. This has now been extended to revenue and deposits as well. The TSA regime is proposed to be extended to all 75 districts of Nepal over the next two years.

The TSA component is intended to provide support for (a) implementation of a Treasury Single Account (TSA) system that enables real time budget checks across all District Treasury Controller Offices (DTCOs) in the country and at the center in the FCGO, and (b) further enhancement of the modified Financial Management Information System (FMIS) to include elements of the core TSA functionality requirements (including commitment accounting) that are still missing, and any additional elements that will be required as the Government moves to implement International Public Sector Accounting Standards (cash based IPSAS ). This component is being implemented based on an assessment of the current status of the implementation of the TSA, of the requirements to complete full rollout of the system to the remaining districts, setting up of a Central Module of the System at the FCGO and making any additional enhancements to the software.

Although the government has already rolled out the TSA in 38 districts, the greatest challenge that is being observed is the motivation and incentives for staff at DTCO level. If this is not appropriately addressed, this will remain as a major challenge to sustain of the program. The government is, therefore, proposing performance based incentive program to be introduced as it was done in revenue generation. The other challenge is the ongoing energy crisis which is a great threat to ensure continuing support of the program. Back up equipments and generators are being provisioned to address this challenge. Required capacity is another challenge which needs to be addressed. Capacity in terms of technical know-how as well as IT related capacity needs to be addressed during the implementation of the program. Similarly, internet and network connection should be regularly provided to run the online system which is very critical and integral part of the TSA.

### **Public Expenditure and Financial Accountability (PEFA)**

PEFA is basically a framework for strengthening public expenditure system of a country. It pays high priority to transparency and accountability in utilizing and managing public funds. The core objective of PEFA is to enhance expenditure management of the public funds and reduce associated fiduciary risk. The PEFA initiative has developed a robust tool for measuring PFM performances and providing sound assessment of the quality of PFM for countries of all income

levels. 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. Effective implementation of action plan contributes to improve PFM performances that eventually help to achieve better service delivery and efficiency in public expenditure management.

The PEFA Assessment, to assess the performance of the country's PFM systems in comparison with internationally accepted benchmarks, was initiated by the government with the support from the World Bank to provide a basis for objectively assessing the country's PFM systems. The PEFA methodology examined the soundness of the PFM framework by rating 31 indicators (three related to donor practices) using criteria provided by the guidelines. The scope of the assessment covered fiscal and debt management, budget formulation, budget execution, internal controls, procurement, accounting and reporting, auditing, transparency and external scrutiny. The assessment concluded that the country's PFM System was well-designed but unevenly implemented, thus posing fiscal and fiduciary risks to budgetary resources and donor funds. Following the PEFA assessment, the GoN in collaboration with Development Partners (DPs), formulated a Development Action Plan (DAP) that described the menu of actions for strengthening PFM systems and processes. In 2008, the GoN formed a PEFA Steering Committee (Chaired by the Finance Secretary) and set up a PEFA Secretariat (currently located in the Financial Comptroller General Office premises to drive the reform initiatives and coordinate the PFM reform efforts.

Following the PEFA assessment, in 2009, with the support of the World Bank and DFID, the GoN formulated a Public Financial Management Reform Program (PFMRP) Strategy, Phase I (2010- 2013)<sup>1</sup>, with the objective of adopting a holistic government-wide approach to PFM reforms encompassing both the institutional and technical aspects. This is intended to be a gradual and long-term process that requires strong political will and commitment which will contribute to reducing fiduciary risks as well as improve transparency and accountability of public financial management. It provides a framework in which all related reform initiatives can be incorporated under a single "umbrella" under which the development partners can provide their funding on a joint and "programmatic" basis.

The PFMRP strategy has two key priorities for the short term: (1) to deliver actions that yield effective results in strengthening the PFM system, and (2) to build the capacity of the PEFA Secretariat to lead the PEFA agenda and institutionalize the reform process. This Strategy will be implemented through tactical action plans and will help make decisions on mobilizing and allocating resources and address the prioritized underlying issues. It focuses on achieving, measuring verifying the results. Over the period, it is expected to help instill "performance culture". The success of the reform program will depend on commitment and ownership by responsible agencies, strong political commitment and the sustained partnership of development partners.

Following priorities have been identified in the area of public expenditure and financial accountability: Sustaining technical support on basic budgeting and treasury functions; supporting outreach and consensus building on the need for PFM reforms among government and civil society stakeholders; leveraging information technologies such as

Integrated Financial Management Information Systems (IFMIS); strengthening the audit function of the Auditor General; strengthening the parliamentary oversight function carried out by the Public Accounts Committee (PAC); moving from a rules-based to principles-based approach in line with international standards; supporting the institutional development of the primary institutions of accountability in Nepal; strengthening PFM monitoring by both State and non-State actors, including independent verification interventions; and supporting the design of a sound financial management system in the context of state restructuring and transition to a possible federal system.

### **Implementation of Nepal Public Sector Accounting Standards**

This supports initiatives undertaken by FCGO to strengthen financial accounting and reporting of the budgetary entities and State Owned Enterprises (SOEs) of the Government of Nepal by converging Nepal Accounting Standards with International Financial Reporting Standards (IFRS). Nepal has made a commitment for full compliance with the International Financial Reporting Standards (IFRS) by 2012 through conversion of Nepal Accounting Standards with the IFR. The current accounting procedures for government ministries, departments and agencies do not include capturing and reporting information on commitments. It is, therefore not possible to determine what portion of the unspent budget, if any, remains available to be spent under any budget head, or indeed, if the budget is already over-committed.

This activity should devise the new procedures and forms required to capture commitment information in the TSA accounting system, and provide training to spending units in implementing the new procedures. This will enhance ex-ante fiscal control and provide a basis for managerial decision making by the line managers. This also integrates Pilot consolidated financial reporting in accordance with International Public Sector Accounting Standards (IPSAS). This supports FCGO in compiling consolidated financial statements in accordance with cash based IPSAS. For this a system need to be developed to piloting this approach with the selected ministries. The FCGO will be responsible for implementing Nepal Public Sector Accounting Standards (NPSAS) in accordance with the cash based IPSAS.

### **GFS based New Codes and Classifications of the Budget and Expenditures**

The Government Finance Statistics (GFS) is an accounting framework developed by the International Monetary Fund to support economic analysis of the public sector. Initial GFS Manual was developed in 1986 and it was entirely cash-based. GFS moved to accrual in 2001. Since GFS 2001 is designed for an accrual accounting. However, it has been modified to accommodate GON's cash basis of accounting and budgeting purposes. GoN has decided to implement GFS based new economic codes and classifications since the beginning of the current Fiscal Year 2011-12.

These codes and classification integrates Revenues and Grants, Expenditures and Financing. The basic purpose of implementing GFS based codes and classification is to upscale Nepalese accounting system to make it compatible and comparable with the international system. It also provides accurate and uniform interpretation of the codes as it is being done globally. It also opens avenues for moving towards accrual system of accounting and supports to implement NPSAS.

### **3.2 Reforms in Public Procurement**

Public Procurement is a key public policy tool that also regulates the public sector's interaction with domestic and international market in ways that directly impact efficiency and competitiveness. As the large buyer in much country, the government's purchasing behavior contributes to short and long term effects on critical aspects such as the demand for goods and services in the economy the development of technology and even the behavior of the buyers. The regulation of production of intellectual services affects the development of the national consulting industry and the knowledge economy.

Sound Public Procurement has multiple development outcomes, some of which often overlooked, e.g. being more efficient than R & D subsidies in simulating innovation. The procurement function bears on social and economic outcomes and involves therefore the prioritization and sometimes fast tracking of development prospects and programs which are all depending on appropriate procurement approaches to be implemented effectively.

Based on the PPA and PPR, Public Procurement Monitoring Office (PPMO) has been issued various Standard Bidding Documents (SBDs) to harmonize procurement activities among the Public Entities, Parastatal Agencies, Universities, Local Bodies, etc. Standard Bidding Documents of Goods and Works have been issued final version after the approval of the cabinet and other documents also are in the process of modifications and approval.

PPMO has been running in the Second Year of implementation of three year strategic framework to make effective public procurement system.

#### **Box 1 : e-Gp System in Nepal**

*Department of Roads, under Ministry of Physical Planning and Works, is using e-bidding system for civil works procurement since five years back (December, 2007). DoR, DoLIDAR, Melamchi Project, DoI, DoWIDM, DoUDB, DoHS, Nepal Army, NEA and few hospitals are using their separate software for their procurements.*

*Public Procurement Monitoring Office (PPMO) has owned that DoR system in August 2011 and installed ([www.gepson.gov.np](http://www.gepson.gov.np)) as a Single Portal System for all Public Entities of Government of Nepal, and is used for procuring civil works and goods. PPMO has already begun the process of developing new software for e-submission in first phase and it is estimated to be completed within December 2011, and after testing its lunch is estimated to start from March 2012. For the development of full-fledged e-Gp system in second phase, consulting form is estimated to be recruited within November 2012. Till now 120 public entities are registered in this e-bidding system.*

It has been initiated for evaluation of country Procurement system monitoring using OECD-DAC indicators. First stage evaluation using Base Line Indicator (BLI) has been completed. The Compliance Performance Indicator (CPI) and Agency Performance Indicator (API) evaluation are in the process.

PPMO has provided more than 150 advices and opining regarding implementation of PPA & PPA.

To make effective enforcement of procurement law it has black listed more than 27 Contractor, Supplier & Consulting Firm. It has also issued technical Guidelines no. 1 for the Settlement if price adjustment which was not mentioned in the contract document in small contract and contract period is than 15 months.

Recently PPMO organized South Asia Region Public Procurement Forum on last April 26-28, 2011 with the assistance the World Bank and ADB. Such type of interaction program is a first time in the SAARC region on Public Procurement.

PPMO organized Training of Trainer (ToT) and initiated capacity development training on public procurement. For the purpose of Rolling out of e-GP system in public entities PPMO has initiated to develop system. Recently it launched [gepson.gov.np](http://gepson.gov.np) on single portal for electronic Procurement system. Further development of this system the consultant has submitted a report for total rolling out of e-GP system. Based on this report the e-GP system will be fully developed by Dec 2011 and will be rolled over all PE's until Jan 2012.

### **3.3 Reforms in Human Resources Management**

Nepal Portfolio Performance Review 2010 has raised the issue of effective management audit of different projects. It has identified that the major challenge of project implementation is the frequent transfer of the project staffs, especially the project manager and the staffs working in account section. So, the national action plan regarding this issue has been approved by the government and formulation of transfer guideline for different ministries was one of the major tasks. In addition this, plan to carry out the management audit of 10 selected development projects was another important task. Ministry of General Administration has developed fundamental concept paper regarding the transfer guidelines and management audit. MOGA has also completed the management audit of 10 selected development projects and has prepared the compiled report.

Administrative reform is a continuous process. New changes have to be incorporated to enhance the level of service delivery. Performance of development project depends on the human capability and compliance of the existing rules and regulations. To meet the people's expectation and provide the maximum satisfaction to people from our service, we need to accelerate our effort and make our administrative system accordance with the agreed federal system.

The implementation of Performance Based Incentive System (PBIS) and extensive data update strategy in the Department of Civil Personnel Records has brought upon positive changes in both data update and service delivery. The data update has been effective and a complete Business

Process Redesign (BPR) has been implemented to align the daily work practices with PIS and decentralized service. Even though the data update has yet to be completed we can get a more accurate picture of existing HR scenario, the status charts of HR in accordance to the current PIS are given below.

### **PIS Data Entry and Analysis of PIS data**

Human Resource Management in public sector is weak due to inadequate database of the human resources in public sector. DoCPR is managing the data of civil personnel but the record is not fully updated so that transfer, training, vacancies in different offices have not predictable. PIS is the only the tools to manage the record of personnel and information gathered from this system can provide the reliable information for decision making. MOGA has aimed to develop a well updated database of civil personnel and use PIS for all component of Human Resource Management.

*The below table shows the status of entry in PIS:*

Service	Post registered	Employee at Work	Vacancy
Economic Planning And Statistics	440	350	90
Agriculture	5482	4727	755
Judiciary	3775	2902	873
Revenue	1001	896	105
Account	5063	3318	1745
General Administration	47836	32773	15063
Auditor General Service	395	310	85
Forest	3604	4908	-1304
Education	1768	1473	295
Constitutional	123	144	-21
Health	25001	15499	9502
Miscellaneous	3402	2656	746
Engineering	10017	7715	2302
Nepal Diplomatic	171	164	7
<b>Total</b>	<b>108078</b>	<b>77835</b>	<b>30243</b>



## **BOX -2**

### **PIS Success Stories**

*Department of Civil Personnel Records (DoCPR), also known as "Nijamati Kitabkhana" is a central record-keeping agency for government employee. The traditional nature of work has been continuously being modified to make record-keeping practice scientific and improve service delivery. The major automation of record-keeping has been developing computerized record-keeping system known as Personnel Information System (PIS).*

*The institutionalization of PIS has been one of the successful efforts initiated by DoCPR for an effective management of civil servants information. In span of few years, PIS has evolved as an intelligent and interactive decision making & support tool that can be used by the entire government agencies for necessary information on their personnel. The electronic recordkeeping system has allowed Department to introduce innovative and MIS based applications.*

*Personnel Information System (PIS) is an Oracle based database system that has been designed and deployed at the Department of Civil Personnel Records (DoCPR) to maintain and keep track of all the activities of civil service employees, right from the date of appointment until retirement to death. The system maintains the vital information of a civil servant such as name, address, birth date, retirement date, service history salary and grade, pension and gratuity amount, award, educational, training, disciplinary actions etc. The system is sub-divided into several sub-components: Personnel Information System, Post Management System, Payroll Management System, Pension and Gratuity Management System, Asset Submission Tracking System*

*DoCPR plans to use PIS as a centralized primary information provider of MIS on Human Resources by means of a state of art computerized system which will function as:*

- *a tool to streamline working procedures & automate payroll and pension processing for effective and efficient personnel management*
- *a tool to improve service delivery of the government, increase transparency & facilitate e-governance*
- *a centralized HR decision support and planning system for policy makers*

*In recent time with introduction of Performance Based Incentive System the department has been successful in complete internalization of PIS system with daily work process. The new method of automated central filing system has improved the data update and file retrieval system, thus improving quality of data and service delivery. The DoCPR has shared the PIS system with other agencies like Civil Service Hospital, Citizen Investment Trust for HR data verification, also Police Record Keeping Department has used PIS software of DoCPR with some modification to keep records of all police personnel and automate pension and gratuity system.*

## **Implementation of Transfer Guidelines and Follow-up of Management Audit**

The efficiency and effectiveness of the development project in public sector is not satisfactory. **One of the most crucial reasons for this is frequent transfer of the project staff.** MOGA has assisted to develop the transfer guidelines of the selected 10 development ministries. Development of transfer guidelines is not only the sole solution. Regular monitoring of the implementation of the guidelines is equally crucial.

Management audit of the organization and development projects provides the information about the strength and weakness of the organization. Weakness in implementation of the plan and policies can be identified with scientific management audit. Taking this in consideration, MOGA has conducted the management audit of selected 10 development projects. It is equally important to follow up the activities that have been carried out to solve the problem identified by management audit so that improvement can be done regularly.

## **Performance-Based Incentive Plan & implementation of PBIS**

**Incentive to the government project staff is an issue in Nepal.** To achieve project's output and outcome, motivated human resource is crucial. Performance is directly related with the organizational set-up, job nature and job load. During organizational and management study itself, we must be able to identify the strength and weakness of existing organization and need of reform in that organization. Similarly, we need to trace out the job to establish the new organization. If we carry out the organization and management study properly, then it is easy to apply the performance pay system because we develop the indicators to measure the performance. Link and tying up performance with yearly appraisal of employee (Ka.Sa.Mu.). The successful implementation of PBIS system in Department of Civil Personnel Records will be continued and similar implementation plan in more agencies will be developed. The MoGA will focus on capacity building program to develop performance indicators, benchmarking and PBIS proposal.

## **Training for all and Effective Training Monitoring**

One of the key issues raised in concern for HRD was **inadequate training for the public sector's employees.** The training programs both through internal training centers and external sources had been conducted in past, GoN has now developed core policy for "Training for all" for all civil servants and other public service sector. Improving the capacity of existing training institutions and establishment of new training institutions on the basis of need assessment of the training is important.

The training and Capacity development programs are two crucial aspects of HR planning & development. DoCPR has started to enter the Information related to training and similar activities from last year but the information capture has been slow and only those data that are submitted to the Department can be entered. For comprehensive and accurate information regarding training and capacity development training certain reporting standards, training and capacity development program database, related data storage in PIS should be planned and implemented. In addition to training data, DocPR will take phased approach of data collection

and designing of other MIS data including skill and language, inclusiveness and specialized knowledge. This system will be vital for administrative reform in federal structure.

### **Networking and Interconnections and MOU for Direct Data Entry**

**One of the major challenges of timely data update in PIS system is due to lack of network among DoCPR and other stakeholder agencies. At present there is optical fiber connectivity inside Singha Durbar premise but agencies outside Singha Durbar are still not connected.** The internetworking of agencies can be done in phased manner, where in first phase departments, government training centers inside Kathmandu Valley can be connected. The proper MoU with these agencies can create situation where all data are captured at source. MoGA will develop strict Guidelines to stop any initiative within government agencies to develop a parallel and redundant HR Information System but instead facilitate the use of PIS. This task requires interconnectivity and training budgeting allocation. MoGA and DoCPR will prepare a action-plan for this task including technical details, timeframe and estimated budget.

### **Strengthening Organization and Management Study (O&M Study)**

Organization and Management Survey is regular but important task of Ministry of General Administration. MoGA plans to carry O&M survey more scientifically and provide in-depth analysis to ensure all activities and required HR are clearly defined. The O&M survey helps in continuous improvement in administrative reform. Effective O&M survey is crucial component in MoGA initiative for HRM development, improving quality of O&M survey with capacity development, adequate resource allocation and application of PIS in O&M survey are also critical.

### **Enhancing PIS to monitor Transfer and Vacancy**

PIS as a central HR monitoring tool can be extended to provide real time reports on transfers, vacancies. The DoCPR and MoGA will enhance the workflow management and reporting capabilities of PIS system to facilitate online and extensive use of PIS for HR related activities in all Line Ministries and concerned Departments. DoCPR will also integrate other related functions like Asset-tracking, Document Registration and Payroll tracking report with PIS to enforce better use of PIS. Another important aspect for DoPCR/ MoGA is to launch awareness and capacity building programs to user in different line ministries.

### **HRM Plan**

Ministry of General Administration has prepared draft Human Resource Management Plan. This plan will be the stepping ground for the future task of forthcoming Human Resource Ministry. Similarly, MOGA has produced the first draft of study report of work culture, procedure and service delivery. This draft report has put the existing situation of work culture in government agencies and also has recommended the policies that to be taken for effective service delivery and better work culture in public agencies.

### **3.4 Reforms in Managing for Development Results (MfDR)**

Government of Nepal has initiated several reform measures in Budgeting, Monitoring and Evaluation system. Managing for Development Results (MfDR) concept initiated in selected public sector agencies to make development programme more effective and result-oriented. With the support of ADB, in the last financial year, this system was internalized in NPC, MPPW, MoLD, MoE, and operationalized in MoAC and MoEn. RBB system is introduced in Department of Transport Management and Traffic Management office. Preparation of business plan in 13 government agencies was finalized and preparation of MfDR training manual and capacity development related training and workshop was conducted. Altogether 90 government officials were trained in national and international MfDR training program.

In TYP document GON has committed to extend MfDR in more development oriented ministries within plan period. In this Fiscal year at least selected 10 government agencies have to prepare their business plan and RBB system will be introduced in two more government agencies.

Result Based Monitoring & Evaluation (RBME) Guidelines, 2067 is implementing in all P1 and donor funded projects and programs. RBME Guideline has focused on result based M&E instead of traditional input output based M&E. Similarly, this guideline has focused on computer based monitoring and evaluation system at different levels.

NPC has issued policy guidelines to prepare M&E plan to all sectoral ministries. M&E plan will be mandatory as procurement plan to all P1 and donor funded programs and projects.

District Poverty Monitoring and Evaluation Analysis System (DPMAS) Guidelines was developed and DPMAS Software was modified, updated and handed over to MLD for implementation. Installation of software in 71 DDCs was completed and 150 DDC staffs were trained in last financial year. Circulation has been made to submit DPMAS report within October 15, 2011. This software will be linked with PMAS and PPIS software .Once the linked established online monitoring will be possible.

Poverty Monitoring and Evaluation System (PMAS) Software, sectoral central level monitoring software is being developing to monitor the sectoral indicators. This software will be linked with DPMAS at district level and PPIS at national level.

Project Performance Information System (PPIS) Software, a national level software is being developing and in almost final stage. This software will be linked with PMAS and DPMAS system .After the fully operation of these three system at different levels, M&E system will be more effective. In the above reforms in M &E related activities, JICA has provided significant support to the government agencies, particularly to NPC.

On the spirit of RBME Guidelines, independent or third party evaluation process is underway in Karnali Employment Program and Social Security Program. These evaluations are near completion and final reports are expected by December, 2011. In this fiscal year at least five selected more programs/projects will be evaluated through this mechanism. Special and regular

monitoring mechanism has been developed for large, high priority and public concern projects and will be continued. Regular field visit will be conducted to make it more effective.

Emphasis has been given to conduct National Development Action Committee (NDAC) and Ministerial Development Action Committee (MDAC) meeting regularly and will be continued in future.

More than 60 officers working in M&E field of different line ministries and projects were trained within past financial year.

### **Paris Declaration Evaluation II (2010) reflections on MfDR in Nepal**

“Nepal has achieved the 2010 target score of B for its result-oriented framework, an improvement from the 2007 results of C, and partially meeting the 2010 target of A or B. The national development strategy (NDS) of Nepal incorporates a monitoring and evaluation (M&E) framework to track progress. The M&E framework sets out clear institutional responsibilities and coordination for the most part, and is supported by a strong and comprehensive data collection system. However, only 25% of indicators have baseline data, and the main data sources have inadequate frequencies. Stakeholder access to public expenditure data and information on the NDS is provided through a variety of dissemination process.

The National Planning Commission is the central coordination agency for the overall monitoring of the periodic plans. Planning/Monitoring & Evaluation Divisions of sector ministries are responsible for monitoring at sectoral level. All sector ministries are preparing results-based frameworks for the NDS. Outcome and impact level indicators of the NDS contribute to the Millennium Development Goals. Most of the MDG targets are included in the NDS. In regard to Coordinated Country-Level Monitoring and Evaluation, institutional responsibilities and coordination are mostly clearly explained and understood. The M&E framework tracks input, output, and outcome indicators for each activity under each sector, and line ministries and policymakers use M&E reports in order to inform policy formulation”.

### **3.5 Mutual Accountability**

Effective accountability mechanisms are essential for aid to be effective. Donors and partner country governments should be accountable to their respective publics and to each other for their commitments on aid effectiveness.

This is one of the areas in PD that interprets vaguely in terms of its implementation. In Nepal, mutual accountability mechanisms have so far been limited to SWAP or PBA sectors and at the national level through the Nepal Portfolio Performance Review process (NPPR). However, NPPR has so far been focused on a few national management issues, and has been criticised as limited to few DP’s active participation. GoN is proposing to open the current NPPR cycle to other DPs and to include some strong components on mutual accountability/aid effectiveness and on development results, in addition to the usual four management issues (PFM, HR, procurement and MfDR). The intention of the Government is partnership and NPPR mechanism also envisages the same when government took its leadership some years back. As the nature of this

theme has longer term perspective, NPPR mechanism is trying its best to focus on shorter term, measurable and doable actions, probably within a year, to identify and implement them to help to achieve broader development objectives and effectiveness in the long run.

### **PD Evaluation II (2010) reflection on Mutual Accountability**

“Nepal was assessed to have functional mutual accountability mechanisms in 2010, improving the situation from 2007 where there were no mechanisms and therefore meeting the target. A Local Donors Meeting held regularly at Ministry of Finance is one notable mechanism. Moreover, there have been mutual assessments of progress through the Nepal Portfolio Performance Review exercise, which initially focused on four donors but is now being expanded. Despite this, a National Action Plan on aid effectiveness has not yet been fully endorsed due to political transition, and there is no mechanism to regularly follow-up on commitments made in the draft plan. With regard to specific donors, periodic joint reviews and assessments of the Asian Development Bank funded projects are being conducted annually. Line ministries also host periodic joint reviews with respect to World Bank projects. Health and Education SWAps conduct mutual assessments of progress through Joint Assessment Reviews”

## **4. Major Challenges in Key Areas**

Over the years, Nepal is implementing various projects/programs through donor’s support. Nepal has achieved significant progress in conflict periods through its pragmatic approach of implementation. However, there are various issues that come across that hinder the smooth and expected implementation status of the projects/program in Nepal. DPs time and again suggest government to improve the scenario. Government itself is keen to have reform in various key areas where portfolio performance matters. These are some of the challenges in each key area:

### **4.1 Challenges in Public Financial Management**

It has been noted in Nepal that despite the various legislative frameworks in place, effective implementation and monitoring of those frameworks is weak. Capacity constraint is not an exception in this area also like in many areas in Nepal. There are constraints,

1. Budget execution follows elaborate and complex processes, and monitoring of the implementation process is weak. The pace of expenditure is uneven, with 60 percent of spending taking place in the last two months, especially in the development budget. Simplifying procedures to start implementing development projects after the budget is approved, and initiating project related procurement processes soon after the budget is agreed, would significantly reduce the delay and the uneven pace of spending.
2. The current accounting system face challenges to provide a fair, accurate and timely picture of public finances. This requires extending the coverage of the budget and accounts, making accounting methodology consistent with the GFS, and bringing forward the submission of annual financial statements. As a support to the plans to move to cash-based IPSAS, the report recommends preparing a census of all entities

- in the general government and extending the coverage to these entities, designing a comprehensive chart of accounts (COA), a review of accounting methodology, consolidation of monthly accounts, and ensuring that the accounting system is standardized across all levels of the government.
3. Internal audit (IA) system, as a part of compliance and control is largely ineffective. IA is entrusted to the District Treasury Offices (DTO), where due to lack of proper mandate and skills, it has become ineffective.
  4. Though improving, final auditing system has time and quality issues which needs to be addressed. Moreover, there has been some management issues observed particularly due to the long time vacancy of Auditor General.
  5. Trainings across the PFM system are inadequate.
  6. Understanding level of PEFA and PFM system is very weak among the stakeholders.

#### **4.2 Challenges in Public Procurement**

Though significant improvements are seen recently in public procurement reform, particularly in e-bidding, Nepal procurement system requires a bigger push to improve in many areas of intervention. There are some of the major challenges, such as:

1. **Lack of human resources:** PPMO is a newer institution in government. It is constrained from tapping talents and training its own people and stakeholders about the system and procedures. Retention of human resources is another challenge in PPMO.
2. **Rolling over of e-GP system:** The development, operation and maintain of e-GP system is challenging job. So development operation and maintenance of competitive bidding system is a challenge in existing situation.
3. **Motivation:** Though it is a common challenge in civil service, due to its nature, working in PPMO is less motivational for the staff.
4. **Inadequate Monitoring:** To make sustain the reform there should regular backup, training and monitoring. This is observed due to lack of trained staff and fully establishes system in place.

#### **4.3 Challenges in Human Resources Management**

Civil service reform is a slow and complex topic in Nepal over the years. Governments time and again exerted its efforts to improve the situation. However, due to various reasons, particularly the political transition, this area is somehow neglected in terms of improvement. In the context of project management, strong project unit is an issue which is connected with untimely transfer, replacement, overlapping, and handover. Incentive is another issue which has forced the government to hire expensive consultants and also it threatens the sustainability. Capacity

development is another area which needs intervention. In short, the followings are the major challenges in HR:

1. Inadequate training in civil service, particularly at the project level.
2. Low incentive to work in civil service, due to uncertain career predictability.
3. Frequent and untimely transfer of some of the projects staff, particularly project managers. Though it is reducing in number recently. It is not consistent across the sectors/agencies.
4. PIS Data base system is suffered due to lack of network availability, particularly outside Singh Durbar.
5. Human resources plan is always an issue but still slow in progress.
6. Management audit is ineffective.

#### **4.4 Challenges in Managing for Development Results**

MfDR is a process of change in development sphere, particularly to attain effectiveness of public fund. In Nepal, this is relatively a newer approach. Some of the donors have been adopting over the years this practice in their supported projects. Roll over to the government system is still a challenge due to capacity constraints and systemic reform in the result area. Government of Nepal has shown its commitment to move towards the result approach through various ways. However, effectiveness of these efforts is minimal. Below are some the major challenges facing by MfDR process in Nepal:

1. Linking of annual plans with allocation supported by results of the previous year is not fully practiced in the budgeting.
2. Though MTEF is being practiced, quality of prioritization process is still in question.
3. Result based monitoring and evaluation is still not fully in practices, though software installment in districts and training is being done.
4. Result based budgeting is still not started as systematic way.
5. Awareness is weak among the public offices regarding the results approach.
6. Few staffs are trained in MfDR and in particular in result based budgeting and monitoring.
7. Sectoral ministries has not yet adopted sectoral business plan which incorporates results framework.



8. Most of the M&E units established in the ministries are under resourced, understaffed or low retention of staff also, with low profile.
9. M&E section is still in low priority in the government agencies.

#### **4.5 Challenges in Mutual Accountability**

Effectiveness is achieved through joint efforts of government and donors. Within the government, all national actors should be brought on board to achieve higher level of outputs and outcomes from resources invested. Donor money is not an exception. Public, private and civil society, regulatory agencies, local bodies all is equally important in this endeavor. Still there is lack of understanding of the role of various actors in reviewing and assessment of the effectiveness. Donors are used to ask government to accomplish certain reform actions but leaving some important task unattended in their part also. Government is used to defend with DPs that they are commitment and doing at the utmost. This situation is not matched each other over the many years. Now, it has been realized that unless partnership approach prevail, results will not be achieved as expected. Aid predictability, use of country system, reduction of PIUs and joint approaches are some of the area that DPs are expected to cooperate with the government with the higher level of reform commitment on the part of government.

### **5. Way Forward**

#### **5.1 Public Financial Management**

1. Communication strategy to raise awareness of PFM/PEFA in order to own it and implement PEFA recommendations effectively.
2. Make budget execution smooth by simplifying procedural matters in PFM, such as authorization, procurement plan, annual program approval, contract timing and timely reporting.
3. Make Internal Audit system effective with trained staff and clear Manual.
4. Improve auditing by time and quality by introducing risk based performance audit manual and updating existing performance audit guidelines.
5. Increase number of trainings in various areas of public financial management and continue with planned schedule.

## **5.2 Public Procurement**

1. Rollover e-GP system in public entities started. E- Submission in some sectors initiated.
2. Capacity development of PPMO Staff as well as Public entities on various aspects of public procurement – concept, system, processes.
3. Introduction of effective monitoring system in procurement based on OECD/DAC benchmarking.
4. Reward Best Practices in public procurement.
5. Motivate staff working in Public Procurement in civil service.

## **5.3 Human Resources Management**

1. Conduct needs assessment for “Training for All” concepts.
2. Complete and approve the Human Resources Plan.
3. Improve promotion system in civil service with a view to predict the career.
4. Continue and improve the Performance based Incentive system, introduce in few projects. MOGA take leadership in providing training in its technicalities, particularly in indicator designing.
5. Transfer Guidelines continue to implement in ministries and monitor it through management audit. Make line agencies more accountable in compliance of their own transfer guidelines.
6. Carry out more management audit in development projects and share its findings widely. Improve the technical competency in conducting management audit to improve its quality.
7. Complete PIS entry and start analysis from various point of view of civil service management.

## **5.4 Managing for Development Results**

1. Continue and enhance awareness in MfDR in government agencies through increased number of trainings.
2. Implement Result based budgeting fully in few public agencies.

3. Adoption of business plan with sector result framework by the sectoral agencies and continue preparation of such plan in other agencies
4. Implement fully and monitor the implementation of result based monitoring guidelines networking with DPMAS, PMAS and PPIS.
5. Fully resourced M& E unit in each agencies and assign staff. Find the ways to retain them.
6. Complete Independent evaluation in three projects.
7. Ensure regularity of meetings of NDAC and MDAC.
8. Mandatory provision of M & E plan for all public sector agencies

## **5.5 Mutual Accountability**

1. DPs will provide information of Aid data, particularly of actual disbursement and planned disbursement of the next three years.
2. DPs will provide data on actual and planned disbursement for current fiscal year to ensure predictability
3. There will be data of aid on budget.
4. Status of PIUs reduction will be monitored.

# **PART II**

## **IMPLEMENTATION STATUS OF NPPR 2010 ACTION PLAN**

## Part - II

### Implementation Status of NPPR 2010 Action Plan

Nepal portfolio performance review meeting 2010 was organized on 9-10 September 2010 in Kathmandu with the spirit of continuing reforms in several common issues of portfolio management and ultimately better result in development activities in the donor funded projects. The following four key areas were recognized as theme and few actions were discussed and approved by the cabinet for implementation. These areas were:

- I. Improving Human Resources Management
- II. Improving Public Financial Management
- III. Reforms in Public procurement
- IV. Improving Result-based monitoring and evaluation System

To achieve concrete results from these areas, eighteen actions were prepared in a matrix with measurable indicators, specific timeline, responsible agencies and targeted dates. This Action Plan was approved by Cabinet. Champions from concerned agencies were assigned to pursue the implementation of eighteen actions within these four key areas. Ministry of Finance issued a commitment paper which define the role, modalities monitoring and review mechanism. Ministry of Finance organized four review meetings with related government agencies and all development partners, which show the status of progress for achieving targeted results.

The overall progress of NPPR - 2010 action plan implementation has been found **satisfactory**. Out of eighteen key actions, **five actions** have been **complied**. **Twelve actions are work-in-progress**. Out of which, few actions are delayed in implementation against the target dates. **One action is due**. After all it has been observed that additional effort is required for effective implementation of reform actions. In terms of target dates and delayed progress, it is also observed that we need to be realistic in setting the target dates.

Following is the overall sectoral scenario of progress under each of the key actions where progress has been rated as satisfactory, moderately satisfactory and unsatisfactory.

#### **Improving Human Resource Management**

Ministry of General Administration has led these key areas with **four actions**, of which, **all actions are work in progress** with significant progress in some of the actions. The progress has been seen as **moderately satisfactory**. The dominant issue under this area was PIS data entry of various vacancy and grade. Significant progress is made in data entry though analysis part is still progressing. Similarly, preparing transfer guideline, performance based incentive system and human resource development plan were some areas of reform actions. Ministry of General Administration has prepared five line agency's transfer guidelines, among them are Ministry of

Education, Ministry of Health and Population, Ministry of Environment, Ministry of Information and communication and transfer guideline of more five ministries are preparing soon. Ministry of General Administration /Department of Civil Personal Record has completed 78.44 percent by entering data into PIS. Ministry of General Administration has also disseminated management audit report of selected ten donor funded development project. This has also been put in the Ministry's website. This year Performance based incentive plan is being implemented few government agencies, they are Revenue Offices, Office of Auditor General, Mid Hill Highway, Civil Service Records Office and CIAA. Few other offices such as District Treasury Comptroller Office, Office of the Prime Minister and Minister Council and Attorney General Office are in the process of implementing this plan. Ministry of General Administration has received the draft report Human Resource Development Plan from consultant. MOGA has requested all ministries for their comments.

### **Improving Public Financial Management**

Financial Comptroller General Office has led this key action with **seven actions**, of which **two actions are complied, four actions are work in progress**, and **one action is due**. The progress has been seen **moderately satisfactory**. One of the main issue was to develop and adopt transparent and efficient criteria for placement of accounting staff particularly in donor funded development projects. This action has been fully complied and now there is no vacant position in any project office. FCGO has adopted a policy of fulfilling required/ demand of project account staffs without delay; as a result reimbursement status has been fully updated and reconciled. Following the letter of authorization from Ministry of Finance, FCGO has circular twelve remote districts offices to discontinue the system of allowing four months extra period. Another issue was training. FCGO has planned to provide basic training on accounting including reimbursement, preparation of project account to all accounts staff prior to deployment in development projects and conduct a refresher training program. Among these training financial management reporting (FMR) was conducted by Revenue Administration Training Centre. Orientation and refresher programs have been planned in the current fiscal year. Similarly another action was regarding the role of FCGO in decision making on account staffs positions and participation in different phases of project cycle. Some progress has been made in this action. Implementation of decision making is being started and a request has been sent to the chief secretary by FCG for its full compliance. Now FCGO is invited to attend signing ceremony of the development projects. Mainstreaming of FCGO fully on project cycle particularly in project design, appraisal, negotiation, financial monitoring and evaluation is progressing steadily. Similarly on Risk based Financial Audit Manual guidelines, they are prepared and submitted to OAG for approval and it will be piloting in five development partner funded projects. Likewise five member's team is formed and work is continuing to analysis the gap in order to review and update the existing performance Audit Guidelines.

### **Reform in Public Procurement**

Public Procurement Management Office (PPMO) has led this key area with **four key actions**, of which **two actions are complied**, and remaining **two are work in progress**. The overall progress has seen as **satisfactory**. One key issue was to review the law, monitor the practices and identify the reasons to promote compliance in public procurement law. Regarding this action,

draft bill has been submitted to parliament for amendment in procurement Act 2063. Public Procurement Regulation has been amended on 30 May 2011 by Cabinet. Similarly to develop capacity on public procurement, nineteen TOT program for persons/institutions from government institutions and one each from Nepal Administrative Staff College and Contractor's Association is completed. Ten training and twenty awareness programs has been held. New organizational structure has been approved. PPMO launched website [www.gepson.gov.np](http://www.gepson.gov.np) for e-bidding for fair and competitive bidding. One consultant firm is working for further work in e-GP. Recruiting a consulting firm to upgrade the software is in progress. Currently seven agencies are practicing e-bidding system – Department of Road, DOLIDAR, Malamchi Board, DOI, DOH, Department of Water Induced disastrous prevention and Department of Urban Development.

### **Improving Result-based Monitoring and Evaluation System**

National Planning Commission (NPC) has led this area with **three key actions**, of which, **one action is complied** and other **two are work-in-progress**. The progress has been seen as **moderately satisfactory**. This was a coordinated job to be done with line ministries. One of the main issues was to follow RBME guidelines fully in all P1 donor funded projects. Now NPC has approved RBME guidelines on 21 July 2010 and is being implemented in all P1/donor funded projects. Similarly DPMAS software is completed and handed over to MLD for implementation. Total 142 staff has been trained to implement DPMAS software. Action of four monthly and yearly monitoring reports generating process is delayed with some progress. Another action was third party evaluation reports of at least five programs or projects. This task is also delayed although third party evaluation for Karnali Rojgar Karyakram and Samajik Surakshya Karyakarm is near completion. Similarly 130 government officers from different ministries have been trained to RBME system and NPC has circulated all line ministries to assign of at least one officer for monitoring donor funded P1 projects. Another task was implementation of Result Based Budgeting in two agencies - Department of Transport Management and Traffic Management Office. It is not implemented fully. Business plan of thirteen government agencies is prepared and NPC is following up whether these plans have been formally adopted by line agencies.

**NEPAL PORTFOLIO PERFORMANCE REVIEW (NPPR) 2010  
ACTION PLAN FOR IMPROVING PORTFOLIO PERFORMANCE**

Focus Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<b>1. Improving Human Resources Management</b>  <b>Champion: Mr. Binod K. C. Joint Secretary, MOGA</b>	Weak Personnel Database	<ul style="list-style-type: none"> <li>PIS Data entry and analysis is completed covering (i) transfer, (ii) vacancy, and (iii) scholarship/training information of all levels of staff covering geographic areas.</li> </ul>	MOGA/ DOPR	<ul style="list-style-type: none"> <li>PIS database entry completed and status presented in NPPR 2011</li> <li>Data analysis completed</li> </ul>	Aug 2011 (entry completed)    Sept 2011	<b>Work in Progress</b> MOGA/DOCPR have completed PIS entry of 78.44% on various classes until 30 Ashoj (17 Oct 2011). Out of 102507 posts registered in PIS, only 78821 employees are in service currently. The expected completion date for Update is Jan, 2012.  Analysis will be started once entry is completed.
	Frequent Transfer of project staff	<ul style="list-style-type: none"> <li>Transfer Guidelines are prepared for development projects in 10 development ministries, conduct management audits in 10 selected projects and widely disseminate its report.</li> </ul>	MOGA/ line agencies	<ul style="list-style-type: none"> <li>Transfer guidelines prepared for 10 line ministries</li> <li>First management audit report disseminated</li> </ul>	Feb 2011    Sept 2011	<b>Work in Progress-delayed.</b> The Transfer Guidelines of the five line ministries -Ministry of Education (MOE), Ministry of Environment (MOEv), Ministry of Information and Communication (MOIC) and Ministry of Health and Population (MOHP) have been approved by respective ministries.  Ministry of General Administration (MOGA) has requested other five line ministries to prepare their respective transfer guidelines  MOGA has conducted the management audit of the selected 10 development projects. Audit Report is in website.



Focus Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<b>2. Improving Public Financial Management</b> <b>Champion: Mr. Mahesh Prasad Dahal, Joint Comptroller General, FCGO</b>	Low motivation and incentive not linked with results and performance	<ul style="list-style-type: none"> <li>Performance-based incentive plan is rolled over to more government agencies.</li> </ul>	MOGA/MOF/ concerned agencies	<ul style="list-style-type: none"> <li>Performance based incentive plan implemented in 6 government agencies.</li> </ul>	Aug 2011	<p><b>Work in progress</b> Revenue Offices, Office of Auditor General, Mid Hill Highway, Civil Service Records Office and CIAA are implementing the plan. Few other offices such as District Treasury Comptroller Office, Office of the Prime Minister and Minister Council and Attorney General Office are in the process.</p>
	Incoherent capacity development programs	<ul style="list-style-type: none"> <li>Human resource development plan of line ministries to be developed based on need assessment.</li> </ul>	MOGA/All ministries	<ul style="list-style-type: none"> <li>Preparation of human resource development plan completed</li> </ul>	Aug 2011	<p><b>Work in progress-delayed.</b> Ministry of General Administration has received the draft report Human Resource Development Plan from consultant. MOGA has requested all ministries for their comments.</p>
	Delay in preparing financial statements on time and slow reimbursement	<ul style="list-style-type: none"> <li>Develop and adopt transparent and efficient criteria for placement of accounting staff in development projects.</li> </ul>	FCGO	<ul style="list-style-type: none"> <li>Reimbursement status fully updated and reconciled</li> </ul>	July 2011	<p><b>Completed.</b> Reimbursement status is fully updated and reconciled.</p>
				<ul style="list-style-type: none"> <li>Fulfillment of account staff in all development projects</li> </ul>	Mar 2011	<p>There is no vacant position of accounting staffs in any project office. FCGO has adopted a policy of fulfilling required /demand of project account staffs without delay.</p>
		<ul style="list-style-type: none"> <li>Provide basic training on accounting including reimbursement, preparation of project account to all accounts staff prior to deployment in development projects and conduct a refresher training program.</li> </ul>	FCGO	<ul style="list-style-type: none"> <li>Such trainings provided at least once in a year.</li> </ul>	First training to start in Dec 2010	<p><b>Work in Progress</b> Regular training - orientation and refresher programs have been planned in the current fiscal year 2011/12. Training on Financial Management Reporting (FMR) was conducted by Revenue Administration Training Centre in 22-24 May 2011 for 16 Accounts Officers.</p>
		<ul style="list-style-type: none"> <li>Discontinue the system of allowing four months extra period for 12 remote districts.</li> </ul>	MOF/ FCGO	<ul style="list-style-type: none"> <li>Decision announced</li> </ul>	Jan 2011	<p><b>Completed.</b> Following the letter of authorization from MOF, circular to discontinue the system of allowing four months extra period for 12 remote districts is already sent to all concerned agencies in Nov 2010.</p>

Focus Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<b>3. Reforms in Public Procurement</b> <b>Champion:</b> <b>Mr. Mukti Narayan Paudel, Joint Secretary, PPMO</b>	FCGO role not mainstreamed in making decisions on account staffing positions and project cycle	<ul style="list-style-type: none"> <li>FCGO representative involved in the project cycle and arrangement involving FCGO in decision making process to create new positions, upgrading or cancelling the positions for accounts staff</li> </ul>	MOF MOGA Line Ministry FCGO	<ul style="list-style-type: none"> <li>FCGO Involvement in project cycle</li> <li>FCGO consultation in creating, cancellation and upgrading of account positions</li> </ul>	Jan 2011  Jan 2010	<p><b>Work in Progress.</b> Criteria for the upgrading of accounting positions and personnel are maintained and it was decided in Dec 9, 2010 from Ministerial level. Implementation of decision is being started. A request has been sent to the chief secretary by FCG for its full compliance. FCGO is monitoring its compliances.</p> <p>FCGO is invited to attend signing ceremony of the development projects. Mainstreaming of FCGO fully on project cycle particularly in project design, appraisal, negotiation, Financial Monitoring and Evaluation as well as project extension is still lacking.</p> <p><b>Due.</b> Guidelines have not been issued yet, though legal provision is there for account freeze.</p>
	Maintaining the fiscal discipline weak	<ul style="list-style-type: none"> <li>Issue revised Guidelines for the management of category C Accounts and Conditional Grants</li> </ul>	MOF, FCGO, MOLD	<ul style="list-style-type: none"> <li>Guidelines for the management of category C account in place and conditional grants frozen.</li> </ul>	Jul 2011	<p><b>Working Progress- Delayed.</b> Contract has been signed to develop Risk based financial Audit Manual. Report submitted to OAG and being discussed.</p> <p>As the Guideline is in Progress, it is being delayed.</p> <p><b>Work in Progress-delayed.</b> Five members team is formed. Gap Analysis is being studied with the help of Norwegian OAG expert.</p>
	Enhancing audit capacity	<ul style="list-style-type: none"> <li>Develop Risk-based Financial Audit Manual and pilot it in five selected DP financed projects.</li> <li>Review and update the existing Performance Audit Guidelines.</li> </ul>	OAG	<ul style="list-style-type: none"> <li>Guidelines prepared and adopted.</li> <li>Pilot in five DPs financed projects</li> <li>Guidelines revised &amp; adopted</li> </ul>	Jul 2011  Sep 2011  Jul 2011	<p><b>Work in Progress.</b> Draft Bill submitted to Parliament for improvements in procurement Act 2063. PPR has been amended on May 30, 2011. BLI (baseline indicator) evaluation is finalized. TOR is prepared for CPI (compliance performance Indicator) and API (agency performance Indicator)</p>
	Low compliance of Public procurement law	<ul style="list-style-type: none"> <li>Review the law, monitor the practices and identify the reasons of non-compliance</li> </ul>	PPMO/Public Entities(PEs)	<ul style="list-style-type: none"> <li>Prepare a Review Report with recommendation</li> </ul>	Jul 2011	

Focus Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	Weak Capacity on Public Procurement	<ul style="list-style-type: none"> <li>Stakeholder Capacity Development on Public Procurement</li> <li>Approval and placement of additional human resources as recommended by O &amp; M Survey</li> </ul>	PPMO/Public entities (PEs) PPMO/PEs MOGA/MOF/ PPMO	<ul style="list-style-type: none"> <li>20 TOT on public procurement produced.</li> <li>10 Trainings and 20 awareness programs held</li> <li>Fulfillment of approved posts in PPMO</li> </ul>	Dec 2010  July 2011  Sept 2011	<p><b>Completed.</b> 19 TOT for persons/institutions from government sector and one each from Nepal Administrative Staff College and Contractor's Association is completed.</p> <p><b>Completed.</b> Ten Training programs and seven awareness programs for public officials are conducted in Biratnagar, Dhading, Dhankuta, Hetauda, Kathmandu, Nuwakot, Ramechhap, Rasuwa, Sindhupalchowk, Surkhet.</p> <p>Partnership agreement between PPMO and NASC is being ready for signature. Training will be organized after signing of the contract. New organizational structure has been approved. Some new vacant post has been fulfilled.</p>
	Weak situation of fair and competitive bidding	<ul style="list-style-type: none"> <li>e- GP System Development</li> </ul>	PPMO/DOR/ PEs	<ul style="list-style-type: none"> <li>Software developed by DOR owned by PPMO and commence its up-gradation</li> <li>Initiate e-submission in 5 Departmental level public entities.</li> </ul>	July 2011  Aug 2011	<p><b>Work in progress</b> PPMO initiated <a href="http://www.gpposn.gov.np">www.gpposn.gov.np</a> for e bidding One consultant firm is working for e-GP suggestions. ADB is going to recruit next consulting firm to upgrade software.</p> <p>Currently, the following 7 agencies are practicing e-bidding system – DOR, DOLIDAR, Malamchi Board, DOI, DOH, Dept of Water Induced disastrous prevention, and Dept of Urban Development.</p>

Focus Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<p>4. Improving Result – based Monitoring and Evaluation System</p> <p>Champion: Mr. Dhruba Dahal, Joint Secretary, NPCS</p>	Weak M&E system	<ul style="list-style-type: none"> <li>Implementation of RBME Guidelines</li> </ul>	NPC / Line Ministries	<ul style="list-style-type: none"> <li>RBME guidelines fully followed in all P1 donor funded projects</li> </ul>	Dec 2010	<p><b>Work in Progress</b></p> <p>RBME Guidelines is approved by NPC on 21 July 2010 and is being implemented in P1/donor funded projects. DPMAS software is completed and handed over to MLD for implementation. Development of PMAS and PPIS software is at the final stage. Total 142 staff of various DDCs has been trained within two months (total 142) to implement DPMAS software. Remaining staff of other 5 DDCs will be trained within this FY 2010-11.</p> <p>Four monthly and yearly monitoring reports will be generated from PPIS linkage and PMAS software with DPMAS software. Third Party Evaluation for Karnali Rojgar Karyakram and Samajik Surakshya Karyakram is near completion. Reports are expected to receive by December 2011.</p> <p>Procuring consultant for the evaluation of Janatako, Tatbandh and Abhiyanmukhi Pyaj Karyakram is in process. TOR finalization for Road Improvement project is underway.</p>
	Weak M&E capacity	<ul style="list-style-type: none"> <li>Capacity Development on M&amp;E</li> </ul>	NPC, MOF and Line Ministries	<ul style="list-style-type: none"> <li>NPC and Line Ministries have access to four monthly and yearly monitoring reports</li> <li>Third party evaluation reports of at least 5 programs/projects received</li> <li>At least one officer in P1 donor funded project is assigned for the M&amp;E task</li> <li>At least 100 M&amp;E staff trained</li> </ul>	Aug 2011	<p><b>Complied</b></p> <p>Circular is made to all related line ministries to assign of at least one officer for monitoring donor funded p1 projects. Follow up by NPC is expected of its compliance.</p> <p>130 government officers from different ministries have been trained to implement RBME system.</p>
	Weak linking with planning & budgeting	<ul style="list-style-type: none"> <li>Implementation of Business Plan and Implementation of Result-based budgeting</li> </ul>	NPC, MOF & concerned agencies	<ul style="list-style-type: none"> <li>Implementation of Business Plan in 13 government agencies</li> <li>Implementation of RBB in two government agencies (DOTM &amp; TMO)</li> </ul>	<p>Jan 2011</p> <p>Jan 2011</p>	<p><b>Work in Progress-delayed.</b></p> <p>Business plan of 13 government agencies is prepared. NPC will follow up whether these plans have been formally adopted by line agencies.</p> <p>RBB is already initiated in two government agencies- Department of Transport Management and Traffic Management Office from FY 2010/11</p>

# **PART III**

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**ATTACHMENT 1**  
**ASIAN DEVELOPMENT BANK**  
**BACKGROUND PAPER**

The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font inside a black square.

ADB

# 2011 Nepal Portfolio Performance Review

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Background Paper

November 2011

Asian Development Bank

## ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
APA	-	Audited Project Accounts
AFS	-	Agency Financial Statement
CPRM	-	Country Portfolio Review Mission
DFID	-	Department for International Development of United Kingdom (DFID)
EA	-	Executing Agency
IA	-	Implementing Agency
IP/IO	-	Implementation Progress /Impact Outcome
JICA	-	Japan International Cooperation Agency
MOF	-	Ministry of Finance
NPPR	-	Nepal Portfolio Performance Review
NRM	-	Nepal Resident Mission
NRT	-	Net Resource Transfer
OAG	-	Office of the Auditor General
OCR	-	Ordinary Capital Resources
O&M	-	Operation and Maintenance
PCR	-	Project Completion Report
PPR	-	Project Performance Report
PPA	-	Public Procurement Act
PPR	-	Public procurement Regulation
PPMO	-	Public Procurement Monitoring Office
SRP	-	Sector Results Profile
TA	-	Technical Assistance
TCR	-	Technical Assistance Completion Report
SWAP	-	Sector-wide Approach

## NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July.
- (ii) In this report, "\$" refers to US dollars.



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## EXECUTIVE SUMMARY

1. The 2011 Nepal Country Portfolio Review Mission (CPRM) will be conducted from 15 to 16 November 2011 followed by the Nepal Portfolio Performance Review (NPPR) jointly conducted by the Government through the Ministry of Finance (MOF) together with the Asian Development Bank (ADB), the Department for International Development of United Kingdom (DFID), Japan International Cooperation Agency (JICA) and the World Bank from 17 to 18 November 2011. European Union, Embassy of Norway and United Nation Coordination Team will also join the NPPR in 2011. The Nepal Resident Mission (NRM) of ADB is responsible for both the CPRM and the NPPR. In order to align with the governments' fiscal year, the portfolio performance assessment will be carried for the period from January 2010 to June 2011 with detailed portfolio review for 2010 and only key indicators analysis for the first half of 2011. The annual CPRM aims to (i) assess portfolio performance in terms of key portfolio indicators and development achievements for the period of January 2010 to June 2011; (ii) review thoroughly the status of all projects/programs implementation with the concerned line ministries; and (iii) discuss sector issues and revisit sector results frameworks and monitoring matrix in view of the new ADB guidelines on Preparing Results Frameworks and Monitoring Results: Country and Sector Results (March 2010).

2. The key areas to be discussed in the 2011 NPPR are: (i) human resource management; (ii) public procurement; (iii) public financial management; (iv) managing for development results; and (v) mutual accountability. The Government will prepare its own thematic paper and each participating development partner will contribute a background paper on the overall portfolio performance assessment against their investments in Nepal.

3. ADB began lending to Nepal in 1969. ADB's cumulative assistance to Nepal by the end of 2010 amounted to \$3.26 billion comprising, 119 sovereign loans from ADF amounting to \$2.58 billion, one sovereign loan from OCR amounting to \$2.0 million, 22 grants amounting to \$603.25 million of ADF along with five non-sovereign loans totaling \$49.5 million. Nepal portfolio of ADF loans and grants as of 30 June 2011 comprised 15 loans and 24 grants with a net amount of \$1.24 billion. Loan 2008: Community Based Water Supply and Sanitation Sector Project was financially closed in the second quarter of 2011.

4. In 2010 Nepal portfolio was able to achieve (i) \$133.6 million (100% against the target) in contract award and \$111.4 (96% against the target) in disbursement; (ii) contract award ratio of 17.1% and disbursement ratio of 14.4%; (iii) \$30.8 million in net resource transfer; and (iv) no project at risk. The financial performance of 2010 declined in absolute amount, compared to 2009, as in 2009 the contract award and disbursement achievements were 142% (annual target of \$232.4 million) and 171% (\$199.5 million) respectively of the projected annual targets. It is to be noted that in 2009 the significant contributions were through program loans and grants — Loan 2277: Education Sector Cluster Program I, Grant 0160: Education Sector Cluster Program III and Grant 0118: Governance Support program.

5. There has been a slight improvement in both the average time for projects to be signed after approval and to be declared effectiveness after signing, owing to relatively better political environment, close follow-up with the Government and less strict covenants for declaring effectiveness of projects. However, the start up compliance rate is still an issue in Nepal portfolio. It is found that the average time taken by projects to achieve 25% contract award and 10% disbursement for the ongoing loans and grants are 4.0 years and 2.9 years, respectively, as of 31 December 2010.

6. Although all 38 loan and grant projects were rated satisfactory in impact and outcome parameter, five loans - Loan 2102: Community Managed Irrigated Agriculture Sector Project, Loan 2143: Gender Equity and Empower of Women Project; Loan 2111: Skills for Employment, Loan 1820: Melamchi Water Supply Project, and Loan 1966: Urban and Environmental Improvement Project - were flagged as having implementation delays with partly satisfactory rating in the Project Performance Report (PPR) as of 31 December 2010. Similarly, two grants (Grant 0099: SASEC Information Highway Project and Grant 0106: Information and Communication Technology Development Project) had experienced substantial delays in awarding contracts and achieving disbursements as against the elapsed grant period.

7. One of the serious concerns for the portfolio is the increasing number of late submissions of the audited project accounts/agency financial statements (APA/AFS) by projects. The projects with late submission of APAs/AFS increased significantly to 70.6% in 2010 compared to 36.8% in 2009. However, due to close follow-up with respective projects and Office of Auditor General, the performance in 2011 has improved, and 67% of APAs/AFS were submitted before the deadline in 2011. However, quality of APAs/AFS still needs to be substantially improved.

8. The portfolio's financial targets for 2011 for contract awards and disbursements are the highest in NRM history. The contract award target for 2011 is \$246.5 million, which is 85% higher than the 2010 target. The disbursement target for the year is \$215.5 million, which is 86% higher than the 2010 target. As of 30 June 2011, the contract award and disbursement achievements are 18% and 16%, respectively, of the annual target, due to the delay in a tranche released under Grant 0118: Governance Support Program. However, the performance has been improving rapidly, and it is projected for both contract award and disbursement to achieve around 90% against the annual target by the end of 2011.

9. Although the project implementation has been gradually improving since the end of the decade-long civil conflict in April 2006, the project implementation has been slow due to ongoing political stalemate and deteriorating law and order situation particularly in terai districts. NRM's assessment on the impact of the country's overall security situation on the portfolio at the end of June 2011 revealed relatively conducive project implementation environment. Only two Projects (Loan 2143: Gender Equality and Empowerment of Women Project, and Loan 1820: Melamchi Water Supply Project) indicated to have been affected moderately.

10. Despite the continued improvement observed in the portfolio performance in Nepal in recent years, the systemic and overall project implementation and portfolio management issues relating to (i) quality at entry; (ii) human resources; (iii) public financial management; and (iv) public procurement continue to constrain the portfolio. Hence, it is vital that to work with the Government and other key development partners through the NPPR to resolve the issues gradually in order to sustain the improved portfolio performance and reach its full potential in Nepal.

## I. INTRODUCTION

11. The 2011 Nepal Country Portfolio Review Mission (CPRM) will be conducted from 15 to 16 November 2011 to provide feedback to the Nepal Portfolio Performance Review (NPPR) jointly conducted by the Government through the Ministry of Finance (MOF) together with the Asian Development Bank (ADB), the Department for International Development of United Kingdom (DFID), Japan International Cooperation Agency (JICA) and the World Bank<sup>1</sup>. 2011 NPPR will be held from 17 to 18 November 2011. The Nepal Resident Mission (NRM) of ADB is responsible for both the annual CPRM and the NPPR. The annual CPRM will aim to (i) assess portfolio performance in terms of key portfolio indicators and development achievements for the period of January 2010 to June 2011<sup>2</sup>; (ii) review thoroughly the status of all projects/programs implementation with the concerned line ministries; and (iii) revisit sector results frameworks and monitoring matrix in view of the new ADB guidelines on Preparing Results Frameworks and Monitoring Results: Country and Sector Results (March 2010).

12. Although the progress has been made in key portfolio indicators in recent years, the portfolio performance of Nepal still lags behind in ADB wide averages and other comparators. Improvement of portfolio performance is critical for Nepal to deliver its development strategies. It plays a key role in reducing poverty through improved delivery of services. Further, portfolio performance is also one of five key factors that collectively determine the amount of concessional Asian Development Fund (ADF) resources for Nepal under ADB's performance based allocation system.<sup>3</sup> Despite the improvements, the systemic portfolio issues such as frequent extensions due to common start-up delays, inefficient and ineffective human resource management, weak public procurement and public financial management system, and weak monitoring and evaluation system, continue to constrain project implementation and portfolio performance. A stronger commitment is warranted for improving portfolio performance in a more systematic way focusing on quality at entry and start-up performance and close monitoring of project/program performance so that the key indicators continue to improve.

13. In August 2011, the Government and the core development partners reviewed the progress in implementation of the action plan developed in the 2010 NPPR, and they will make its final assessment during the 2011 NPPR scheduled on 17 and 18 November. The key areas to be discussed in the 2011 NPPR are: (i) human resource management; (ii) public procurement; (iii) public financial management; (iv) managing for development results; and (v) mutual accountability. The Government will prepare its own thematic paper and each participating development partner will contribute a background paper on the overall portfolio performance assessment against their investments in Nepal.

## II. PORTFOLIO PERFORMANCE OVERVIEW

14. ADB began lending to Nepal in 1969. ADB's cumulative assistance to Nepal by the end of 2010 amounted to \$3.26 billion comprising, 119 sovereign loans from ADF amounting to \$2.58 billion, one sovereign loan from OCR amounting to \$2.0 million, 22 grants amounting to

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<sup>1</sup> The first joint Government/ADB/JBIC/WB NPPR was carried out in August 2001. DFID joined the NPPR in 2007. European Union, Embassy of Norway and United Nation Coordination Team will also join the NPPR in 2011. The Government continues to invite other Development Partners to join the NPPR.

<sup>2</sup> While a detailed review will be done for the period January to December 2010 operations, the performance assessment for the period January to June 2010 will be assessed based on key portfolio indicators of ADF loans and grants investments only.

<sup>3</sup> The key factors are: (i) economic management; (ii) structural policies; (iii) policies for social inclusion/equity; (iv) public sector management and institutions; and (v) portfolio management.

\$603.25 million of ADF along with five non-sovereign loans totaling \$49.5 million. At the year end, the net ADF loan and grant amounted to \$1.230 billion for 38 loans and grants (16 loans amounting to \$627.17 million and 22 investment grants amounting to \$603.25 million). Sectoral distribution of the ongoing investment portfolio as of 31 December 2010 is shown in Table 1.

**Table 1: Sectoral Distribution of Ongoing Public Sector Portfolio**  
(as of 31 December 2010)

Sector	Net Loan Amount		No. of Loans/Grants	No. of Projects
	\$ mn	%		
Agriculture & Natural Resources	236.8	19.2	8	7
Education	125.7	10.2	5	3
Energy	65.8	5.4	2	2
Finance	81.1	6.6	3	2
Public Sector Management	106.3	8.6	1	0
Transport & Communications	249.6	20.3	10	10
Water Supply and Other Municipal Infrastructure Services	314.1	25.5	6	6
Multisector	51.0	4.1	3	3
<b>Total</b>	<b>1,230.4</b>	<b>100.0</b>	<b>38</b>	<b>33</b>

Source: Loan Financial Information System (LFIS) and Grant Financial Information System (GFIS)

#### A. 2010 Portfolio Performance<sup>4</sup>

15. Key indicators of portfolio performance (inclusive of sovereign ADF loans and grants) for the last three years are presented in **Table 2**. The details are in **Annex 1**. Compared to Year 2009, Year 2010 showed that 7 of 20 selected key indicators improved, 11 declined, and 2 unchanged. The financial performance of 2010 declined compared to 2009, as in 2009 the contract award and disbursement achievements were 142% and 171%, respectively, of the annual targets. It is be noted that in 2009 the significant contributions were through program loans and grants— Loan 2277: Education Sector Cluster Program I, Grant 0160: Education Sector Cluster Program III and Grant 0118: Governance Support program.

**Table 2: Selected Portfolio Management Indicators**

INDICATORS	2008	2009	2010	Comparison of 2010 with 2009
<b>A. Start –up Compliance</b>				
1. Average Time: Approval to Signing( <u>months</u> )	3.8	4.1	3.9	Improved
2. Average Time: Signing to Effectiveness( <u>months</u> )	5.3	4.3	3.2	Improved
3. Loans/Grants that Became Effective more than 90 days after signing (%)	58.6	50.0	36.8	Improved
4. Average Time: 25% Contract Award Achievement after Approval (years)	3.6	3.7	4.0	Declined
5. Average Time: 10% Disbursement Achievement after Approval (years)	4.1	3.1	2.9	Improved
<b>B. Financial Performance</b>				
1. Contract/Commitment Achievement (\$mn)	145.4	232.4	133.6	Declined
2. Contract/Commitment Achievement (w/o	69.2	122.1	103.8	Declined

<sup>4</sup> Inclusive of sovereign ADF loans and grants.

INDICATORS	2008	2009	2010	Comparison of 2010 with 2009
Programs(\$mn)				
3. Contract/Commitment Ratio (%)	24.2	29.5	17.1	Declined
4. Contract/Commitment Ratio (w/o Programs) (%)	10.9	20.9	16.5	Declined
5. Disbursement Achievement (\$mn)	127.1	199.5	111.4	Declined
6. Disbursement Achievement (w/o programs) \$mn)	66.5	73.6	81.5	Improved
7. Disbursement Ratio (%)	17.8	28.5	14.4	Declined
8. Disbursement Ratio (w/o programs)(%)	8.9	15.2	13.1	Declined
9. Delay in Submission of APA and AFS(%)				
(a) =< 6 months	13.6	36.8	71	Declined
(b)6=< 12 months	0.0	0.0	0.0	Unchanged
(c) > 12 months	0.0	0.0	0.0	Unchanged
10. Net Resource Transfer <sup>5</sup> (\$mn)	51.9	119.1	30.8	Declined
<b>C. Portfolio Performance<sup>6</sup></b>				
1. Projects at Risk (%)	6.7	3.0	0.0	Improved
2. Risk Ratio of Major Issues (% of loans and grants)				
(a) Project Implementation Delays (%)	23.3	12.5	13.1	Declined
(b) Significant Disbursement Delays (%)	23.3	25.0	12.5	Improved
(c) Poor Compliance with Other Major Covenants (%)	10.0	3.1	0	Improved
<b>D. Portfolio Supervision<sup>7</sup></b>				
1. Proactivity Index (%)	66.7	100.0	100.0	Improved
2. Staff Intensity (staff-days/Project)	38	32.7	22.1	Declined
3. Extension of Projects(no.)	9	6	6	Unchanged
NA: not available; mn= million				

#### a. Start-up Compliance

16. There has been improvement in both the average time for projects to sign after approval and declaring effectiveness after signing owing to relatively improved political environment, close follow-up with the Government and less strict covenants for declaring effectiveness of projects. The agreement for three of the eight loans and grants approved in 2010 were signed within three months after approval and the rest have taken more than three months after approval. Further, there has been significant improvement in declaring effectiveness after signing, as all eight loans and grants approved in 2010 were declared effective within three months of approval.

17. It is also found that the average time taken by projects to achieve 25% contract award and 10% disbursement for the ongoing loans and grants are 4.0 years and 2.9 years, respectively, as of 31 December 2010. Further details are presented in **Annex 2**. It was noted that as 31 December 2010, the ongoing loans and grants had taken 1.57 years on average to award the first contract. Hence, there is a need to focus on quality at entry of projects to improve the portfolio performance in Nepal.

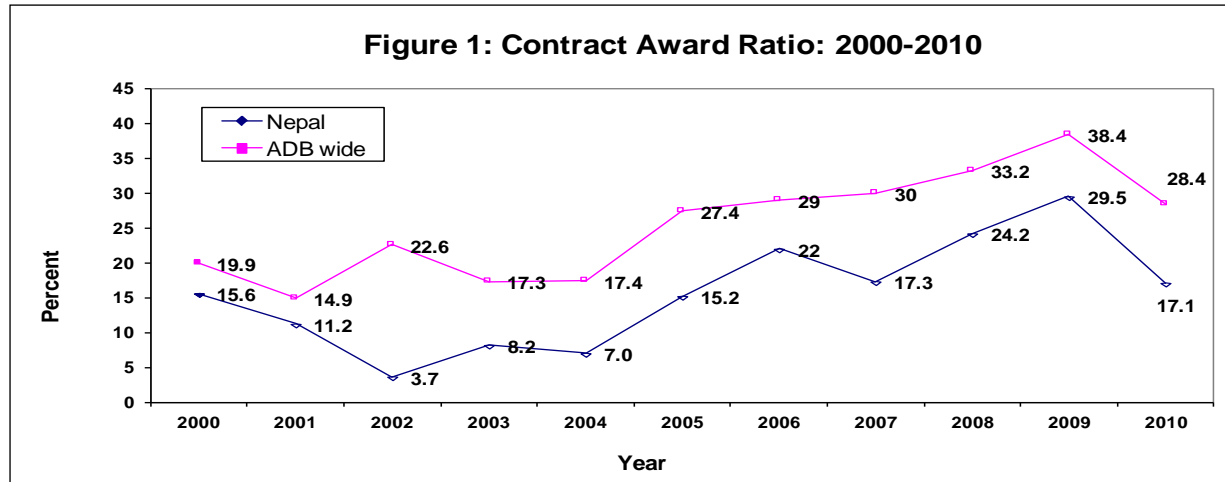
<sup>5</sup> Inclusive of non-sovereign loans.

<sup>6</sup> In accordance with the ADB's Project Performance Report

<sup>7</sup> Exclusive of ADF grant projects for proactivity index and staff intensity

## b. Financial Performance

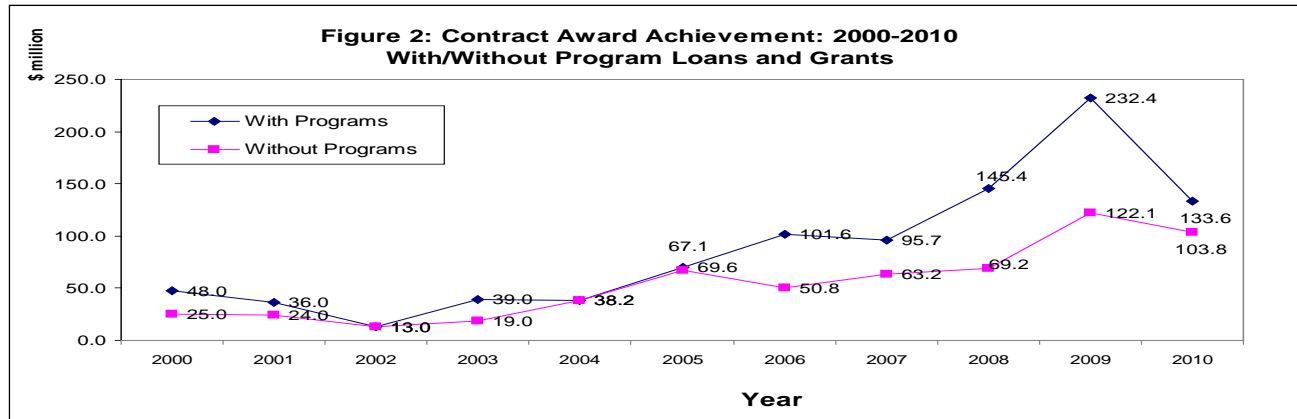
18. **Contract Awards:** Key indicators to assess and monitor procurement performance are (i) contract awards/commitment ratio<sup>8</sup> and (ii) achievement of contract award/ commitment targets (actual vs. projected). The performance in terms of contract award ratio and contract award achievement was relatively good in 2010. The contract award ratio of the portfolio with program loans and grants in 2010 were 17.1% (whereas it was 29.5% in 2009). The contract award ratio (without program loans/grants) was 16.5% in 2010 (whereas it was 20.9% in 2009). **Figure 1** presents the trend in the contract award ratio of the portfolio since 2000 in comparison with ADB wide averages with program loans and grants<sup>9</sup>.



19. The total contract award inclusive of program loans and grants were \$133.6 million in 2010. In 2010, 100% of contract award was achieved against the target, whereas 142% was achieved in 2009. Further, the improvement of 78% was found in the contract award achievement for only project loans and grants (\$103.8 million in 2010). The contribution of the program loans and grants - Loan 2641: Rural Finance Sector Development Program and Grant 0059: Rural Finance Sector Development Program to the total contract award achievement was 28% in 2010 (compared to 47% in 2009) - The project loans and grants with significant contract award contribution in 2010 were Loan 2587: Energy Access and Efficiency Improvement Project (\$14.3 million), Loan 2008: Community Based Water Supply and Sanitation Sector Project (\$9.8 million); and Loan 2092: Decentralized Rural Infrastructure and Livelihood Project (\$9.7 million). The details of the contract award performance of each project in terms of cumulative and annual achievement is in **Annex 3A**. **Figure 2** shows the yearly achievement in contract award with and without program loans and grants since 2000 and **Table 3** presents the sector wise contract award achievement against the projected target.

<sup>8</sup> Contract Award/Commitment Ratio is defined as the ratio of contract awarded/actual commitment during the year over the value available for contract awards/commitment at the beginning of the year. The value of the contracts/commitments to be awarded/committed under newly approved loans and grants during the period is/will be added to the opening balance of the value available for contract/commitment awards.

<sup>9</sup> ADB wide averages are for only loans. The data has not been available on grants in ADB. However, the ratios of the portfolio presented in this report was calculated by NRM, including both loans and grants, and was compared with ADB wide averages of loans for each year.



**Table 3: Contract Award Achieved by Sector (US \$ in millions)  
(as of 31 December 2010)**

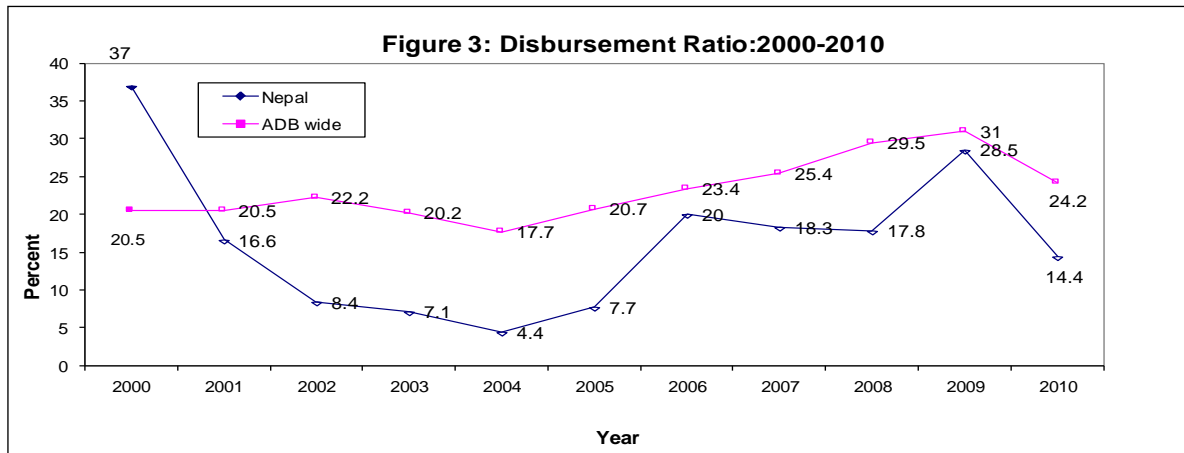
Sector	2008			2009			2010		
	Proj. <sup>a</sup>	Act.	%	Proj. <sup>a</sup>	Act.	%	Proj. <sup>a</sup>	Act.	%
Agriculture and Natural Resources	75.0	68.1	90.8	27.1	26.4	97.4	35.1	31.8	90.7
Education	39.2	34.7	88.5	13.0	57.2	439.6	6.2	6.5	104.9
Energy	1.91	2.1	109.4	-	-	-	0.0	14.3	-
Finance	5.93	0.01	-	0.80	0.49	61.5	0.5	37.28	7456.4
Public Sector Management	-	-	-	20.0	65.0	325.0	41.3	0.0	0.0
Transport and ICT	9.2	18.7	203.8	33.9	17.4	51.2	12.0	3.2	26.8
Water and Other Municipal Infrastructure and Services	16.4	14.3	87.2	68.9	64.4	93.5	23.0	31.6	137.3
Multisector	10.6	7.5	70.7	-	1.6	-	15.3	9.0	58.5
	<b>158.2</b>	<b>145.4</b>	<b>91.9</b>	<b>163.6</b>	<b>232.4</b>	<b>142.0</b>	<b>133.3</b>	<b>133.6</b>	<b>100.3</b>

Proj. = Projected; Act. = Actual, <sup>a</sup> Full year projection.  
Sources: LFIS GFIS, PPR

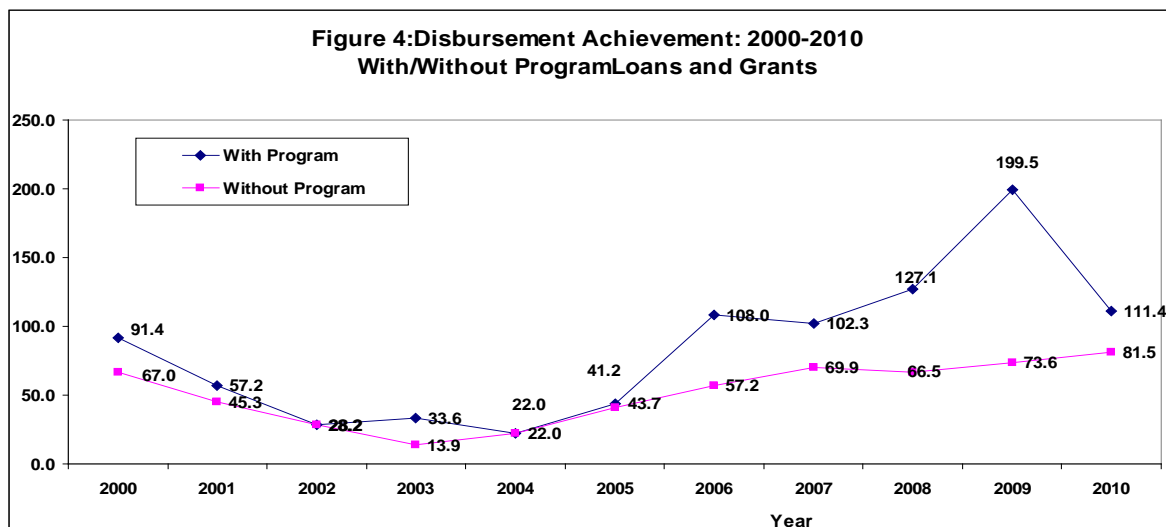
20. **Disbursement:** Like contract award, the disbursement performance is also assessed and monitored by the disbursement ratio and actual vs. projected disbursement. The disbursement ratio of the portfolio with program loans and grants in 2010 was 14.4%, compared to 28.5% in 2009. Likewise, the disbursement ratio without program loans and grants was 13.1% in 2010 compared to 15.2% in 2009. **Figure 3** shows the trend in the disbursements ratio of the portfolio against the ADB wide averages <sup>10</sup>.

<sup>10</sup> ADB wide averages are for only loans. The data is not available for grants. However, the ratios of the portfolio is inclusive of grants and has been compared with ADB wide averages of loans





21. The total disbursement inclusive of program loans and grants \$111.4 million and the achievement in 2010 was only 96% against the projected target compared to 171% achievement against the projected target in 2009. The significant high disbursement achieved in 2009 was through program loans and grants— Loan 2277: Education Sector Cluster Program I, Grant 0160: Education Sector Cluster Program III and Grant 0118: Governance Support program with contribution of 63% for total achievement. The project/program loans and grants with high disbursement contribution in 2010 were from Loan 2008: Community Based Water Supply and Sanitation Sector Project (\$9.0 million), Grant 0208: Second Rural Finance Sector Development Program (\$33.6million), Grant 0051: Road Connectivity Sector I Project (\$10.9 million) and Loan 2092: Decentralized Rural Infrastructure and Livelihood Project. The details of the disbursement performance of each project in terms of cumulative and annual achievement are in **Annex 3B**. **Figure 4** shows the yearly achievement in disbursement with and without program loans and grants since 2000 and **Table 4** presents the sector wise disbursement achievement against the projected target.

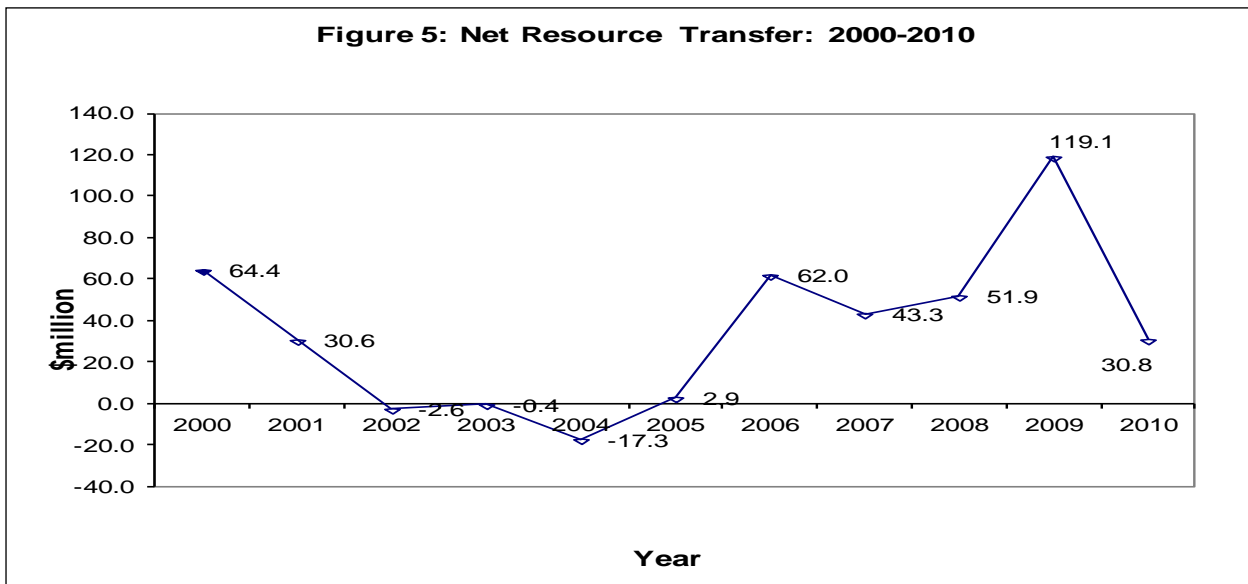


**Table 4: Disbursement Achieved by Sector (US\$ in millions)**  
(as of 31 December 2010)

Sector	2007			2008			2009		
	Proj.	Act.	%	Proj.	Act.	%	Proj.	Act.	%
Agriculture and Natural Resources	71.4	65.4	91.7	26.1	20.4	78.0	23.6	24.7	105.0
Education	37.2	19.7	53.1	27.7	68.1	245.7	6.8	3.5	51.4
Energy	7.0	6.2	89.6	-	-	-	0.0	0.8	-
Finance	5.0	0.0	0.0	0.9	0.1	11.1	0.4	33.97	9705.4
Public Sector Management	-	-	-	20.0	65.0	325.0	41.3	0.0	0.0
Transport and ICT	17.6	13.1	74.3	17.0	15.8	93.1	12.6	15.6	124.0
Water and Other Municipal Infrastructure and Services	21.5	17.9	83.1	25.2	27.6	109.4	25.0	27.4	109.4
Multisector	5.7	4.8	84.5	-	2.6	-	6.3	5.4	85.8
	<b>165.2</b>	<b>127.1</b>	<b>76.9</b>	<b>116.9</b>	<b>199.5</b>	<b>170.6</b>	<b>115.9</b>	<b>111.4</b>	<b>96.1</b>

Proj. = Projected; Act. = Actual  
Sources: LFIS, GFIS PPR

22. **Net Resource Transfer (NRT):** The NRT inclusive of ADF loans and grants and non-sovereign loans from ADB to Nepal has declined from \$119.1 million in 2009 to \$30.8 million in 2010. The NRT started to turn positive from only 2005 after being negative for three consecutive years. **Figure 5** shows the net resource transfer since 2000.



23. **Imprest Account Performance<sup>11</sup>:** The imprest account turnover ratio for ADF loan projects improved to 1.6 in 2010 from 1.47 in 2009, the turnover is high compared to expected ADB-wide percentage of 1.5. The Projects that have extremely low turnover ratio are Loan

<sup>11</sup> ADB's Controller's Department maintains the imprest account performance of only ADF loan projects, not ADF grant projects. Thus, the status is not known.

1820: Melamchi Water Supply Project, Loan 2102: Community Managed Irrigated Agriculture Sector Project, Loan 2059: Kathmandu Water Supply Sector Development Project, and Loan 2092: Decentralized Rural Infrastructure and Livelihoods Project.

24. **Audit Reports:** An overall delay in submission of audited project accounts/agency financial statements (APA/AFS) significantly increased in 2010 with 70.6% of projects complying late compared to only 36.8% in 2009 as indicated in **Table 2**. There were 17 loans and grants that were due for APA and AFS submission in 2009, and 5 out of the 17 loans and grants submitted APA/AFS on time and 12 projects complied late. Those projects that complied late submitted their APAs/AFS within one to six months after the due date. Hence, the compliance on submission of APAs/AFS on time is considered to be one of the most critical elements in the overall portfolio performance. The compliance status of submission of APA/AFS for 2011 portfolio as of 31 December 2010 is in **Annex 4**.

### c. Portfolio Performance Rating

25. **Project Ratings:** The project ratings derive from the ADB Project Performance Report (PPR) system, which assesses project performance against two major parameters: (i) impact and outcome (IO); and (ii) implementation progress (IP). Project performance under each of these parameters is rated as: highly satisfactory (HS), satisfactory (S), partly satisfactory (PS), and unsatisfactory (US). The details of Project Performance Reports (PPRs) ratings for the ongoing loans and grants as of 31 December 2010 are in **Annex 5**. As of 31 December 2010, all 38 projects/programs were rated as satisfactory in IO parameter. Likewise, in IP two projects (G0051-Road Connectivity Sector I Project; and Grant 0093: Rural Reconstruction and Rehabilitation Sector Development Project) was rated HS, and 36 were rated S.

#### i. Impact and Outcome:

- (1) 2010: 100% S
- (2) 2009: 100% S

#### ii. Implementation Progress:

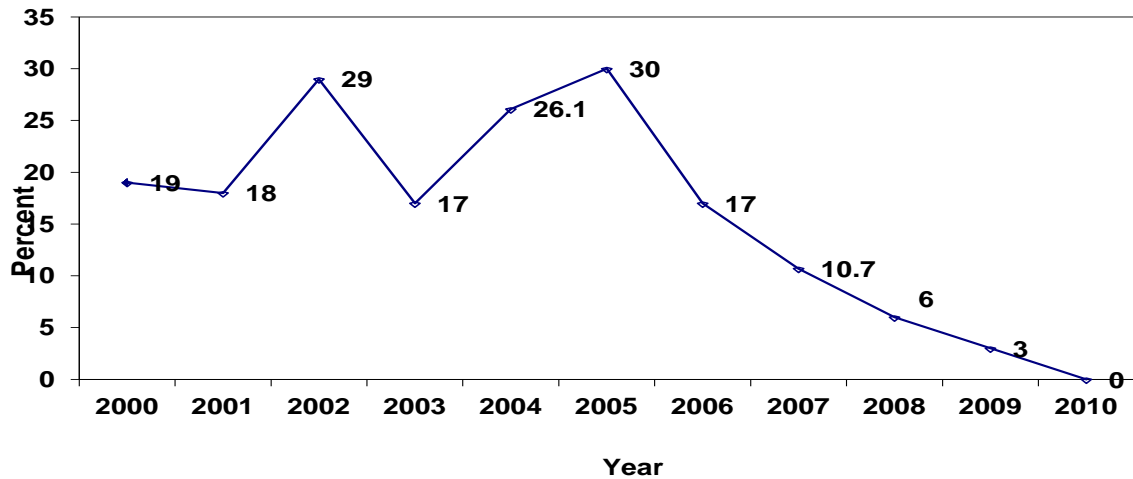
- (1) 2010: 5% HS, and 95% S
- (2) 2009: 3% HS, 94% S and 3% PS

26. **Projects at Risk:** The overall risk ratio for Nepal portfolio has improved in recent years, from 10.7% in 2007, 6% in 2008, 3% in 2009 to 0% in 2010. The project at risk indicator is crucial for calculating the total allocation of resources Nepal receives from ADB.

27. **Implementation Delays:** In 2010, the portfolio with implementation delays consisted of five loans - Loan 2102: Community Managed Irrigated Agriculture Sector Project, Loan 2143: Gender Equity and Empower of Women Project; Loan 2111: Skills for Employment, Loan 1820: Melamchi Water Supply Project, and Loan 1966: Urban and Environmental Improvement Project - were flagged as having implementation delays with partly satisfactory rating in the PPR as of 31 December 2010.

28. Despite all the grant projects being rated as satisfactory in project implementation in the PPR, Grant 0099: SASEC Information Highway project and Grant 0106: Information and Communication Technology Development Project, had experienced delays in awarding contracts and achieving disbursements against the elapsed grant period.

Figure 6: Project At Risk



29. **Disbursement Delays:** There were two loans and three grants that were flagged as having less than 70 percent of actual disbursement against their 2010 projections as of 31 December 2010. Those loans and grants are Loan 2059: Kathmandu Valley Water Services Sector Development Project (6%), Loan 2579: South Asia Tourism Infrastructure Development Project (0%), Grant 0063: Commercial Agriculture Development Project (59%), Grant 0065: Education Sector Program (64%), and Grant 0099: SASEC Information Highway Project (14%).

30. **Compliance with Key Covenants:** As of 31 December 2010, all 38 projects were rated as satisfactory in the overall compliance of the covenants. Although Loan 2143: Gender Equality and Empowerment Project has been rated as satisfactory in the overall covenant rating, its project management related covenants are rated as partly satisfactory due to staffing issues in the Project. Loan 1820: Melamchi Water Supply Project was rated as partly satisfactory due to inadequate counterpart funding; and Loan 2111: Skills for Employment Project rated partly satisfactory due to poor compliance of social covenants.

#### d. Portfolio Supervision

31. **Project Supervision:** In terms of loan supervision, the proactivity index<sup>12</sup> has remained unchanged with 100% in 2010 and 2009. Meanwhile ADB staff supervision intensity decreased from average of 33 staff-days/projects in 2009 to 22 staff days/projects in 2010.

32. **Savings and Cancellations:** A loan saving of \$4.5 million was identified under Loan 1966: Urban and Environment Improvement Project, which was reallocated to the proposed 2011 investment project - Integrated Urban Development Project.

33. **Project/Program Extensions:** As of 31 December 2010, 6 projects of the active loan and grant portfolio, the same number of projects as 2009 had extended loan and grant closing dates. Although the proportion of extended projects in the entire ongoing portfolio at the end of 2010 remained constant to 2009, the delays in project implementation and inevitable project

<sup>12</sup> Proactivity index is the % of problem projects changed through upgrading, restructuring, closure, or cancellation during the last 12 months.

extensions have become a major concern in portfolio management. The Projects mentioned in para.26 as having implementation delays will likely have extensions in order to accomplish their targeted outcomes and outputs.

## B. 2010 Technical Assistance (TA) Portfolio Performance

34. As of 31 December 2010, there were 39 TAs, amounting to \$27.3 million. The details are presented in **Annex 6**. The key performance indicators of the TA portfolio are listed in **Annex 7**. The average time from approval to signing has slightly improved to 1.8 months in 2010, compared to 2.0 months in 2009, and ADB staff time given to TA supervision has reduced from 18.0 staff-days/project in 2009 to 15.4 staff-days/project in 2010. The average time from signing to fielding of consultants has increased to 7.4 months in 2010, compared to 5.7 months in 2009. Hence, close monitoring of the TA performance is also required. The cumulative amount of the TA portfolio by sector as of 31 December 2010 is presented in **Table 5**.

**Table 5: Sectoral Distribution of Active TA Portfolio**

(as of 31 December 2010)

Sector	Revised TA Amount		No. of TAs
	\$ mn	%	
Agriculture & Natural Resources	4.760	17.4	4
Education	1.050	3.8	3
Energy	5.183	19.0	7
Finance	1.800	6.6	3
Health, Nutrition & Social Protection	0.200	0.7	1
Industry & Trade	-	-	-
Law, Economic Management & Public Policy	5.700	20.8	11
Transport & Communications	1.650	6.0	3
Water Supply, Sanitation & Other Municipal Infrastructures a	6.779	24.8	6
Multisector	0.225	0.8	1
<b>Total</b>	<b>27.347</b>	<b>100.0</b>	<b>39</b>

Source: Technical Assistance Information System (TAIS)

## C. 2011 Portfolio Performance Review

35. **Overall Portfolio:** The portfolio of ADF loans and grants as of 30 June 2011 comprised 15 loans and 24 grants with a net amount of \$1.24 billion. The details are presented in **Annex 8**. Loan 2008: Community Based Water Supply and Sanitation Sector Project was financially closed in the second quarter of 2011. As of 30 June 2011, the portfolio has two new entries, Grant 0248: Highland Mountain Agribusiness and Livelihood Project and Grant 0252: Capital Market and Infrastructure Capacity Support. All 8 projects/programs approved in 2010 have been signed and declared effective.

36. **Contract Award:** The contract award target for 2011 is \$246.5 million (85% higher than the 2010 target) \$155.19 million of which is to be from only project loans and grants. As of 30 June 2011, the contract award reached \$44.6 million (29% against the annual target) with contribution from only project loans and grants. The details of contract award achievement for each project against the annual projection are in **Annex 9A**. The overall achievement including program loans and grants was 18% due to significant delays in a tranche release under Grant 0118: Governance Support Program (\$41.3 million).

37. **Disbursement:** The disbursement target for 2011 is \$215.5 million (86% higher than 2010 target of \$115.8 million) \$91.3 million of which is to be from only program loans and grants. As of 30 June 2011, the disbursement amounted to \$33.2 million for project loans and grants only, which is 27% of the annual target. The overall achievement including program loans and grants was 16%, also suffering from the delay in the substantial tranche release under Grant 0118. Also, it is noted that except for Grant 0051: Road Connectivity Sector I Project and Grant 0059: Rural Finance Sector Development Program, all the other projects have achieved less than 50% of their annual targets. The details of disbursement achievement for each project against the annual projection are in **Annex 9B**.

38. **Net Resource Transfer:** The Net Resource Transfer as of 30 June 2011 is negative \$9.4 million after a repayment of \$43.2 million, including grant projects. NRT has reached negative due to low disbursement in the first half of the year. It is likely that the portfolio will have positive NRT by end of the year if the disbursement achievement meets the projected target of 2011.

39. **Portfolio Performance Indicators and Rating:** With the implementation of new portfolio performance indicators and rating, there is likelihood of more loans and grants being considered as “at-risk” projects, it will require extensive monitoring. Projects are rated using five performance indicators (i) technical; (ii) procurement; (iii) disbursement; (iv) financial management and (v) safeguards, and these indicators have equal weight. The five performance indicator ratings are aggregated into a single project rating by generating an average rating score for the project. Applying the percentage thresholds only, a project with a total rating score greater than or equal to 0.9 is *on-track*; a project with a total rating score of 0.7–0.89 is a *potential problem*; and a project with a total rating score of less than 0.69 is an *actual problem*, and is ‘at-risk’. The project performance rating of the portfolio which was made by COSO, as of 30 June 2011 is in **Annex 10**. The newly introduced portfolio performance indicators and ratings still have to be reviewed for its practicality and improved substantially.

40. **Submission of APA/AFS:** There are 15 projects that are due for APA/AFS submission for FY2009/10. As of 30 June 2011, ten projects complied on time, four complied late and one has not submitted yet. This indicates that there has been significant improvement in compliance for submission of APA/AFS for projects. The details are present in **Annex 11**.

#### D. Completion Report– Projects/Programs and TAs

41. During the period of 2010, Project Completion Reports (PCR) for two loans — Loan 1811: Corporate & Finance Governance (rated unsatisfactory) and Loan 1755: Small Towns Water Supply and Sanitation Sector Project (rated successful) were required and circulated to the Board. Further details of PCR results for the closed projects are in **Annex 12**. Likewise, there were five TA Completion Reports (TCRs) circulated to the Board in 2010, out of which three was rated successful, one partly successful and one unsuccessful. The list is presented in **Annex 13**.

### III. KEY PORTFOLIO PERFORMANCE ISSUES

42. Although the project implementation has been gradually improving since the end of the decade-long civil conflict in April 2006, the project implementation has been slow due to ongoing political stalemate and deteriorating law and order situation particularly in terai districts. NRM's assessment on the impact of the country's overall security situation on the portfolio at the end of June 2011 revealed relatively conducive project implementation environment. Only two Projects

(Loan 2143: Gender Equality and Empowerment of Women Project, and Loan 1820: Melamchi Water Supply Project) indicated to have been affected moderately.

43. Despite the continued improvement observed in the portfolio performance in Nepal in recent years, the systemic and overall project implementation and portfolio management issues, relating to (i) quality at entry; (ii) human resources; (iii) public financial management; and (iv) public procurement management, continue to constrain the portfolio. Hence, it is vital that to work with the Government and other key development partners through the NPPR to resolve the issues gradually in order to sustain the improved portfolio performance and reach its full potential in Nepal.

#### **A. Quality at Entry**

44. **Start-Up Compliance.** As noted in this background paper, the Nepal portfolio consistently experiences start-up delays, which carry over into a broader implementation delays, resulting in inevitable project extensions. Since ADB is increasing its investments in Nepal, with increased number of new entries of projects every year, it is vital to improve the quality at entry of the projects so that the resources are effectively and efficiently utilized. In order to reduce common start-up delays, the revised project readiness filter to ensure quality at entry was extensively discussed during the 2009 NPPR, agreed to utilize the filter on a pilot basis for new projects during the first half of 2010, and revisit it during the 2011 NPPR. The implementation of the project readiness filter has been random and lacking institutionalization. Hence, the 2011 NPPR needs to once again streamline the project readiness filter and make necessary arrangements to institutionalize the readiness filter in consultation with the Government and in line with ADB's revised business process.

45. **Projects at Risk.** The overall risk ratio for Nepal portfolio has improved in recent years, from 30% in 2005, 17% in 2006, 10.7% in 2007, 6% in 2008, 3% in 2009 to 0% in 2010. As of 30 June 2011 three projects are rated actual problem project "at risk," based on the newly introduced criteria, i.e. Grant 0150: Emergency Flood Damage Rehabilitation Project, Grant 0219: Community Irrigation Project and Grant 0215: Detailed Engineering Study for the Upper Seti Hydropower. The Nepal portfolio also consists of potential problem projects (lagging behind in implementation), i.e., Loan 2102: Community Managed Irrigated Agriculture Sector Project, Loan 2587: Energy Access and Efficiency Improvement Project, Loan 2581: Air Transport Capacity Enhancement Project, Loan 2579: South Asia Tourism Infrastructure Development Project, Grant 0106: Information and Communication Technology Project and Grant 0093: Rural Reconstruction and Rehabilitation Sector Development Project. These Projects require intensive monitoring and the concerned EAs and IAs must take proactive initiatives to prevent them from falling into "at risk" category.

#### **B. Human Resources**

46. **Frequent Transfer of Project Staff.** The issue of transfer of project implementation staff at the center and district levels without the proper hand over of responsibilities has been a major concern that has repeatedly been raised in past NPPRs. Although the Government reiterates that the staff transfer has been carried out in accordance with the Civil Service Act, frequent changes of key implementing staff have de facto resulted in further implementation delays, disruption in project implementation momentum and loss of institutional memory. At the project level, it was noted that the project director and project manager for Loan 2111: Skills for Employment Project and Loan 2143: Gender Equality and Empowerment of Women Project has been changed five times since approval in 2004, and the project director for Grant 0106:

Information and Communication Technology Project has been changed five times since its approval 2008.

47. Likewise, the frequent changes of the local development officers in the districts, chief executive officers in the municipalities, sectoral district chief and district technical officers and associated staff have significantly hampered the implementation of projects such as Loan 2092: Decentralized Rural Infrastructure and Livelihood Project, Grant 0093: Rural Reconstruction and Rehabilitation Sector Development Project, Loan 2111: Skills for Employment Project and Loan 1966: Urban and Environment Improvement Project. In the case of Loan 1966: Urban and Environment Improvement Project, it is to be noted that most of the chief executive officers of six municipalities have been changed several times with their tenure period being less than 24 months

48. **Inadequate Staffing.** Inadequate staffing is a persistent issue that is adversely impacting the performance of projects, especially the ones at the district level. As a result, the existing staffs are overloaded and lack motivation to carry out required activities of the projects. It is to be noted that in Loan 2143: Gender Equality and Empowerment of Women Project, 87 of a total of 195 positions are vacant and it has substantially affected project implementation. Similarly, under Loan 2111: Skills for Employment Project, inadequate staff member of its partner implementing agency, Cottage and Small Industry Development Board and Department of Cottage Industry, in 20 project districts has hampered project implementation and delivery of quality vocational training. Project implementation of Grant 0179: South Asia Tourism Infrastructure Development Project and Loan251/Grant0181: Air Transport Capacity Enhance Project has also been affected due to many vacant key positions. Hence, a continuous commitment from the Government is required to fulfill the vacant positions at the central as well as district levels as the increased number of projects is adopting decentralization.

### **C. Public Financial Management**

49. **Audit Effectiveness.** As per the loan/grant agreement, certification and submission of project account to ADB within the stipulated time (for new ADB projects which were approved after 2006, the deadline is within six months from the fiscal year closing) is crucial for sound public financial management. As noted in paras. 24 and 40 there has been a serious concern about an increase in the delay of submission of project account. While capacity constraints are present, reasons for such delays are lack of adequate manpower at the field level, lack of orientation on requirement of project account, and poor monitoring and reporting system. Further, the quality of the APAs needs to be improved. Hence, it is vital to coordinate with the Office of Auditor General, Nepal to improve timeliness and quality of APAs submission.

### **D. Procurement Management**

50. **Implementation of Public Procurement Act and Regulation.** The need to strengthen procurement management has been one of the key issues as it influences the quality of performance in all aspects of project implementation. Hence, in August 2010, the World Bank and ADB jointly conducted the second procurement review mission. These missions assisted the government to effectively implement the Public Procurement Act (PPA) and Public Procurement Regulations (PPR)—through the strengthened capacity of the Public Procurement Monitoring Office (PPMO). While technical and financial support has jointly been provided by ADB and the World Bank, focusing on capacity enhancement at PPMO, the Government needs to allocate adequate resources, including human resources, to the PPMO for effective and efficient delivery of its mandate.



51. **Procurement Plan.** The lack of adequate procurement plan has been a major concern for monitoring the implementation of Projects. Further, there is a lack of institutional capacity and designated staff in preparing robust procurement plan. Since, the good procurement planning and implementation is critical for successful implementation, there is a need to strengthen the capacity of the EAs and IAs in this aspect. Further, the procurements of works, goods and services are increasing both at the central and district levels in view of the increased portfolio size. Hence, in order to strengthen the procurement planning of the EAs and IAs, NRM has undertaken capacity development programs.

52. **Transparency in Procurement.** In recent years there has been an indication that risks in public procurement, including intimidation and collusion/cartel amongst the bidders in Nepal are on the rise both at the central and district levels. Cases have not only been reported in the media but also seen when the bidders are blocked from bidding because of intimidation and the use of physical force by individuals and groups hired by a few unscrupulous bidders. ADB needs to adopt various other mechanisms at the project level such as independent spot checking, third party monitoring system and strengthening of procurement review mechanism. In this regard spot checking of procurement activities as well as third party monitoring has been established for Grant 0150: Emergency Flood Damage Rehabilitation Project. Likewise, OAG, Nepal has agreed with the Ministry of Education and development partners to conducting a third party monitoring of education Sector-wide Program (SWAP).

#### IV. NEPAL PORTFOLIO PERFORMANCE REVIEW

53. **2010 NPPR Action Plan.** During the NPPR in September 2010, the Government, ADB, DFID, JICA, and the World Bank agreed on key actions which are to be accomplished by the end of October of 2011 to improve portfolio performance. In August 2011, the Government and the core development partners reviewed the progress in implementation of the action plan developed in the 2010 NPPR, and they will make its final assessment during the 2011 NPPR scheduled on 17 and 18 November 2011. There were eighteen actions that were due for compliance in four core areas; (i) human resource management; (ii) public procurement management; (iii) public financial management; (iv) result-based monitoring and evaluation for development results. Ten of eighteen actions have been complied, one not complied and seven in progress.

54. **2011 NPPR.** The key areas for technical discussions during the 2011 NPPR are: (i) human resource management; (ii) public procurement; (iii) public financial management; (iv) managing for development results; and (v) mutual accountability. The main theme of the 2011 NPPR is Portfolio Management and Aid Effectiveness.

## NEPAL: Portfolio Management Indicators

Indicators	Unit	2008		2009		2010	
<b>I. Public Sector Loans</b>							
<b>A. Country Portfolio</b>							
1. Active Loan and Grant Portfolio	No.   \$mn	28   919.0	32   1,133.6	38   1,229.5			
(a) Project Loans	No.   \$mn	15   493.4	15   581.5	14   542.1			
(b) Program Loans	No.   \$mn	3   93.4	2   56.4	2   85.1			
(c) DFI/Credit Loans	No.   \$mn	0   0	0   0	0   0			
(d) Combined Projects and DFI Loans	No.   \$mn	0   0	0   0	0   0			
(e) Project Grants	No.   \$mn	7   167.4	11   261.4	18   368.0			
(f) Program Grants	No.   \$mn	3   164.8	4   234.3	4   234.3			
2. Average Age of Active Loan & Grant Portfolio	Years	4.3	3.1	2.8			
3. Inactive Loan Portfolio	No.   \$mn	0   0	0   0	0   0			
<b>B. Start-Up Compliance</b>							
1. Loans and Grants Approved During the Year	No.   \$mn	3   139.3	9   336.2	11   262.5			
2. Loans and Grants Not Yet Signed	No.	1	5	5			
3. Loans and Grants Awaiting Effectiveness	No.	0	1	4			
4. Average Time from Approval to Signing (Loans and Grants)	Months	3.779	4.136	3.900			
5. Average Time from Signing to Effectivity (Loans and Grants)	Months	5.294	4.321	3.200			
6. Loans and Grants that Became Effective more than 90 Days after Signing	No.   %	17   58.6	13   50.0	14   36.8			
<b>C. Financial Performance</b>							
1. Contract/Commitment Achievement (Loans)	\$mn	64.484	93.975	97.962			
2. Contract/Commitment Achievement (Grants)	\$mn	78.869	138.391	35.684			
3. Contract/Commitment Ratio (Loans) <sup>a</sup>	%	24.22	29.500	23.89			
4. Disbursement Achievement (Loans)	\$mn	60.860	73.488	80.142			
5. Disbursement Achievement (Grants)	\$mn	66.245	126.040	31.257			
4. Disbursement Ratio (Loans) <sup>b</sup>	%	17.80	28.51	17.318			
5. Imprest Fund Turnover Ratio (Loans) <sup>c</sup>	%	1.23	1.47	1.6			
6. Submission of APA and AFS (PC & NC)							
(a) =< 6 months	No.   %	3   13.6	7   36.8	12   70.6			
(b) > 6 =< 12 months	No.   %	1   5.3	0   0.0	0   0.0			
(c) > 12 months	No.   %	1   5.3	0   0.0	0   0.0			
7. Loan Service Payments	\$mn	63.262	74.5	80.6			
8. Net Resource Transfer	\$mn	51.900	119.100	30.799			
<b>D. Portfolio Performance (Loans)</b>							
1. Project Ratings							
(a) Highly Satisfactory (HS)	No.   %	0   0.0	0   0.0	0   0.0			
(b) Satisfactory (S)	No.   %	19   95.0	16   94.1	16   100.0			
(c) Partly Satisfactory (PS)	No.   %	1   5.0	1   5.9	0   0.0			
(d) Unsatisfactory (U)	No.   %	0   0.0	0   0.0	0   0.0			
2. Projects At Risk (no. of loans)	No.   %	2   6.7	1   3.1	0   0.0			
(a) Problem Projects (combined IP & IO) (PS & U)	No.   %	2   6.7	1   3.1	0   0.0			
(b) Potential Problem Projects	No.   %	0   0.0	0   0.0	0   0.0			
(c) Problem Projects							
(i) Implementation Progress (PS & U)	No.   %	0   0.0	1   5.9	0   0.0			
(ii) Impact and Outcome (PS & U)	No.   %	1   5.0	0   0.0	0   0.0			
3. Risk Ratios of Major Issues <sup>d</sup>							
(a) Project Implementation Delays	No.   %	7   23.3	5   29.4	5   31.3			
(b) Loan Utilization Delays	No.   %	0   0.0	0   0.0	0   0.0			
(c) Established, Staffed, and/or Operation of PMU/PIU	No.   %	0   0.0	1   3.1	1   7.1			
(d) Fielding of Consultants	No.   %	0   0.0	0   0.0	1   6.3			
(e) Environmental or Social Problems	No.   %	2   6.7	2   6.2	1   7.1			
(f) Poor Compliance with APA and AFS	No.   %	0   0.0	0   0.0	0   0.0			
(g) Poor Compliance with other Covenants	No.   %	3   10.0	1   3.1	0   0.0			
(h) Shortage of Counterpart Funds/Cofinancing	No.   %	1   3.3	1   5.9	1   6.3			
(i) Unsettled Cost Overrun	No.   %	0   0.0	0   0.0	0   0.0			
(j) Significant Disbursement Delays	No.   %	7   23.3	4   23.5	2   12.5			
(k) In Risk Sector or Country with History of Past Problems	No.   %	4   13.3	0   0.0	0   0.0			
(l) Project Fielded Missions	No.   %	4   13.3	5   29.4	5   31.3			
4. Overall Risk Ratio of the Portfolio <sup>e</sup>	%	13.5	10.6	9.5			
<b>E. Portfolio Supervision</b>							
1. Proactivity Index <sup>f</sup>	No.   %	2   66.7	1   100.0	1   100.0			
2. Average Supervision Intensity (staffdays/project)	Days	38	32.7	22.1			
3. Loans with Settled Cost Overruns	No.	1	1	1			
4. Loans with Changes in Project Scope	No.	5	1	1			
5. Loans with Changes in Implementation Arrangements	No.	5	3	3			
6. Loans with Extensions	No.	9	6	6			
7. Loan Cancellations	\$mn	3.994	5.609	16.755			

NA = not available; na = not applicable

<sup>a</sup> Contract/Commitment Award Ratio is defined as the ratio of Contract Awarded/Actual Commitment during the year over the value available for contract/commitment awards at the beginning of the year. The value of the contracts/commitments to be awarded/committed under newly approved loans during the period is/will be added to the opening balance of the value available for contract/commitment awards.

<sup>b</sup> Disbursement ratio is the ratio of total disbursement in a given year/period over the net loan amount available at the beginning of the year/period plus the loan amounts of newly approved loans which have become effective during the year/period. Where: (i) "Total disbursement in a given year/period" refers to the confirmed disbursement for a particular year/period covered. (ii) "Net loan amount available at the beginning of the year/period" refers to all loans that were effective at the beginning of the year. (iii) "Loan amounts of newly approved loans which have become effective during the year/period" refers to all loans approved before and after the beginning of the year that have become effective after the beginning of the year.

<sup>c</sup> The annualized turnover rate is computed as the ratio of total liquidation over the time-weighted average fund balance for 12 months.

<sup>d</sup> % of problem-flagged projects (loans) to total no. of loans in various loan portfolio categories.

<sup>e</sup> The weighted average of the 12 risk ratios.

<sup>f</sup> % of problem projects changed through upgrading, restructuring, closure, or cancellation during the last 12 months.

**Nepal: Time Elapsed for Contract Award and Disbursement Loans and Grants**  
(as of 31 December 2010)

S. No.	Loan / Grant No.	Project/Program	Net Project Milestone Dates			Disbursement		Contract Awards		1st. C/S Date	Time Elapsed	Time Elapsed		
			Amount	Approval	Effective	1st. Dis. Date	10% Dis. Year	Time Elapsed	25% C/A Year				Time Elapsed	
1	1820	Melamchi Water supply Project	142.65	21-Dec-00	28-Nov-01	28-Dec-01	31-Jan-09	8.12	12-Mar-09	8.23	30-Nov-01	0.94	30-Nov-01	0.94
2	1966	Urban and Environment Improvement	28.20	10-Dec-02	2-Oct-03	16-Dec-03	31-Dec-07	5.06	31-Dec-07	5.06	01-Oct-04	1.81	14-Feb-05	2.18
3	2008	Community based Water Supply and Sanitation Sector	24.38	30-Sep-03	1-Apr-04	24-Jun-04	31-Dec-05	2.25	31-Dec-08	5.26	29-Nov-04	1.17	05-Dec-05	2.18
4	2059	Kaithmandu Valley Water Services Sector Development	10.69	18-Dec-03	7-Dec-04	01-Mar-05	-	-	30-Nov-10	6.96	29-Mar-10	6.28	29-Mar-10	6.28
5	2092	Decentralized Rural Infrastructure & Livelihood Dev.	41.14	24-Sep-04	25-Nov-05	25-Nov-05	31-Dec-07	3.27	31-Dec-08	4.27	02-Apr-06	1.52	30-May-06	1.68
6	2102	Community Managed Irrigated Agriculture Sector	20.92	17-Nov-04	13-Jan-06	29-Mar-06	31-Dec-08	4.12	31-May-11	6.54	04-Aug-06	1.71	04-Aug-06	1.71
7	2111	Skill for Employment	20.93	25-Nov-04	28-Feb-06	28-Apr-06	30-Jun-09	4.60	28-Feb-10	5.26	01-Jul-06	1.60	28-May-07	2.50
8	2143	Gender Equality and Empowerment of Women	10.23	16-Dec-04	28-Nov-06	28-Mar-07	31-Dec-08	4.04	31-Aug-10	5.71	05-Oct-07	2.80	27-May-08	3.45
9	2587	Energy Access and Efficiency Improvement	63.35	27-Nov-09	04-Jun-10	10-Nov-10	-	-	-	-	09-Oct-10	0.87	05-Mar-11	1.27
10	2579	South Asia Tourism Infrastructure Development	12.68	16-Nov-09	03-Sep-10	-	-	-	-	-	-	-	-	-
11	2581	Air Transport Capacity Enhancement	68.36	23-Nov-09	06-Dec-10	-	-	-	-	-	-	-	-	-
12	2650	Secondary Towns Integrated Urban Environmental Improvement	63.03	6-Jul-10	-	-	-	-	-	-	-	-	-	-
13	2656	Kaithmandu Sustainable Urban Transport Project	10.61	22-Jul-10	26-Oct-10	-	-	-	-	-	-	-	-	-
14	2685	Subregional Transport Enhancement	24.90	27-Oct-10	-	-	-	-	-	-	-	-	-	-
15	0051	Road Connectivity Sector	55.20	10-Aug-06	20-Nov-06	01-May-07	30-Apr-09	2.72	26-Dec-08	2.38	16-Mar-07	0.60	16-Mar-07	0.60
16	0059	Rural Finance Sector Cluster Development	8.70	26-Oct-06	21-Nov-06	08-Jun-07	31-May-10	3.60	31-Jan-10	3.27	14-May-09	2.55	14-May-09	2.55
17	0063	Commercial Agriculture Development	18.00	16-Nov-06	6-Aug-07	01-Oct-07	31-Jan-08	1.21	07-Sep-09	2.81	09-Apr-08	1.40	14-Jul-08	1.66
18	0065	Education Sector Cluster Program	2.00	1-Dec-06	6-Feb-07	12-Apr-07	31-Jan-08	1.17	22-Nov-07	0.98	15-Sep-07	0.79	15-Sep-07	0.79
19	0093	Rural Reconstruction and Rehabilitation Sector Dev.	50.00	12-Dec-07	1-Feb-08	10-Mar-08	10-Mar-08	0.24	31-Dec-10	3.05	24-Mar-08	0.28	24-Mar-08	0.28
20	0099	SASEC Information Highway	9.00	17-Dec-07	2-Jul-09	17-Dec-10	-	-	-	-	13-Jul-10	2.57	13-Jul-10	2.57
21	0106	ICT Development Project	25.00	28-Jan-08	25-Jul-08	23-Jun-10	-	-	-	-	02-Mar-10	2.09	02-Mar-10	2.09
22	0150	Emergency Flood Damage Rehabilitation	25.60	21-Apr-09	25-Aug-09	14-Oct-09	14-Oct-09	0.48	31-Jul-10	1.28	28-Aug-09	0.35	28-Aug-09	0.35
23	0157	Second Small Towns Water Supply and Sanitation Sector	45.10	17-Sep-09	14-Jan-10	25-Mar-10	-	-	-	-	15-Mar-10	0.49	15-Mar-10	0.49
24	0179	South Asia Tourism Infrastructure Development	12.75	16-Nov-09	3-Sep-10	-	-	-	-	-	-	-	-	-
25	0181	Air Transport Capacity Enhancement	10.00	23-Nov-09	6-Dec-10	-	-	-	-	-	-	-	-	-
26	0208	Second Rural Finance Sector Development	12.10	18-Jun-10	26-Dec-10	-	-	-	-	-	-	-	-	-
27	0212	Kaithmandu Sustainable Urban Transport Project	10.00	22-Jul-10	-	-	-	-	-	-	-	-	-	-
28	0215	Detailed Engg. Study for the Upper Seti Hydropower	2.50	2-Sep-10	-	-	-	-	-	-	-	-	-	-
29	0219	Community Irrigation Project	26.40	27-Sep-10	-	-	-	-	-	-	-	-	-	-
30	0225	Subregional Transport Enhancement	24.50	27-Oct-10	-	-	-	-	-	-	-	-	-	-
31	0227	Transport Project Preparatory Facility	12.00	29-Oct-10	-	-	-	-	-	-	-	-	-	-
32	0233	Raising Income of Small and Medium Farmers	20.10	24-Nov-10	-	-	-	-	-	-	-	-	-	-
<b>Average (Year)</b>								<b>2.92</b>		<b>4.07</b>		<b>1.57</b>		<b>1.77</b>

**NEPAL: FINANCIAL PERFORMANCE (LOANS AND GRANTS) PROCUREMENT**  
(as of 31 December 2010)

Sector/ Loan/ Grant No.	Project Name	Approval Date (1)	Net Loan/ Grant Amount		Cumulative Contract and Commitment Amount		Annual Contract and Commitment		Remaining to be Awarded/ Committed as of 1 Jan 2010 <sup>a</sup> (6)	Contract/ Commit. Ratio <sup>b</sup> % (7)	Date of 1st Contract Date (mos) (8)	Diff. between Date of 1st Contract and Approval Date (mos) (8-1)
			(2)	(3)	(3/2)	(3)	(4)	(5)				
<b>LOANS</b>												
<b>Agriculture and Natural Resources</b>												
2071(SF)	Community Livestock Development	19 Dec 03	20,331	19,999	98.37	3,260	4,492	137.79	4,492	100.00	26 Nov 06	35.3
1.	Decentralized Rural Infrastructure and Livelihood	24 Sep 04	41,138	35,268	85.73	7,160	9,885	138.06	13,205	74.86	02 Apr 06	18.2
2.	Community Managed Irrigated Agriculture Sector	17 Nov 04	20,922	7,912	37.82	2,425	3,686	152.00	15,872	23.22	04 Aug 06	20.5
3.	Gender Equality and Empowerment of Women	16 Dec 04	10,233	3,390	33.13	1,750	1,388	79.31	6,722	20.65	02 May 08	40.5
	<b>Subtotal/Average</b>		<b>92,624</b>	<b>66,569</b>	<b>71.87</b>	<b>14,595</b>	<b>19,451</b>	<b>133.27</b>	<b>40,291</b>	<b>48.28</b>		<b>28.7</b>
<b>Education</b>												
* 1917(SF)	Secondary Education Support	20 Sep 02	32,483	32,069	98.73	0.200	0.000	0.00	(0.117)	-	17 Nov 03	13.9
4.	Skills For Employment	25 Nov 04	20,933	11,895	56.82	5,767	6,456	111.95	11,427	56.50	01 Jul 06	19.2
5.	Education Sector Program (Subprogram 3)	22 Sep 09	24,782	0.000	0.00	0.000	0.000	0.00	24,782	-	-	-
	<b>Subtotal/Average</b>		<b>78,198</b>	<b>43,964</b>	<b>56.22</b>	<b>5,967</b>	<b>6,456</b>	<b>108.20</b>	<b>36,209</b>	<b>17.83</b>		<b>16.5</b>
<b>Energy</b>												
6.	Energy Access and Efficiency Improvement	27 Nov 09	63,346	14,323	22.61	0.000	14,323	0.00	56,633	25.29	09 Aug 10	8.4
	<b>Subtotal/Average</b>		<b>63,346</b>	<b>14,323</b>	<b>22.61</b>	<b>0.000</b>	<b>14,323</b>	<b>0.00</b>	<b>56,633</b>	<b>25.29</b>		<b>-</b>
<b>Finance</b>												
7.	Rural Finance Sector Development Cluster Program (Subprogram 2)	18 Jun 10	60,325	29,871	49.52	0.000	29,871	0.00	60,325	49.52	-	-
	<b>Subtotal/Average</b>		<b>60,325</b>	<b>29,871</b>	<b>49.52</b>	<b>0.000</b>	<b>29,871</b>	<b>0.00</b>	<b>60,325</b>	<b>49.52</b>		<b>-</b>
<b>Transport and ICT</b>												
1876(SF)	Roads Network Development	13 Dec 01	45,062	44,020	97.69	0.000	0.000	0.00	-	-	19 Jun 03	18.2
2097(SF)	Subregional Transport Facilitation	04 Nov 04	17,342	17,342	98.87	0.000	0.000	0.00	-	-	02 Oct 05	10.9
8.	Air Transport Capacity Enhancement	23 Nov 09	68,359	0.000	0.00	0.000	0.000	0.00	55,215	-	-	-
9.	Kathmandu Sustainable Urban Transport	22 Jul 10	10,605	0.000	0.00	0.000	0.000	0.00	9,499	-	-	-
10.	Subregional Transport Enhancement	27 Oct 10	24,901	0.000	0.00	0.000	0.000	0.00	18,498	-	-	-
	<b>Subtotal/Average</b>		<b>166,467</b>	<b>61,362</b>	<b>36.86</b>	<b>0.000</b>	<b>0.000</b>	<b>0.00</b>	<b>83,212</b>	<b>-</b>		<b>14.5</b>
<b>Water and Other Municipal Infrastructure and Services</b>												
11.	Melanchi Water Supply	21 Dec 00	142,645	83,929	58.84	9,500	10,930	115.05	45,466	24.04	30 Nov 01	11.3
12.	Urban & Environmental Improvement	10 Dec 02	28,204	25,596	90.75	0.500	1,272	254.40	2,410	52.78	01 Jan 04	12.7
13.	Community-Based Water Supply and Sanitation Sector	30 Sep 03	24,382	24,118	98.92	7,000	9,756	139.37	9,181	100.00	16 Jul 04	9.5
14.	Kathmandu Valley Water Services Sector Development	18 Dec 03	10,692	5,903	55.21	6,000	5,903	98.38	10,109	58.39	13 Dec 09	71.9
15.	Secondary Towns Integrated Urban Environmental Improvement	06 Jul 10	63,029	0.000	0.00	0.000	0.000	0.00	54,229	-	13 Dec 09	-6.7
	<b>Subtotal/Average</b>		<b>268,952</b>	<b>139,546</b>	<b>51.89</b>	<b>23,000</b>	<b>27,861</b>	<b>121.13</b>	<b>121,395</b>	<b>22.95</b>		<b>19.7</b>
<b>Multisector</b>												
16.	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16 Nov 09	12,681	0.000	0.00	0.000	0.000	0.00	11,965	-	-	-
	<b>Subtotal/Average</b>		<b>12,681</b>	<b>0.000</b>	<b>0.00</b>	<b>0.000</b>	<b>0.000</b>	<b>0.00</b>	<b>11,965</b>	<b>-</b>		<b>-</b>
	<b>NEP Total/Average (Loans)</b>		<b>742,593</b>	<b>355,635</b>	<b>47.89</b>	<b>43,562</b>	<b>97,962</b>	<b>224.88</b>	<b>410,030</b>	<b>23.89</b>		<b>20.3</b>

**NEPAL: FINANCIAL PERFORMANCE (LOANS AND GRANTS) PROCUREMENT**  
(as of 31 December 2010)

Sector/ Loan/ Grant No.	Project Name	Approval Date (1)	Net Loan/ Grant		Cumulative Contract and Commitment		Annual Contract and Commitment		Remaining to be Awarded/ Committed as of 1 Jan 2010 <sup>a</sup>	Contract/ Commit. Ratio <sup>b</sup> %	Date of 1st Contract Date (mos) (8)	Diff. between Date of 1st Contract Date (mos) (8-1)
			Amount (2)	Amount (3)	Amount (3/2)	% to Net Amount (3/2)	Projected (4)	Actual (5)				
<b>GRANTS</b>												
<b>Agriculture and Natural Resources</b>												
1. 0063	Commercial Agriculture Development	16 Nov 06	18,000	8,677	48.21	2,580	1,566	60.70	10,889	14.38	23 Jun 08	19.2
2. 0093	Rural Reconstruction and Rehabilitation Sector Development (Project)	12 Dec 07	50,000	19,749	39.50	17,911	10,820	60.41	41,071	26.34	20 Mar 08	3.3
3. 0094	Rural Reconstruction and Rehabilitation Sector Development (Program)	12 Dec 07	50,000	50,000	100.00	0.000	0.000	0.00	0.000	-	-	-
4. 0219	Community Irrigation	27 Sep 10	26,400	0.000	0.00	0.000	0.000	0.00	26,400	0.00	-	-
5. 0233	Raising Incomes of Small and Medium Farmers	24 Nov 10	20,100	0.000	0.00	0.000	0.000	0.00	20,100	0.00	-	-
	<b>Subtotal/Average</b>		<b>164,500</b>	<b>78,426</b>	<b>47.68</b>	<b>20,491</b>	<b>12,386</b>	<b>60.45</b>	<b>98,460</b>	<b>12.56</b>		
6. 0065	Education Sector Program 1 (Capacity Development)	01 Dec 06	2,000	1,678	83.90	0.200	0.011	5.50	0.333	3.30	31 May 07	6.0
7. 0105	Education Sector Program (Subprogram 2)	24 Jan 08	8,000	8,000	100.00	0.000	0.000	0.00	0.000	-	-	-
8. 0160	Education Sector Program (Subprogram 3)	22 Sep 09	70,000	45,000	64.29	0.000	0.000	0.00	25,000	0.00	-	-
	<b>Subtotal/Average</b>		<b>80,000</b>	<b>54,678</b>	<b>68.35</b>	<b>0.200</b>	<b>0.011</b>	<b>5.50</b>	<b>25,333</b>	<b>0.04</b>		
<b>Energy</b>												
9. 0215	Detailed Engineering Study for the Upper Seti Hydropower	02 Sep 10	2,500	0.000	0.00	0.000	0.000	0.00	2,500	0.00	-	-
	<b>Subtotal/Average</b>		<b>2,500</b>	<b>0.000</b>	<b>0.00</b>	<b>0.000</b>	<b>0.000</b>	<b>0.00</b>	<b>2,500</b>	<b>0.00</b>		
<b>Finance</b>												
10. 0059	Rural Finance Sector Development Cluster Program	26 Oct 06	8,700	8,026	92.25	0.500	7,411	1482.20	8,085	91.66	10 Mar 08	16.5
11. 0208	Rural Finance Sector Development Cluster Program (Subprogram 2)	18 Jun 10	12,100	0.000	0.00	0.000	0.000	0.00	12,100	0.00	-	-
	<b>Subtotal/Average</b>		<b>20,800</b>	<b>8,026</b>	<b>38.59</b>	<b>0.500</b>	<b>7,411</b>	<b>1482.20</b>	<b>20,185</b>	<b>36.72</b>		
<b>Public Sector Management</b>												
12. 0118	Government Support Program (Subprogram 1)	22 Oct 08	106,300	65,000	61.15	41,300	0.000	0.00	41,300	0.00	-	-
	<b>Subtotal/Average</b>		<b>106,300</b>	<b>65,000</b>	<b>61.15</b>	<b>41,300</b>	<b>0.000</b>	<b>0.00</b>	<b>41,300</b>	<b>0.00</b>		
<b>Transport and ICT</b>												
13. 0051	Road Connectivity Sector 1	10 Aug 06	55,200	43,824	79.39	0.180	0.156	86.67	11,532	1.35	07 Mar 07	6.9
14. 0099	SASEC Information Highway Project	17 Dec 07	9,000	9,629	107.00	0.390	0.629	161.28	9,000	6.99	08 Jul 10	30.7
15. 0106	Information and Communication Technology Development	28 Jan 08	25,000	2,418	9.67	6,400	2,418	37.78	25,000	9.67	11 Feb 10	24.5
16. 0181	Air Transport Capacity Enhancement	23 Nov 09	10,000	0.000	0.00	5,000	0.000	0.00	10,000	0.00	-	-
17. 0212	Katmandu Sustainable Urban Transport	22 Jul 10	10,000	0.000	0.00	0.000	0.000	0.00	10,000	0.00	-	-
18. 0225	Subregional Transport Enhancement	27 Oct 10	24,500	0.000	0.00	0.000	0.000	0.00	24,500	0.00	-	-
19. 0227	Transport Project Preparatory Facility	29 Oct 10	12,000	0.000	0.00	0.000	0.000	0.00	12,000	0.00	-	-
	<b>Subtotal/Average</b>		<b>145,700</b>	<b>46,871</b>	<b>32.17</b>	<b>11,970</b>	<b>3,203</b>	<b>26.76</b>	<b>102,032</b>	<b>3.14</b>		
<b>Water and Other Municipal Infrastructure and Services</b>												
20. 0157	Second Small Towns Water Supply and Sanitation Sector	17 Sep 09	45,100	3,723	8.25	0.000	3,723	0.00	45,100	8.25	-	-
	<b>Subtotal/Average</b>		<b>45,100</b>	<b>3,723</b>	<b>8.25</b>	<b>0.000</b>	<b>3,723</b>	<b>0.00</b>	<b>45,100</b>	<b>8.25</b>		
<b>Multisector</b>												
21. 0150	Emergency Flood Damage Rehabilitation	21 Apr 09	25,600	10,505	41.04	15,287	8,950	58.55	24,045	37.22	09 Jul 09	2.6
22. 0179	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16 Nov 09	12,750	0.000	0.00	0.000	0.000	0.00	12,750	0.00	16 Dec 09	1.0
	<b>Subtotal/Average</b>		<b>38,350</b>	<b>10,505</b>	<b>27.39</b>	<b>15,287</b>	<b>8,950</b>	<b>0.00</b>	<b>36,795</b>	<b>24.32</b>		
	<b>NEP Total/Average (Grants)</b>		<b>603,250</b>	<b>267,229</b>	<b>44.30</b>	<b>89,748</b>	<b>35,684</b>	<b>39.76</b>	<b>371,705</b>	<b>9.60</b>		
	<b>NEP Total/Average (Loans and Grants)</b>		<b>1,345,843</b>	<b>622,864</b>	<b>46.28</b>	<b>133,310</b>	<b>133,646</b>	<b>100.25</b>	<b>781,735</b>	<b>17.10</b>		

<sup>a</sup> The value available for contract awards excludes amount of interest during construction, unallocated amount and contingencies.

<sup>b</sup> Negative ratios which are excluded in the totals were due to the following: (a) the overall cumulative contract/commitment at the end of the period is higher than the total value of contracts/commitment to be awarded/committed thus resulting to negative balance at the beginning of the year; and (b) such excess in contract/commitment values indicates the need for reallocation from the "Unallocated" category portion of the loan or cancellation. Ratio of contract awarded during the year over the value of available for contract awards at the beginning of the year. The value of the contracts to be awarded under newly approved and signed loans during the period is/will be added to the opening balance of the value available for contract.

**NEPAL : FINANCIAL PERFORMANCE (LOANS) - DISBURSEMENT**  
(as of 31 December 2010)

Project Name	Approval Date (1)	Net Loan/Grant Amount (2)		Cumulative Disbursement % to Net Loan Amt. (3/2)		Annual Disbursement % (5/4)			Disbursement Ratio % (6)	Imprest Account Disbursement <sup>b</sup>			Cumulative Disb. under Imprest Account % Utilized (10/3)
		Amount	(3)	Amount	(3/2)	Projected	Actual	Achieved		Advance/Replenishment (7)	Liquidation (8)	Balance (TWAFFB) (9)	
Community Livestock Development	19-Dec-03	20,331	20,331	100.00	2,428	3,981	163.96	96.91	-	0.193	5.432	10,761	52.93
1. Decentralized Rural Infrastructure and Livelihood	24-Sep-04	41,138	25,012	60.80	8,360	8,624	103.16	34.20	3,160	2,400	1,317	15,657	62.60
2. Community Managed Irrigated Agriculture Sector	17-Nov-04	20,922	5,067	24.22	1,082	2,315	213.96	12.56	0,009	0,500	0,018	1,511	29.83
3. Gender Equality and Empowerment of Women	16-Dec-04	10,233	3,706	36.22	1,180	1,426	120.85	17.64	1,405	0,590	2,381	3,665	98.89
<b>Subtotal/Average</b>		<b>92,624</b>	<b>54,116</b>	<b>58.43</b>	<b>13,050</b>	<b>16,346</b>	<b>125.26</b>		<b>4,574</b>	<b>3,683</b>	<b>1,527</b>	<b>31,595</b>	<b>58.38</b>
Secondary Education Support	20-Sep-02	32,483	32,483	100.00	2,000	0,000	0.00	-	-	-	-	7,735	23.81
4. Skills For Employment	25-Nov-04	20,933	5,787	27.65	4,000	2,987	74.68	16.23	2,262	1,000	2,262	5,018	86.71
5. Education Sector Program (Subprogram 3)	22-Sep-09	24,782	0,000	0.00	0,000	0,000	0.00	-	-	-	-	-	-
<b>Subtotal/Average</b>		<b>78,198</b>	<b>38,270</b>	<b>48.94</b>	<b>6,000</b>	<b>2,987</b>	<b>49.78</b>		<b>2,262</b>	<b>1,000</b>	<b>2,262</b>	<b>12,753</b>	<b>33.32</b>
6. Energy Access and Efficiency Improvement	27-Nov-09	63,346	0,787	1.24	0,000	0,787	0.00	1.23	-	-	-	-	-
<b>Subtotal/Average</b>		<b>63,346</b>	<b>0,787</b>	<b>1.24</b>	<b>0,000</b>	<b>0,787</b>	<b>0.00</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
7. Rural Finance Sector Development Cluster Program (Subprogram 2)	18-Jun-10	60,325	29,871	49.52	0,000	29,871	0.00	49.46	-	-	-	-	-
<b>Subtotal/Average</b>		<b>60,325</b>	<b>29,871</b>	<b>49.52</b>	<b>0,000</b>	<b>29,871</b>	<b>0.00</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Roads Network Development	13-Dec-01	45,062	45,062	100.00	0,000	0,000	0.00	-	-	-	-	15,901	35.29
Subregional Transport Facilitation	4-Nov-04	17,540	17,540	100.00	4,000	4,297	107.43	94.59	0,000	2,000	0,892	7,609	43.38
8. Air Transport Capacity Enhancement	23-Nov-09	68,359	0,000	0.00	0,000	0,000	0.00	-	-	-	-	-	-
9. Kathmandu Sustainable Urban Transport	22-Jul-10	10,605	0,000	0.00	0,000	0,000	0.00	-	-	-	-	-	-
10. Subregional Transport Enhancement	27-Oct-10	24,901	0,000	0.00	0,000	0,000	0.00	-	-	-	-	-	-
<b>Subtotal/Average</b>		<b>166,467</b>	<b>62,602</b>	<b>37.61</b>	<b>4,000</b>	<b>4,297</b>	<b>107.43</b>		<b>0,000</b>	<b>2,000</b>	<b>0,892</b>	<b>23,510</b>	<b>37.56</b>
11. Melamchi Water Supply	21-Dec-00	142,645	34,970	24.52	13,000	9,753	75.02	8.18	3,579	3,079	3,667	14,633	41.84
12. Urban & Environmental Improvement	10-Dec-02	28,204	23,246	82.42	6,000	7,005	116.75	57.77	5,104	1,872	2,726	17,756	76.38
13. Community-Based Water Supply and Sanitation Sector	30-Sep-03	24,382	23,216	95.22	5,000	9,034	180.68	86.95	0,111	1,309	1,918	4,410	19.00
14. Kathmandu Valley Water Services Sector Development	18-Dec-03	10,692	0,586	5.48	1,000	0,062	6.20	0.60	0,057	0,500	0,113	0,557	94.98
15. Secondary Towns Integrated Urban Environmental Improvement	6-Jul-10	63,029	0,000	0.00	0,000	0,000	0.00	-	-	-	-	-	-
<b>Subtotal/Average</b>		<b>268,952</b>	<b>82,018</b>	<b>30.50</b>	<b>25,000</b>	<b>25,854</b>	<b>103.42</b>		<b>8,851</b>	<b>10,750</b>	<b>7,348</b>	<b>37,355</b>	<b>45.55</b>
16. South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16-Nov-09	12,681	0,000	0.00	0,500	0,000	0.00	-	-	-	-	-	-
<b>Subtotal/Average</b>		<b>12,681</b>	<b>0,000</b>	<b>0.00</b>	<b>0,500</b>	<b>0,000</b>	<b>0.00</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Subtotal/Average Loans</b>		<b>742,593</b>	<b>267,664</b>	<b>36.04</b>	<b>48,550</b>	<b>80,142</b>	<b>165.07</b>	<b>17.32</b>	<b>15,687</b>	<b>20,636</b>	<b>12,923</b>	<b>105,213</b>	<b>39.31</b>

**NEPAL : FINANCIAL PERFORMANCE (LOANS) - DISBURSEMENT**  
(as of 31 December 2010)

Project Name	Approval Date (1)	Net Loan/Grant (2)		Cumulative Disbursement (3)		% to Net Loan Amt. (3/2)		Annual Disbursement			Disbursement Ratio % (6)	Imprest Account Disbursement <sup>b</sup>			
		Amount	(2)	Amount	(3)	Amount	(3)	Projected	Actual	Achieved % (5/4)		Liquidation (TWAFB) (9)	Balance (9)	Turnover Rate <sup>c</sup> (8/9)	Imprest Account Amount (10)
1. Commercial Agriculture Development	16 Nov 06	18,000		7,119		39.55		3,960	2,352	59.39	17.77				
2. Rural Reconstruction and Rehabilitation Sector Development (Project)	12 Dec 07	50,000		14,036		28.07		6,544	6,044	92.36	14.39				
3. Rural Reconstruction and Rehabilitation Sector Development (Program)	12 Dec 07	50,000		50,000		100.00		0.00	0.00	0.00	-				
4. Community Irrigation	27 Sep 10	26,400		0.00		0.00		0.00	0.00	0.00	-				
5. Raising Incomes of Small and Medium Farmers	24 Nov 10	20,100		0.00		0.00		0.00	0.00	0.00	-				
<b>Subtotal/Average</b>		<b>164,500</b>		<b>71,155</b>		<b>43.26</b>		<b>10,504</b>	<b>8,396</b>	<b>79.93</b>					
6. Education Sector Program I (Capacity Development)	01 Dec 06	2,000		1,428		71.40		0.800	0.510	63.75	47.22				
7. Education Sector Program (Subprogram 2)	24 Jan 08	8,000		8,000		100.00		0.000	0.000	0.00	-				
8. Education Sector Program (Subprogram 3)	22 Sep 09	70,000		45,000		64.29		0.000	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>80,000</b>		<b>54,428</b>		<b>68.04</b>		<b>0.800</b>	<b>0.510</b>	<b>63.75</b>					
9. Detailed Engineering Study for the Upper Seti Hydropower	02 Sep 10	2,500		0.000		0.00		0.000	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>2,500</b>		<b>0.000</b>		<b>0.00</b>		<b>0.000</b>	<b>0.000</b>	<b>0.00</b>					
10. Rural Finance Sector Development Cluster Program	26 Oct 06	8,700		4,699		54.01		0.350	4.098	1170.86	50.60				
11. Rural Finance Sector Development Cluster Program (Subprogram 2)	18 Jun 10	12,100		0.000		0.00		0.000	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>20,800</b>		<b>4,699</b>		<b>22.59</b>		<b>0.350</b>	<b>4.098</b>	<b>1170.86</b>					
12. Governance Support Program (Subprogram 1)	22 Oct 08	106,300		65,000		61.15		41,300	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>106,300</b>		<b>65,000</b>		<b>61.15</b>		<b>41,300</b>	<b>0.000</b>	<b>0.00</b>					
13. Road Connectivity Sector I	10 Aug 06	55,200		23,819		43.15		7,800	10,956	140.46	25.88				
14. SASEC Information Highway Project	17 Dec 07	9,000		0.042		0.47		0.300	0.042	14.00	0.47				
15. Information and Communication Technology Development	28 Jan 08	25,000		0.335		1.34		0.300	0.335	111.67	1.34				
16. Air Transport Capacity Enhancement	23 Nov 09	10,000		0.000		0.00		0.200	0.000	0.00	-				
17. Kathmandu Sustainable Urban Transport	22 Jul 10	10,000		0.000		0.00		0.000	0.000	0.00	-				
18. Subregional Transport Enhancement	27 Oct 10	24,500		0.000		0.00		0.000	0.000	0.00	-				
19. Transport Project Preparatory Facility	29 Oct 10	12,000		0.000		0.00		0.000	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>145,700</b>		<b>24,196</b>		<b>16.61</b>		<b>8,600</b>	<b>11,333</b>	<b>131.78</b>					
20. Second Small Towns Water Supply and Sanitation Sector	17 Sep 09	45,100		1,533		3.40		0.000	1,533	0.00	3.40				
<b>Subtotal/Average</b>		<b>45,100</b>		<b>1,533</b>		<b>3.40</b>		<b>0.000</b>	<b>1,533</b>	<b>0.00</b>					
21. Emergency Flood Damage Rehabilitation	21 Apr 09	25,600		7,981		31.18		5,281	5,387	102.01	23.42				
22. South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16 Nov 09	12,750		0.000		0.00		0.500	0.000	0.00	-				
<b>Subtotal/Average</b>		<b>38,350</b>		<b>7,981</b>		<b>20.81</b>		<b>5,781</b>	<b>5,387</b>	<b>93.18</b>					
<b>NEP Total/Average (Grants)</b>		<b>603,250</b>		<b>228,992</b>		<b>37.96</b>		<b>67,335</b>	<b>31,257</b>	<b>46.42</b>	<b>10.08</b>				
<b>NEP Total/Average (Loans and Grants)</b>		<b>1,345,843</b>		<b>496,656</b>		<b>36.90</b>		<b>115,885</b>	<b>111,399</b>	<b>96.13</b>	<b>14.42</b>				

## ASIAN DEVELOPMENT BANK

### Nepal Resident Mission

#### STATUS OF SUBMISSION OF AUDITED PROJECT ACCOUNTS FOR FY2008/09

Loan No.	Project/Program	Audited Project Accounts for FY2008/09			Remarks
		Due Date	Submitted	Delay in months	
<b>L O A N S</b>					
1	1820 Melamchi Water Supply	15-Apr-10	21-Apr-10	0.2	Complied late.
2	1876 Road Network Development	15-Apr-10	14-May-10	1.0	Complied late.
3	1917 Secondary Education Support	15-Apr-10	18-Aug-10	4.1	Complied late.
4	1966 Urban and Environmental Improvement	15-Apr-10	08-Apr-10		Complied.
5	2008 Community Based Water Supply and Sanitation Sector	15-Apr-10	19-Jul-10	3.1	Complied late.
6	2059 Kathmandu Valley Water Services Sector Development	15-Apr-10			Not Complied.
7	2071 Community Livestock Development	15-Apr-10	13-Apr-10		Complied.
8	2092 Decentralized Rural Infrastructure and Livelihood Dev.	15-Apr-10	26-Apr-10	0.4	Complied late.
9	2097 Subregional Transport Facilitation	15-Apr-10	20-Apr-10	0.2	Complied late.
10	2102 Community Managed Irrigated Agriculture Sector	15-Apr-10	13-Apr-10		Complied.
11	2111 Skill for Employment	15-Apr-10	05-Apr-10		Complied.
12	2143 Gender Equality and Empowerment of women	15-Apr-10	16-Jun-10	2.0	Complied late.
13	2277 Education Sector Program I	Not Required.			
14	2551 Education Sector Program III	Not Yet Due.			
15	2579 South Asia Tourism Infrastructure Development	Not Yet Due.			
16	2581 Air Transport Capacity Enhancement	Not Yet Due.			
17	2587 Energy Acces and Efficiency Improvement	Not Yet Due.			
<b>G R A N T S</b>					
1	0051 Road Connectivity Sector	15-Apr-10	20-Apr-10	0.2	Complied late.
2	0059 Rural Finance Sector Development	15-Jan-10	12-Oct-10	8.9	Complied late.
3	0063 Commercial Agriculture Development	15-Jan-10	15-Apr-10	3.0	Complied late.
4	0065 Education Sector Cluster Program	15-Jan-10	30-Aug-10	7.5	Complied late.
5	0093 Rural Reconstruction and Rehabilitation Sector Dev. (PJT)	15-Apr-10	15-Apr-10		Complied.
6	0094 Rural Reconstruction and Rehabilitation Sector Dev. Program	Not Required.			
7	0099 SASEC Information Highway	Not Yet Due.			
8	0105 Education Sector program II	Not Required.			
9	0106 ICT Development Project	Not Yet Due.			
10	0118 Governance Support Program (Subprogram I)	Not Required.			
11	0150 Emergency Flood Damage Rehabilitation	Not Yet Due.			
12	0160 Education Sector Cluster Program III	Not Required.			
13	0157 Second Small Towns Water Supply and Sanitation Sector	Not Yet Due.			
14	0179 South Asia Tourism Infrastructure Development	Not Yet Due.			
15	0181 Air Transport Capacity Enhancement	Not Yet Due.			

#### Status as of 31 August 2010

	<u>No of Projects</u>	<u>Achievement Percentage</u>
Complied:	5	29
Complied late:	11	65
Not complied:	1	6
Loans due for compliance:	<u>17</u>	<u>100</u>
Not yet due:	10	
Not required:	5	
Nepal Ongoing Portfolio:	<u><u>32</u></u>	



**NEPAL: PROJECT PERFORMANCE RATING OF ONGOING LOANS AND GRANTS**  
(as of 31 December 2010)

Sector/ Loan No.	Project Name	Project Ratings			At Risk (U+PS in IP or IO)+PP	Types
		Impact & Outcome (IO)	Impl. Progress (IP)	Potential Problem (PP)		
<b>Loans</b>						
<b>Agriculture and Natural Resources</b>						
1. 2092(SF)	Decentralized Rural Infrastructure and Livelihood	S	S	No	No	Project
2. 2102(SF)	Community Managed Irrigated Agriculture Sector	S	S	No	No	Project
3. 2143(SF)	Gender Equality and Empowerment of Women	S	S	No	No	Project
<b>Education</b>						
4. 2111(SF)	Skills For Employment	S	S	No	No	Project
5. 2551(SF)	Education Sector Program (Subprogram 3)	S	S	No	No	Program
<b>Energy</b>						
6. 2587(SF)	Energy Access and Efficiency Improvement	S	S	No	No	Project
<b>Finance</b>						
7. 2641(SF)	Rural Finance Sector Development Cluster Program (Subprogram 2)	S	S	No	No	Program
<b>Transport and ICT</b>						
8. 2581(SF)	Air Transport Capacity Enhancement	S	S	No	No	Project
9. 2656(SF)	Kathmandu Sustainable Urban Transport	S	S	No	No	Project
10. 2685(SF)	Subregional Transport Enhancement	S	S	No	No	Project
<b>Water Supply, Sanitation and Waste Management</b>						
11. 1820(SF)	Melamchi Water Supply	S	S	No	No	Project
12. 1966(SF)	Urban & Environmental Improvement	S	S	No	No	Project
13. 2008(SF)	Community-Based Water Supply and Sanitation Sector	S	S	No	No	Project
14. 2059(SF)	Kathmandu Valley Water Services Sector Development	S	S	No	No	Project
15. 2650(SF)	Secondary Towns Integrated Urban Environmental Improvement	S	S	No	No	Project
<b>Multisector</b>						
16. 2579(SF)	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	S	S	No	No	Project
<b>Grants</b>						
<b>Agriculture and Natural Resources</b>						
1. 0063	Commercial Agriculture Development	S	S	No	No	Project
2. 0093	Rural Reconstruction and Rehabilitation Sector Development (Project)	S	HS	No	No	Project
3. 0094	Rural Reconstruction and Rehabilitation Sector Development (Program)	S	S	No	No	Program
4. 0219	Community Irrigation	S	S	No	No	Project
5. 0233	Raising Incomes of Small and Medium Farmers	S	S	No	No	Project

**NEPAL: PROJECT PERFORMANCE RATING OF ONGOING LOANS AND GRANTS**  
(as of 31 December 2010)

Sector/ Loan No.	Project Name	Project Ratings			At Risk (U+PS in IP or IO)+PP	Types
		Impact & Outcome (IO)	Impl. Progress (IP)	Potential Problem (PP)		
<b>Education</b>						
6. 0065	Education Sector Program I (Capacity Development)	S	S	No	No	Project
7. 0105	Education Sector Program (Subprogram 2)	S	S	No	No	Project
8. 0160	Education Sector Program (Subprogram 3)	S	S	No	No	Project
<b>Energy</b>						
9. 0182	Energy Access and Efficiency Improvement - CCF	S	S	No	No	Project
10. 0183	Energy Access and Efficiency Improvement - CEFPF	S	S	No	No	Project
11. 0215	Detailed Engineering Study for the Upper Seti Hydropower	S	S	No	No	Project
<b>Finance</b>						
12. 0059	Rural Finance Sector Development Cluster Program	S	S	No	No	Project
13. 0208	Rural Finance Sector Development Cluster Program (Subprogram 2)	S	S	No	No	Project
<b>Public Sector Management</b>						
14. 0118	Governance Support Program (Subprogram 1)	S	S	No	No	Program
15. 0206	Governance Support Program (Subprogram 1) - Supplementary	S	S	No	No	Program
<b>Transport and ICT</b>						
16. 0051	Road Connectivity Sector I	S	HS	No	No	Project
17. 0099	SASEC Information Highway Project	S	S	No	No	Project
18. 0106	Information and Communication Technology Development	S	S	No	No	Project
19. 0181	Air Transport Capacity Enhancement	S	S	No	No	Project
20. 0212	Kathmandu Sustainable Urban Transport	S	S	No	No	Project
21. 0225	Subregional Transport Enhancement	S	S	No	No	Project
22. 0227	Transport Project Preparatory Facility	S	S	No	No	Project
23. 0239	Kathmandu Sustainable Urban Transport	S	S	No	No	Project
<b>Water Supply, Sanitation and Waste Management</b>						
24. 0157	Second Small Towns Water Supply and Sanitation Sector	S	S	No	No	Project
<b>Multisector</b>						
25. 0150	Emergency Flood Damage Rehabilitation	S	S	No	No	Project
26. 0179	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	S	S	No	No	Project

Source: PPR

## NEPAL: FINANCIAL PERFORMANCE (TECHNICAL ASSISTANCE) PROCUREMENT AND DISBURSEMENT

(as of 31 December 2010)

TA No.	Project Name	Approval Date (1)	Net TA Amount (2)	Cumulative Contract/ Commitment		Uncommitted Balance		Cumulative Disbursement		Undisbursed Balance		
				Amount (3)	% to Net TA Amt. (3/2)	Amount (2-3)	%	Amount (4)	% to Net TA Amt. (4/2)	Amount (2-4)	%	
<b>Agriculture and Natural Resources</b>												
7229	Community Irrigation	29 Jan 09	0.750	0.687	91.6	0.063	8.4	0.635	84.7	0.115	15.3	
7298	High Mountain Agribusiness and Livelihood Improvement (HIMALI)	08 Jun 09	1.510	1.353	89.6	0.157	10.4	0.792	52.4	0.718	47.6	
7573	Decentralized Rural Infrastructure and Livelihood II	09 Aug 10	0.500	0.466	93.1	0.035	6.9	0.060	12.1	0.440	87.9	
7762	Preparation of the Agricultural Development Strategy	14 Dec 10	2.000	0.000	0.0	2.000	100.0	0.000	0.0	2.000	100.0	
	<b>Subtotal/Average</b>		<b>4.760</b>	<b>2.506</b>	<b>52.6</b>	<b>2.254</b>	<b>47.4</b>	<b>1.487</b>	<b>31.2</b>	<b>3.273</b>	<b>68.8</b>	
<b>Education</b>												
7025	Education Sector Program (Subprogram II)	12 Dec 07	0.600	0.434	72.3	0.166	27.7	0.265	44.2	0.335	55.8	
7585	Support to Build Capacity in TEVT	20 Aug 10	0.225	0.000	0.0	0.225	100.0	0.000	0.0	0.225	100.0	
7760	Support for the Implementation of School Sector Reform Program	16 Dec 10	0.225	0.000	0.0	0.225	100.0	0.000	0.0	0.225	100.0	
	<b>Subtotal/Average</b>		<b>1.050</b>	<b>0.434</b>	<b>41.3</b>	<b>0.616</b>	<b>58.7</b>	<b>0.265</b>	<b>25.3</b>	<b>0.785</b>	<b>74.7</b>	
<b>Energy</b>												
4985	Preparing the West Seti Hydroelectric Project	05 Nov 07	0.300	0.241	80.2	0.059	19.8	0.196	65.4	0.104	34.6	
4997	Promoting Private Sector Participation in the Power Sector	03 Dec 07	0.600	0.596	99.3	0.004	0.7	0.464	77.4	0.136	22.6	
7176	Electricity Connectivity and Energy Efficiency Project I	19 Nov 08	0.150	0.133	88.8	0.017	11.2	0.080	53.6	0.070	46.4	
7504	Increasing Access to Energy in Rural Nepal	05 Mar 10	0.933	0.289	31.0	0.644	69.0	0.008	0.9	0.925	99.1	
7590	Hydropower Development for Energy Crisis	02 Sep 10	2.000	1.915	95.7	0.085	4.3	0.000	0.0	2.000	100.0	
7628	Energy Sector Capacity Building	27 Oct 10	0.600	0.000	0.0	0.600	100.0	0.000	0.0	0.600	100.0	
7666	Energy Access and Efficiency Improvement II	26 Nov 10	0.600	0.000	0.0	0.600	100.0	0.000	0.0	0.600	100.0	
	<b>Subtotal/Average</b>		<b>5.183</b>	<b>3.174</b>	<b>61.2</b>	<b>2.009</b>	<b>38.8</b>	<b>0.749</b>	<b>14.5</b>	<b>4.434</b>	<b>85.5</b>	
<b>Finance</b>												
4857	Capacity Building in Rural Finance	26 Oct 06	1.100	1.041	94.6	0.059	5.4	0.834	75.8	0.266	24.2	
7196	Rural Finance Sector Development Cluster Program (Subprogram II)	10 Dec 08	0.400	0.381	95.3	0.019	4.7	0.379	94.6	0.021	5.4	
7546	Capacity Building for Rural Finance Sector Development	18 Jun 10	0.300	0.000	0.0	0.300	100.0	0.000	0.0	0.300	100.0	
	<b>Subtotal/Average</b>		<b>1.800</b>	<b>1.422</b>	<b>79.0</b>	<b>0.378</b>	<b>21.0</b>	<b>1.212</b>	<b>67.4</b>	<b>0.588</b>	<b>32.6</b>	
<b>Health and Social Protection</b>												
7530	Supporting the Development of a Social Protection Framework for Nepal	26 Oct 06	0.200	0.062	31.0	0.138	69.0	0.000	0.0	0.200	100.0	
	<b>Subtotal/Average</b>		<b>0.200</b>	<b>0.062</b>	<b>31.0</b>	<b>0.138</b>	<b>69.0</b>	<b>0.000</b>	<b>0.0</b>	<b>0.200</b>	<b>100.0</b>	
<b>Public Sector Management</b>												
4962	Support To Anticorruption Institutions	30 Aug 07	0.400	0.399	99.8	0.001	0.2	0.318	79.5	0.082	20.5	
7042	Economic Policy Network II	14 Dec 07	0.500	0.486	97.2	0.014	2.9	0.293	41.3	0.207	58.7	
7111	Knowledge Transfer for Public Procurement	31 Jul 08	0.500	0.497	99.3	0.003	0.7	0.323	64.5	0.177	35.5	
7158	Strengthening Capacity for Managing for Development Results	22 Oct 08	0.500	0.447	89.4	0.053	10.6	0.164	32.7	0.336	67.3	
7165	Strengthening Capacity for Macroeconomic Analysis	04 Nov 08	0.675	0.427	63.3	0.248	36.7	0.237	35.1	0.438	64.9	
7173	Strengthening Capacity for Managing Climate Change and the Environment	18 Nov 08	1.275	0.911	71.5	0.364	28.5	0.101	7.9	1.174	92.1	
7352	Support to Local Governance and Community Development Program	22 Sep 09	0.550	0.244	44.4	0.306	55.6	0.083	15.1	0.467	84.9	
7384	Institutional Strengthening of the National Planning Commission	23 Nov 09	0.625	0.523	83.6	0.102	16.4	0.176	28.2	0.449	71.8	
7574	Governance Support Program (Subprogram 2)	09 Aug 10	0.200	0.087	43.3	0.113	56.7	0.000	0.0	0.200	100.0	
7669	Strengthening the Town Development Fund Capacity for Public-Private Partnership	29 Nov 10	0.250	0.000	0.0	0.250	100.0	0.000	0.0	0.250	100.0	
7752	Strengthening Public Procurement Management and Portfolio Performance	16 Dec 10	0.225	0.000	0.0	0.225	100.0	0.000	0.0	0.225	100.0	
	<b>Subtotal/Average</b>		<b>5.700</b>	<b>4.020</b>	<b>70.5</b>	<b>1.680</b>	<b>29.5</b>	<b>1.608</b>	<b>28.2</b>	<b>4.092</b>	<b>71.8</b>	
<b>Transport and ICT</b>												
4825	Capacity Building in Road Feasibility and Construction and Contract Management	10 Aug 06	0.300	0.299	99.5	0.001	0.5	0.267	89.0	0.033	11.0	
7031	Civil Aviation Airport Project	14 Dec 07	0.750	0.708	94.5	0.042	5.5	0.640	85.3	0.110	14.7	
7411	Road Connectivity	07 Dec 09	0.600	0.575	95.8	0.025	4.2	0.437	72.9	0.163	27.1	
	<b>Subtotal/Average</b>		<b>1.650</b>	<b>1.582</b>	<b>95.9</b>	<b>0.068</b>	<b>4.1</b>	<b>1.344</b>	<b>81.4</b>	<b>0.306</b>	<b>18.6</b>	
<b>Water and Other Municipal Infrastructure and Services</b>												
4893	Kathmandu Valley Water Distribution, Sewerage and Urban Dev.	13 Dec 06	1.233	1.042	84.5	0.191	15.5	0.915	74.2	0.318	25.8	
7007	Supporting Capacity Development for Water Services Operation and Public-Private Partnership in the Kathmandu Valley	10 Dec 07	2.500	2.053	82.1	0.447	17.9	1.562	62.5	0.938	37.5	
7182	Secondary Towns Integrated Urban Environmental Improvement Project	02 Dec 08	0.846	0.839	99.1	0.007	0.9	0.719	85.0	0.127	15.0	
7355	Institutional Strengthening of Municipalities	24 Sep 09	0.900	0.861	95.7	0.039	4.3	0.201	22.3	0.699	77.7	
7597	Capacity Building for Waste Management	16 Sep 10	0.500	0.000	0.0	0.500	100.0	0.000	0.0	0.500	100.0	
7727	Integrated Urban Development	13 Dec 10	0.800	0.000	0.0	0.800	100.0	0.000	0.0	0.800	100.0	
	<b>Subtotal/Average</b>		<b>6.779</b>	<b>4.795</b>	<b>70.7</b>	<b>1.984</b>	<b>29.3</b>	<b>3.397</b>	<b>50.1</b>	<b>3.382</b>	<b>49.9</b>	
<b>Multisector</b>												
7524	Supporting Government Planning in Building Climate Resilience	24 Mar 10	0.225	0.217	96.6	0.008	3.4	0.092	41.1	0.133	58.9	
	<b>Subtotal/Average</b>		<b>0.225</b>	<b>0.217</b>	<b>96.6</b>	<b>0.008</b>	<b>3.4</b>	<b>0.092</b>	<b>41.1</b>	<b>0.133</b>	<b>58.9</b>	
	<b>Total/Average</b>		<b>27.347</b>	<b>18.211</b>	<b>66.6</b>	<b>9.136</b>	<b>33.4</b>	<b>10.155</b>	<b>37.1</b>	<b>17.192</b>	<b>62.9</b>	

## NEPAL: TECHNICAL ASSISTANCE PORTFOLIO MANAGEMENT INDICATORS

Indicators	Unit	2008	2009	2010
<b>A. Country Portfolio</b>				
1. Active TA Portfolio	No.   \$mn	31   18.271	33   21.934	39   27.347
(i) Advisory & Operational Technical Assistance (ADTA)	No.   \$mn	19   11.445	14   9.660	10   8.350
(ii) Project Preparatory Technical Assistance (PPTA)	No.   \$mn	12   6.826	16   10.199	15   11.239
(iii) Regional Technical Assistance (RETA)	No.   \$mn	0   0.000	0   0.000	0   0.000
(iv) Capacity Development Technical Assistance (CDTA)	No.   \$mn		3   2.075	12   5.533
(v) Policy Advisory Technical Assistance (PATA)				2   2.225
2. Average Age of Active TA Portfolio	Months	19.4	23.5	19.3
3. Physically Completed but not Financially Closed	No.   \$mn	2   1.035	1   0.500	3   1.500
<b>B. Start-Up Compliance</b>				
1. Average Time from Approval to Signing of TA Letter/Agreement	Months	2.2	2.0	1.8
2. Average Time from Signing to Fielding of Consultants	Months	4.7	5.7	7.4
<b>C. Financial Performance</b>				
1. Total Disbursement	\$mn	5.451	8.316	10.155
2. Total Undisbursed Balance	\$mn	12.820	13.618	17.192
3. Potential TA Savings <sup>a</sup>	\$mn	0.279	0.131	0.315
4. Cancellations of TA Funds	\$mn	0.360	0.281	9.031
<b>D. Portfolio Supervision</b>				
1. Supervision Intensity (staff-days/project)	Days	12.3	18.0	15.4
<b>E. TA Completion Reports (TCR)</b>				
1. TCR Programmed	No.	7	11	5
2. TCR Circulated	No.	7	7	5
3. % Achieved	%	100.0	63.6	100.0

NA = not available; na = not applicable.

<sup>a</sup> Undisbursed TA amount of physically completed TA but not financially closed.

**NEPAL: LIST OF ONGOING LOANS AND GRANTS BY SECTOR**  
(as of 30 June 2011)

Sector/Ministry/EA	Loan / Grant No.	Project Name	Net Loan/Grant Amt. \$mm	Milestone Dates			Age (years)
				Approval	Signing	Effectivity Closing	
<b>LOANS</b>							
<b>Agriculture and Natural Resources</b>							
1. Department of Local Infrastructure Devt & Agri. Roads	2092(SF)	Decentralized Rural Infrastructure and Livelihood	41,661	24 Sep 04	23 Dec 04	31 Oct 05	6.8
2. Ministry of Water Resources	2102(SF)	Community Managed Irrigated Agriculture Sector	21,416	17 Nov 04	23 Dec 05	13 Jan 06	6.6
3. Dept. of Women Devt, Min. of Women, Children & Social Welfare	2143(SF)	Gender Equality and Empowerment of Women	10,432	16 Dec 04	09 Jun 06	28 Nov 06	6.5
		<b>Subtotal/Average</b>	<b>73,509</b>				<b>6.6</b>
<b>Education</b>							
4. Ministry of Education and Sports	2111(SF)	Skills For Employment	21,434	25 Nov 04	02 Feb 05	28 Feb 06	6.6
5. Ministry of Education	2551(SF)	Education Sector Program (Subprogram 3)	25,564	22 Sep 09	27 Nov 09	17 Dec 09	1.8
		<b>Subtotal/Average</b>	<b>46,998</b>				<b>4.2</b>
<b>Energy</b>							
6. Nepal Electricity Authority	2587(SF)	Energy Access and Efficiency Improvement	65,328	27 Nov 09	11 Mar 10	04 Jun 10	1.6
		<b>Subtotal/Average</b>	<b>65,328</b>				<b>1.6</b>
<b>Finance</b>							
7. Ministry of Finance	2641(SF)	Rural Finance Sector Development Cluster Program (Subprogram 2)	61,286	18 Jun 10	23 Dec 10	26 Dec 10	1.0
		<b>Subtotal/Average</b>	<b>61,286</b>				<b>1.0</b>
<b>Transport and ICT</b>							
8. Civil Aviation Authority of Nepal	2581(SF)	Air Transport Capacity Enhancement	70,515	23 Nov 09	25 May 10	06 Dec 10	1.6
9. Ministry of Physical Planning and Works	2685(SF)	Subregional Transport Enhancement	25,686	27 Oct 10	04 Mar 11	26 Apr 11	0.7
		<b>Subtotal/Average</b>	<b>96,201</b>				<b>1.1</b>
<b>Water Supply, Sanitation and Waste Management</b>							
10. Ministry of Physical Planning and Works	1820(SF)	Melamchi Water Supply	146,007	21 Dec 00	24 Jan 01	28 Nov 01	10.5
11. Ministry of Physical Planning and Works	1966(SF)	Urban & Environmental Improvement	28,360	10 Dec 02	20 Jun 03	02 Oct 03	8.6
12. Ministry of Physical Planning and Works	2059(SF)	Kathmandu Valley Water Services Sector Development	11,007	18 Dec 03	08 Apr 04	07 Dec 04	7.5
13. Ministry of Physical Planning and Works	2650(SF)	Secondary Towns Integrated Urban Environment Improvement	65,017	06 Jul 10	26 Oct 10	18 Jan 11	1.0
14. Ministry of Physical Planning and Works	2656(SF)	Kathmandu Sustainable Urban Transport	10,939	22 Jul 10	26 Oct 10	05 Jan 11	0.9
		<b>Subtotal/Average</b>	<b>261,330</b>				<b>5.7</b>
<b>Multisector</b>							
15. Ministry of Tourism and Civil Aviation	2579(SF)	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	13,081	16 Nov 09	25 May 10	03 Sep 10	1.6
		<b>Subtotal/Average</b>	<b>13,081</b>				<b>1.6</b>
		<b>Total/Average Loans</b>	<b>617,733</b>				<b>4.2</b>

**NEPAL: LIST OF ONGOING LOANS AND GRANTS BY SECTOR**  
(as of 30 June 2011)

Sector/Ministry/EA GRANTS	Loan/ Grant No.	Project Name	Net Loan/ Grant Amt. \$mn	Milestone Dates			Orig/Revised Closing	Age (years)
				Approval	Signing	Effectivity		
<b>Agriculture and Natural Resources</b>	0063	Commercial Agriculture Development	18,000	16 Nov 06	23 Feb 07	06 Aug 07	30 Jun 13	4.6
	0093	Rural Reconstruction and Rehabilitation Sector Development (Project)	50,000	12 Dec 07	14 Jan 08	01 Feb 08	30 Jun 12	3.6
	0094	Rural Reconstruction and Rehabilitation Sector Development (Program)	50,000	12 Dec 07	14 Jan 08	01 Feb 08	31 Dec 11	3.6
	0219	Community Irrigation	26,400	27 Sep 10	08 Feb 11	05 May 11	31 Aug 17	0.8
	0233	Raising Income of Small and Medium Farmers	20,100	24 Nov 10	16 Mar 11	14 Jun 11	30 Jun 18	0.6
	0248	Highland Mountain Agribusiness at Livelihood	20,000	25 Mar 11	27 Jun 11	-	31 Oct 17	0.3
		<b>Subtotal/Average</b>	<b>184,500</b>					<b>2.2</b>
<b>Energy</b>	0215	Detailed Engg. Study for the Upper Seti Hydropower	2,500	02 Sep 10	23 Dec 10	23 Mar 11	30 Jun 13	0.8
		<b>Subtotal/Average</b>	<b>2,500</b>					<b>0.8</b>
<b>Education</b>	0065	Education Sector Program 1 (Capacity Development)	2,000	01 Dec 06	28 Dec 06	06 Feb 07	30 Jun 10	4.6
	0105	Education Sector Program (Subprogram 2)	8,000	24 Jan 08	31 Mar 08	14 Jul 08	30 Jun 12	3.4
	0160	Education Sector Program (Subprogram 3)	70,000	22 Sep 09	27 Nov 09	17 Dec 09	31 Dec 12	1.8
		<b>Subtotal/Average</b>	<b>80,000</b>					<b>3.3</b>
<b>Finance</b>	0069	Rural Finance Sector Development Cluster Program	8,700	26 Oct 06	01 Nov 06	21 Nov 06	30 Jun 10	4.7
	0208	Second Rural Finance Sector Development	12,100	18 Jun 10	-	-	31 Dec 12	1.0
	0252	Capital Market and Infrastructure Capacity Support	5,000	19 Apr 11	27 Jun 11	-	30 Nov 14	0.2
		<b>Subtotal/Average</b>	<b>25,800</b>					<b>2.0</b>
<b>Public Sector Management</b>	0118	Governance Support Program (Subprogram 1)	106,300	22 Oct 08	15 Dec 08	19 Dec 08	30 Jun 13	2.7
		<b>Subtotal/Average</b>	<b>106,300</b>					<b>2.7</b>
<b>Transport and ICT</b>	0051	Road Connectivity Sector 1	55,200	10 Aug 06	11 Sep 06	20 Nov 06	30 Jun 13	4.9
	0099	SASEC Information Highway Project	9,000	17 Dec 07	09 Feb 09	02 Jul 09	30 Jun 10	3.5
	0106	Information and Communication Technology Development	25,000	28 Jan 08	23 May 08	25 Jul 08	31 Dec 14	3.4
	0181	Air Transport Capacity Enhancement	10,000	23 Nov 09	25 May 10	-	30 Jun 15	1.6
	0225	Subregional Transport Enhancement	24,500	27 Oct 10	04 Mar 11	26 Apr 11	30 Jun 15	0.7
	0227	Transport Project Preparatory	12,000	29 Oct 10	04 Mar 11	25 Apr 11	30 Jun 16	0.7
		<b>Subtotal/Average</b>	<b>135,700</b>					<b>2.5</b>
<b>Water Supply, Sanitation and Waste Management</b>	0157	Second Small Towns Water Supply and Sanitation Sector	45,100	17 Sep 09	27 Nov 09	14 Jan 10	31 Mar 16	1.8
	0212	Kathmandu Sustainable Urban Transport	10,000	22 Jul 10	26 Oct 10	05 Jan 11	30 Jun 15	0.9
		<b>Subtotal/Average</b>	<b>55,100</b>					<b>1.4</b>
<b>Multisector</b>	0150	Emergency Flood Damage Rehabilitation	25,600	21 Apr 09	03 Aug 09	25 Aug 09	31 Dec 12	2.2
	0179	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	12,750	16 Nov 09	25 May 10	-	15 Mar 15	1.6
		<b>Subtotal/Average</b>	<b>38,350</b>					<b>1.9</b>
		<b>Total/Average Grants</b>	<b>628,250</b>					<b>2.2</b>
		<b>TOTAL/AVERAGE LOANS AND GRANTS</b>	<b>1,245,983</b>					<b>3.0</b>

**NEPAL: FINANCIAL PERFORMANCE (LOANS AND GRANTS) PROCUREMENT**  
(as of 30 June 2011)

Sector/ Loan/ Grant No. Project Name	Approval Date (1)	Net Loan/ Grant		Cumulative Contract and Commitment		Annual Contract and Commitment		Remaining to be Awarded/ Committed as of 1 Jan 2010 <sup>a</sup>	Contract/ Commit. Ratio <sup>b</sup> %
		Amount (2)	Amount (3)	Amount (3/2)	Amount (3)	Projected (4)	Actual (5)		
<b>LOANS</b>									
<b>Agriculture and Natural Resources</b>									
1. 2092(SF) Decentralized Rural Infrastructure and Livelihood	24 Sep 04	41,661	39,340	94.43	2,000	3,659	182.95	5,980	61.19
2. 2102(SF) Community Managed Irrigated Agriculture Sector	17 Nov 04	21,416	8,529	39.83	4,690	0,588	12.54	13,475	4.36
3. 2143(SF) Gender Equality and Empowerment of Women	16 Dec 04	10,432	4,027	38.60	3,007	0,636	21.15	7,041	9.03
<b>Subtotal/Average</b>		<b>73,509</b>	<b>51,896</b>	<b>70.60</b>	<b>9,697</b>	<b>4,883</b>	<b>50.36</b>	<b>26,496</b>	<b>18.43</b>
<b>Education</b>									
4. 2111(SF) Skills For Employment	25 Nov 04	21,434	13,511	63.04	7,427	1,586	21.35	9,509	16.68
5. 2551(SF) Education Sector Program (Subprogram 3)	22 Sep 09	25,564	0,000	0.00	25,000	0,000	-	25,564	0.00
<b>Subtotal/Average</b>		<b>46,998</b>	<b>13,511</b>	<b>28.75</b>	<b>32,427</b>	<b>1,586</b>	<b>4.89</b>	<b>35,073</b>	<b>4.52</b>
<b>Energy</b>									
6. 2587(SF) Energy Access and Efficiency Improvement	27 Nov 09	65,328	27,036	41.39	28,400	12,383	43.60	50,675	24.44
<b>Subtotal/Average</b>		<b>65,328</b>	<b>27,036</b>	<b>41.39</b>	<b>28,400</b>	<b>12,383</b>	<b>43.60</b>	<b>50,675</b>	<b>24.44</b>
<b>Finance</b>									
7. 2641(SF) Rural Finance Sector Development Cluster Program (Subprogram 2)	18 Jun 10	61,286	29,871	48.74	0,000	0,000	-	31,415	0.00
<b>Subtotal/Average</b>		<b>61,286</b>	<b>29,871</b>	<b>48.74</b>	<b>0,000</b>	<b>0,000</b>	<b>-</b>	<b>31,415</b>	<b>0.00</b>
<b>Transport and ICT</b>									
8. 2581(SF) Air Transport Capacity Enhancement	23 Nov 09	70,515	0,000	0.00	0,000	0,000	-	70,515	0.00
9. 2685(SF) Subregional Transport Enhancement	27 Oct 10	25,686	0,000	0.00	5,000	0,000	0.00	25,686	0.00
<b>Subtotal/Average</b>		<b>96,201</b>	<b>0,000</b>	<b>0.00</b>	<b>5,000</b>	<b>0,000</b>	<b>0.00</b>	<b>96,201</b>	<b>0.00</b>
<b>Water and Other Municipal Infrastructure and Services</b>									
10. 1820(SF) Melamchi Water Supply	21 Dec 00	146,007	86,880	59.50	7,350	1,836	24.98	60,963	3.01
11. 1966(SF) Urban & Environmental Improvement	10 Dec 02	28,360	26,123	92.11	0,000	0,014	-	2,251	0.62
12. 2059(SF) Kathmandu Valley Water Services Sector Development	18 Dec 03	11,007	6,127	55.66	0,100	0,000	0.00	4,880	0.00
13. 2650(SF) Secondary Towns Integrated Urban Environment Improvement	06 Jul 10	65,017	1,276	1.96	4,861	1,276	26.25	65,017	1.96
14. 2656(SF) Kathmandu Sustainable Urban Transport	22 Jul 10	10,939	0,000	0.00	0,025	0,000	0.00	10,939	0.00
<b>Subtotal/Average</b>		<b>261,330</b>	<b>120,406</b>	<b>46.07</b>	<b>12,336</b>	<b>3,126</b>	<b>25.34</b>	<b>144,050</b>	<b>2.17</b>
<b>Multisector</b>									
15. 2579(SF) South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16 Nov 09	13,081	0,000	0.00	0,000	0,000	-	13,081	0.00
<b>Subtotal/Average</b>		<b>13,081</b>	<b>0,000</b>	<b>0.00</b>	<b>0,000</b>	<b>0,000</b>	<b>-</b>	<b>13,081</b>	<b>0.00</b>
<b>NEP Total/Average (Loans)</b>		<b>617,733</b>	<b>242,720</b>	<b>39.29</b>	<b>87,860</b>	<b>21,978</b>	<b>25.01</b>	<b>396,991</b>	<b>5.54</b>

**NEPAL: FINANCIAL PERFORMANCE (LOANS AND GRANTS) PROCUREMENT**  
(as of 30 June 2011)

Sector/ Loan/ Grant No.	Project Name	Approval Date (1)	Net Loan/ Grant Amount		Cumulative Contract and Commitment % to Net Amount		Annual Contract and Commitment		Remaining to be Awarded/ Committed as of 1 Jan 2010 <sup>a</sup>	Contract/ Commit. Ratio <sup>b</sup> %
			(2)	(3)	(3/2)	(4)	(5)	(5/4)		
<b>GRANTS</b>										
<b>Agriculture and Natural Resources</b>										
1. 0063	Commercial Agriculture Development	16 Nov 06	18,000	10,273	57.07	4,338	1,579	36.40	9,306	16.97
2. 0093	Rural Reconstruction and Rehabilitation Sector Development (Project)	12 Dec 07	50,000	24,793	49.59	18,219	5,520	30.30	30,727	17.96
3. 0094	Rural Reconstruction and Rehabilitation Sector Development (Program)	12 Dec 07	50,000	50,000	100.00	0,000	0,000	-	-	-
4. 0219	Community Irrigation	27 Sep 10	26,400	0,000	0.00	0,737	0,000	0.00	26,400	0.00
5. 0233	Raising Income of Small and Medium Farmers	24 Nov 10	20,100	0,000	0.00	1,730	0,000	0.00	20,100	0.00
6. 0248	Highland Mountain Agribusiness at Livelihood	25 Mar 11	20,000	0,000	0.00	0,000	0,000	-	20,000	0.00
	<b>Subtotal/Average</b>		<b>184,500</b>	<b>85,066</b>	<b>46.11</b>	<b>25,024</b>	<b>7,099</b>	<b>28.37</b>	<b>106,533</b>	<b>6.66</b>
<b>Energy</b>										
7. 0215	Detailed Engg. Study for the Upper Seti Hydropower	02 Sep 10	2,500	0,000	0.00	2,200	0,000	0.00	2,500	0.00
	<b>Subtotal/Average</b>		<b>2,500</b>	<b>0,000</b>	<b>0.00</b>	<b>2,200</b>	<b>0,000</b>	<b>0.00</b>	<b>2,500</b>	<b>0.00</b>
<b>Education</b>										
8. 0065	Education Sector Program I (Capacity Development)	01 Dec 06	2,000	1,701	85.05	0,552	0,024	4.35	0,323	7.43
9. 0105	Education Sector Program (Subprogram 2)	24 Jan 08	8,000	8,000	100.00	0,000	0,000	-	-	-
10. 0160	Education Sector Program (Subprogram 3)	22 Sep 09	70,000	45,000	64.29	25,000	0,000	0.00	25,000	0.00
	<b>Subtotal/Average</b>		<b>80,000</b>	<b>54,701</b>	<b>68.38</b>	<b>25,552</b>	<b>0,024</b>	<b>0.09</b>	<b>25,323</b>	<b>0.09</b>
<b>Finance</b>										
11. 0059	Rural Finance Sector Development Cluster Program	26 Oct 06	8,700	8,693	99.92	0,671	0,020	2.98	0,027	74.07
12. 0208	Second Rural Finance Sector Development	18 Jun 10	12,100	0,000	0.00	4,235	0,000	0.00	12,100	0.00
13. 0252	Capital Market and Infrastructure Capacity Support	19 Apr 11	5,000	0,000	0.00	0,000	0,000	-	5,000	0.00
	<b>Subtotal/Average</b>		<b>25,800</b>	<b>8,693</b>	<b>99.92</b>	<b>4,906</b>	<b>0,020</b>	<b>0.41</b>	<b>17,127</b>	<b>0.12</b>
<b>Public Sector Management</b>										
14. 0118	Governance Support Program (Subprogram 1)	22 Oct 08	106,300	65,000	61.15	41,300	0,000	0.00	41,300	0.00
	<b>Subtotal/Average</b>		<b>106,300</b>	<b>65,000</b>	<b>61.15</b>	<b>41,300</b>	<b>0,000</b>	<b>0.00</b>	<b>41,300</b>	<b>0.00</b>
<b>Transport and ICT</b>										
15. 0051	Road Connectivity Sector I	10 Aug 06	55,200	46,146	83.60	0,000	0,080	-	9,134	0.88
16. 0099	SASEC Information Highway Project	17 Dec 07	9,000	0,664	7.38	2,000	0,020	1.00	8,356	0.24
17. 0106	Information and Communication Technology Development	28 Jan 08	25,000	7,870	31.48	7,850	5,437	69.26	22,567	24.09
18. 0181	Air Transport Capacity Enhancement	23 Nov 09	10,000	5,855	58.55	9,700	5,855	60.36	10,000	58.55
19. 0225	Subregional Transport Enhancement	27 Oct 10	24,500	0,000	0.00	5,000	0,000	0.00	24,500	0.00
20. 0227	Transport Project Preparatory	29 Oct 10	12,000	0,000	0.00	2,500	0,000	0.00	12,000	0.00
	<b>Subtotal/Average</b>		<b>135,700</b>	<b>60,535</b>	<b>44.61</b>	<b>27,050</b>	<b>11,392</b>	<b>42.11</b>	<b>86,557</b>	<b>13.16</b>
<b>Water and Other Municipal Infrastructure and Services</b>										
21. 0157	Second Small Towns Water Supply and Sanitation Sector	17 Sep 09	45,100	4,814	10.67	16,530	1,063	6.43	41,349	2.57
22. 0212	Katmandu Sustainable Urban Transport	23 Jul 10	10,000	0,000	0.00	0,000	0,000	-	10,000	0.00
	<b>Subtotal/Average</b>		<b>55,100</b>	<b>4,814</b>	<b>8.74</b>	<b>16,530</b>	<b>1,063</b>	<b>6.43</b>	<b>51,349</b>	<b>2.07</b>



**NEPAL: FINANCIAL PERFORMANCE (LOANS AND GRANTS) PROCUREMENT**  
(as of 30 June 2011)

Sector/ Loan/ Grant No. Project Name	Approval Date (1)	Net Loan/ Grant Amount (2)	Cumulative Contract and Commitment		Annual Contract and Commitment		Remaining to be Awarded/ Committed as of 1 Jan 2010 <sup>a</sup> (6)	Contract/ Commit. Ratio <sup>b</sup> %	
			Amount (3)	% to Net Amount (3/2) (5/4)	Projected Amount (4)	Actual Amount (5)			Achieved %
23. 0150 Emergency Flood Damage Rehabilitation	21 Apr 09	25.600	13.719	53.59	12.524	3.086	14.967	20.62	
24. 0179 South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16 Nov 09	12.750	0.000	0.00	3.545	0.000	12.750	0.00	
		<b>38.350</b>	<b>13.719</b>	<b>35.77</b>	<b>16.069</b>	<b>3.086</b>	<b>27.717</b>	<b>11.13</b>	
		<b>NEP Total/Average (Grants)</b>	<b>628.250</b>	<b>292.528</b>	<b>46.56</b>	<b>158.631</b>	<b>22.684</b>	<b>14.30</b>	<b>6.33</b>
		<b>NEP Total/Average (Loans and Grants)</b>	<b>1,245.983</b>	<b>535.248</b>	<b>42.96</b>	<b>246.491</b>	<b>44.662</b>	<b>18.12</b>	<b>5.91</b>

**NEPAL : FINANCIAL PERFORMANCE (LOANS) - DISBURSEMENT**  
(as of 30 June 2011)

Sector/ Loan/ Grant No.	Project Name	Approval Date (1)	Net Loan/ Grant Amount (2)	Cumulative Disbursement		Annual Disbursement			Remaining to be Disbursed as of 1 Jan 2010 (6)	Disbursement Ratio <sup>a</sup> %
				Amount (3)	% to Net Loan Amt. (3/2) (5/4)	Projected (4)	Actual (5)	% Achieved (5/4)		
<b>LOANS</b>										
<b>Agriculture and Natural Resources</b>										
1.	2092(SF)	24-Sep-04	41,661	27,507	66.03	12,000	2,495	20.79	16,649	14.99
2.	2102(SF)	17-Nov-04	21,416	6,362	29.71	4,604	1,295	28.13	16,349	7.92
3.	2143(SF)	16-Dec-04	10,432	4,338	41.58	3,041	0,632	20.78	6,726	9.40
	<b>Subtotal/Average</b>		<b>73,509</b>	<b>38,207</b>	<b>51.98</b>	<b>19,645</b>	<b>4,422</b>	<b>22.51</b>	<b>39,724</b>	<b>11.13</b>
<b>Education</b>										
4.	2111(SF)	25-Nov-04	21,434	8,160	38.07	6,000	2,373	39.55	15,647	15.17
5.	2551(SF)	22-Sep-09	25,564	0.000	0.00	25,000	0.000	0.00	25,564	0.00
	<b>Subtotal/Average</b>		<b>46,998</b>	<b>8,160</b>	<b>17.36</b>	<b>31,000</b>	<b>2,373</b>	<b>7.65</b>	<b>41,211</b>	<b>5.76</b>
<b>Energy</b>										
6.	2587(SF)	27-Nov-09	65,328	2,652	4.06	16,600	1,865	-	64,541	2.89
	<b>Subtotal/Average</b>		<b>65,328</b>	<b>2,652</b>	<b>4.06</b>	<b>16,600</b>	<b>1,865</b>	<b>0.00</b>	<b>64,541</b>	<b>2.89</b>
<b>Finance</b>										
7.	2641(SF)	18-Jun-10	61,286	29,871	48.74	0.000	0.000	-	31,415	0.00
	<b>Subtotal/Average</b>		<b>61,286</b>	<b>29,871</b>	<b>48.74</b>	<b>0.000</b>	<b>0.000</b>	<b>-</b>	<b>31,415</b>	<b>0.00</b>
<b>Transport and ICT</b>										
8.	2581(SF)	23-Nov-09	70,515	0.000	0.00	0.000	0.000	-	70,515	0.00
9.	2685(SF)	27 Oct 10	25,686	0.000	0.00	0.050	0.000	0.00	25,686	0.00
	<b>Subtotal/Average</b>		<b>96,201</b>	<b>0.000</b>	<b>0.00</b>	<b>0.050</b>	<b>0.000</b>	<b>0.00</b>	<b>96,201</b>	<b>0.00</b>
<b>Water and Other Municipal Infrastructure and Services</b>										
10.	1820(SF)	21-Dec-00	146,007	39,884	27.32	11,500	4,914	42.73	111,037	4.43
11.	1966(SF)	10-Dec-02	28,360	23,260	82.02	0.000	0.014	-	5,114	0.27
	<b>Subtotal/Average</b>		<b>174,367</b>	<b>63,144</b>	<b>36.24</b>	<b>11,500</b>	<b>4,928</b>	<b>42.73</b>	<b>116,151</b>	<b>4.65</b>
12.	2059(SF)	30-Sep-03	11,007	1,077	9.78	1,100	0,491	44.64	10,421	4.71
13.	2650(SF)	06 Jul 10	65,017	0.000	0.00	0.779	0.000	0.00	65,017	0.00
14.	2656(SF)	22 Jul 10	10,939	0.000	0.00	0.025	0.000	0.00	10,939	0.00
	<b>Subtotal/Average</b>		<b>261,330</b>	<b>64,221</b>	<b>24.57</b>	<b>14,054</b>	<b>6,061</b>	<b>43.13</b>	<b>203,170</b>	<b>2.98</b>
<b>Multisector</b>										
15.	2579(SF)	16-Nov-09	13,081	0.000	0.00	0.000	0.000	-	13,081	0.00
	<b>Subtotal/Average</b>		<b>13,081</b>	<b>0.000</b>	<b>0.00</b>	<b>0.000</b>	<b>0.000</b>	<b>-</b>	<b>13,081</b>	<b>0.00</b>
	<b>Subtotal/Average Loans</b>		<b>617,733</b>	<b>143,111</b>	<b>23.17</b>	<b>81,349</b>	<b>14,721</b>	<b>18.10</b>	<b>489,343</b>	<b>3.01</b>

## NEPAL : FINANCIAL PERFORMANCE (LOANS) - DISBURSEMENT

(as of 30 June 2011)

Sector/ Loan/ Grant No.	Project Name	Approval Date (1)	Net Loan/ Grant Amount (2)	Cumulative Disbursement		Annual Disbursement			Remaining to be Disbursed as of 1 Jan 2010 (6)	Disbursement Ratio <sup>a</sup> %
				Amount (3)	% to Net Loan Amt. (3/2) (5/4)	Projected (4)	Actual (5)	Achieved (5/4)		
<b>GRANTS</b>										
<b>Agriculture and Natural Resources</b>										
1. 0063	Commercial Agriculture Development	16-Nov-06	18,000	8,255	45.86	6,718	1,135	16.89	10,880	10.43
2. 0093	Rural Reconstruction and Rehabilitation Sector	12-Dec-07	50,000	15,882	31.76	14,885	1,846	12.40	35,964	5.13
3. 0094	Rural Reconstruction and Rehabilitation Sector	12-Dec-07	50,000	50,000	100.00	0.00	0.00	0.00	0.00	-
4. 0219	Community Irrigation	27 Sep 10	26,400	0.00	0.00	0.00	0.00	0.00	26,400	0.00
5. 0233	Raising Income of Small and Medium Farmers	24 Nov 10	20,100	0.00	0.00	1,650	0.00	0.00	20,100	0.00
6. 0248	Highland Mountain Agribusiness at Livelihood	25 Mar 11	20,000	0.00	0.00	0.00	0.00	0.00	20,000	0.00
			<b>184,500</b>	<b>74,137</b>	<b>40.18</b>	<b>24,338</b>	<b>2,981</b>	<b>12.25</b>	<b>113,344</b>	<b>2.63</b>
<b>Energy</b>										
7. 0215	Detailed Engg. Study for the Upper Seti Hydropower	02 Sep 10	2,500	0.00	0.00	1,000	0.00	0.00	2,500	0.00
	<b>Subtotal/Average</b>		<b>2,500</b>	<b>0.00</b>	<b>0.00</b>	<b>1,000</b>	<b>0.00</b>	<b>0.00</b>	<b>2,500</b>	<b>0.00</b>
<b>Education</b>										
8. 0065	Education Sector Program 1 (Capacity Development)	1-Dec-06	2,000	1,428	71.40	0.552	0.00	0.00	0.572	0.00
9. 0105	Education Sector Program (Subprogram 2)	24-Jan-08	8,000	8,000	100.00	0.00	0.00	0.00	0.00	-
10. 0160	Education Sector Program (Subprogram 3)	22-Sep-09	70,000	45,000	64.29	25,000	0.00	0.00	25,000	0.00
	<b>Subtotal/Average</b>		<b>80,000</b>	<b>54,428</b>	<b>68.04</b>	<b>25,552</b>	<b>0.00</b>	<b>0.00</b>	<b>25,572</b>	<b>0.00</b>
<b>Finance</b>										
11. 0059	Rural Finance Sector Development Cluster Program	26-Oct-06	8,700	6,770	77.82	4,001	2,071	51.76	4,001	51.76
12. 0208	Second Rural Finance Sector Development	18-Jun-10	12,100	1,210	10.00	3,630	1,210	33.33	12,100	10.00
13. 0252	Capital Market and Infrastructure Capacity Support	19 Apr 11	5,000	0.00	0.00	0.00	0.00	-	5,000	0.00
	<b>Subtotal/Average</b>		<b>25,800</b>	<b>7,980</b>	<b>30.93</b>	<b>7,631</b>	<b>3,281</b>	<b>43.00</b>	<b>21,101</b>	<b>15.55</b>
<b>Public Sector Management</b>										
14. 0118	Governance Support Program (Subprogram 1)	22-Oct-08	106,300	65,000	61.15	41,300	0.00	0.00	41,300	0.00
	<b>Subtotal/Average</b>		<b>106,300</b>	<b>65,000</b>	<b>61.15</b>	<b>41,300</b>	<b>0.00</b>	<b>0.00</b>	<b>41,300</b>	<b>0.00</b>
<b>Transport and ICT</b>										
15. 0051	Road Connectivity Sector I	10-Aug-06	55,200	32,716	59.27	14,930	8,897	59.59	31,381	28.35
16. 0099	SASEC Information Highway Project	17-Dec-07	9,000	0.00	0.00	0.10	0.038	0.42	8,958	0.42
17. 0106	Information and Communication Technology	28-Jan-08	25,000	0.511	2.04	2,000	0.176	0.71	24,665	0.71
18. 0181	Air Transport Capacity Enhancement	23-Nov-09	10,000	0.286	2.86	2,320	0.286	12.33	10,000	2.86
19. 0225	Subregional Transport Enhancement	27 Oct 10	24,500	0.00	0.00	0.500	0.00	-	24,500	0.00
20. 0227	Transport Project Preparatory	29 Oct 10	12,000	0.00	0.00	0.250	0.00	-	12,000	0.00
	<b>Subtotal/Average</b>		<b>135,700</b>	<b>33,593</b>	<b>24.76</b>	<b>20,110</b>	<b>9,397</b>	<b>46.73</b>	<b>111,504</b>	<b>8.43</b>
<b>Water and Other Municipal Infrastructure and Services</b>										
21. 0157	Second Small Towns Water Supply and Sanitation	17-Sep-09	45,100	2,001	4.44	4,290	0.468	10.91	43,567	1.07
22. 0212	Kathmandu Sustainable Urban Transport	23 Jul 10	10,000	0.00	0.00	0.00	0.00	-	10,000	0.00
	<b>Subtotal/Average</b>		<b>55,100</b>	<b>2,001</b>	<b>3.63</b>	<b>4,290</b>	<b>0.468</b>	<b>-</b>	<b>43,567</b>	<b>1.07</b>
<b>Multisector</b>										
23. 0150	Emergency Flood Damage Rehabilitation	21-Apr-09	25,600	10,934	42.71	10,524	2,953	28.06	17,619	16.76
24. 0179	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	16-Nov-09	12,750	0.00	0.00	0.094	0.00	0.00	12,750	0.00
	<b>Subtotal/Average</b>		<b>38,350</b>	<b>10,934</b>	<b>28.51</b>	<b>10,618</b>	<b>2,953</b>	<b>27.81</b>	<b>30,369</b>	<b>9.72</b>
	<b>Subtotal/Average Grants</b>		<b>628,250</b>	<b>248,073</b>	<b>39.49</b>	<b>134,839</b>	<b>19,080</b>	<b>14.15</b>	<b>399,257</b>	<b>4.78</b>
	<b>NEP Total/Average (Loans and Grants)</b>		<b>1,245,983</b>	<b>391,184</b>	<b>31.40</b>	<b>216,188</b>	<b>33,801</b>	<b>15.64</b>	<b>888,600</b>	<b>3.80</b>

<sup>a</sup> Disbursement in a given year/period refers to the confirmed disbursement for a particular year/period covered. (ii) "Net loan amount available at the beginning of the year/period" refers to all loans that were effective at the beginning of the year. (iii) "Loan amounts of newly approved loans which have become effective during the year/period" refers to all loans approved before and after the beginning of the year that have become effective after the beginning of the year.

**NEPAL: PROJECT PERFORMANCE RATING OF ONGOING LOANS AND GRANTS**  
(as of 30 June 2011)

Sector/ Project No.	Project Name	Project Ratings				Overall Project Rating %	Overall Project Rating <sup>a</sup>
		Technical	Procurement	Disbursement	Safeguard Management		
<b>Agriculture and Natural Resources</b>							
1. Loan 2092	Decentralized Rural Infrastructure and Livelihood	Yes	100%	90%	Yes	90%	On Track
2. Loan 2102	Community Managed Irrigated Agriculture Sector	Yes	72%	78%	Yes	70%	Potential Problem
3. Loan 2143	Gender Equality and Empowerment of Women	Yes	84%	94%	Yes	90%	On Track
4. Grant 0093	Rural Reconstruction and Rehabilitation Sector Development (Project)	Yes	100%	69%	Yes	80%	Potential Problems
5. Grant 0063	Commercial Agriculture Development	Yes	94%	83%	Yes	90%	On Track
6. Grant 0219	Community Irrigation	Yes	0%	0%	Yes	60%	Actual Problem
7. Grant 0233	Raising Incomes of Small and Medium Farmers	Yes	0%	100%	Yes	80%	Potential Problem
<b>Education</b>							
8. Loan 2111	Skills For Employment	No	88%	96%	Yes	70%	Potential Problem
<b>Energy</b>							
9. Loan 2587/Grant 0182	Energy Access and Efficiency Improvement	Yes	0%	100%	Yes	70%	Potential Problem
10. Grant 0215	Detailed Engineering Study for the Upper Seti Hydropower	Yes	0%	0%	Yes	60%	Actual Problem
<b>Finance</b>							
11. Grant 0059	Rural Finance Sector Development Cluster Program	Yes	100%	78%	Yes	90%	On Track
12. Grant 0208	Rural Finance Sector Development Cluster Program (Subprogram 2)	Yes	0%	98%	Yes	80%	Potential Problem
<b>Transport and ICT</b>							
13. Loan 2581/Grant 0181	Air Transport Capacity Enhancement	Yes	100%	34%	Yes	80%	Potential Problem
14. Loan 2656/Grant 0212	Kathmandu Sustainable Urban Transport	Yes	100%	100%	Yes	100%	On Track
15. Loan 2685/Grant 0225	Subregional Transport Enhancement	Yes	100%	100%	Yes	100%	On Track
16. Grant 0051	Road Connectivity Sector I	Yes	100%	92%	Yes	100%	On Track
17. Grant 0106	Information and Communication Technology Development	Yes	100%	49%	Yes	80%	Potential Problem
18. Grant 0227	Transport Project Preparatory Facility	Yes	100%	100%	Yes	100%	On Track
19. Grant 0099	SASEC Information Highway Project	Yes	100%	100%	Yes	100%	On Track
<b>Water Supply, Sanitation and Waste Management</b>							
20. Loan 1820	Melamchi Water Supply	Yes	100%	100%	Yes	100%	On Track
21. Loan 1966	Urban & Environmental Improvement	Yes	100%	100%	Yes	100%	On Track
22. Loan 2059	Kathmandu Valley Water Services Sector Development	Yes	100%	94%	Yes	100%	On Track
23. Loan 2650	Secondary Towns Integrated Urban Environmental Improvement	Yes	100%	100%	Yes	100%	On Track
24. Grant 0157	Second Small Towns Water Supply and Sanitation Sector	Yes	96%	85%	Yes	90%	On Track
25. Loan 2579/Grant 0179	South Asia Tourism Infrastructure Development (Bangladesh, India and Nepal)	Yes	0%	100%	Yes	80%	Potential Problem
<b>Multisector</b>							
24. Grant 0150	Emergency Flood Damage Rehabilitation	No	80%	90%	Yes	60%	Actual Problem

<sup>a</sup> Applying the percentage thresholds only, a project with a total rating score greater than or equal to 0.9 is *on-track*; a project with a total rating score of 0.7–0.89 is a *potential problem*; and a project with a total rating score of less than 0.69 is an *actual problem*.

## ASIAN DEVELOPMENT BANK

### Nepal Resident Mission

#### STATUS OF SUBMISSION OF AUDITED PROJECT ACCOUNTS FOR FY2009/10

Loan No.	Project/Program	Audited Project Accounts for FY2009/10			status
		Due Date	Submitted	Delay in months	
<b>L O A N S</b>					
1	1820 Melamchi Water Supply	15-Apr-11	15-Mar-11		Complied. The EA submitted APAs of Subproject -1 on 15 April 2011.
2	1966 Urban and Environmental Improvement	15-Apr-11	16-May-11	1.0	Complied late.
3	2008 Community Based Water Supply and Sanitation Sector	15-Apr-11	07-Apr-11		Complied.
4	2059 Kathmandu Valley Water Services Sector Development	15-Apr-11			Not complied.
5	2092 Decentralized Rural Infrastructure and Livelihood Dev.	15-Apr-11	22-Apr-11	0.2	Complied late.
6	2102 Community Managed Irrigated Agriculture Sector	15-Apr-11	29-Mar-11		Complied.
7	2111 Skills for Employment	15-Apr-11	30-Mar-11		Complied.
8	2143 Gender Equality and Empowerment of women	15-Apr-11	05-Apr-11		Complied.
9	2551 Education Sector Program III		Not Required.		
10	2579 South Asia Tourism Infrastructure Development		Not Yet Due.		
11	2581 Air Transport Capacity Enhancement		Not Yet Due.		
12	2587 Energy Acces and Efficiency Improvement		Not Yet Due.		
13	2641 Rural Finance Sector Development Program		Not Yet Due.		
14	2650 Secondary Towns Integrated Urban Environmental Improvement		Not Yet Due.		
15	2656 Kathmandu Sustainable Urban Transport		Not Yet Due.		
16	2665 Subregional Transport Enhancement		Not Yet Due.		
<b>G R A N T S</b>					
1	0051 Road Connectivity Sector	15-Apr-11	08-Apr-11		Complied.
2	0059 Rural Finance Sector Development	15-Jan-11	31-Mar-11	2.5	Complied late.
3	0063 Commercial Agriculture Development	15-Jan-11	13-Jan-11		CAA submitted the APAs on 31 March 2011
4	0065 Education Sector Cluster Program	15-Jan-11	15-Jun-11	5.0	Complied late.
5	0093 Rural Reconstruction and Rehabilitation Sector Dev. (PJT)	15-Apr-11	15-Apr-11		Complied.
6	0094 Rural Reconstruction and Rehabilitation Sector Dev. Program		Not Required.		
7	0099 SASEC Information Highway		Not Yet Due.		
8	0105 Education Sector program II		Not Required.		
9	0106 ICT Development Project		Not Yet Due.		
10	0118 Governance Support Program (Subprogram I)		Not Required.		
11	0150 Emergency Flood Damage Rehabilitation	15-Apr-11	15-Apr-11		Complied.
12	0160 Education Sector Cluster Program III		Not Required.		
13	0157 Second Small Towns Water Supply and Sanitation Sector	15-Apr-11	15-Apr-11		Complied.
14	0179 South Asia Tourism Infrastructure Development		Not Yet Due.		
15	0181 Air Transport Capacity Enhancement		Not Yet Due.		
16	0208 Second Rural Finance Sector Development		Not Yet Due.		
17	0212 Kathmandu Sustainable Urban Transport		Not Yet Due.		
18	0215 Detailed Engg. Study for the Upper Seti Hydropower		Not Yet Due.		
19	0219 Community Irrigation		Not Yet Due.		
20	0225 Subregional Transport Enhancement		Not Yet Due.		
21	0227 Transport Project Preparatory Facility		Not Yet Due.		
22	0233 Raising Income of Small and Medium Farmers		Not Yet Due.		

#### Status as of 30 June 2011

	<u>No of Projects</u>	<u>Achievement Percentage</u>
Complied:	10	67
Complied late:	4	27
Partly Complied:	0	0
Not complied:	1	7
Loans due for compliance:	<u>15</u>	<u>100</u>
Not yet due:	18	
Not required:	5	
Nepal Ongoing Portfolio:	<u><u>38</u></u>	

**NEPAL: LIST OF CLOSED LOANS BY SECTOR**  
(as of 31 December 2010)

Loan No/ Sector	Project Name	Net Loan	Milestone Dates		Implementation Period (years)	Project Completion		Project Performance		
		Amount (\$mn)	Approval	Date Closed		Report (PCR) <sup>a</sup> Year	Rating	Evaluation Report (PPER) <sup>b</sup> Year	Rating	
<b>Agriculture and Natural Resources</b>										
1.	0045(SF)	Jute Development	1.8	10 Dec 70	09 Mar 79	8.2	1979	No Rating	1981	GS
2.	0046	Jute Development	2.0	10 Dec 70	28 Feb 77	6.2	1979	No Rating		
3.	0085(SF)	Kankai Irrigation	4.5	14 Dec 71	22 Jun 79	7.5	1987	No Rating	1988	GS
4.	0114(SF)	Chitwan Valley Development	8.0	14 Dec 72	10 Aug 82	9.7	1990	No Rating		
5.	0232(SF)	Jute Development (Supplementary)	0.5	02 Oct 75	15 Sep 80	5.0	1979	No Rating		
6.	0309(SF)	Kankai Irrigation (Supplementary)	3.2	11 Oct 77	30 Nov 91	14.1	1987	No Rating		
7.	0310(SF)	Chitwan Valley Development (Supplementary)	5.0	11 Oct 77	26 Feb 90	12.4	1990	No Rating		
8.	0334(SF)	Sagarmath Forestry Development	1.9	20 Dec 77	23 Feb 87	9.2	1986	No Rating	1987	GS
9.	0387(SF)	Integrated Rural Development	12.6	20 Dec 78	13 Jul 89	10.6	1989	No Rating	1990	GS
10.	0445(SF)	Livestock Development	8.6	19 Dec 79	27 Oct 88	8.9	1988	No Rating	1990	US
11.	0462(SF)	Aquaculture Development	9.0	28 Aug 80	02 Feb 89	8.4	1989	No Rating	1990	GS
12.	0489(SF)	Fourth Agricultural Credit	15.0	09 Dec 80	05 Feb 87	6.2	1988	No Rating	1988	GS
13.	0490(SF)	Hill Irrigation (Western Region)	7.8	09 Dec 80	31 May 90	9.5	1990	No Rating	1993	US
14.	0559(SF)	Crop Intensification Program	3.8	15 Dec 81	28 May 86	4.5	1986	No Rating	1987	GS
15.	0560(SF)	Command Area Development	11.7	15 Dec 81	11 May 90	8.4	1990	No Rating	1993	US
16.	0596(SF)	Second Hill Irrigation	11.1	04 Nov 82	10 Nov 94	12.0	1995	PS	1998	PS
17.	0610(SF)	Nepal Paper Mill Technical Services	0.9	09 Dec 82	01 Dec 88	6.0				
18.	0633(SF)	Hill Forest Development	3.1	09 Aug 83	29 Nov 90	7.3	1991	No Rating	1992	PS
19.	0659(SF)	Kankai Diversion Structure Remedial	3.2	01 Dec 83	04 Sep 87	3.8	1987	No Rating		
20.	0669(SF)	Second Crop Intensification Program	14.5	14 Dec 83	24 Mar 88	4.3	1988	No Rating	1990	PS
21.	0694(SF)	Chitwan Valley Development (2nd Supplementary)	5.2	25 Sep 84	26 Feb 90	5.4	1990	No Rating		
22.	0721(SF)	Hill Agriculture Development	8.2	13 Dec 84	15 Nov 93	8.9	1994	No Rating	1997	S
23.	0744(SF)	Cotton Development	4.8	24 Oct 85	19 Oct 94	9.0	1995	PS		
24.	0745(SF)	Second Livestock Development	7.0	24 Oct 85	17 Nov 94	9.1	1995	PS	1998	PS
25.	0748(SF)	Seti Zone Rural Development	14.9	31 Oct 85	26 Sep 96	10.9	1997	PS		
26.	0749(SF)	Third Forestry Development	8.4	31 Oct 85	13 Jan 92	6.2	1992	No Rating	1993	GS
27.	0792(SF)	Second Aquaculture Development	4.5	09 Oct 86	25 Nov 94	8.1	1995	No Rating		
28.	0841(SF)	Paper Mill	0.1	24 Sep 87	28 Dec 89	2.3	1990	No Rating		
29.	0859(SF)	Hill Fruit Development	2.4	10 Nov 87	15 Oct 96	8.9	1998	PS		
30.	0867(SF)	East Rapti Irrigation	9.9	26 Nov 87	04 Feb 99	11.2	1999	GS	2002	S
31.	0923(SF)	Irrigation Sector	26.6	22 Nov 88	30 Jun 97	8.6	1999	GS		
32.	0924(SF)	Agriculture Program	55.7	24 Nov 88	05 Jul 91	2.6	1992	No Rating	1993	PS
33.	0964(SF)	Secondary Crops Development	5.3	27 Jul 89	19 Jun 98	8.9	1999	PS		
34.	1037(SF)	Third Small Farmers Development	31.9	04 Oct 90	26 Sep 96	6.0	1998	PS		
35.	1040(SF)	Forestry Program	21.0	23 Oct 90	15 Jan 94	3.2	1998	PS	2000	PS
36.	1113(SF)	Rajapur Irrigation Rehabilitation	16.6	31 Oct 91	23 May 01	9.6	2003	S		
37.	1114(SF)	Upper Sagarmatha Agricultural Development	11.2	31 Oct 91	20 Dec 02	11.1	2004	PS		
38.	1311(SF)	Irrigation Management Transfer	8.5	13 Sep 94	28 Sep 04	10.0	2006	PS		
39.	1437(SF)	Second Irrigation Sector	22.7	16 May 96	13 Nov 03	7.5	2007	PS		
40.	1461(SF)	Third Livestock Development	11.5	19 Sep 96	20 Sep 04	8.0	2006	S		
41.	1604(SF)	Second Agriculture Program	48.9	22 Jan 98	31 Dec 00	2.9	2002	S	2004	S
42.	1609(SF)	Community Groundwater Irrigation Sector	10.2	26 Feb 98	21 Jan 08	9.9	2004	S		
43.	1778(SF)	Crop Diversification	10.2	09 Nov 00	19 Dec 08	8.1	2009	S		
44.	2071(SF)	Community Livestock Development	20.3	19 Dec 03	30 Nov 10	7.0				
		<b>Subtotal/Average</b>	<b>494.3</b>			<b>7.9</b>				
<b>Education</b>										
45.	0315(SF)	Vocational Education	4.2	08 Nov 77	23 Sep 86	8.9	1985	No Rating	1987	GS
46.	0599(SF)	Science Education	5.8	18 Nov 82	01 Jul 92	9.6	1992	No Rating	1994	PS
47.	0974(SF)	Technical Education & Vocational Training Development	12.6	28 Sep 89	23 Mar 98	8.5	1999	GS	2002	S
48.	1141(SF)	Primary Education Development	13.6	05 Dec 91	17 Nov 00	9.0	2001	PS		
49.	1196(SF)	Secondary Education Development	6.5	24 Nov 92	14 Nov 00	8.0	2001	S	2004	S
50.	1237(SF)	Microcredit Project for Women	3.7	24 Jun 93	15 Oct 02	9.3	2003	S		
51.	1840(SF)	Teacher Education Project	15.5	24 Sep 01	09 Dec 09	8.2				
52.	1917(SF)	Secondary Education Support Project	32.5	17 Jan 03	26 Nov 10	7.9				
53.	2277(SF)	Education Sector Program (Subprogram I)	31.3	28 Dec 06	09 Jan 09	2.0				
		<b>Subtotal/Average</b>	<b>125.7</b>			<b>7.9</b>				
<b>Energy</b>										
54.	0102(SF)	Gandak-Hetauda Power	2.7	24 Oct 72	22 Aug 80	7.8	1980	No Rating	1981	GS
55.	0249(SF)	Gandak-Hetauda Power (Supplementary)	1.2	11 Dec 75	08 Jan 81	5.1	1980	No Rating	1981	
56.	0250(SF)	Second Power	2.9	11 Dec 75	05 Jan 87	11.1	1984	No Rating	1985	GS
57.	0447(SF)	Third Power	14.9	21 Dec 79	28 Jul 87	7.6	1986	No Rating	1987	GS
58.	0512(SF)	Mini Hydropower	8.3	21 Apr 81	26 Nov 91	10.6	1991	No Rating	1998	US
59.	0533(SF)	Fourth Power	11.1	08 Oct 81	07 Jul 88	6.8	1987	No Rating		
60.	0670(SF)	Fifth Power	23.7	14 Dec 83	23 Jun 97	13.5	1997	GS	1999	S
61.	0708(SF)	Sixth Power	37.0	20 Nov 84	16 Nov 95	11.0	1996	GS	1999	S
62.	1011(SF)	Seventh Power	55.1	11 Jan 90	09 Aug 99	9.6	2001	S	2004	S
63.	1452(SF)	Kali Gandaki "A" Hydroelectric	140.8	23 Jul 96	26 Apr 04	7.8	2004	S		
64.	1732(SF)	Rural Electrification, Distribution and Transmission	38.2	21 Dec 99	19 Dec 08	9.0				
		<b>Subtotal/Average</b>	<b>336.0</b>			<b>9.1</b>				
<b>Finance</b>										
65.	0059(SF)	Agricultural Credit	2.4	23 Dec 70	12 Dec 75	5.0	1977	No Rating	1977	GS
66.	0182(SF)	Second Agricultural Credit	3.0	02 Apr 74	07 Apr 80	6.0	1980	No Rating	1981	PS
67.	0295(SF)	Third Agricultural Credit	5.5	15 Feb 77	17 Jan 83	5.9	1983	No Rating	1984	GS
68.	0831(SF)	Fifth Agricultural Credit	25.4	07 Apr 87	10 Jul 92	5.3	1993	No Rating	1997	US
69.	1112(SF)	Sixth Agricultural Credit	35.5	31 Oct 91	10 Mar 96	4.4	1998	U		

**NEPAL: LIST OF CLOSED LOANS BY SECTOR**  
(as of 31 December 2010)

Loan No/ Sector	Project Name	Net Loan Amount (\$mn)	Milestone Dates		Implementation Period (years)	Project Completion Report (PCR) <sup>a</sup>		Project Performance Evaluation Report (PPER) <sup>b</sup>	
			Approval	Date Closed		Year	Rating	Year	Rating
70.	1650(SF) Rural Microfinance	18.2	08 Dec 98	15 Aug 07	8.7	2008	S		
71.	1811(SF) Corporate & Financial Governance	2.7	14 Dec 00	15 Jun 09	8.5	2010	U		
72.	2268(SF) Rural Finance Sector Development Cluster Program (Subprogram I)	57.2	21 Dec 99	19 Dec 08	9.0				
	<b>Subtotal/Average</b>	<b>149.9</b>			<b>6.6</b>				
<b>Industry and Trade</b>									
73.	0284(SF) Hetauda Cement	39.5	29 Nov 76	21 Jan 87	10.2	1986	No Rating	1988	US
74.	0655(SF) Hetauda Cement (Supplementary)	11.2	24 Nov 83	07 Jul 89	5.6	1986	No Rating		
75.	0987(SF) Special Assistance for Oil Supply	11.0	14 Nov 89	19 Jun 97	7.6	1999	PS		
76.	1156(SF) Tourism Infrastructure Development	8.1	16 Jan 92	22 Jun 98	6.4	1999	GS	2000	PS
77.	1229(SF) Industrial Sector Program	20.7	27 Apr 93	12 Dec 97	4.6	1998	GS	2002	S
78.	1451(SF) Second Tourism Infrastructure Development	11.2	02 Jul 96	15 Jul 04	8.0	2005	PS		
	<b>Subtotal/Average</b>	<b>101.7</b>			<b>7.1</b>				
<b>Public Sector Management</b>									
79.	1861(SF) Governance Reform Program	22.5	27-Nov-01	18-Jul-07	5.6	2008	PS		
80.	2002(SF) Public Sector Management	19.7	8-Jul-03	21-Aug-06	3.1	2008	PS		
	<b>Subtotal/Average</b>	<b>42.2</b>			<b>4.4</b>				
<b>Transport and ICT</b>									
81.	0026(SF) Air Transport Development	5.5	18 Dec 69	30 Apr 82	12.4				
82.	0117(SF) Hetauda-Narayangarh Road	10.1	19 Dec 72	18 May 79	6.4	1983	No Rating	1984	GS
83.	0233(SF) Tribhuvan International Airport	10.0	02 Oct 75	29 Apr 86	10.6	1985	No Rating	1987	GS
84.	0274(SF) Hetauda-Narayangarhroad (Supplementary)	4.8	23 Sep 76	06 Jul 84	7.8	1983	No Rating		
85.	0388(SF) Second Tribhuvan International Airport	10.7	22 Dec 78	24 Apr 91	12.3	1996	GS	1999	HS
86.	0651(SF) Feeder Roads	23.5	10 Nov 83	09 Apr 96	12.4	1996	PS		
87.	0783(SF) Second Tribhuvan International Airport (Suppl)	11.6	10 Jul 86	09 Aug 93	7.1				
88.	0806(SF) Road Improvement	31.3	02 Dec 86	18 Apr 96	9.4	1996	GS	1998	S
89.	0936(SF) Second Tribhuvan Int'l. Airport (2nd Supplementary)	4.5	15 Dec 88	09 Apr 97	8.3				
90.	0982(SF) Second Road Improvement	51.8	09 Nov 89	21 Oct 98	9.0	1998	GS		
91.	1377(SF) Third Road Improvement	34.9	21 Sep 95	11 Jun 02	6.7	2003	S		
92.	1450(SF) Rural Infrastructure Development Project	10.8	27 Jun 96	28-Sep-06	10.3	2006	S		
93.	1512(SF) Tribhuvan International Airport Improvement	21.8	23 Jan 97	07 Oct 02	5.7	2002	PS		
94.	1876(SF) Road Network Development	45.1	13 Dec 01	11 Jan 10	8.1				
95.	2097(SF) Subregional Transport Facilitation	17.5	04 Nov 04	21 Sep 10	5.9				
	<b>Subtotal/Average</b>	<b>294.0</b>			<b>8.8</b>				
<b>Water and Other Municipal Infrastructure and Services</b>									
85.	0719(SF) Rural Water Supply Sector	10.8	11 Dec 84	29 Mar 93	8.3	1993	No Rating	1997	PS
86.	0949(SF) Second Water Supply Sector	13.1	31 Jan 89	23 May 96	7.3	1997	GS		
87.	1165(SF) Third Water Supply And Sanitationsector	20.5	25 Jun 92	13 May 98	5.9	1999	GS		
95.	1240(SF) Kathmandu Urban Development	7.5	29 Jun 93	25 May 00	6.9	2001	PS	2003	PS
88.	1464(SF) Fourth Rural Water Supply & Sanitation Sector	18.5	24 Sep 96	20 Dec 02	6.2	2004	S		
89.	1640(SF) Melamchi Water Supply (Engineering)	4.4	10 Nov 98	18 Jul 02	3.7	2003	S		
90.	1755(SF) Small Towns Water Supply Sanitation Sector	32.1	10 Nov 98	18 Jul 02	3.7	2010	S		
97.	2058(SF) Kathmandu Valley Water Services Sector Development Program	5.1	18 Dec 03	31 Mar 09	5.3				
	<b>Subtotal/Average</b>	<b>112.1</b>			<b>5.9</b>				
<b>Total/Average</b>		<b>1,655.9</b>			<b>7.8</b>				

GS=generally successful, HS=highly successful, NR= not rated, PS= partly successful, S=successful, US=unsuccessful.

a PCRs have no rating prior to 1995. Ratings based on the old guidelines were prior to 2001, and ratings based on the new guidelines were 2001 onwards.

b In 2000, OED shifted from a three-category rating system (generally successful; partly successful; and unsuccessful) to a four-category rating system (highly successful; successful; partly successful; and unsuccessful) four-category rating system has been retrofitted to projects/programs evaluated from 1996 to 1999.

Source: IED

## 2010 TECHNICAL ASSISTANCE COMPLETION (TCR) PROGRAM DETAILS

TA No./Country	Title	Category	Date Approved	Scheduled Date of		Amount (\$ million)	Rating
				Physical Original	Completion Revised		
1. 3552 - NEP:	Power Sector Reforms in Nepal	AOTA	Nov-00	Dec-01	Mar-08	0.800	PS
2. 3581 - NEP:	Information and Communication Technology for Improved Financing Services	PPTA	Dec-00	Jul-01	May-04	0.565	U
3. 4133 - NEP:	Market Access and Productivity Growth for the Private Sector	ADTA	Jun-03	Mar-04	Nov-04	0.400	S
4. 4397 - NEP:	Capacity Building in Rural Infrastructure Institutions	ADTA	Aug-05	Dec-07	Dec-09	0.400	S
5. 4752 - NEP:	Regional Development Strategy	ADTA	Dec-05	Mar-07	Feb-10	0.760	S



**ATTACHMENT 2**  
**DFID**  
**BACKGROUND PAPER**



# **NEPAL**

## **PORTFOLIO PERFORMANCE REVIEW (NPPR)**

**17 AND 18 NOVEMBER 2011**

Background Paper November 2011 from

Department for International Development (DFID)  
Government of the United Kingdom of Great Britain and  
Northern Ireland

## **1. INTRODUCTION**

The UK acknowledges the Government of Nepal's continued efforts to ensure the NPPR process remains effective and meaningful. Looking back over the year there are some achievements from the 2010 NPPR action plan which should be noted; Government of Nepal's commitment to transparency (e.g. the significant improvement on reimbursement compared to last year); an agreed Government of Nepal plan for a longer term public financial management reform programme that DFID and others are supporting through the World Bank; and the transfer of personnel guidelines of five ministries that has been approved.

During the course of the last year there has been much discussion between the Government and development partners about how much funding development partners disburse through government channels. In order to increase this amount concrete progress on key reforms will be needed which NPPR can monitor, in particular:

### **FOCUS ON RESULTS**

During the coming year, the NPPR process can be used to strengthen the focus of both Government of Nepal and development partners on achieving results, which builds public confidence in Nepal and is vital to maintain public support for aid in donor countries. The challenge is to show progress on key development outcomes in one transparent results framework which clearly tracks progress on commitments from both government and development partners. In particular we think the use of development indicators focused on budgetary performance, economic management, service delivery, and governance can be used to track performance. We look forward to discussion of proposals that will be presented to this NPPR in this regard.

### **TACKLING CORRUPTION AND IMPROVING FINANCIAL MANAGEMENT**

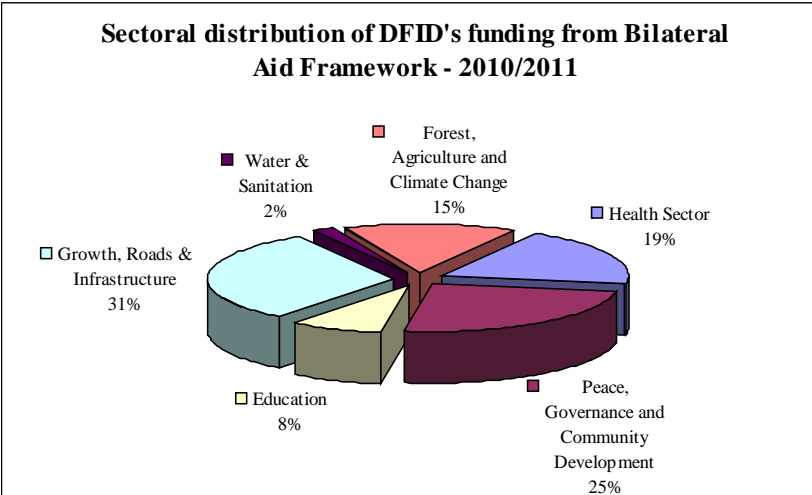
Development programmes still face major challenges in disbursing funds due to shortcomings in basic financial reporting, delays in production of audit reports and limited follow up. We are pleased to note the recent positive signals from Government on tackling corruption, including the intention to appoint permanent heads of the OAG and CIAA and to enforce a code of conduct for civil servants. Weaknesses in procurement remain a major concern and capacity enhancement of the Public Procurement Monitoring Office is vital for concrete improvements in this area. Ensuring that the Single Treasury Account is rolled out and implementation of an integrated financial management system will also help ensure strong budget control. The UK, along with other development partners in Nepal, would welcome further progress on public financial management and anti-corruption reforms which will benefit from stronger government leadership, both through the joint World Bank programme and action at line ministry level, especially health and education.

### **MANAGEMENT OF THE ECONOMY**

The UK is concerned that Nepal's mid to long term macroeconomic outlook is becoming increasingly precarious with ongoing short term risks around the financial sector and a high dependence on remittances. At the same time, opportunities for greater FDI exist; we note Government plans to launch a Nepal Year of Investment in 2012. Concerted and co-ordinated action is required so that these risks do not undermine the opportunities to boost long-term growth and poverty reduction. We would like to see actions addressing this tracked through the NPPR.

## 2. DFID PORTFOLIO PERFORMANCE IN NEPAL 2010/11

In 2010/11, DFID disbursed £57.5 million of bilateral assistance disbursement with approximately 31 percent of funding channelled through the government treasury system. The UK also disbursed £0.66 million from the UK Government Conflict Prevention Pool. DFID’s bilateral assistance to Nepal for 2010/11 was focussed on four areas; support to the peace process and to help improve security, helping Government to deliver better health and education services, helping poor people, particularly women, benefit from economic growth, and helping Nepal tackle climate change. The 2010/11 bilateral framework was divided as follows:



In 2010/11 DFID implemented 33 distinct programmes of which **20** were eligible for performance assessment and scoring as per DFID’s monitoring system. Some of these programmes were assessed jointly with Government and other development partners (refer to details in Annex B). Out of these **4** are likely to completely achieve the purpose; **11** are likely to largely achieve the purpose; **4** are likely to partly achieve the purpose. Full details of each project and the score they achieved are in Annex A.

### DFID Nepal’s Operational Plan 2011-2015

DFID Nepal’s Operational Plan was prepared during 2010 and commits up to £331 million of UK development assistance during the period 2011-2015. DFID’s programmes all include a focus on delivering improvements for girls and women. Building on DFID’s comparative advantage in Nepal it will focus on:

- Governance and Security
- Human development (health, education and WASH)
- Inclusive Wealth Creation
- Climate change and disaster risk reduction

The DFID Nepal Operational Plan is results-centred with continuous progress monitoring; 76 indicators are monitored and formally reviewed every six months. The first review has just been completed and indicated good progress in most areas and mixed progress in others. The review focused closely on the risks facing our programmes. It indicated that we continue to face significant risks and that there is increasing concern around macroeconomic risks. More detail on specific results is outlined in the following section 3.

### **3. DFID IMPACT IN NEPAL 2010/11**

#### **GOVERNANCE AND SECURITY**

##### **Support to the Peace Process**

The UK Government has supported Nepal's peace process since 2007. In particular DFID has provided support to the secretariat of the AISC to monitor cantonments and prepare for integration/rehabilitation of combatants, reconstruction of 100 police posts damaged during the conflict, and rehabilitation of those wounded during the conflict. DFID is also providing support for the preparation of future elections including development of a new electronic voter roll with close to 80% targeted voters registered. DFID has provided support through UNDP for consultations on drafting of the new constitution which included training 40 CA members from marginal groups.

##### **Local Governance and Community Development**

DFID is directly supporting Government's LGCDP programme to improve local governance and service delivery and through support to the CSP programme which has led to the following results: i) drinking water provided to 110,000 households<sup>1</sup>, ii) 28,500 community infrastructure created that includes 2350 kms of road, 2000 classrooms built and 171 bridges and also 24203 ward citizens forums with 45% membership of women in 70 districts<sup>2</sup>, and iii) 80% of local government spending publically audited<sup>3</sup>.

##### **Improved Public Financial Management**

Achievements in public financial management implemented through the joint World Bank managed programme include the introduction and up scaling of a Treasury Single Account (TSA) to 18 districts out of 75 in Nepal, with 3500 spending unit bank accounts closed and 19% of the national budget now going through the TSA system<sup>4</sup>. A PEFA Secretariat has also been established and support to the OAG commenced.

##### **Access to Justice and Security**

Through the Women's Paralegal Committee Project we have supported the training and establishment of over 19,500 paralegals (95% of whom are women) and 462 paralegal committees (PLCs). In 2008, they supported an estimated 14,000 cases, benefitting over 13,000 women in Nepal. Almost 90% of cases dealt with by the PLCs directly involved women, with the majority of cases focusing on domestic abuse (36%) and social violence (18%).

#### **INCLUSIVE WEALTH CREATION**

##### **Supporting Economic growth**

A highly innovative programme focused on addressing the critical constraints to economic growth commenced this year through the *Centre for Inclusive Growth*. The

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<sup>1</sup> Through DFID's Community Support Programme (CSP) - Impact Assessment Report

<sup>2</sup> Through jointly funded Local Governance and Community Development Programme (LGCDP) – Status report, September 2011

<sup>3</sup> MLD Departmental monitoring report, June 2011

<sup>4</sup> Through the Public Financial Management Reform Programme, World Bank, MDTF Progress report, June 2011

centre has initially focused on tackling issues around electricity generation and distribution, in particular looking at analytical and legal support to unlock power development agreements. For example, over the last 4 months substantial progress has been made in analysing the economic viability of proposed deals to assist Nepal in obtaining a fair deal for its hydro resources. This contributes to ongoing work on investment climate reform which DFID supports through the International Finance Corporation<sup>5</sup>. Other constraints to growth will be addressed through the CIG over the coming year. DFID is also working with the IFIs to develop a broader programme of support focused around macroeconomic risks.

### **Infrastructure, Jobs and Skills**

Over 1 million people in remote districts have been connected to the national road network through the construction of 1,500 km of rural roads and 2,200 pedestrian bridges<sup>6</sup>. In doing so, 10 million days of employment were provided for 150,000 poor and disadvantaged people. In addition 43,000 households have improved drinking water sources, 15,000 households with improved sanitation facilities and 7,000 rural households with basic electricity supply<sup>7</sup>. Through skills training programmes 10,000 people have been supported to obtain long-term employment<sup>8</sup>.

### **Forestry livelihoods and climate change**

DFID has increased the incomes of 550,000 people and lifted 130,000 out of poverty through support to agriculture and forestry programmes. Through sustainable forest management, DFID's support has lifted 1,326,000 people out of poverty, helped creating 1.5 million days of employment per year for poor and socially excluded people and capturing 700,000 tonnes of carbon annually<sup>9</sup>.

## **HUMAN DEVELOPMENT**

### **Health**

DFID's substantial support to Nepal's health sector<sup>10</sup> has contributed to continued free birth care and an incentive payment for mothers to deliver babies in health facilities. Deliveries by health workers have increased from 23% (2005/06) to 41% in 2009/10, of which 29% are by skilled birth attendants, and institutional delivery from 14% to 29% over the same period<sup>11</sup>. The UN's 2010 MDG Progress Report judges that Nepal is likely to meet targets on under-5 mortality (which has fallen from 118 deaths per 1,000 live births in 1996 to 54 in 2011), maternal mortality (falling from

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<sup>5</sup> The Nepal Investment Climate Reform Programme

<sup>6</sup> Through DFID's Rural Access Programme (RAP) and the jointly funded Rural Reconstruction and Rehabilitation Sector Development Programme (RRRSDP).

<sup>7</sup> Through RAP, RRRSDP, DFID's Community Support Programme (CSP) and the jointly funded Local Governance and Community Development Programme (LGCDP).

<sup>8</sup> Through the jointly funded Helvetas Employment Fund Programme.

<sup>9</sup> Through the DFID funded ten year Livelihoods and Forestry Programme (LFP).

<sup>10</sup> Includes financial and technical assistance provided mainly to the Nepal Health Sector Support Programme – NHSP - (2004-2010) and NHSP-2 (2010-2015) of the GoN, and HIV/AIDS programme (2005-2011) delivered through UNDP.

<sup>11</sup> Target by 2015 for delivery by skilled birth attendant is 60%. Given data are tracked by Health Management Information System (HMIS) and published in Annual Report 2005/06 and 2009/10 of Department of Health Services/Ministry of Health and Population (DoHS/MoHP)

539 deaths per 100,000 live births in 1996 to 281 in 2006)<sup>12</sup>, HIV/AIDS prevalence (judged to be stabilising at 0.49% of the adult population)<sup>13</sup>, and both TB detection and treatment success rates consistently above WHO standards since 2002/03<sup>14</sup>.

## **Education**

DFID's commitment in the education sector is to contribute to the increased net enrolment in basic education to 85%<sup>15</sup>; rates of completion to grade 8 increased to 66%<sup>16</sup>; secondary pass rates to rise to 71%<sup>17</sup>; and for DFID funding to directly pay for 350 teachers to be trained to a basic level, 800 extra schools improved and 65,000 marginalised or excluded students retained in school<sup>18</sup>.

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<sup>12</sup> Target by 2015 is 38 for under-5 mortality and 134 for maternal mortality (Data source: Nepal Family Health Survey 1996, Nepal Demographic and Health Surveys 2006 and 2011).

<sup>13</sup> Target is to halt and reverse the trend. Latest data available for prevalence in general adult population are from 2007. Based on fairly stabilized prevalence among the most-at-risk-populations, it is judged that general prevalence has also stabilised (Data source: UNGASS Country Progress Report Nepal 2010).

<sup>14</sup> Target is 70% for TB case detection and 85% for successful treatment (Data source: Trend analysis given in the Annual Report 2009/10, DoHS/MoHP).

<sup>15</sup> By 2014 in line with Government's objective as set out in Support to Schools Sector Reform Programme.

<sup>16</sup> By 2014 in line with Government's objective as set out in Support to Schools Sector Reform Programme.

<sup>17</sup> By 2014 in line with Government's objective as set out in Support to Schools Sector Reform Programme.

<sup>18</sup> Calculated by estimating the proportion of overall education sector budget (Support to Schools Sector Reform Programme) that is funded by DFID.

## 4. FUTURE OF THE NEPAL PORTFOLIO PERFORMANCE REVIEW

The NPPR remains a central forum of the aid architecture in Nepal. It has historically focused on key portfolio implementation issues but in the last two years has started to include discussions on strategic issues including the tracking of key development results and aid effectiveness commitments.

The proposals on the future of NPPR presented by a working group on aid effectiveness and mutually accountability bring these recent developments into sharper focus by providing the first outline of what could become a new and more transparent approach to tracking progress and mutual commitments. This is a trend we would like to strongly endorse.

There are changes around other parts of the aid architecture – particularly the reform of the former Utstein Group – to become a development focused forum for all development partners, and remaining supportive of the Government’s development agenda. Recent movements on the peace process also potentially change the environment in which we all operate. Collectively these may indicate it is time to jointly review the entire aid architecture and the role of the NPPR in this.

In DFID’s view, if the NPPR process is to remain at the apex of the aid architecture, in addition to reviewing portfolio performance it will need to:

- Become more strategic, centring around the delivery of development results
- Through a structured dialogue between GoN and Development Partners determine key policy actions needed to support the delivery of key results
- Provide clear and transparent tracking of key indicators of Government and development partner commitments

The areas of government commitment that we would like to see tracked through the NPPR are:

- Budgetary performance
- Economic management
- Service delivery
- Governance (including anti-corruption and public financial management)

In summary, the UK is keen to support the future development of the NPPR and the broader evolution of the aid architecture. We would like to see it become more strategic and development impact orientated.



## Annex A: DFID NEPAL PORTFOLIO INFORMATION

2010/11

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 10 - Mar 11	Disbursed through GoN	Latest Review Scoring	Risk	Comment
<b>GOVERNANCE AND SECURITY</b>								
1	Nepal Peace Trust Fund (NPTF)	GoN	£13,000,000			2	Medium	Operational
2	UN Peace Trust Fund	UNDP	£4,750,000			2	Medium	Operational
3	Peace and Development Strategy fund	Various	£950,000	£255,821		N/A	Low	Operational
4	Risk Management (RMO)	RMO Office	£1,496,000	£236,983		N/A	Low	Operational
5	Enabling State Programme (ESP 1) Phase 1	ESP project	£27,500,000	£4,414,810		2	Low	Operational
6	Social Inclusion Action Plan (SIAP)	Various	£2,700,000	£526,304		2	Medium	Operational
7	Local Governance and Community Development Programme (LGCDP)	GoN	£12,150,000	£2,127,364	£2,000,000	3	High	Operational
8	Support to UNICEF Women's Para Legal Committee	UNICEF	£6,500,000	£2,000,000		2	Medium	Operational
9	Public Security Support Programme Design	DFID appointed Consultant	£264,190	£123,021		N/A		Operational
10	Community Support Programme -Phase 2 (CSP)	CARE Nepal and RRN	£6,930,000	£3,230,175		1	Medium	Operational
11	Public Financial Management (PFM)	World Bank	£3,600,000	£1,323,037			Medium	Operational
			<b>£79,440,190</b>	<b>£14,237,515</b>	<b>£2,000,000</b>			
<b>HUMAN DEVELOPMENT</b>								
12	School Sector Reform Programme	GoN, EC	£12,500,000	£4,637,806	£4,450,000		High	Operational
			<b>£12,500,000</b>	<b>£4,637,806</b>	<b>£4,450,000</b>			
13	Nepal Health Sector Programme (NHSP)	GoN and DFID appointed Consultant	£33,500,000	£625,627		2	Medium	Closed
14	Support to National Health Sector Programme II	GoN and DFID appointed Consultant	£55,000,000	£7,996,656	£7,000,000		High	Operational
15	National HIV/AIDS Programme (DFID contribution)	UNDP	£15,000,000	£2,350,000		1	Medium	Operational
16	Support to the Safe Motherhood Programme (SSMP)	GoN and DFID appointed Consultant	£23,000,000	£224,743		2	Medium	Closed
			<b>£126,500,000</b>	<b>£11,197,026</b>	<b>£7,000,000</b>			
17	Rural Water Supply & Sanitation Programme	Gurkha Welfare Scheme	£1,500,000	£1,030,141		1	Low	Operational
			<b>£1,500,000</b>	<b>£1,030,141</b>				

INCLUSIVE WEALTH CREATION								
18	Support to the Employment Fund	Helvetas	£9,000,000	£1,883,896		1	Low	Operational
19	Adolescent Girls Employment Initiative	World Bank	£2,000,000	£1,000,000		2	Low	Operational
20	RAP Phase II	DFID appointed service provider	£32,400,000	£10,999,999		2	Medium	Operational
21	Rural Reconstruction and Rehabilitation Sector Development Programme (RRRSDP)	GoN/ADB	£10,200,000	£909,002	£909,002	3	Medium	Operational
22	Trail Bridge Sector Wide Approach Support Programme	GoN/DFID appointed consultancy	£2,200,000	£1,000,000	£1,000,000	2	Low	Operational
23	Interim Support to Inclusive Growth	DFID appointed consultant / World Bank	£800,000	£346,254		N/A	Low	Operational
24	Centre for Inclusive Growth Design	DFID appointed consultant	£100,000	£30,323		N/A		Operational
25	Nepal Investment Climate Reform Programme	IFC	£4,679,843	£1,533,372		3	High	Operational
26	Great Himalayan Trail Development Programme	SNV	£2,150,000	£206,579			Medium	Operational
27	Market Access for small scale Farmers	IDE and Practical Action	£2,000,000	£806,869			Medium	Operational
28	Nepal Market Development Programme	Design stage only	£14,500,000	£408,892			Medium	Operational
			<b>£80,029,843</b>	<b>£19,125,186</b>	<b>£1,909,002</b>			
CLIMATE CHANGE AND DISASTER RISK REDUCTION								
29	Livelihoods and Forestry Programme (LFP)	LFP office	£19,900,000	£2,900,000		2	Medium	Operational
30	Support to Decentralised Agriculture in Nepal	SDC	£1,500,000	£872,951		2	Medium	Closed
31	Support to the Climate Change Programme	UNDP	£660,000	£166,261		N/A		Closed
32	Nepal Climate Change Support Programme	ESAP and DFID appointed consultancy	£11,600,000	£3,106,966	£2,000,000		Medium	Operational
33	Multi-Stakeholder Forestry Programme	SDC	£20,000,000	£300,000			Medium	Operational
			<b>£53,660,000</b>	<b>£7,434,698</b>	<b>£2,000,000</b>			

UK CONFLICT PREVENTION POOL								
34	Support to the International Crisis Group (ICG)	ICG	£115,000	£114,999			Low	Operational
35	Security Sector Reform (SSR) Strategy Fund	Various	£86,687	£86,687			Low	Operational
36	Support to Carter Center	Carter Center	£192,000	£191,605			Low	Operational
37	Support to Safer World	Safer World	£297,930	£274,832			Low	Operational
			<b>£691,617.00</b>	<b>£668,123</b>				

**Bilateral Framework**  
**UK Conflict Prevention Pool**

**£57,572,372**      **£17,359,002**  
**£668,123**

**Total UK Aid 2010/11**

**£58,240,495**

## Annex B

<b>DFID PORTFOLIO SUMMARY APRIL 2010 TO MARCH 2011</b>	
<b>Disbursements</b>	
DFID Bilateral Aid	£57,572,372 \$94,752,610 <sup>2</sup>
UK Conflict Prevention Pool	£668,123 \$1,099,590
<b>Total UK Aid to Nepal during 2010/11<sup>1</sup></b>	<b>£58,240,495</b> \$95,852,206
Funds disbursed directly through GoN	£17,359,002 \$28,569,445 <i>31% of Bilateral Aid</i>
<small><sup>1</sup>based on the UK Fiscal Year, <sup>2</sup>conversion rate of £1 to \$1.65</small>	
<b>DFID Bilateral Aid</b>	
Number of projects and programmes operational	31
Projects and programmes closed during the year	3
New projects and programmes started during the year	5
Programmes implemented with GoN	9
Programmes implemented with Multilateral Agencies	10
Programme implemented by INGO's and NGO's	17
Programmes rated as 'High Risk'	4
Number of Annual Reviews conducted to assess performance	19

## Annex C

DFID projects and programmes are scored annually for their **likelihood of success** by examining progress against the outputs and purpose.

<b>DFID PORTFOLIO SCORING SYSTEM</b>		
<b>Score</b>	<b>Assessment</b>	<b>Description</b>
1	Likely to be <b>completely</b> achieved	The outputs/purpose are well on the way to completion (or completed).
2	Likely to be <b>largely</b> achieved	There is good progress towards purpose completion and most outputs have been achieved, particularly the most important.
3	Likely to be <b>partially</b> achieved	Only partial achievement of the purpose is likely and/or achievement of some outputs.
4	Only likely to be achieved <b>to a limited extent</b>	Purpose unlikely to be achieved but a few outputs likely to be achieved.
5	<b>Unlikely</b> to be achieved	No progress on outputs or purpose.
X	<b>Too early</b> to judge	It is impossible to say whether there has been any progress towards the final achievement of outputs or purpose.

<b>DFID PORTFOLIO RISK RATING</b>	
Low	Risks may lead to tolerable delay in the achievement of objectives or minor reduction in quality/quantity and/or an increase in cost.
Medium	Risks may lead to some delay and/or loss of quality/quantity and / or an increase in cost.
High	Risks may cause some or all aspects of objectives in relation to time, quality/quantity.

**ATTACHMENT 3**  
**JICA**  
**BACKGROUND PAPER**

**Nepal Portfolio Performance Review 2011**

**17 – 18 November, 2011**

**Attachment to the Main Background Paper**

**Japan International Cooperation Agency**

**Country Office Nepal**

**November 2011**

## Acronyms / Abbreviations

ADB	Asian Development Bank
BPEP	Basic and Primary Education Program
CA	Constituent Assembly
COMCAP	Community Mediation Capacity for Peaceful & Harmonious Society Project
DDC	District Development Committee
EFA	Education for All
GeMSIP	Gender Mainstreaming and Social Inclusion Project
GESI	Gender Equality and Social Inclusion
GM/SI	Gender Mainstreaming / Social Inclusion
GoN	Government of Nepal
I/NGO	International / Non-Governmental Organization
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JOCV	Japan Overseas Cooperation Volunteer
LGCDP	Local Governance and Community Development Program
M&E	Monitoring and Evaluation
MoAC	Ministry of Agriculture and Cooperatives
MoIC	Ministry of Information and Communications
MoLD	Ministry of Local Development
NHSP	National Health Sector Program
NPCS	National Planning Commission Secretariat
NPPR	Nepal Portfolio Performance Review
ODA	Official Development Assistance
PTA	Parent Teacher Association
PWMLGP	Participatory Watershed Management & Local Governance Project
SABIHAA	Samudayik Bikas tatha Hariyali Ayojana
SHNP	School Health and Nutrition Project
SIP	School Improvement Plan
SISM	Support for Improvement of Primary School Management
SMC	School Management Committee
SMES	Strengthening the Monitoring and Evaluation System
SSRP	School Sector Reform Plan
SV	Senior Volunteer
VDC	Village Development Committee



*The currency used in the document is Japanese Yen. For indicative purpose, the exchange rate of 2010 December is as follows:*

*1 US \$ = Japanese Yen 82.73*

*= Nepali Rupees 71.45*

## **Background**

Japan International Cooperation Agency (JICA) has been operating in Nepal since 1978. As the Japanese government development agency providing Official Development Assistance (ODA) to Nepal, JICA Nepal, in collaboration with the Embassy of Japan, works closely with the Government of Nepal (GoN) for the country's growth and development. JICA (in the beginning Japan Bank for International Cooperation – JBIC) has been a part of NPPR process since its start. This background paper is an attachment to the GoN main document of NPPR Annual Meeting 2011. It aims to briefly account on JICA's assistance strategies, ongoing assistance and achievements, implementation learning and challenges, and recommendations based on lessons learned.

### **1 JICA's Assistance Strategies**

Government of Nepal, under its new Three Year Plan (2010/11-2012/13), has envisioned various programs and projects with the seven priorities : i) balanced development of the physical and social infrastructure; ii) employment creation and economic growth; iii) increased investment to support inclusive development; iv) increased investment to ensure availability and regularity of basic public services; v) promoting good governance; vi) efforts to minimize the climate change impacts; and vii) giving high priority to national important priority projects.

Giving priority the country's peace building, democratization, state building, and inclusive development JICA has been operating in Nepal with the three basic strategies as follows:

- (1) Infrastructure and institutional development for sustainable economic growth;
- (2) Consolidation of peace and a steady transition to a democratic state/society; and
- (3) Rural poverty reduction.

While programming and implementing these basic strategies, JICA has been adopting three governing approaches; namely – (i) field-based approach, (ii) integrated assistance, and (iii) capacity development.

### **Field-Based Approach**

National development strategies and planning often seem to be ambitious as compared to the ground realities. To overcome such practices the policy planning should be based on the field-based experience. The policies and programs devised at the center need continuous revision based on the field experience with due consideration to improve the development conditions, and implement the order-made approach in line with the capacity level of the counterpart agencies.

Especially, at the district and the VDC levels, the “*learning by doing*” approach is highly required, because many of the staff members of the local government have limited practical skills and experience to implement and monitor the projects in more quality ways and with improved transparency.

This approach will effectively assist GoN and the development partners in reducing the fiduciary and project quality risks. Moreover, it will enhance in realizing more efficient planning, implementation, monitoring of the various projects and programs including, Local Governance and Community Development Program (LGCDP), School Sector Reform Plan (SSRP), and National Health Sector Program (NHSP).

### **Integrated Assistance**

The assistance should best match the level of development in the recipient country and organization, taking long-term perspective and offering seamless assistance to ensure sustainable development. JICA undertakes the mix of aid instruments namely Technical Cooperation, Grant Aid and ODA Loan to offer comprehensive support that organically combines such elements as policy and institutional improvements. For example, JICA is supporting Sindhuli Road Corridor area with integrated development approach by investing in infrastructure development, agriculture development as well as conflict management. This approach will function effectively to utilize the limited local resources with multiplier effect and contribute to the improvement in livelihood and to the reduction of the disparity between the urban and the rural.

### **Capacity Development**

JICA believes in capacity development as “*a process which enhances partner country’s capacity in managing development issues at individual, organizational, institutional and societal level*” by working together with counterpart agencies/personnel. The capacity development aims to bring out counterparts’ strong motivations for change from within. It provides support to build the counterparts’ awareness and lead to their proactive

actions for improvement in the process of working together with project teams. In the process, the government counterparts are in the driving-seat while the project teams and experts are to facilitate this process and environment for change, instead of instructing and teaching the counterpart. Practical and transformative capacity development requires the improvement in conscience and performance through inputting and sharing the external expertise and experience.

## **2 JICA Assistance and Achievements**

### **2-1 Infrastructure and Institutional Development for Sustainable Economic Growth**

For improving the social and economic infrastructure in Nepal, JICA provided 29.7 billion yen to assist GoN in constructing road, bridges, electric power plant and distribution network, water supply facilities, etc. in the past 10 years (2001 to 2010). In 2010, JICA's investment under Basic Strategy 1 was 3,629 million yen.

#### **Transport Infrastructure**

JICA has contributed to the improvement of the transport infrastructure in Nepal for a long time. A total amount of 15.4 billion yen has been invested to this area from 2001 to 2010, which was the largest input and occupied 50% of the total JICA ODA disbursement to the Basic Strategy 1 during this period. Most of the assistance was provided in the form of the construction projects through the grant aid, while there were also the projects for preparatory surveys and technical cooperations to develop the capacity of GoN in planning and maintenance of the transport infrastructure.

In 2010, JICA had three major grant aid projects on transport infrastructure: namely, i) Project for Construction of Sindhuli Road (Section III), ii) Project for the Improvement of Kathmandu-Bhaktapur Road, and iii) Community Access Road Improvement Project.

Through the Project for the Construction of Sindhuli Road, JICA supports GoN to improve the access between Kathmandu Valley and Eastern Tarai area. The total length of Sindhuli Road is 160km; 123km has been already constructed through the previous grant aid projects (Sections I, II and IV). After the completion of the Section III, Kathmandu will be connected to the East-West Highway at Bardibas via Banepa. Although there have been many negative influences by bandhs (general strikes) and other disturbances, due to the weak local governance and the frequent disturbances from the local groups backed-up by the political parties, the road construction is

expected to complete by 2014 as scheduled. As an achievement of the Project, it was noted that the marketing possibility of the dairy products, vegetables and fruit produced in the Sindhuli district and the nearby areas had been increased.

The Project for the Improvement of Kathmandu-Bhaktapur Road has been completed. In spite of the difficulties in constructing the trunk road with heavy traffic in the urban area, the project was completed as scheduled with the good project management. This project solved the serious traffic jam at one of the key transportation spots in the capital, which is located near the Kathmandu International Airport and one of the key bus stations.



**Sindhuli Road**



**Kathmandu-Bhaktapur Road**

The Community Access Improvement Project has been assisting GoN and the local government of Sindhuli, Mahottari, Kavrepalanchok, Sindhupalchok and Ramechhap districts in constructing the bridges to improve the local road network from the isolated areas to the trunk roads.

These two road construction projects have been negatively affected by bandhs imposed by the community groups and by the political groups. The progress of the Community Access Improvement Project might be delayed because of the bandhs and the limited capacity.

### **Power Generation**

The support in the area of power generation received the second highest share of the total JICA ODA disbursement to Nepal, a total of 7.9 billion yen from 2001 to 2010. Through the yen loan project, one rehabilitation and the other new construction works were carried out.

The Kulekhani Disaster Prevention Project was the rehabilitation project of the Kulekhani Hydroelectric Power Plant (power plants No.1 and No.2 having a total generation capacity of 92 MW), implemented from 1996 to 2001. The Kali Gandaki A Hydroelectric Project having generation capacity of 144 MW, which amounts to almost a quarter of the total power generated in Nepal, was completed in 2007.

Besides those loan projects and the grant aid projects to improve the power transmission and distribution system, JICA's assistance has contributed to addressing the serious electricity shortage problem, which is one of the top priority issues of Nepal. Similarly, JICA is extending technical cooperation to prepare master plan of medium-sized storage type hydropower projects.

### **Water Supply**

During the last 10 years (2001 to 2010), 3.9 billion yen was provided for this area. There were grant aid projects to improve the water supply facilities including the Kathmandu Water Supply Facility Improvement Project and the Project for Improvement of the Rural Water Supply Facilities in Urban Center in Morang and Jhapa districts in 2001-2003 and in 2005, respectively.

The Melamchi Project, a loan project, where JICA funding is for the construction of the water treatment plant, was commenced in 2001 and was expected to be carried out timely, but was delayed. It restarted in 2009; however the progress has been still very slow due to the delay in the procurement process.

Besides the grant aid and the loan projects, JICA assisted GoN in strengthening the water supply administration bodies in planning, implementing and maintenance of the water supply projects through dispatching the Japanese experts. Since 2009, the technical cooperation on the Project for Capacity Development on Water Supply in Semi-urban Areas has been implemented for developing the capacity of the water supply cooperation in operating and maintaining the water supply system.

## **2-2 Consolidation of Peace and a Steady Transition to a Democratic State/Society**

JICA provided 1.4 billion yen to assist GoN in the support of consolidation of peace and a steady transition to a democratic state/society, Basic Strategy 2, in the past 10 years (2001 to 2010). The amount of JICA's ODA in this area has been increased after 2006 and doubled from 2008 to 2009. In 2010, JICA's investment was 397 million yen.

## **Democratization Process Support Program**

In order to assist GoN in their state building toward the human-centered democratized nation, JICA brought in a comprehensive approach to strengthen society with capacity development of central and local government officials, legislative-parliamentarians, media, and community people through the mix of technical cooperation projects and dialogue programs. Reflecting the current transitional nature of Nepal, JICA aims to support building a stable society by working on the needs of the society.

Under the Democratization Process Support Program, JICA has conducted various technical cooperation projects, trainings, and dialogue programs. Four major technical cooperation programs namely: i) Dialogue on Nepal's State Building: Economic Growth and Development Strategy; ii) Support for Updating Civil Code and Related Laws; iii) Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project (COMCAP); and iv) Project for Promoting Peace Building and Democratization through the Capacity Development of the Media Sector are undergoing.

After the successful completion of Constituent Assembly (CA) Election, JICA has picked up the economic agenda to support during the writing of new constitution. Since 2009, JICA has been supporting the CA through the program "Nepal's state building: Economic Growth and Development Strategy" where two policy dialogues were organized in Japan and Vietnam. During the policy dialogues, CA members, members from National Planning Commission and high level government officials took part. Through the program, Honorable Members and government officials were shared the observation and successful experience of Japan, Vietnam and other Asian countries on economic growth and development strategies. This was done by providing an experts' overview on the history of growth and development, exploring the relationship between growth and poverty reduction and policy ingredients. Through the dialogues, a vision of "one nation, a culture of cultures and one economy" was born. Further, to share the experiences to a wider audience together with the vision, JICA conducted series of in-country policy dialogues in Kathmandu as well as all five development regions of Nepal inviting CA members, political party representatives, policy makers, economist, journalists and others.

At the moment, Nepal is at the final stage of peace building and democratization. After the promulgation of new Constitution, Nepal will get transferred into federal states. Then economic agenda will be a major issue to be dealt so as to sustain the outcome of the long awaited political changes. So it is widely believed that the experience shared and

learned over the years will help to address the economic challenges in future for New Nepal.

In the Support of Updating Civil Code and Related Laws, JICA assisted GoN's Task Force in updating Civil Code. This was the first experience for Nepal as the previous Civil Code (*Mulki Ain*) was introduced long back, around 150 years ago. For updating Civil Code, JICA extended the technical cooperation through specific training; collaborative updating work by expertise and experience exchange and discussions between the Task Force members and the Japanese judicial officers and professors; and dispatching of the Task Force members to the relevant training in Japan. The finalized draft of the updated Civil Code is under Parliament consideration and expected to be approved in the near future.

Through the Strengthening Community Mediation Capacity for Peaceful and Harmonious Society Project (COMCAP), JICA has been introducing community mediation under the coordination of local bodies. After one-year of COMCAP implementation, there have been 50 cases taken to the community mediation centers in the four pilot VDCs of the two pilot districts Sindhuli and Mahottari, which has made the trained community mediators more confident.



**Training in the Pilot VDC in Mahottari**



**Establishment of Community Mediation Center in the Pilot VDC in Sindhuli**

The Project for Promoting Peace Building and Democratization through the Capacity Development of the Media Sector is supporting the Ministry of Information and Communication and the Radio Nepal with the aim of developing a model for impartial and accurate media ultimately contributing to the peace building process. The outputs expected from the Project are - the revisions of the policy, acts, regulations and formulation of guidelines by MoIC. Similarly, the functions of Radio Nepal will be enhanced as a public broadcasting institution.



## **Public Administration Capacity Building**

Under the Public Administration Capacity Building Program, JICA has been supporting through three Technical Cooperation projects: i) Participatory Watershed Management and Local Governance Project (PWMLGP); ii) Gender Mainstreaming and Social Inclusion Project (GeMSIP); and iii) Strengthening the Monitoring and Evaluation System Project (SMES Project). In addition to the projects, JICA volunteers, including 14 JOCV<sup>1</sup>s and 7 senior volunteers, assisted the central and the local government in strengthening the local governance.

Participatory Watershed Management and Local Governance Project (PWMLGP), regarded as the follow-up and expansion stage of the SABIHAA model<sup>2</sup>, has focused more on the strengthening of the local governance through supporting and working with the community-based organizations for the livelihood improvement and the watershed management. Currently, the JICA PWMLGP Team and GoN's SABIHAA Team (Department of Soil Conservation and Watershed Management) have been carrying out the dissemination of the model in a good collaborative manner. The Department has the strong sense of ownership of the SABIHAA project/model. In collaboration with the PWMLGP Team, GoN plans to disseminate the SABIHAA model and to cover 15 to 16 districts by the end of the PWMLGP project period.



**Motivators Practicing Resource Mapping with Women Group (Kaski)**



**DSCO-Tech's Facilitating the Ward Level Workshop (Kaski)**

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<sup>1</sup> JOCV = Japan Overseas Cooperation Volunteers

<sup>2</sup> The SABIHAA model, developed through the JICA-supported SABIHAA Project Phase I and Phase II, is the mechanism for community development through watershed management with active involvement of the local people in the community in planning, implementation, monitoring and evaluation.

Gender Mainstreaming and Social Inclusion Project (GeMSIP) started in 2008 to develop and strengthen the gender mainstreaming and social inclusion (GM/SI) responsive mechanism through the institutional capacity enhancement at the central government and the targeted DDC/VDC. Through GeMSIP, GESI-responsive Ward Committee and VDC Integrated Planning Committee have been formed and the members were trained in GM/SI and participatory planning in the 15 pilot VDCs of Syangja and Morang districts. Currently, sub-projects have been planned and carried by the Users' Groups and community-based organizations with GeMSIP funds in the 6 pilot VDCs. The local government and community members awareness on GM/SI and their confidence of planning and implementing the improvement activities have been enhanced through GeMSIP's learning by doing approach. MoLD regards GeMSIP as the collaborative project which has assisted them in implementing the GESI policy in the field and provided good practices and lessons learnt from the actual experience while working with the community members.



**GM/SI Awareness Raising Training at Jagatradevi, Syangja**



**Contract Sign for Sub-Project in Tetariya, Morang**

Strengthening the Monitoring and Evaluation System Project (SMES Project) was implemented from 2006 to 2009 in collaboration with NPCS as the counterpart agency. As its title stands, SMES aimed at the strengthening of the monitoring and evaluation (M&E) system of GoN. Supports were extended to develop M&E human resources through training, produce M&E training manual, update the monitoring reporting formats, and preparation of Results-Based M&E Guidelines. Still the M&E system needs further strengthening especially for providing field-based feedbacks to the planning and implementing the central level policy decisions. Based on the learning from the Project,

JICA is extending support for the Phase II of the project, which is expected to commence by November 2011.

### **2-3 Rural Poverty Reduction**

JICA provided 15.2 billion yen to assist GoN in reducing the poverty in the rural areas, Basic Strategy 3, through improving livelihood, education and health in the past 10 years from 2001 to 2010. In 2010, JICA's investment was 1,365 million yen.

#### **Agriculture and Rural Development**

During 1970's and 1980's, JICA extended the technical cooperation projects, such as the Janakpur Agriculture Development Project, the Horticulture Development Project, etc, mainly focusing to improve the agriculture production skills and productivity and to increase the production volumes and varieties. Some of the vegetables and fruits introduced by those Project; such as Japanese pears, Japanese persimmon, junars, radish, etc., are now common in the local markets in the Kathmandu Valley, which is one of the positive impacts of the Project. In 1990's, JICA focused more on the poverty reduction and the environmental protection. JICA started the SABIHAA Project to promote the community empowerment, and community forestry and watershed management. The SABIHAA Project Phase I was conducted from 1994 to 1999 and the Phase II from 1999 to 2004.

In the past 10 years (2001 to 2010), JICA spent 8,045 million yen to the agriculture improvement in Nepal. Through the grant aid projects for food production improvement, food aid and food security project for underprivileged, 6,291 million yen was provided from 2001 to 2010. These projects have contributed to addressing the food shortage and improving the agriculture productivity in the rural area.

In 2010's, to support GoN's challenges to improve the marketing and distribution system of the agriculture products, JICA started the technical cooperation project, the Study on High Value Agriculture Extension and Promotion Project in Sindhuli Road Corridor, to improve the marketing and distribution system and to enhance the local governance and the agricultural unions, which will contribute to the livelihood improvement and poverty reduction in the rural area. Through its integrated approach, JICA has tried to create synergy effects with its long-term road construction project in the Sindhuli Road Corridor.

JICA has supported for the Promotion of Quality Cocoon Production and Processing Project for supporting the small-scale farmers in the rural area. JICA has supported GoN in improving the skills of cocoon production and processing for 18 years and currently, through its technical cooperation project, the network for the marketing and distribution has been developed between the farmers, the NGOs and shops in Kathmandu. To secure the sustainability of the project output, the sense of ownership of the relevant unit of MoAC should be strengthened.

Besides the grant aid and the technical cooperation projects, the JOCVs and SVs have been contributing to the poverty reduction in the rural area through technology transfer in stable food production and supply; livelihood improvement; capacity development in local governance; and community based organizations.

### **Education for All**

JICA has been assisting GoN in implementing their sector-wise program “School Sector Reform Plan (SSRP)”, as the non-pool-funding development partners, through the capacity development of the central and the local government and the school management with close and efficient collaboration with Ministry of Education, Department of Education and other relevant development partners. JICA provided 4,825 million yen for the technical cooperation and the grant aid projects to improve the education services in Nepal from 2001 to 2010.

Among the SSRP strategies, JICA’s assistance has given priority to two strategies - more authority to local community, and shared responsibility of education governance, besides the continuous assistance to improve the access to the quality basic education.

In order to improve the community-based school management, JICA provided the technical cooperation projects, through the Japanese experts/consultants and through the Japanese NGOs: (i) Quality Primary Education through Community Empowerment (2007 – 2010); (ii) The Support for Improvement of Primary School Management (2007 – 2010), and (iii) Promoting Quality Education through Community-based School Management (2009 – 2011)

Among these technical cooperation projects, The Support for Improvement of Primary School Management (SISM Project), aiming at the improvement of the school management through the capacity development of the school management committees (SMCs) and the enhancement of updating and implementation of the school improvement plans (SIPs), conducted the pilot activities with “*learning by doing*”

approach in the two districts of Dhading and Rasuwa. The SISM Model<sup>3</sup> developed through this project is expected to be widely expanded. Another grassroots technical cooperation project to strengthen the community-based school management has been conducted in Mahottari district.



**SMC/PTA Training in Dhading (SISM )**



**Annual SIP Write-up Training at Non-Pilot Schools (SISM)**

In order to support GoN to achieve the education goals of the universal basic education, JICA provided the four school construction projects (grant aid projects); namely i) the Project for Construction of Primary Schools in Support of Basic and Primary Education Program (BPEP) (1994 – 1997); ii) the Project for Construction of Primary Schools in Support of BPEP (Phase II) (2001 – 2002); iii) the Project for Construction of Primary Schools in Support of Education for All (EFA) Program in Nepal (2003 – 2005); and iv) the Project for Construction of Primary Schools in Support of EFA (Phase II) (2008). Through those four school construction projects, 8,768 classrooms were constructed with the latrines and the water supply systems and the resource center facilities improved.

Besides the grant aid and the technical cooperation projects, the JOCVs and Senior Volunteers, dispatched by JICA to the schools and/or the resource centers, have played key roles to strengthen the classroom activities at the school levels. JICA has tried to produce the synergy effects through the improved collaboration between the volunteers' activities, the technical cooperation projects and the grant aid projects.

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<sup>3</sup> SISM Model is the school and community's collaborative process equipped with simplified and implementable SIPs. It tries to establish practicable and functional collaboration between the local government, VDC, SMC and PTA.

## **Health**

JICA provided substantial amount of technical cooperation and grant aid for the health sectors in Nepal to achieve the health-related goals of the millennium development goals. In 2000, 2001 and 2003, there were various grant aid projects: (i) the Project for Improvement of Storage Facilities of Iodized Salt (2000 and 2001) and (ii) the Project for Improvement of Expanded Program (2003). From 1994 to 2000, JICA provided the technical cooperation project “Tuberculosis Control Project (II)”, which was followed by another project “Community Tuberculosis and Lung Health Project” conducted from 2000 to 2005. These projects contributed a lot to the community health improvement; therefore it is highly required to conduct some follow-up.

Although each project scale was not large, JICA has provided various technical cooperation projects in order to improve the health and sanitation conditions in Nepal. From 2000 to 2009, JICA provided the technical cooperation projects of i) School Health Scale-up Project (2001–2003); and ii) School Health and Nutrition Project (SHNP) (2008–2012). Additionally, JICA provided the grass-roots technical cooperation projects through the NGOs: i) Nutrition Support Project for Women and Children in Nepal (2006 –2009) and ii) Strengthening Eye Care System Project in Nepal (2006 – 2009).

The School Health and Nutrition Project (SHNP) under implementation in collaboration with the Ministry of Education and the Ministry of Health and Population aims at the improvement of the school-age children’s health through introducing the school health and nutrition activities, based on the experience of the School Health Program which had been implemented in Japan.

SHNP has been conducting its pilot activities in Syangja and Sindhupalchok districts. The community awareness on the importance of the children’s health and nutrition has been improved and the community members have started to practice sanitary activities influenced by the SHNP and their children. Schools have been guided to reactivate its school health committee and to monitor the health and sanitation conditions of the children in the classrooms. It is expected that the output and outcome of SHNP would be widely expanded to the other districts.

Besides the technical cooperation projects, the activities conducted by the JOCVs and the SVs have been contributing to the improvement of the community health; such as nursing care, midwifery, physical therapy, etc. at the central and the district levels.



**SHNP Posters to Instruct the School Children in Sanitation Improvement**

### **3 Key Learning and Implementation Challenges in Nepal**

As discussed in the previous sections, JICA has been extending its assistance under the three Basic Strategies, namely (1) Infrastructure and institutional development for sustainable economic growth; (2) Consolidation of peace and a steady transition to a democratic state/society; and (3) Rural poverty reduction. Moreover, while formulating and implementing various projects and cooperation activities JICA has been duly considering the governing approaches of (i) field-based approach, (ii) integrated assistance, and (iii) capacity development. Below are some key learning and implementation challenges accumulated through JICA’s wide range of involvement in terms of aid instruments and level of development supports; for example – extending support through huge grant aid and loan projects to small scale technical cooperation projects; involvement at the central level governance strengthening projects to VDC/Community level small-scale piloting; supporting through experts exchange program and trainings to fielding volunteers at the micro-level institutions.

#### **3-1 Relevance of Technical Cooperation Projects**

It has been noticed that GoN policies and programs are quite good in terms of setting out vision and expectations. Moreover, sizable amount of resources have also been provisioned for various projects/programs as well as to the local bodies. However, equally important is to realize those programs at the ground level. Formulation of policy

guidelines, implementation manuals and circulation of the central level directives as well as making downward flow of financial resources are highly important instruments for realizing development, but more important is aligning of those instruments with the real field level implementation capacity as well as the real developmental needs. In this regards, Project-Based Approach including the Technical Cooperation Projects are still relevant for making the development more effective and truly realized by the targeted communities and groups. Technical Cooperation Projects grounded at the field level within the broader framework of the central level development policy are instrumental for a shift to full-fledged Program-Based Approach. Hence, Program-Based vision and Project-Based execution could be the good mix of programming approach considering the current level of institutional capacity.

### **3-2 Constraints in Implementing Transport Infrastructure Project**

As mentioned above, in the project sites of the road and bridge construction projects, there have been many disturbances from bandhs (general strikes) and social disturbances. Such disturbances are not being resolved timely mainly because of the weak local administration compounded with the backings from the political parties to the organizers of such disturbances. The construction work has been delayed in the Sindhuli Road Construction Project; the monetary losses on the part of the contractor, when calculated based on the number of days of bandhs and social disturbances and the standby cost for human resources and equipment, amounted to more than 80 million yen.

GoN and the local government should enhance and practice the project monitoring and guiding system, understand what is happening in the project site, and take actions to reduce the burden of the projects, in order to ensure safe and smooth implementation of these projects.

### **3-3 Limited Monitoring and Evaluation Practices**

The monitoring and reporting system from the project sites to the central government is existing, but the human resources trained and various tools developed for M&E are yet to be utilized properly. Findings and results of the existing monitoring have not been shared and utilized adequately. Similarly, the feedback to the projects is very weak ultimately limiting the monitoring and reporting to a ritual activity. Additionally, the evaluation system has not been established or functioning at the central and at the local levels. The Result-Based Monitoring and Evaluation Guidelines can be taken as an umbrella policy document to streamline the M&E system, but much work is necessary to



its real implementation. GoN should practice the monitoring and evaluation and share the outputs and feedback with the stakeholders at the central and the district levels. Ultimately, if practiced the real cycle of M&E, the policies and programs to be formulated will have real-field flavor and ultimately becoming easier to implement and thus producing intended outcomes.

### **3-4 Shortage or Absence of Local Government Officers**

When JICA technical cooperation tries to develop the capacity of the local government officers, it is usually observed that only limited staff members existing in the VDC or DDC offices. There are some vacant positions, as well. As long as the appropriate staff members are not deployed to the local level, it is difficult to extend technical cooperation projects and training under the sector development program.

## **4 Recommendations**

Following recommendations are made for consideration based on the experiences accumulated as discussed in the preceding sections:

- (1) It is encouraging to observe that the capacity development components have been added together with the increased fund flow to the local governments. However, the capacity development of the local government needs supports beyond distributing the funds and the guidelines and organizing very classical based trainings. There is dearth of knowledge at the theoretical and conceptual level, but still have to struggle more to touch on the mind-sets and practical skills necessary to translate those concepts in the real field operations. Development constraint is not only the lacking of financial resources. Therefore, instead of too much relying on the local human resources and technologies to utilize the increased financial resources, GoN should consider how to utilize the foreign expertise and knowledge through technical cooperation projects while implementing their sector development programs.
- (2) Program-Based Approach is very strong at the conceptualization level and setting out the broader vision. But, it demands much stronger institutional and individual capacity base at the operational level. It needs more analytical capacity and practice, strong feedbacks mechanism, and the financial resource base. Therefore, considering the institutional capacity and presence of numerous DPs and I/NGOs, Project-Based execution aligning with broader Program-Based vision should be encouraged.

(3) Monitoring and evaluation mechanism needs to be strengthened to ensure the quality works and outputs. Utilization of M&E feedbacks while formulating policies, programs and projects should be the central focus for strengthening M&E. The Result-Based Monitoring and Evaluation Guidelines, which acts as the umbrella policy for M&E, needs operationalization through further capacity development and simplifying the necessary tools. Similarly, the result-frameworks prepared in some selected central level government agencies under the auspicious of ADB's support are encouraging and instrumental to visualize the broader perspectives of development interventions. These also need to be operationalized in harmony with the Result-Based M&E Guidelines framework in order to minimize possible confusions and feeling of overloading at the project level and district offices.

**ATTACHMENT 4**  
**UNITED NATIONS**  
**BACKGROUND PAPER**



**United Nations  
Nepal**

# **2011 Nepal Portfolio Performance Review**

## **Background Paper**

November 2011

## INTRODUCTION

The UN Country Team (UNCT) welcomes this opportunity to participate for the first time as a full member in the Nepal Portfolio Performance Review (NPPR) exercise. The adjustments to the NPPR mechanism initiated by the Government of Nepal (GoN) in 2011 demonstrate a commitment to make dialogue between GoN and development partners more inclusive and to better link NPPR actions with the monitoring of concrete development results on the ground.

This background paper presents an overview of the national and United Nations context in which the UNCT operated in 2010 and 2011, followed by a summary of the UN contribution to development and humanitarian results. 2010 results and figures are final, while 2011 achievements are presented on the basis of information available to date. Section 3 includes UN recommendations for the proposed reform of the NPPR mechanism. The last part of the report identifies a number of challenges and formulates recommendations for consideration in NPPR discussions later this month.

These past two years have seen some positive developments in Nepal with regards to the Millennium Development Goals (MDGs) and in some aspects of the implementation of the Comprehensive Peace Agreement (CPA), such as the discharge and rehabilitation of verified minors and late recruits from the Maoist army, and the national arrangements put in place to take over UNMIN's monitoring responsibilities in the cantonments. However, delays in the political transition and constitution drafting process have continued to take center stage, with development concerns receiving relatively less attention. Recurring political instability has had a negative impact on the capacity of GoN to push through critical legislation and reforms, and has also been a constraint for the good functioning of government administration.

In this complex transitional context, the UNCT delivered over USD 186 million in development and humanitarian assistance in 2010, and expects to deliver almost USD 181 million in 2011. Key UN contributions to the achievement of national objectives in the four areas of the current UN Development Assistance framework (UNDAF) – consolidating peace, quality basic services, sustainable livelihoods, human rights, gender and social inclusion – are highlighted in Section 2. The UNCT invested USD 384.9 million, with approximately 106 %<sup>[1]</sup> delivery, through activities related to the UNDAF throughout 2008–2010. Approximately 80 % of the total funds were mobilized from donor and development partners of Nepal as well as through various international mechanisms such as Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM), UN's Peace Building Fund and the Global Environment Facility. The estimated budget, including regular and other resources, had been about USD 362.8 million.

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<sup>[1]</sup> Delivery calculated against the planned resources to be mobilized for 2008 – 2010 of USD 360.4 million.

2011 is also a very crucial year for the UN partnership with Nepal. The foundations have been laid for the next five years of UN programming (2013-2017) with the production of an innovative, people-centered country analysis. This highly participative exercise focused on inequality and exclusion issues and utilized profiles of 20 major disadvantaged groups as a basis for identifying the root causes of vulnerability in Nepal. A UN comparative advantages analysis was also conducted. Both were discussed at the UNDAF Strategic Prioritization Retreat with the GON and other development partners in September 2011. Based on these analytical documents and the discussions with stakeholders, the UNCT is now preparing its upcoming five year programming

The UNCT welcomes the new format of the NPPR and the theme selected for this year “Portfolio Performance and Aid Effectiveness”. This provides an opportunity for a broader and more results-focused dialogue on the development partnership in Nepal, not only looking at government performance, but also monitoring donor practices and our collective development impact.

As NPPR membership grows, development partners will need to find more harmonized ways of contributing to the NPPR. The development of joint papers or recommendations on key issues could be promoted to replace the submission of one background paper per development partner.

The UNCT expresses its sincere thanks to the GoN for this opportunity and looks forward to the results of this 2011 round of NPPR.

## **1. NEPAL AND UNITED NATIONS DEVELOPMENT CONTEXT IN 2010-11**

### ***A challenging political environment***

As in 2009, 2010 and 2011 brought ongoing challenges in the implementation of Nepal's Comprehensive Peace Agreement (CPA). The deadline for the drafting of the new constitution was extended three times and at this stage it remains unclear whether the 30 November deadline for promulgating the constitution will be met. The resulting political instability delayed the 2010-11 annual budget, and has contributed to a high vacancy-rate in key constitutional and oversight bodies (e.g. anti corruption commission, auditor general, public service commission etc.) and negatively affected the policy making process. Debates also continue on what form the new federal Nepal might take and the implications of this restructuring for the country as a whole, and for development assistance in particular. These dynamics in turn, have affected the operating environment for the UNCT.

Discussions continue to mainly focus on the more politically-oriented, short-term provisions of the CPA, such as those on the integration and rehabilitation of the former Maoist army personnel or power sharing arrangements for the transitional period.

Identity-based movements and continued agitation by political parties' representatives, some of which have mounted strikes and protests, affected the operational space for both development and humanitarian activities in 2010 and 2011. The UN, together with a group of donors, continued to advocate for respect of the Basic Operating Guidelines.

While facing these significant challenges, there have been significant steps forward. 4,008 verified minors and late recruits (VMLRs) were discharged from the Maoist army in early 2010 after a two year negotiation process and a majority have now registered with the UN Interagency Rehabilitation Programme. Nepal was declared minefield-free on 14 June 2011, following clearance of all 53 minefields. Another achievement has been the preparation of a Peace and Development Strategy (PDS) for Nepal, facilitated by the UN at the request of development partners.

In May 2011, the long-awaited Caste-based Discrimination and Untouchability Act that criminalizes caste-based discrimination and untouchability was adopted by Parliament. The Act is a ground breaking development, not only for Nepal, but for the entire region.

### ***Progress on the Millennium Developments Goals***

Despite political instability, Nepal continued to make progress on most of the Millennium Development Goals (MDGs) during 2010 and 2011. In September 2010 Nepal was recognized by the MDG Award Committee for outstanding national leadership, commitment and progress towards achievement of MDG Goal 5 on improving maternal health.

Despite important progress towards most of the MDGs, the issue of equity in the distribution of progress remains a challenge. This is fully recognized by the Government in its 2010 MDG Progress Report published immediately before the global MDG summit. A Nepali version of the national MDG progress report was published and widely disseminated.

The UN Country Team provided advisory support to the National Planning Commission to ensure that the Three Year Plan Approach Paper is MDG-based. In addition, the UNCT supported an MDG Needs Assessment exercise, led by the NPC. The report, launched in August 2011, finds that most of the MDG targets are likely to be met by 2015. However, much faster progress is required to meet some of the targets, e.g. food security (dietary consumption), children's health (underweight/stunted children) and education (survival rate to grade 5, literacy). Of the estimated USD 19.7 Billion required to reach the MDG targets over the next 5 years, USD 6.4 Billion remain to be mobilized.

### ***Significant changes in UN mandates and organization***

The United Nations Mission in Nepal (UNMIN)'s mandate was extended twice in 2010 and the Mission concluded in January 2011. Post-UNMIN monitoring arrangements around the cantonments and other related issues have been put place. A liaison office of the UN Department for Political Affairs has been put in place as part of the UN Resident and Humanitarian Coordinator's (RC/HC) Office, and continues to engage Nepal political leaders to bring the peace process to an early conclusion.

Although the Office of the High Commissioner for Human Rights' (OHCHR) mandate was extended until June and then December 2011, OHCHR closed its field offices by the end of 2010 under the terms of the extension. However, OHCHR continues to exercise its monitoring and public reporting mandate to give continuity to its task of monitoring of the human rights provisions under the Comprehensive Peace Agreement (CPA).

On August 1<sup>st</sup> 2010, OCHA and the RC Office officially merged into the Resident and Humanitarian Coordinator's Office (RCHCO), with a reduced 'Humanitarian Support Unit' remaining within the wider set-up.

### ***Efforts towards better UN and development partners' coordination***

Considerable progress was made in 2010 and 2011 in efforts to further improve UN system coherence. The RC/HC Office, established in August 2010, provides coordination, planning, advocacy, analysis, information management and communications support to the UNCT and the wider development community, on a wide range of peace-building, humanitarian and development issues. Four field coordination offices (FCOs) comprising staff with expertise in each of these fields were opened throughout the country. The FCOs have facilitated the flow of information not only from the field to Kathmandu but also from the centre to the field.

A second major pillar to improve coherence in Nepal's post-conflict transition was the completion of the Nepal 'Peace and Development Strategy' (PDS), launched on 12 January 2011. Formulated over the course of 2010 by a wide cross-section of local and international actors, and



benefitting from discussions with different parts of the government, the strategy articulates how all development partners could assist Nepal in the years ahead to realize the development agenda embedded in the CPA. It is effectively an 'offer of support' by development partners in specific areas that could help Nepal build lasting peace. The process was facilitated by the UN team in Nepal at the request of development partners. Importantly, the strategy includes an agenda for reform of the way development partners operate in their peace-building efforts, identifying opportunities for better coordination, clearer divisions of labour and greater conflict-sensitivity. The PDS has been translated into Nepali and widely disseminated, including through 5 regional workshops and a road-show in 20 districts. Development partners also developed a PDS Action Plan, mapping the various interventions in 178 areas covered by the PDS, as well as areas of interest for future programming. It will be regularly updated and provide a 'state of readiness' of development partners' ability to support peace-building priorities.

Building upon the PDS, the UNCT developed its own peace-building strategy, launched in June 2011. The strategy will be the vehicle to integrate UN comparative development, human rights, political and humanitarian strengths at both global and country levels.

The UN Peace Fund for Nepal (UNPFN) continues to serve as an important tool for promoting UN reform in Nepal. Established in 2007, to complement the government's Nepal Peace Trust Fund (NPTF), the UNPFN ensures strategic and coordinated UNCT approach to support peace-building and development. An additional USD 5.7 million was received by the UN Peace Fund for Nepal in 2010 and 2011. By the end of 2011, the UNPFN had received total commitments of over USD 34 million.

The Nepal Risk Reduction Consortium (membership: UN agencies, UN/ISDR, the World Bank, Asian Development Bank, IFRC, the US Government and European Commission) was joined by DFID and AusAid in 2011 and continues to work to build a more integrated response to Nepal's risk challenges. High level conferences took place in Kathmandu in February 2011 and in Washington in April 2011 which resulted in enhanced national and international attention and resource mobilisation. Detailed planning and implementation of the joint work plans under all five Flagships is underway with continued active Government engagement from the relevant Ministries. The adoption of the draft legislation on the National Disaster Management Agency (NDMA) remains an important priority, as the new agency should be at the heart of development partners' efforts to enhance Nepal's disaster preparedness.

The UNCT, through UNDP, has supported the development of the National Adaptation Programme of Action (NAPA), to launch a national dialogue on climate change financing needs and related implementation and donor coordination issues. UNDP also supported ministries of Environment, Local Development and Finance to come up with concrete recommendations on the development of national capacities to coordinate and implement climate change-related activities in the medium to long term.

UNFPA, UNICEF and WHO launched a new joint program in 2010 on delivering essential reproductive health care, education, and counselling to vulnerable women and girls affected by the

conflict, including out of school life skills and HIV risk reduction and avoidance skills sessions. Existing joint programmes on local governance and gender-based violence have continued to operate in 2010 and 2011. In addition, new joint programmes on bonded labour and HIV/migration are expected to be launched by end 2011 or early 2012.

Through Unicef's initiative, a Development Partners Group on Water Sanitation and Hygiene (WASH) was formed in 2011. The group supported NPC in the commission of an independent WASH sector assessment and the Ministry of Physical Planning and Works (MPPW) to successfully conduct the first ever joint WASH sector review in Nepal.

The UNCT has been a key member and promoter of the Donor Transparency Initiative (DTI)<sup>1</sup> that was launched in 2009 to improve transparency and accountability on donor-supported programs in Nepal. Ministry of Finance and Ministry of Local Development have been key partners in rolling out the DTI.

### ***United Nations Development Assistance Framework (UNDAF) 2013-2017***

2011 is a key year for UN programming in Nepal, with the development of a country analysis and the UN Development Assistance Framework (UNDAF) for 2013-2017.

In the first half of 2011, the UNCT worked with its national and international partners on a "country analysis with a human face". Following extensive consultations at central and local level, the analysis focused on 20 major vulnerable groups who do not benefit as much as they should from the ongoing development progress in Nepal. The country analysis presents for each of these twenty groups an overview of their vulnerabilities and the structural causes for these vulnerabilities. A set of common root causes for vulnerability in Nepal as a whole has been identified for integration into future interventions.

The UNDAF document, to be finalized by the end of 2011, will focus on key aspects of the UN mandate, including (1) addressing the root causes of vulnerability identified in the country analysis and advancing the Millennium Development Goals, (2) protecting and consolidating development gains against both man-made crises and natural disasters, and (3) enhancing international cooperation and advancing the application of international standards. The Strategic Prioritization Retreat, held on 21-23 September with key partners from government, civil society and development agencies, has reviewed both the country analysis and the UNCT comparative advantage analysis, and helped identify a limited set of strategic development outcomes for the period 2013-2017. The UNDAF and the Country Programme Documents (CPD) of the four members of the Executive Committee of the UN Development Group (UNDP, UNFPA, UNICEF, WFP) are scheduled for approval in 2012.

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<sup>1</sup> The DTI was launched in six pilot districts, Aacham, Rupandehi, Surkhet, Ramechhap, Sunsari and Dang under the leadership of DFID, GIZ, SDC, UNDP and UNICEF respectively. GIZ took responsibility of two districts, Rupandehi and Surkhet. The initiative proceeded through a pilot mapping of aid in the six pilot districts, a workshop to share the findings of the mapping exercise and workshops in the six districts to develop DTI action plans.

### ***Humanitarian situation***

Nepal continued to face significant humanitarian challenges in 2011. Chronic vulnerability, the legacy of the ten year long internal conflict, natural disasters, localized insecurity, discrimination, gender-based violence and the effects of climate change and migration provide a set of protection challenges which are most visible in times of humanitarian crisis. Internal displacement as a result of violence or natural disasters is a core protection concern.

An estimated 3.6 million people continue to face acute food insecurity. Food insecurity is perpetuated through sustained high food prices and a consistent edible cereal food deficit in addition to other recent acute shocks of droughts and floods in the highly vulnerable Mid-West and Far-West regions. More than 11 million people (41%) are being chronically undernourished. 29% of children under five are underweight and almost one half of children in Nepal are stunted, one of the highest rates in the world. In drought-prone areas of the Mid- and Far-West regions, chronic malnutrition rates reach as high as 76%. Acute malnutrition is estimated at 11% in Nepal (up to 26.6% in some districts), one of the worst malnutrition levels in Asia.

Regarding health, weak institutional systems and lack of access to water and sanitation on top of droughts and the monsoons lead to an annual cycle of diarrhea-related deaths.

In response to the aftermath of the 18 September 2011 earthquake in the Eastern region, UNICEF has extended humanitarian assistance to GoN including support for 240 temporary learning centres in thirteen districts for children in schools with partial or fully damaged classrooms.

The number of refugees of Nepalese origin from Bhutan halved from 108,000 to some 63,000 refugees remaining in Eastern Nepal, as of September 2011. Other refugees in Nepal include some 1,000 Tibetans that transit through Nepal every year to a third country, in addition to Nepal hosting about 300 urban refugees and asylum-seekers.

## 2. UNITED NATIONS CONTRIBUTION TO DEVELOPMENT RESULTS IN 2010-11

Within a challenging transitional context, the UNCT delivered approximately US\$ 186.19 million in development (\$100.74 m) and humanitarian assistance (\$ 85.45 m) in 2010, and expects to deliver almost USD 250 million in 2011, including USD 107 million in development assistance and USD 142 million in humanitarian assistance (estimates).

The current UNDAF is organized around four thematic groups (TG), each co-chaired by two Heads of Agencies.

Under **UNDAF Priority Area A - Consolidating Peace**, the UNCT made efforts to strengthen national institutions, processes and initiatives to support an enabling environment to implement the CPA. Despite the political stalemate for most of 2010, UN agencies continued to provide support to the constitution drafting process to ensure that it is inclusive, representative and in line with fundamental rights enshrined in international treaties. Coordinated technical assistance and advocacy were provided in the areas of gender, social inclusion, human rights, youth, children and citizenship. The UNCT supported capacity building of Constituent Assembly members and the establishment of a mechanism for constitutional dialogue.

Two key results achieved through UNCT support in the area of reintegration of ex-combatants are the discharge of all 4,008 VMLRs (out of which a total of 2,149 VMLRs are currently registered in or already completed the UN interagency rehabilitation programme as of September 2011) and the reintegration of a total of 1,700 out of 7,500 informally or self released Children Associated to Armed Forces and Armed Groups since 2007 (the remaining 5,776 currently receiving reintegration support).

The UN continued to monitor the Action Plan for the discharge of disqualified Maoist army personnel, under UNSCR 1612 (relating to children and armed conflict), in partnership with the MoPR.

The UNCT contributed to the formulation and launch of the National Plan of Action for Children and Adolescents Affected by Conflict, in partnership with MoPR and MoWCSW, to ensure the needs of conflict affected children are adequately addressed.

The clearance of all 53 minefields was another result achieved under this priority area. Nepal was declared minefield-free in June 2011, and 93% of Improvised Explosive Devices (IEDs) fields have been cleared.

The UNCT supported the empowerment of women in Nepal's peace process through the provision of reproductive health and other services to over 23,000 women and girls in 13 conflict-affected districts in 2011. In addition the UNCT provided technical and advocacy support for the adoption and launch of the National Plan of Action on UNSCR 1325 and 1820, and provided coordinated

inputs to the 4<sup>th</sup> and 5<sup>th</sup> National Periodic Reports on the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW).

Support to the drafting of the Bills on the Truth and Reconciliation Commission and the Commission of Inquiry on Disappearances and the establishment of a Transitional Justice Resource Center in partnership with MoPR are other hallmarks in the progress of ensuring transitional justice.

Internally, the “Inter-Agency Conflict Sensitivity initiative” (UNDP, UNICEF and the RC/HC Office) has been applied to 5 pilot programmes in UNDP and UNICEF. Meanwhile, 75 UN staff have been trained as trainers and 450 UN and implementing partners’ staff have been trained on a conflict-sensitive approach to development.

The UNCT targeted both policy and implementation levels under the **UNDAF Priority Area B - Quality Basic Services**. The UNCT support focused on improving access of the most marginalised to quality education; improved essential health and nutrition care services; drinking water and sanitation facilities; and nutrition by supporting government structures for decentralised service delivery. Significant results at the policy level to which the UN contributed, include the approval of the School Sector Reform Plan (SSRP); the development of a multi-sectoral nutrition plan under the lead of the National Planning Commission (NPC) as well as the introduction of the Nepal Health Sector Programme - Implementation Plan (NHSP II: 2010-2015); and district AIDS plans in 72 districts. The NHSP II articulates commitments on equity and aims to reach the most disadvantaged and marginalized. It has also increased financial allocations for nutrition, mental health, and oral health.

Although child mortality has dropped from 61 per 1000 live births during 2001-2006 to 54 per 1000 live births during 2006-2010, the neonatal mortality has not dropped during this period (33/1000). The nutrition status of children under 5 years has slightly improved during the last 5 years but still 41% of those children are chronically undernourished and 11% are acutely undernourished. There is a need to focus on improving the nutritional status of mothers and children, not only through nutrition specific interventions but also through nutrition sensitive interventions in non-health sectors.

The national net enrolment rate increased by 2.6 % from 91.9 % in 2008 to 94.5 % in 2010 while enrolment rates to Grade 5 increased by 7 % from 73.4 % in 2008 to 80.6 % in 2010. The UNCT, through UNICEF, successfully advocated for the adoption of the Child Friendly School Approach for all schools, with a special focus on ensuring that girls will remain in school. Government has also declared all schools as Zones of Peace guaranteeing access to education in all circumstances. The Child-Friendly Schools Initiative, Welcome to School Programme, School Feeding Programme and Girls Incentive Programme, among others, contributed to an increase in the attendance rate in Grade 1 to 81% in UN-supported schools and 70.3% nationwide.

In 9 food-insecure districts, 90,500 pregnant/lactating women and children aged 6–36 months were linked to health services, by supplying monthly take-home rations of fortified food. The nationwide Community-Based Integrated Management of Childhood Illness (CB-IMCI) resulted in a reduction in the incidences of severe pneumonia and fatalities from diarrhea. Global targets for tuberculosis control have

been surpassed and WHO supported the pioneering of an ambulatory drug resistance management program, with nationwide coverage.

The UNCT supported the implementation of a national HIV and AIDS programme, which provided a comprehensive support package to over one million migrants. In 23 health facilities spread over 16 districts, pregnant women infected with HIV, and children identified in need of antiretroviral therapy received the necessary treatment. In 2010 alone, joint efforts resulted in the mobilization of US \$ 57 million from the Global Fund to Fight AIDS, Tuberculosis and Malaria to tackle HIV and AIDS in Nepal. As a result of UN capacity development efforts, the National AIDS Center has for the first time been approved by the Global Fund as principal recipient for GFATM HIV/AIDS funding. Similarly, MoHP will take over from UNDP the management of Ausaid and DFID funding for HIV NGOs, under the National Health Sector Programme 2. UNCT also provided support for the development of the 2011-2016 National Strategic Plan on HIV and AIDS, which is currently under way. UNICEF and WHO assisted GoN to establish and upscale the prevention of parents-to-child HIV transmission (PPTCT) in 19 districts through 22 hospital based PPTCT and Pediatric treatment facilities and 50 community based sites. Over 3,500 health professionals as well as frontline workers have been trained on PPTCT and Pediatric treatment techniques.

In 2011 the Hygiene and Sanitation social movement in Nepal supported by the UNCT, through UNICEF, UN-Habitat and WHO has significantly gained momentum culminating in the declaration of Kaski and Chitwan Districts as the first Districts to be free of Open Defecation Free Districts, benefitting more than 200,000 people in these 2 Districts alone. At the policy level this momentum got further reinforced through the formal launch of the National Hygiene and Sanitation Master Plan by the President.

On the governance side of basic services, the UN provided technical support to the Ministry of Local Development (MoLD) to formulate a national framework for the Local Governance and Community Development Programme (LGCDP) and establish a Programme Coordination Unit to improve the delivery of services at the local level. Under the LGCDP, performance-based budget allocation for government development block grants to District Development Committees (DDCs) was rolled out in all 75 districts (58 municipalities and 3915 Village Development Committees (VDCs). GoN also approved the Child Friendly Local Governance Framework in which 10 % of block grants are dedicated to children, 10 % to women, and 15 % to minorities and disadvantaged groups.

Although UN initiatives in this priority area have increased access for marginalized groups to basic services, there is still room for improvement. The quality of education remains an area of concern despite the improvement in the enrolment rates, the declining immunization coverage is a worrying trend and needs attention, and more sustained efforts are needed to further improve maternal and child health and nutritional status. In the area of decentralization, the top-up grant allocations need to be revised to make it more equitable across the country.

Under the **UNDAF Priority Area C – Sustainable Livelihoods**, the UNCT focused on addressing issues related to sustainable livelihoods primarily through creating economic opportunities and ensuring

household food security. Overall, poverty in Nepal has fallen by 5.6% percentage points from 31 to 25.4 % between 2005 and 2009<sup>2</sup>. However, geographic and regional disparity, as well as disparity between gender, caste and ethnicities, is high and persistent. At the policy level, the UN supported the GoN to improve policies, legislation, and programmes that affect the employment and income of targeted populations. The new Labour Law and National Plan of Action for youth employment were drafted with the UN's technical assistance. The Migration Policy, the National Migration Strategy on Safe Migration and the National Plan of Action on Safe Migration were also formulated with UNCT support.

For the 2008-10 period, the UNCT created over 18.6 million workdays through local economic development projects and labour-intensive public works. The UNCT's initiatives contributed to improved food security and enhanced resilience to shock, which was reflected in an improved coping strategy index<sup>3</sup>. A key result achieved is the incorporation of poverty–environment linkages in the Approach Paper to the TYP, underscoring pro-poor, environment-friendly and risk-resilient approaches to development.

In 2010, the UNCT contributed significantly in establishing a stronger and more disaster resilient livelihood by reducing the use of negative coping mechanisms. Despite these efforts however, food insecurity remains a major concern in Nepal. Joint efforts resulted in US\$20 million being mobilized from the EU's food facility, targeted at improving food security of vulnerable groups in selected districts. A total of 2 million people received food assistance.

While GoN has underlined its commitment to protecting and implementing human rights for all, several long-standing issues such as religious and caste-based discrimination, sexual and gender-based inequalities and violence, and spatial and geo-political inequalities are still part of the country's reality. To address these issues, the UN supported GoN initiatives by providing technical assistance and advocacy support under the **UNDAF Priority Area D – Human Rights, Gender Equality and Social Inclusion**. The UNCT support included advocacy for promotion and protection of human rights and mainstreaming of gender issues and social inclusion, as well as capacity building and technical assistance to the GoN, civil society and local communities, and monitoring of human rights violations.

To strengthen the legal framework, the UN supported the review, amendment and enactment of laws from a human rights perspective. The Domestic Violence (Offence and Punishment) Act was enacted in 2009, its regulation in 2010 and the Convention on the Rights of Persons with Disabilities was ratified in 2010. Following this, ten different laws were reviewed in line with the Convention. The review report was submitted to the GoN.

Support was provided to a government task force drafting the penal code and criminal procedures, as well as the civil code and procedures. In addition, support was also provided to draft the sentencing policy act. UNICEF also provided technical assistance to the Government of Nepal in reviewing the Children's Act and in ensuring that child rights perspectives were incorporated into key

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<sup>2</sup> MDG Progress Report, 2010

<sup>3</sup> The coping strategy index showed an improvement from 14.9 in 2008 to 12.7 in 2010.

legal reforms efforts. At the policy level, the UN assisted a high-level Social Security Task Force led by the Ministry of Finance to finalize its report on an Integrated Social Security System. Senior officials of the National Human Rights Commission (NHRC) and other national human rights defenders were trained on monitoring, investigating, and reporting of human rights violations. The UN monitored and followed up 31 cases filed by Dalits in the selected districts of Far Western Region (Baitadi, Darchula, Doti, Kailali, and Kanchanpur) between 2007 and 2010. Eight First Investigation Reports (FIRs) were registered following the UN advocacy while 23 cases were mediated by the police.

The UNCT also made efforts to mainstream gender equality and social inclusion (GESI) issues in policies, plans, programme implementation, budgets and monitoring. The NHRC developed its social inclusion policy with UN support. The policy is yet to be endorsed. A significant achievement was the approval of a consolidated and comprehensive GESI strategy for the LGCDP. To enhance access to justice for women and socially excluded groups at the local level, the UN supported the Supreme Court and the Ministry of Law, Justice and Parliamentary Affairs through paralegal committees, community mediation centres and legal aid desks and mobile legal aid clinics. UNICEF contributed to build the capacity of law enforcement and judicial authorities in the area of justice for children, and in ensuring the gradual introduction and utilization in the country of child-sensitive investigative and court procedures for children as offenders, victims and witnesses. Considerable efforts were also made to facilitate access to justice for marginalized groups – in particular women and children from rural areas – and to strengthen the capacity of community-based organizations to raise awareness on women’s and children’s rights and refer cases of violations to competent district-level authorities.

The 2011 Population and Housing Census, supported by the UNCT with UNFPA in the lead, was the most inclusive and gender-sensitive in Nepal’s history, and nationally owned and implemented. Data analysis and dissemination by mid-2012 are high priorities.

In its efforts to promote safe migration and reducing vulnerability and abuse of migrant workers, IOM, in partnership with the private sector, supported the economic rehabilitation of 120 survivors of trafficking and potential victims.

The United Nations, UK department for International Development (DFID), EU and Denmark in 2011 partnered to develop and implement a comprehensive mapping and critical path analysis of the security and justice sectors in Nepal. The assessment report identified primary challenges and opportunities to strengthen security and the rule of law in Nepal and resulted in a series of “critical path” recommendations to guide international support in these areas over the short and medium term.

Overall, the UN made important contributions to the development of legal and policy frameworks. Several relevant laws were passed and policies were formulated, often with technical support and advocacy from the UNCT. After sustained coordinated efforts in the previous years by the UNCT and Nepal’s civil society, in January 2010 Nepal ratified the Convention on the Rights of Persons with Disabilities. However, limited progress was made in terms of implementation of laws and ensuring accountability for human rights violations committed during the armed conflict, as particularly witnessed in the delay in passing the two transitional justice bills. Since the end of the conflict in 2006,



Nepal's peace process has made some contribution to improving the overall human rights situation in the country but it has lost considerable momentum in recent years primarily because of the political stalemate and limited progress in drafting the new constitution.

The UNCT supported the Election Commission of Nepal in modernizing the voter registration system with fingerprint and photographic scanning. As a result, almost 10 million voters have been registered. The new system will strengthen national efforts to promote free, fair and credible elections in Nepal.

The UNCT also provided significant **humanitarian support** in 2010-11.

The bulk of WFP's assistance is provided through a protracted relief and recovery operation that includes both humanitarian and development components and aims to target 1.2 million people in 2011 through a productive safety net, focusing on creating and rehabilitating productive assets.

Achievements on refugee issues included third-country resettlement for Bhutanese refugees, while continuing to ensure their physical and legal protection in the refugee camps in eastern Nepal. Since 2007, UNHCR and IOM have resettled almost 51,000 refugees in third countries, including 34,000 over the past 2 years, while continued support including food assistance is provided by WFP and partners. A Community Based Development Strategy to assist with the phasing down of the UN's humanitarian support to the refugee camps and transition to development for refugee and host communities was approved by the Government of Nepal at the end of 2010. A new UNCT joint program is under development to phase in development activities in refugee impacted and hosting areas.

Given the disaster risk profile of Nepal, the UNCT has put a special emphasis on supporting humanitarian preparedness. The Humanitarian Country Team (HCT) is leading the implementation of the Nepal Risk Reduction Consortium Flagship 2 on Emergency Preparedness and Response Capacity. UNCT activities included support for the establishment of a national Emergency Operations Center, as well as regional SOPs for disaster response. The Disaster Preparedness Guidance Notes have been revised, endorsed and distributed across 75 districts. Disaster Preparedness and Response Plans have been revised or prepared in more than 60 districts, and others have already started the process of revision. Government DRR focal persons have been identified across 26 Ministries and are having regular meetings among and with IASC clusters on a quarterly basis.

### **3. RECOMMENDATIONS FOR THE NPPR PROCESS**

#### ***Reform of the NPPR mechanism***

Over the past few years, NPPR has become a key component of Government-donor dialogue on aid effectiveness. It is action-oriented, based on strong and regular monitoring arrangements, and benefits from a high level of commitment from both Government agencies and concerned development partners.

The UNCT strongly supports the Government's decision to gradually expand membership of NPPR to all donors on a voluntary basis, and welcomes the opportunity to participate in the 2011 NPPR. The expanded membership will allow for broad-based discussions between Nepal and its development partners, and contribute to higher impact. While we understand that 2011 will be a transitional year, with only a couple additional partners joining the core membership of NPPR, we would recommend that the Terms of Reference for the NPPR process be reviewed and adjusted during the course of 2012 to take into account the broader membership.

As an example of possible adjustment, the practice of submitting one background paper per development partner may need to be discontinued if potentially 20 development partners or more join the mechanism in the short to medium term. Future NPPRs could structure dialogue around key issues or sectors, for which background papers and recommendations could be produced jointly by development partners. This approach would be an incentive for better donor harmonization.

In parallel to the expansion of donor membership, the mechanism could potentially benefit from an equal expansion of the membership on the government side. NPPR ownership is currently very strong within central agencies such as the Ministry of Finance (including FCGO), National Planning Commission, Ministry of General Administration, Auditor's General Office, and Public Procurement Monitoring Office. With the extension of NPPR mandate to include aid effectiveness and monitoring of key development results, the mechanism could benefit from wider Government ownership, including line ministries for the sectors under review. The perspective of the line ministries on key implementation issues will be a useful contribution to NPPR debates.

#### ***NPPR and the wider aid architecture in Nepal***

NPPR has been a very successful feature of Government-Donor dialogue in Nepal, and the UNCT is convinced that a number of key effectiveness and implementation issues can be addressed through the new format of NPPR.

At the same time, some other components of Government-donor dialogue remain relatively weak. It is therefore recommended that a comprehensive discussion on the draft new Foreign Aid Policy (FAP) be organized at the earliest opportunity. This would allow Government and its partners to clarify the interactions and mandates of the various coordination mechanisms at central level (NPPR, Local Donor Meetings, Nepal Development Forum, links with the Nepal Peace Trust Fund's GoN-Donor Group

mechanism for peace-building coordination and at sector level. For the UNCT this would also be an opportunity to see how UN agencies can best support coordination processes at the various levels. Finally, a dialogue on the Foreign Aid Policy would allow Government and donors to address some of the wider policy issues around aid management, which are not fully covered by NPPR.

### ***Proposed areas of focus for NPPR***

The four initial areas of focus (Public Financial Management, Procurement, Human Resources and Results Based Management) remain highly relevant for the implementation of development programmes in Nepal and the continued focus on these issues is justified.

We would recommend strengthening the monitoring of the actual results achieved through NPPR priority actions in these areas. The monitoring framework has so far focused exclusively on actions (trainings conducted, guidelines put in place etc.). In order to monitor the impact of these actions on overall effectiveness, a multi-year monitoring of key changes in behaviour resulting from NPPR actions would be useful. For example in the area of human resources management, this would imply going beyond the adoption staff transfer guidelines to monitor in the following years if the number of transfers has actually been reduced, or average time-in-post increased as a result.

The inclusion of sector results indicators in the 2011 NPPR is a very welcome development, which will help link the traditional NPPR management and process indicators to concrete development results in key sectors. We would suggest that the sectors to be monitored be selected on a yearly basis, taking into account the political and development agenda for the following year (i.e. which key reforms are expected and in which sectors). In line with the above suggestion, the monitoring framework for sector results should include both recommended policy actions (reforms) and a quantitative indicator to monitor impact over the next few years.

The addition of the mutual accountability component will for the first time introduce a monitoring of development partner's practices into NPPR. This is in line with the principles of the Paris Declaration and a welcome first for Nepal, where monitoring has until now been focused on Government practices. We hope that the introduction of these indicators will be an incentive for partners to improve their performance for example with regard to aid transparency, but also an opportunity to discuss in more depth some of the key issues which have hampered progress in areas like the use of national systems, and to find a mutually agreeable way forward.

## **4. Additional short to medium-term recommendations to improve aid and development effectiveness**

### ***At central level***

- Prioritize the strengthening of PFM systems and speed up the implementation of donor support in this area;
- Ensure oversight and accountability institutions are adequately staffed and benefit from stable leadership;
- In order to facilitate capacity development, implement and monitor the implementation of staff rotation guidelines (provisions on 2 years in post, and remaining in post after receiving publicly-funded training). Minimize as much as possible frequent changes in positions that are key for the implementation of development programmes;
- In line with the Three Year Plan approach paper, step-up efforts to systematically consider the needs of excluded and vulnerable groups in GoN programmes, strengthen monitoring mechanisms (such as pro-poor budgeting, gender responsive budgeting and youth responsive budgeting), and ensure that corresponding monitoring results are fed in to the decision process for new programmes in specific line ministries and across ministries;
- Put in place a realistic, short to medium term capacity development strategy for results-based management. Although new guidelines for results-based monitoring and evaluation have been issued, national capacities to implement these guidelines (e.g. for selection of appropriate indicators, development of metadata, setting of annual targets) remain weak, especially at local level and in some sector ministries. The coordination and use of data gathered by different government ministries and institutions also needs to be enhanced for more effective results-based planning and reporting.

### ***At sector level***

- Develop or strengthen Government-donor coordination mechanisms in non-SWAp sectors. Government may wish to start with sectors receiving or expected to receive significant amounts of aid (this includes Ministry of Environment and other ministries heavily involved in climate change related programming) – or sectors where there are significant numbers of actors but where coordination could be strengthened such as around gender. Development partners should provide the required support to strengthen national capacities to lead such sector mechanisms. It is especially important over the course of Nepal’s post-CPA transition to build up the Nepal Peace Trust Fund GoN-Donor Group mechanism as the key peace and development coordination instrument and link it more directly as a cross-cutting area with other sectors and the NPPR. The GoN-Donor Group mechanism could be used more effectively to:

consolidate and review peace-building programmes and resources; provide advice on issues and challenges in peace-building programmes, as well as feedback on development partner programmes; coordinate funding provisions through the Nepal Peace Trust Fund, UN Peace Fund for Nepal and the World Bank Emergency Peace Support Programme; and distribute tasks among government and development partners in relation to future peace-building challenges;

- As part of sector coordination arrangements, encourage line ministries to lead capacity assessments, prioritize capacity needs and engage donors on the coordination of capacity development in their respective sectors. The focus should be on eliminating redundancies, pooling resources where possible, and prioritizing institutional and organizational capacity development, as opposed to an approach mostly focused on individual level capacity development. This is particularly important in the context of Nepal, where transfers in the civil service are very frequent.

#### ***At local level***

- Issues mentioned above regarding staff transfers are even more acutely felt at the local level. Specific attention should be given to the implementation of the Civil Service Act provisions on staff transfers at local level (e.g. for local district officers). Transfers should be planned so that positions do not remain vacant for extended periods of time, as this negatively affects service delivery;
- Develop financial management and auditing capacities at the local level, to avoid implementation delays due to financial reporting issues, and reduce fiduciary risk;
- Downward accountability has been an issue in the absence of elected local governments. Support for the piloting and scaling-up of downward accountability mechanisms should be encouraged as a way to promote the involvement of beneficiaries and ultimately the effectiveness of development interventions.

## Total UNCT Funding Fact Sheet 2009- 2010

### Annex 1: UN Nepal 2010 expenditures per agency, source of funding and type of funding

Agencies	2010 Expenditure per source of funding			2010 Expenditure for Development and Humanitarian Activities		
	Total Core Funding	Total Donor Funding	Total Expenditure	Development Funding	Humanitarian Funding	Total Expenditure
FAO	\$ 324,431	\$ 10,808,186	\$ 11,132,617	\$ 11,132,617	\$ -	\$ 11,132,617
ILO	\$ 70,000	\$ 3,389,830	\$ 3,459,830	\$ 3,459,830	\$ -	\$ 3,459,830
IOM	\$ 209,709	\$ 12,384,084	\$ 12,593,793	\$ 209,709	\$ 12,384,084	\$ 12,593,793
OHCHR	\$ 5,526,667	\$ 123,333	\$ 5,650,000	\$ 5,449,952	\$ 200,048	\$ 5,650,000
UNAIDS	\$ 99,046	\$ 25,000	\$ 124,046	\$ 124,046	\$ -	\$ 124,046
UNCDF	\$ 457,847	\$ 665,530	\$ 1,123,377	\$ 1,123,377	\$ -	\$ 1,123,377
UNDP	\$ 9,888,201	\$ 30,497,689	\$ 40,385,890	\$ 40,385,890	\$ -	\$ 40,385,890
UNESCO	\$ 231,687	\$ 356,781	\$ 588,468	\$ 588,468	\$ -	\$ 588,468
UNFPA	\$ 3,556,500	\$ 1,172,500	\$ 4,729,000	\$ 3,459,500	\$ 1,269,500	\$ 4,729,000
UNHABITAT	\$ 33,000	\$ 1,370,356	\$ 1,403,356	\$ 1,388,356	\$ 15,000	\$ 1,403,356
UNHCR	\$ 11,086,069	\$ -	\$ 11,086,069	\$ -	\$ 11,086,069	\$ 11,086,069
UNICEF	\$ 7,311,407	\$ 17,902,868	\$ 25,214,275	\$ 23,045,862	\$ 2,168,413	\$ 25,214,275
UNMAS	\$ -	\$ 704,892	\$ 704,892	\$ 704,892	\$ -	\$ 704,892
UNODC	\$ -	\$ 2,084,113	\$ 2,084,113	\$ 2,084,113	\$ -	\$ 2,084,113
UN Women	\$ 763,750	\$ 827,416	\$ 1,591,166	\$ 1,591,166	\$ -	\$ 1,591,166
UNV	\$ -	\$ 180,953	\$ 180,953	\$ 180,953	\$ -	\$ 180,953
UNIC	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
UNRCHCO	\$ 1,436,056	\$ 1,766,010	\$ 3,202,066	\$ 1,976,549	\$ 1,225,517	\$ 3,202,066
WFP	\$ -	\$ 59,655,727	\$ 59,655,727	\$ 2,553,464	\$ 57,102,264	\$ 59,655,727
WHO <sup>4</sup>	\$ 545,072	\$ 716,266	\$ 1,261,338	\$ 1,261,338	\$ -	\$ 1,261,338
<b>Total Funding</b>	<b>\$ 41,559,441</b>	<b>\$ 144,631,534</b>	<b>\$ 186,190,976</b>	<b>\$ 100,740,080</b>	<b>\$ 85,450,896</b>	<b>\$ 186,190,976</b>

<sup>4</sup> WHO figures presented in these annexes do not include WHO's interventions outside the UNDAF

**Annex 2: UN Nepal 2011 estimated expenditures per agency, source of funding and type of funding**

Agencies	Total Estimated Resources 2011			Total Estimated 2011 Resources for Development and Humanitarian Activities		
	Core Funding	To be mobilized from Donors	Total Estimated	Development Funding	Humanitarian Funding	Total Estimated
<b>FAO</b>	\$ 424,391	\$ 6,576,281	\$ 7,000,672	\$ 7,000,672	\$ -	\$ 7,000,672
<b>ILO</b>	\$ 45,000	\$ 1,681,000	\$ 1,726,000	\$ 1,726,000	\$ -	\$ 1,726,000
<b>IOM</b>	\$ -	\$ 11,947,579	\$ 11,947,579	\$ -	\$ 11,947,579	\$ 11,947,579
<b>OHCHR</b>	\$ 6,511,000	\$ 185,000	\$ 6,696,000	\$ 6,434,285	\$ 261,715	\$ 6,696,000
<b>UNAIDS</b>	\$ 216,954	\$ 9,000	\$ 225,954	\$ 225,954	\$ -	\$ 225,954
<b>UNCDF</b>	\$ 457,847	\$ 665,530	\$ 1,123,377	\$ 1,123,377	\$ -	\$ 1,123,377
<b>UNDP</b>	\$ 8,642,931	\$ 27,307,046	\$ 35,949,977	\$ 35,949,977	\$ -	\$ 35,949,977
<b>UNESCO</b>	\$ 248,846	\$ 1,300,660	\$ 1,549,506	\$ 1,549,506	\$ -	\$ 1,549,506
<b>UNFPA</b>	\$ 4,600,000	\$ 3,547,000	\$ 8,147,000	\$ 6,209,000	\$ 1,938,000	\$ 8,147,000
<b>UNHABITAT</b>	\$ 33,000	\$ 370,356	\$ 1,403,356	\$ 1,388,356	\$ 15,000	\$ 1,403,356
<b>UNHCR</b>	\$ 17,767,491	\$ -	\$ 17,767,491	\$ -	\$ 17,767,491	\$ 17,767,491
<b>UNICEF</b>	\$ 7,311,407	\$ 17,902,868	\$ 25,214,275	\$ 23,045,862	\$ 2,168,413	\$ 25,214,275
<b>UNMAS</b>	\$ -	\$ 704,892	\$ 704,892	\$ 704,892	\$ -	\$ 704,892
<b>UNODC</b>	\$ -	\$ 2,084,113	\$ 2,084,113	\$ 2,084,113	\$ -	\$ 2,084,113
<b>UN Women</b>	\$ 763,750	\$ 827,416	\$ 1,591,166	\$ 1,591,166	\$ -	\$ 1,591,166
<b>UNV</b>	\$ -	\$ 266,000	\$ 266,000	\$ 266,000	\$ -	\$ 266,000
<b>UNIC</b>	\$ 20,000	\$ -	\$ 20,000	\$ 20,000	\$ -	\$ 20,000
<b>UNRCHCO</b>	\$ 1,323,150	\$ 2,917,435	\$ 4,240,585	\$ 3,615,585	\$ 625,000	\$ 4,240,585
<b>WFP</b>	\$ -	\$ 51,000,000	\$ 51,000,000 <sup>5</sup>	\$ 12,067,103	\$ 38,932,897	\$ 51,000,000
<b>WHO</b>	\$ 846,000	\$ 1,870,000	\$ 2,716,000	\$ 2,716,000	\$ -	\$ 2,716,000
<b>Total Funding</b>	<b>\$ 49,211,767</b>	<b>\$ 132,162,176</b>	<b>\$ 181,373,943</b>	<b>\$ 107,717,847</b>	<b>\$ 73,656,095</b>	<b>\$ 181,373,943</b>

<sup>5</sup> Updated in November, where as projected for other agencies are still the projection made in January 2011

**ATTACHMENT 5**  
**World Bank**  
**Background Paper**





# **NEPAL**

## **PORTFOLIO**

### **PERFORMANCE REVIEW**

#### **NPPR 2011**

**ATTACHMENT TO  
GON MAIN REPORT  
(November 17-18, 2011)**

**Nepal Country Office  
The World Bank  
South Asia Region**

## ABBREVIATIONS

ADB	Asian Development Bank
AEPC	Alternate Energy Promotion Centre
AWPB	Annual Work Program and Budget
DFID	Department for International Development
DP	Development Partner
DTCO	District Treasury Controller Office
FCGO	Financial Comptroller General Office
FMIS	Financial Management Information System
GON	Government of Nepal
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IPR	Implementation Progress Report
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
NVC	National Vigilance Center
NPPR	Nepal Portfolio Performance Review
OAG	Office of the Auditor General
PAF	Poverty Alleviation Fund
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPA	Public Procurement Act
PPMO	Public Procurement Monitoring Office
RTI	Right to Information Act
SOE	Statement of Expenditure
SWAp	Sector-wide Approach
TA	Technical Assistance
TF	Trust Fund
UN	United Nations

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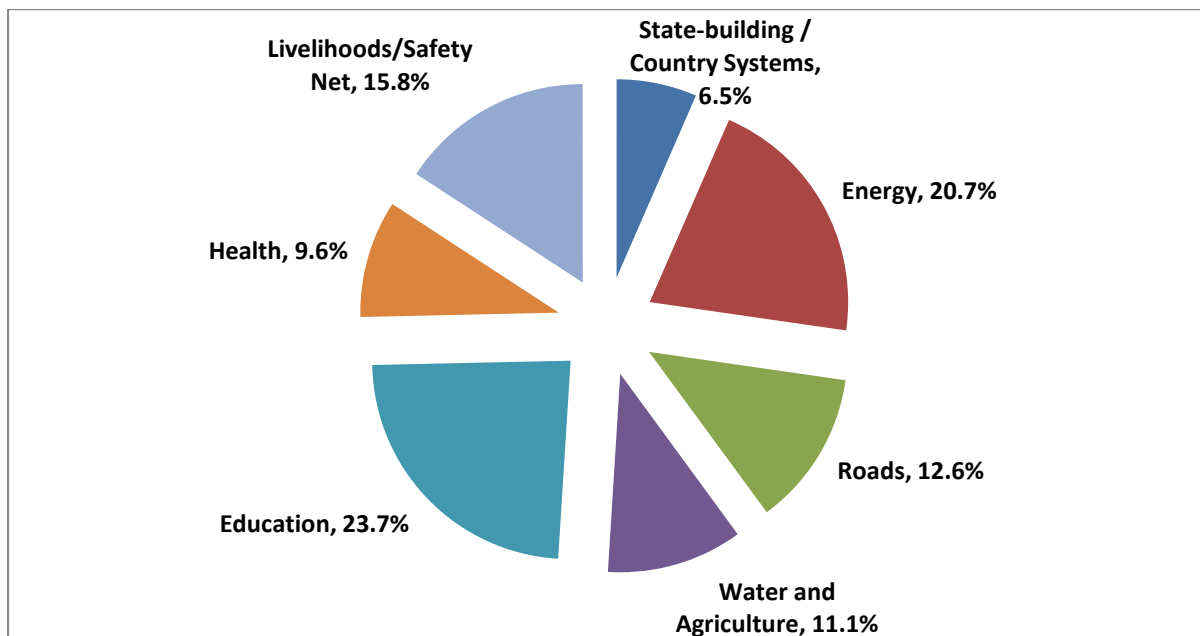
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## 1. WORLD BANK (IDA) PORTFOLIO OVERVIEW

### A. Portfolio Size and Composition

1.1 As of June 30, 2011, the World Bank's concessional lending and grant program to Nepal consisted of 25 active projects (IDA and TFs). The IDA portfolio consisted of **19 active projects** with net commitments of **USD 1.360 billion**, while the **Trust Fund (TF)** portfolio included **11 instruments**<sup>1</sup>, with net commitments of about **USD 152.7 million**. Cumulative IDA disbursements from the active portfolio totaled **USD 489.9 million** (about **36 percent** of net commitments), and TF disbursements amounted to **USD 34.7 million** (about **23 percent**). The breakdown of net commitments by sector is shown in the chart below, with more details provided in Annex 1.



### B. New Entries

1.2 New IDA commitments approved in FY2010/11 totaled **USD 355 million** (of which IDA Grants represented USD 131.34 million, and IDA Credits amounted to USD 223.66 million):

- Additional Financing for Road Sector Development Program (USD 75.0 million)
- Additional Financing for Poverty Alleviation Fund (USD 65.0 million)
- Emerging Towns (USD 25.0 million)
- Enhanced Vocational Education and Training (EVENT) (USD 50.0 million)
- Kabeli Transmission (USD 38.0 million)
- Strengthening Regional Cooperation For Wildlife Protection (USD 3.0 million)
- Nepal- India Electricity Transmission and Trade (USD 99.0 million)

In addition, four non-IDA grants amounting to **USD 133.7 million** were approved in FY2010/11:

- Education For All-Fast Track Initiative (EFA-FTI): School Sector Reform (USD 120.0 million)

<sup>1</sup> Six of the trust funds are standalone projects, while 5 co-finance IDA funded projects.

- Reducing Emissions from Deforestation and Forest Degradation (REDD): Preparation Grant (USD 3.2 million)
- Institutional Development Fund (IDF): Strengthening Institutional Capacity of Department of National Parks and Wildlife Conservation (USD 0.5 million)
- Food Price Crisis Response Fund (FPCRF): Additional Financing of the Poverty Alleviation Fund II (USD 10.0 million)

### **C. Extensions**

1.3 In FY2010/11, three extensions of the credit/grant closing date were approved in association with scale-up of project activities in the context of Additional Financing.

- Poverty Alleviation Fund II
- Road Sector Development
- Rural Water Supply and Sanitation II

### **D. Completions**

1.4 Two projects were completed in FY2010/11: Health Sector Support Program and Judicial Reforms to Strengthen Creditor Rights. Five projects are scheduled to close during FY2011/12: Avian Influenza Control, Strengthening the Institutional Capacity of the PPMO, Financial Sector Technical Assistance, Biogas Support Program (GBOPA), and Emergency Peace Support.

### **E. Age Profile**

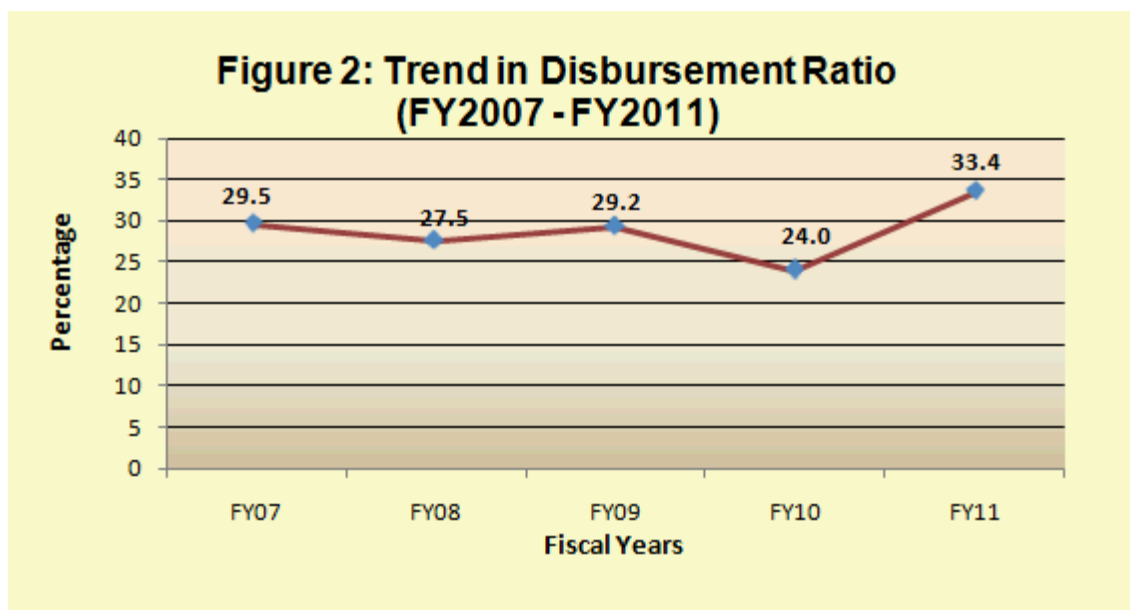
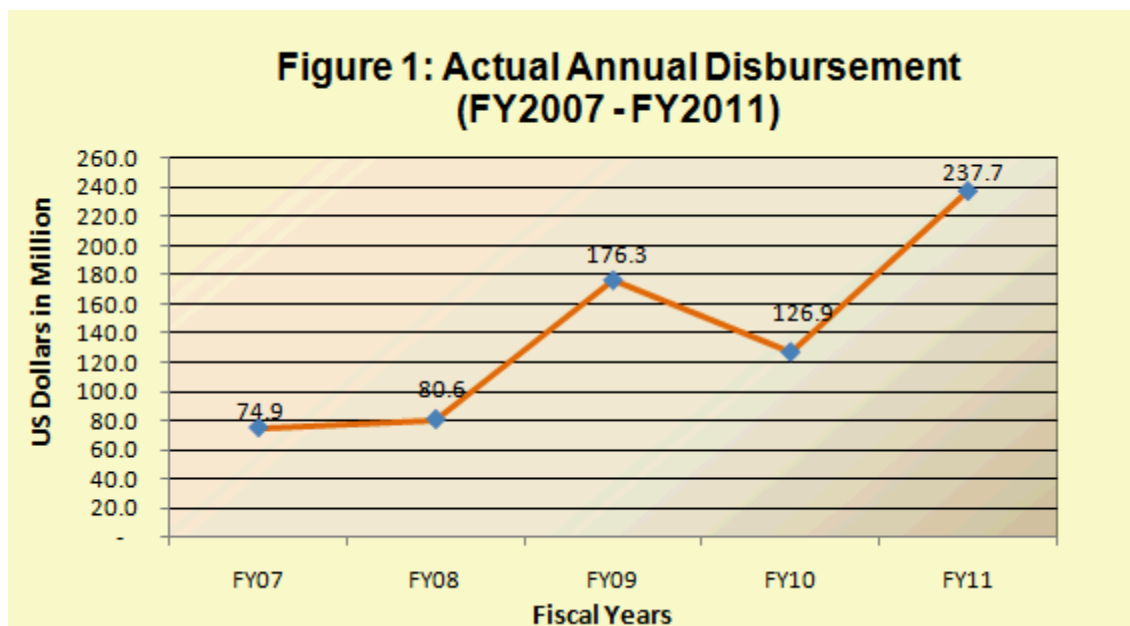
1.5 The average age of the current IDA/TF portfolio is 2.8 years, with 45 percent of the portfolio less than 2 years old, another 39 percent between 2 and 5 years, and 16 percent 5 years or older. One-third of IDA projects have a longer implementation period (more than 3.5 years old) as a result of scale up of project scope through additional financing. The age distribution of the portfolio should contribute to stability in resource transfers as older projects begin to close. Where feasible, undisbursing older projects will be restructured to enable funds to be cancelled and released for other country program priorities.

### **F. Disbursements**

1.6 Disbursements from the IDA/TF portfolio during FY2010/11 totaled **USD 271 million**, of which USD 237.72 million were from IDA and USD 35.79 million from TFs. IDA FY2010/11 disbursements were **87% higher than in FY2009/10**. The higher disbursement level was the result of strong implementation combined with FY10 deferred disbursements, growth in the portfolio, and proactive monitoring by task teams and fiduciary staff.

1.7 The efficiency with which funds available to Nepal are being used may be measured by the **disbursement ratio**, which measures the proportion of funds disbursed during a fiscal year compared to the undisbursed funds that were available at the beginning of the year. The disbursement ratio for the IDA investment portfolio at June 30, 2011 was 33.4%, representing a 39% increase over last year. Despite this increased efficiency of resource use, some projects show weak performance in this respect: Agriculture Commercialization and Trade, Rural Access Improvement and Decentralization, Irrigation and Water Resource Management, Second Higher Education, Emergency Peace Support, and Power Development Project. Figure 1 below shows annual IDA

disbursements from FY2006/07 through FY2010/11, and Figure 2 shows the annual disbursement ratio for the same period.



### **G. IDA Net Transfers**

1.8 Net resource transfers from IDA to Nepal continued to be positive. Net transfers in FY2010/11 reached **USD 182.6 million** up from **USD 72.9 million** in FY2009/10. This represents a 150% increase over FY2009/10 and 44% increase over FY 2008/09. Efforts by government to strengthen budget implementation (for example, starting capital spending in the first quarter) would help increase aid absorption capacity and maintain this level of resource transfer in future. Net resource transfers over the past seven years are provided in Table 1 below.

Table 1 Disbursements, Loan Service Payments and Net Resource Transfer			
FY	Disbursements (USD million)	Repayments (USD million)/a	Net Resource Transfer (USD million)
2005	80.7	41.6	39.1
2006	67.0	41.1	25.9
2007	75.0	43.0	32.0
2008	80.6	48.9	31.7
2009	176.3	49.5	126.8
2010	126.9	54.0	72.9
2011	237.7	55.2	182.6

a/ Includes principal, interest and fees.



## 2. IMPLEMENTATION AND RESULTS OF ON-GOING PROJECTS

### A. Overview

2.1 Overall portfolio performance was considered “moderately satisfactory” at the end of FY2010/11, with about 60% of on-going projects on-track for meeting or exceeding their end-project targets. For example, the Avian Influenza Control Project (AICP) successfully contained 10 avian influenza outbreaks and achieved substantial improvement in awareness and behavior changes. The Road Sector Development Project and the Poverty Alleviation Fund (PAF II) both demonstrated strong performance (exceeding a number of end-project targets in the case of PAF), resulting in approval of additional financing to enable project scale-up in both cases. Likewise, the Social Safety Nets project has achieved most of its end project targets, even though it is only mid-way through the project period. The Health Sector SWAp is moving forward satisfactorily, showing good progress towards reaching end project targets and achieving Millennium Development Goals. The Rural Access Improvement and Decentralization Project (RAIDP) exceeded 50% of its end of project targets, while the Irrigation and Water Resource Management Project (IWRMP) and Project for Agriculture Commercialization and Trade (PACT) showed positive improvements in terms of achieving end of project targets. The biogas support projects were on track for meeting output-based installation as well as carbon emission reduction targets.

2.2 Despite this progress, other projects were behind schedule. Some projects suffered from weak fiduciary performance and project management, while others experienced delays caused by factors such as staffing and leadership changes, interruptions caused by bandhs, and other local conditions. Late budget approval also contributed to implementation delays. These factors have combined to slow project implementation and the disbursement rate. The School Sector Reform Program and health Sector reform Program continued to suffer from inadequate focus on strengthening financial management and from poor implementation of the Governance and Accountability Action Plan. Implementation of the Rural Water Supply and Sanitation II project was behind schedule, which is expected to result in shortfalls in delivery of water and sanitation systems to some communities. The Financial Sector Technical Assistance (FSTA) Project and Second Higher Education Project (SHEP) experienced poor implementation performance (rated as moderately unsatisfactory or unsatisfactory), which led to a restructuring of these projects in FY2010/11. In the case of the FSTA, activities were cancelled that could no longer be completed, either due to inadequate time frame or lack of political consensus. The SHEP restructuring included modification of the Project Development Objectives and results indicators to make them more realistic and measurable, dropping of certain project activities that had not performed well, and reallocation of funds.

2.3 The status of results for IDA and TF projects as of June 30, 2011 is presented in Annex 2.

### B. Financial Management

2.4 **Portfolio Alignment with Country FM Systems.** Bank funded projects and programs are fully aligned with Nepal’s budgetary, accounting, reporting, and external auditing systems. In addition, assurance arrangements are built into project/program design to address deficiencies related to weak internal controls and the internal audit system. Examples of these additional assurance arrangements include third party monitoring, special surveys, social audits, technical audits and performance audits. The WB financial management team provides continuous support to project teams with the goal of building their capacity as well as strengthening the

financial management system in use at the agency or sector level. The FM and Procurement fiduciary teams have increased delivery of Financial Management and Procurement Clinics focused on thematic areas as well as on sharing of experiences. This has helped to enhance the overall skills and knowledge of project staff and government officials.

2.5 **Financial Management Performance.** Overall financial management across the 25 projects was moderately satisfactory, with a mix of strong and weaker performers. For example, at the end of the fiscal year, the Rural Water Supply Fund Board, the Poverty Alleviation Fund, and the Nepal Rastra Bank were considered to have good financial management performance. In the case of the Rural Water Supply Fund Board, it was using a fully computerized financial management information system (FMIS) to prepare and submit accounts, and four other projects<sup>2</sup> were in the advanced stage of computerizing their FMIS. On the other hand, **five projects** (20 percent) were rated as having financial management performance in the unsatisfactory range. Frequently encountered weaknesses included: inadequate management focus on financial management, weak accounting capacity, frequent turnover of accounting staff, weak internal control systems, weak monitoring, and delays in reporting. Agreement was reached with implementing agencies experiencing difficulties on a core set of actions to improve their financial management performance.

2.6 **Internal Audit.** As required by the Financial Administration Regulations, internal audits were carried out by the District Treasury Controller Offices (DTCOs) in FY2010/11 for all projects implemented by line ministries (15, or 60 percent). In the case of projects implemented by Boards, autonomous bodies, or Authorities (8, or one third), internal auditors were appointed from the market as per the financial regulations of the concerned authorities. Such autonomous bodies include the Nepal Electricity Authority, Nepal Rastra Bank, Rural Water Supply Fund Board, the PAF Board, and the Alternate Energy Promotion Center. In the case of projects implemented by INGOs, internal auditors were appointed from the market as per the financial regulations of the concerned organizations. The quality of internal audits carried out by the private sector for the autonomous bodies and INGOs is generally good. Internal audits carried out by the DTCOs or the District Development Committees (in the case of decentralized operations) need improvement, as they often do not address systemic issues and are not submitted on a timely basis.

2.7 **External Audit.** The Office of the Auditor General performs all external audits for Bank supported projects in Nepal implemented by government authorities. **Audit timeliness** deteriorated in FY2011, with only 2 audits received by the due date (January 15, 2011). The SSRP and the HSSP had disbursements suspended at the end of the fiscal year, due to continued delays in submission of audit reports<sup>3</sup>. Improvements were observed in **Audit quality**. One project (Legal and Judicial Reform) required resubmitting the financial statements. In a few cases, audits were not completed and a partial opinion was required (e.g., Avian Influenza Control, Health Sector Support, and Social Safety Nets). **Audit report findings** included deficiencies in internal control systems, procurement weaknesses, and non-compliance with financial regulations and procedures. Implementing agencies were asked to incorporate corrective actions in the areas identified by the Auditors in their respective Financial Management Improvement Plans.

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<sup>2</sup> Road Sector Development, Rural Access Improvement, Alternate Energy Promotion Center, and Project for Agriculture and Commercialization

<sup>3</sup> The Nepal Health Sector Program Audit Report and the Education for All Project Audit Report were received on July 6 and July 7 respectively.

2.8 Some ineligible expenditures were detected in FY2010/11 through audit reports and FM/SOE reviews. Two active projects (Emergency Peace Support, Forestry REDD Cell) and three closed projects (Economic Reform TA, Education for All, and Community School Sector) had to make refunds ranging from NPR 16,005 to NPR 22 million. Four of the five projects have refunded the ineligible amounts to IDA, with NPR 38,928 from the Community School Sector Project still outstanding.

2.9 **Disbursement arrangements.** In FY2010/11, eight projects (one third) disbursed on the basis of information contained in progress reports: Education and Health SWAp, Poverty Alleviation Fund II, Rural Water Supply and Sanitation II, Road Sector Development, Irrigation and Water Resources Management, Biogas Support Program, and Demand for Good Governance. The remainder of the portfolio (17 projects) used Statements of Expenditures (SOEs) and non-SOEs to document expenses eligible for IDA/TF disbursement. Experience with SOE-based disbursement is generally satisfactory, although disbursements may be delayed if accounting capacity is weak.

### **C. Procurement**

2.10 **Portfolio Alignment with Country Procurement System.** In keeping with the spirit of the Paris Declaration, Bank-supported projects use GON procurement procedures to the extent permitted by Bank operational policy. In practice this means that National Competitive Bidding (NCB), shopping and community-based procurement follow GON rules, while International Competitive Bidding (ICB) follows Bank rules. Some modifications to NCB procedures have been agreed between the Bank and the Government (as permitted by Clause 67 of the Public Procurement Act) to bring them into closer alignment with internationally accepted practices. The Bank procurement team performs an oversight role at critical procurement milestones for larger contract awards, and works with implementing teams to improve their procurement skills and capacity. As experience with the Public Procurement Act increases and procurement performance in the public sector improves, it should be possible to move towards greater use of Nepal's country procurement system over time.

2.11 **Capacity building:** Based on observations made during the ex-post review of FY2009/10, and to assist borrowers to improve their understanding and knowledge of certain aspects of procurement, the Bank team organized four (4) half-day Procurement Clinics on specialized topics during FY 2010/11, such as procurement planning, preparing specifications, key things to consider in the selection of consultants, etc. A few Clinics were also jointly organized with the FM Team to cover both procurement and financial management aspects.

2.12 **Procurement Performance.** Generalizations about procurement performance are difficult, as projects differ greatly in terms of the size and complexity of procurement tasks. Some institutions have strong skills and provide an example of efficient procurement management; for example, the **Department of Roads** has been a pioneer in the introduction of e-bidding, with the consequence that competition for contracts has significantly improved. In the **health sector**, implementation of the procurement improvement action plan has resulted in an improvement over the past year in the quality of bid documents and bid evaluation reports, and an increase in the number of bidders, increased competition and lower costs. New approaches for achieving improved prices and competitiveness have also been introduced: for example, certain medicines and consumables are now procured through a **multi-year contract**,

providing price stability and reducing the administrative load on the procuring agency; **Limited International Bidding** or **direct contracting** with the manufacturers or their authorized agents is used for other items, leading to a marked reduction in unit rates as compared to previous years.

2.13 However, other project teams have managed procurement less well, and as per the preliminary findings of the procurement post review of FY2010/11, procurement performance of four projects (about 20 percent) is falling in the unsatisfactory range. For many projects, the team found that overall procurement capacity remained weak. This was primarily because the procurement function in many projects was delegated to personnel with inadequate procurement knowledge and experience. This was compounded by reluctance of officials to take decisions in complex procurement cases for fear of possible investigation by oversight agencies. The lack of official bidding documents, manuals, and guidelines for the existing procurement law, and lack of widespread training of procurement officials across all government institutions, also hampered capacity enhancement. As a result, procurement actions were often delayed.

2.14 The capacity weaknesses described above generated a number of deficiencies in procurement management. The key deficiencies, as confirmed by an ex post review across the portfolio, are summarized below.

- **Weaknesses in Shopping Procedures:** For most shopping contracts (related to hiring of individual consultants, goods, and non consulting services), the project files did not have copies of written requests for CVs or quotations; this suggests that these requests were made verbally. When quotations were requested, their number rarely exceeded three, and the similarity in the way the three quotes were presented indicates that these could have been organized by a single firm. Similarly, for individual consultant contracts, when CVs were requested, the norm was three CVs, and sometimes just one CV, without satisfactory justifications for the single source approach. The tendency to split requirements to evade more competitive procedures (e.g. shopping instead of NCB) was noted in many cases.
- **Weak procurement planning, contract monitoring and administration:** While most projects prepared reasonable procurement plans at the beginning of the FY for Bank concurrence, many plans were not updated regularly. Further, monitoring of procurement progress against the targets in the plan was limited, and internal reporting was not evident on the status and remedial measures to address delays or changes in requirements. As a result, the culture of using the plan as a management tool for effective project implementation has yet to be established. In addition, once a contract was awarded, contract management appeared limited, as records of acceptance, completion certificates, and payments were generally lacking. In many cases, payments were noted to have been made for contracts with substantial completion delays without providing adequate and acceptable justifications.
- **Poor or incomplete documentation:** Files often did not contain sufficient documentation. While some of the missing documents, being accounts related, were with the accounts section, some others were reported to be in the possession of the person/unit initiating the procurement or administering the contract. *A system of maintaining a comprehensive and complete and comprehensive procurement file with documents for each stage through contract closure needs to be instituted in all Bank funded projects.* To this end, the Bank procurement team distributed to all implementing agencies a 'checklist' of all the documents that should be present in any contract procurement file.

2.15 While the FY2010/11 procurement ex-post review showed a small but perceptible improvement over the previous year, some instances of non-compliance with agreed procedures and poor quality of works contracts remain a matter of concern. The Bank is currently seeking detailed explanations from the concerned implementation agencies to fully assess noted shortcomings. Due to serious irregularities concerning possible collusion and interference in bid submission that were noted in district-managed procurement of rural road works under the Rural Access Improvement project (RAIDP), such procurement was suspended from July 2010 to November 2010 until an e-submission system could be implemented. Such a system, based on the Department of Roads' e-system, was made operational in eight RAIDP districts starting in December 2010 and has since been rolled out to 27 of the 30 project districts.

#### ***D. Safeguards***

2.16 The IDA portfolio is considered to have limited to moderate environmental impacts, with 90 percent of the projects classified as Category B (14) or Category C (3). Only one project is classified as Category A, entailing more significant environmental and social impacts. Required safeguard instruments for Category A and B have been developed and agreed in line with domestic laws and World Bank safeguard policies. These instruments include environmental assessment, environmental management plans, social assessment, social impact assessment, land acquisition and resettlement action plans, vulnerable communities development plans (including indigenous peoples), gender and social inclusion framework, and environmental and social management frameworks. Regular Bank supervision finds that these action plans and frameworks are generally followed during implementation, although performance varies across the portfolio. Some projects faced non-compliance cases, such as delays in land compensation payments or in implementing environmental protection measures and actions agreed under vulnerable community development plans. This was largely due to insufficient understanding and weak capacity at implementation level. Generally, project agencies were able to address these non-compliance issues once they were identified.

#### ***E. Right to Information***

2.17 Implementing agencies have made genuine efforts to make information available to the public through both digital and local notice boards. Of the 20 projects that have been under implementation for at least 6 months, 95 percent had their own websites or posted information on their line ministry's website. The 5 projects approved in the last quarter of the fiscal year were not yet operational and had not yet set up websites. Publicly posted information included the Annual Work Plan and Budget (AWPB), procurement plan, audit reports and grievance mechanism procedures. As a complement to these project-based sources of information, the World Bank began disclosing a summary of all Implementation Status and Results Reports (ISRs) and some aide-memoires on its external website in FY2010/11.

2.18 At the national level, the World Bank, in partnership with Freedom Forum (a Nepali NGO), organized Nepal's first national convention on Right to Information in March 2011, to draw high level attention to issues constraining implementation of the RTI law. The convention issued a "Kathmandu Declaration" which includes practical measures to strengthen the RTI regime in Nepal. In partnership with the Citizen's Campaign for Right to Information (a Nepali NGO), the World Bank commissioned a tracking survey which will help better understand RTI implementation in the context of local service delivery and development programs.

### 3. IMPLEMENTATION AND RESULTS OF COMPLETED PROJECTS

3.1 During FY2010/11, **two projects closed:** Nepal Health Sector Program and Judicial Reform for Creditor Rights. **Three implementation completion and results (ICR) reports** were published during the same period: Education for All, Nepal Health Sector Program, and Judicial Reform for Creditor Rights. The achievements of these projects and lessons learned are summarized below.

#### **A. Education for All (EFA)**

3.2 IDA support of USD 110 million<sup>4</sup> for the EFA sector SWAp was approved in July 2004 and closed in January 2010. The project objectives were to improve access to basic and primary education for children, especially girls and children from disadvantaged groups, and to literacy programs for poor adults. EFA also supported reforms in school education, such as transfer of publicly financed schools to community management, a shift from teacher based financing to student based financing, and expansion of teacher licensing. The ICR found that community management of schools was setting the stage for rapid expansion of enrolment as well as improvement in quality. The Project contributed to substantial achievements in terms of improving physical facilities of schools, empowering beneficiaries, and enhancing governance of schools. The completion report concluded that the **project was successful** in achieving its objectives, some of which are presented below:

- NER increased from 84.2% to 93.7% against the target of 96%;
- Survival rate to grade 5 reached 84.3% against the target of 85%;
- Gender parity was achieved;
- The enrolment of disadvantaged groups - dalits and janajati - more than doubled within the program period;
- The share of non-salary budget transferred to schools as grants increased from 8% to 77% exceeding the target of 60%; and
- The share of schools completing social audit increased from 0% to 83.7% against the target of 75%.

#### **B. Nepal Health Sector Program (NHSP)**

3.3 IDA support of USD 100 million<sup>5</sup> for the NHSP sector SWAp was approved in September 2004, and the project was completed in July 2010. The development objective was to expand access to, and increase the use of, essential health care services, especially by underserved populations. The completion report concluded that the combination of a fast disbursement rate and early achievement of results was indicative of the rapid scale up of successful interventions such as micro-nutrient programs, the employment of Female Community Health Volunteers and the safe motherhood program. Strong performance in achieving results was found to be linked to smart design of implementation arrangements; strong capacity building support; and good management of SWAp partnerships in the dialogue with the implementing agency. The completion report concluded that the **project was moderately successful** in achieving its objectives, some of which are presented below:

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<sup>4</sup> IDA Credit of USD 50 million and IDA Grant of USD 60 million.

<sup>5</sup> IDA Grant of USD 90 million and IDA Credit of USD 10 million.

- Increased contraceptive prevalence rate (CPR) for modern methods increased from 35% to 46.6% against the target of 48%;
- Skilled attendance at birth increased from 11% to 32.6% against the target of 35%;
- Percentage of Children immunized against DPT3 increased from 71% to 89.8% against the target of 88%-90%;
- Proportion of women and men who could correctly identify methods of preventing HIV infection increased from 37.6% of women and 50.8% of men (DHS 2001) to 88.1% and 81% respectively, against the target of women (75%); and men (85%).

### ***C. Legal and Judicial Reforms to Strengthen Creditor Rights***

3.4 The IDF Grant of USD 405,000 for Legal and Judicial Reforms to Strengthen Creditor Rights was approved in January 2007, and the project was completed in August 2010. The development objective was to build the capacity of the judiciary to provide dispute resolution services in banking and commercial matters. The completion report concluded that the project impact was uneven due to delays, lack of sequencing, and poor coordination of activities. Project objectives were also found to be unrealistic, given the scope of funding and planned level of activities. Although the ICR concluded that the project was **moderately unsatisfactory** in achieving its objectives, the project was able to contribute positively to the institutional reform agenda by:

- Carrying out a judicial mapping and assessment of court organization;
- Designing basic training modules for commercial court officials;
- Streamlining commercial court procedures; and
- Developing a modern case management and monitoring system.

## 4. MONITORING AND EVALUATION

4.1 Monitoring and evaluation (M&E) is key to learning what is going well and less well, where adjustments may need to be made, and whether a project is on or off track for achieving its objectives. A number of tools are used for this purpose in Bank supported projects, ranging from routine monitoring by the implementing agency, to third party verification, to controlled impact evaluation surveys. In the interest of sustainability, agency information systems are used whenever possible, and in a number of cases, projects contribute to building agency- or sector-wide M&E systems. In the on-going portfolio, 5 projects (20 percent) use sector-wide or agency M&E systems, and half (12 projects) include support for building those systems at the agency or sector level. Of the 19 projects that use project-specific M&E arrangements, 16 of them (85 percent) feed their data into a higher level sector monitoring system. This pattern suggests that, over the medium term, the majority of projects should be able to use sector or agency monitoring systems. The quality of monitoring data is considered generally fair to good, although collection of baseline data and carrying out of periodic surveys have been delayed in some cases. M&E arrangements at the project level are presented in Annex 3.

### **A. Implementation Progress Reports**

4.2 The financial, procurement, and physical progress data generated by project and sector monitoring systems are captured in Implementation Progress Reports (IPRs). IPRs are submitted on a trimester basis, aligned with the government's reporting cycle, and provide GON officials and Bank teams with a tool to monitor whether the project is on track with the planned implementation schedule and agreed milestones. Experience in Nepal in terms of quality and timeliness of IPR submission is variable. Although there was some improvement in timely submission of the IPRs in FY2010/11, about 60 percent of projects were still over a month late in submitting IPRs. Quality of IPRs also gradually improved, with more teams submitting data on outputs and procurement. Nevertheless, common IPR weaknesses included: missing reports (e.g., output monitoring, procurement management, updated procurement plan), missing supporting documents (e.g., approved work program and budget, bank statements), inadequate discussion of progress against output targets, lack of linkage between physical progress and financial progress, reconciliation issues, and calculation errors. The School Sector Reform Program and the Health Sector Support Program were particularly weak performers. Late submission of IPRs can affect portfolio ratings.

### **B. Third Party Monitoring**

4.3 Given the difficulties in collecting information on project implementation at the local level, limited local government representation, and insecurity in some areas, a number of projects began using third party monitoring arrangements to complement project or sector M&E systems. These arrangements include performance audits carried out by the Office of the Auditor General; technical audits carried out by the National Vigilance Center and technical surveys carried out by independent specialists; social audits carried out by communities and civil society organizations; and verification of results by independent consultants. Experience with some of these third party monitoring arrangements is relatively new, and improvements are being introduced as more cycles are completed and areas for strengthening are identified.

4.4 **Performance Audits:** Performance Audits are carried out by the Office of the Auditor General, and focus on the extent to which implementation is in compliance with program



parameters as established by sector or program strategies, policies, implementation plans, and/or implementation manuals. They are generally scheduled on a two year cycle, and provide additional information than may be available through regular monitoring arrangements. **Three projects** (about 12 percent) use Performance Audits (the PAF, School Sector Reform SWAp, and Health Sector Support SWAp). A performance audit was completed in FY2010/11 for the School Sector Reform SWAp, with the results to be delivered in the current fiscal year. The next performance audit for the PAF program is scheduled for FY2011/12, and for the Health SWAp, in FY2012/13. Implementing agencies and development partners value the findings of the performance audits, and observations/recommendations are integrated into the respective Governance and Accountability Action Plans for regular follow-up.

**4.5 Technical Audits:** Technical audits have traditionally been used in the infrastructure sectors to verify that quality of construction or goods complies with the technical parameters established in the contract documents; this monitoring tool is now expanding to other sectors and covers over 60 percent of the portfolio. At the end of FY2010/11, **seven projects**<sup>6</sup> (30 percent) were using technical audits, while an additional **eight projects**<sup>7</sup> (one third) planned to introduce such techniques in FY11/12. In the case of the Roads Sector and Rural Access projects, the respective ministries hire independent consultants through the National Vigilance Center (NVC) to carry out technical audits of 20% of contracts each year. Other projects use independent consulting firms to carry out technical audits. For example, the Rural Water Fund Board has a sample of schemes in each batch technically audited each year by an independent firm, and the Ministry of Health and SWAp partners had a technical survey of health facilities carried out in FY2010/11. The findings of health sector surveys have contributed to policy and implementation changes.

**4.6 Independent Verification:** Independent verification is used to verify reported results, and often, payment is tied to independent verification findings. As the WB-supported portfolio moves increasingly towards results-based programs, independent verification has also expanded. At the end of FY2010/11, almost 40 percent of projects used this monitoring method, and the share is scheduled to increase to 50 percent in FY2011/12. Independent verification before payment release was used in **eight projects**<sup>8</sup> last year, and a **ninth project** - Emergency Peace Support – used it on an ex-post basis for transparency and credibility purposes. The Emerging Towns and Enhanced Vocational Education and Training projects will introduce payment-based arrangements in FY2011/12, while the School Sector Reform SWAp plans to commission sample-based verification studies to measure data reliability, teaching quality, and learning outcomes.

**4.7 Social Audits:** Social audits rely on community organizations to monitor program delivery or practices related to project implementation. The WB-supported portfolio increasingly relies on civil society engagement to complement government-managed monitoring

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<sup>6</sup> Road Sector Development, Rural Access Improvement, Irrigation and Water Resources Management, Rural Water Supply and Sanitation II, Health Sector Support Program II, Poverty Alleviation Fund II and Social Safety Nets Project.

<sup>7</sup> Agriculture Commercialization and Trade, School Sector Reform (Education SWAp), Emerging Towns Project, Power Development Project, Kabeli Transmission Project, Nepal-India Electricity Transmission and Trade, Rani Jamara Kularia Irrigation Project and Irrigation and Water Resource Management Project.

<sup>8</sup> Rural Water Supply and Sanitation Project II, Bio-gas (OBA), Bio-gas (Carbon purchase), Micro Hydro (Carbon Purchase), Adolescent Girls Employment Initiative, Agriculture Commercialization and Trade, Social Safety Nets Project, SHEP.

systems and to introduce accountability into program management. At the end of FY2010/11, social auditing arrangements were being used by **30 percent** of projects<sup>9</sup>, and were being rolled-out to an additional **20 percent**<sup>10</sup> in FY2011/12; this will bring the share of the portfolio covered by these techniques to **50 percent**. In the education and health SWAp, the Government of Nepal has called for annual social audits to be implemented in all local-level facilities and has issued operational guidelines to this effect.

4.8 Bank-supported initiatives to enhance civil society-based, third party monitoring in Nepal were put in place in FY10/11. The **Program to Promote Demand for Good Governance (PRAN)** is building the skills of community groups and civil society organizations to undertake independent monitoring of government implemented programs and functions; it will also build government capacity to respond to citizen requests for information. A regional project funded by the Japanese Social Development Fund – **Engaging the Poor for Good Governance** - will support monitoring of Bank-funded projects in Nepal and Bangladesh by community groups and civil society organizations. Identification of projects and social accountability tools to be supported by this regional program was underway in early FY2011/12.

### ***C. Impact Evaluation***

4.9 Many development programs use impact evaluations to assess the changes attributable to program interventions. As many variables can influence beneficiary welfare, Bank-supported programs increasingly rely on these specialized surveys to compare the status of people in with- and without project situations. At the end of **FY2010/11, 17 percent** of projects<sup>11</sup> had initiated or completed impact evaluations for selected aspects of project activities. Evaluations ranged from questions about knowledge, attitudes, and practices related to hygiene (RWSSP II) to measurements focused on poverty and inclusion (PAF). The share of projects using impact evaluations will increase to about **45 percent in FY2011/12**. The seven additional projects planning to introduce impact evaluations include Social Safety Nets, the Health Sector Support SWAp, the School Sector Reform SWAp, Irrigation and Water Resources Management, Emerging Towns, Enhanced Vocational Education and Training, and Rani Jamara Kulariya Irrigation. New topics to be introduced for analysis include nutrition, social transfers, and reading skills, among others.

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<sup>9</sup> School Sector Reform SWAp, Health Sector Support SWAp, Rural Access Improvement and Decentralization, Second Higher Education Project (higher education component), Power Development (Micro hydro component), Rural Water Supply and Sanitation II, and the Poverty Alleviation Fund II.

<sup>10</sup> Emergency Peace Support, Social Safety Nets, Emerging Towns, Irrigation and Water Resources Management, and Rani Jamara Kularia Irrigation.

<sup>11</sup> Rural Access Improvement and Decentralization, Rural Water Supply and Sanitation II, Poverty Alleviation Fund II, and Agriculture Commercialization and Trade.

## 5. AID EFFECTIVENESS

5.1 The Nepal Paris Declaration Survey for 2010 (PDII) collected data on trends in development partner performance across the agreed nine PD indicators. The following table extracted from the Nepal Country Report shows IDA performance in 2010, compared to the average for development partners in Nepal in 2010 and against the Paris Declaration target for Nepal in 2010. The results show that in most areas, IDA performance exceeded the average for development partners as well as the Paris Declaration 2010 targets for Nepal. Areas where IDA performance fell short and improvement is needed include use of the country procurement system, use of program based approaches, and joint analytic work.

Indicators	Nepal 2008 Results	Nepal 2010 Results	IDA 2010 Results	PD Target 2010
Aid on Budget (average per donor)	46%	58%	100%	85%
Coordinated Technical Assistance	15%	48%	79%	50%
Using Country Public Financial Management System	68%	63%	100%	76%
Using Country Procurement System	56%	35%	0	N/A
Parallel Project Implementation Units (number)	106	68	0	64
In-year predictability	47%	55%	83%	65%
Programme-based approaches	23%	31%	36%	66%
Joint missions	23%	33%	42%	40%
Joint country analytic work	28%	63%	25%	66%

5.2 The Ministry of Finance rolled out its Aid Management Platform (AMP) to local development partners in 2011; World Bank staff participated in the AMP working group that has assisted in steering this process. The AMP, when fully operational, should help the Government have a more informed dialogue with development partners about division of labor. In advance of the AMP roll-out, IDA geo-coded its projects to facilitate coordination of development interventions and identify areas of overlap and duplication with other partners. In advance of completion of the AMP and Government-led division of labor discussions, IDA, ADB, DFID, and the UN consulted informally to identify where their respective programs could be adjusted to be complementary and to build on each institution's comparative advantages. These consultations resulted in shifts in sector support on the part of IDA, DFID, the ADB, and the UN, based on better information and better appreciation of respective mandates/competences.

5.3 With respect to strengthening country systems, the ADB and IDA have partnered to jointly address the challenge of public procurement reform by coordinating support for capacity-building and roll-out of the Public Procurement Act. In the area of financial management, the World Bank joined with AusAid, Denmark, DFID, and Norway in FY2010/11 to establish a Multi-Donor Trust Fund (MDTF) to support improvements in public expenditure and public financial management. The MDTF was activated in December 2010, and three projects were at an advanced stage of preparation at the end of the FY: Strengthening Public Financial Management Systems, Strengthening the Office of the Auditor General, and Strengthening PFM Capacity of Civil Society Organizations.

5.4 IDA continued its participation in two program-based mechanisms in 2011, the School Sector Reform Program and the Health Sector Program II. The partnership in the health sector expanded in 2011, with a GAVI, UNFPA, USAID, and WHO joining the Joint Financing Agreement. This should reduce transactions costs due to the single fiduciary framework that is being used. IDA works closely with bilateral contributors to the Nepal Peace Trust Fund and with the UN to ensure coordinated support for conflict-affected groups and capacity building efforts for the Ministry of Peace and Reconstruction. In the roads sector, the World Bank has been participating in a joint analytical exercise with donors active in the sector, each taking the lead on an agreed priority theme for analysis. The World Bank also contributed to the Peace and Development Strategy that was coordinated by the United Nations, with the goal of offering development community support in identified priority areas.

5.5 IDA/IFC supported the Government of Nepal in its successful efforts to secure global funding for climate change resilience (PPCR), scaling up renewable energy sources (SREP), and food security and agriculture (GAFSP). PPCR and SREP project identification was initiated in FY 2010/11 in close collaboration with the ADB and IFC. GAFSP project preparation, under IDA leadership, was initiated in early FY 2011/12 following confirmation of country funding for Nepal in late FY11.

## 6. SOME PRACTICAL NEXT STEPS

6.1 In looking at steps that could be taken to improve portfolio performance, it is always a challenge to know where to start and, equally important, what to prioritize. In the spirit of “keeping things simple”, some ideas are provided below for consideration:

### *To improve the pace of implementation:*

- Make sure that the adequate preparatory work such as recruitment of key project staff and basic procurement activities are completed prior to project approval;
- Minimize start up delays by signing legal documents more promptly after project approval;
- Ensure that legal opinions are prepared within the first month after signature;
- If the projects are consistently not performing well, the project teams should be proactive enough to think about timely restructuring or other mid course actions.

### *To improve the pace of disbursements:*

- Appoint experienced civil servants to the SWAs and ensure their continuity;
- Strengthen accounting and procurement skills of existing finance officers and government staff and ensure their continuity;
- Continue the practice of organizing WB financial management and procurement clinics;
- Roll out the planned procurement training program for government staff.

### *To increase staff productivity*

- Enforce the Civil Service Act “at least two years in post” rule more rigorously, as well as provisions on remaining in post after receiving publicly-financed training;
- Examine whether the threshold for rotations (currently 2 years) can be increased;
- Develop a performance evaluation system linked to results;
- Learn from the on-going performance based incentive pilots and identify where such innovations work best.
- Consider the desirability of adding new cadres to cover disciplines not currently recognized (e.g., procurement, environmental/social safeguard specialists, results management, communications, etc.).

### *To improve Right to Information compliance:*

- Deliver an orientation program for project managers on the Right to Information Act;
- Develop a web template for proactive disclosure to facilitate compliance with the RTI Act.

### *To improve monitoring of results:*

- Carry out baseline surveys before project/program start-up;
- Set realistic and measurable project targets, using indicators from the sector results framework whenever feasible;
- Plan and execute evaluation surveys in a timely manner;
- Deliver training in social audit techniques for all local committees expected to carry out social audits;
- Explore use of remote-sensing monitoring technologies (e.g., cell phones, GIS referencing).

**Nepal - WB Portfolio (IDA/TF Composition)**  
(US\$m, as of June 30, 2011)

S.No	Credit/Grant/TF	Project Name	Board Approval	Closing Date	Age (yrs)	Net Comm	Total Disb.	% Disb	FY Disb	
										1/19/2007
1	GR H2680	Avian Influenza Control	12/19/2002	12/31/2011	8.5	8.5	10.7	125.8%	0.1	
2	CR 3727	Financial Sector Technical Assistance	5/6/2008	6/30/2012	3.2	50.0	22.3	44.6%	2.7	
3	GR H3670	Emergency Peace Support	6/1/2004	8/30/2012	7.1	52.3	42.6	81.5%	7.6	
4	CR 3911, GR H3690	Rural Water Supply & Sanitation II	5/22/2003	12/31/2012	8.1	164.0	56.9	34.7%	17.2	
5	CR 3766, CR 4637, GR H5060, GR H0390	Power Development	12/16/2007	6/30/2013	3.6	64.3	22.1	34.4%	12.5	
6	CR 4515, GR H3380	Irrigation & Water Resources Management	9/30/2008	9/30/2013	2.7	64.5	48.4	75.1%	36.7	
7	CR 4510, CR 4750, GR H4240, GR H5790	Social Safety Nets	6/21/2005	12/31/2013	6.0	77.0	29.1	37.7%	3.6	
8	CR 4664, GR H1710, GR H5250	Rural Access Improvement & Decentralization	2/22/2007	1/15/2014	4.4	60.0	23.3	38.8%	7.6	
9	GR H2740	Second Higher Education	12/16/2007	6/30/2014	3.6	192.5	98.5	51.2%	40.2	
10	GR 3370, GR 6720	Poverty Alleviation Fund II	9/22/2009	12/15/2014	1.8	130.0	44.4	34.2%	44.4	
11	CR 4652, GR H5180	School Sector Reform Program	6/4/2009	6/30/2015	2.1	20.0	2.3	11.5%	1.3	
13	CR 4603, GR H4860	Agricultural Commercialization & Trade	5/10/2011	6/30/2015	0.1	38.0	-	0.0%	-	
12	CR 4932, GR H6760	Kabeli Transmission	12/16/2007	6/30/2015	3.6	117.6	53.3	45.3%	28.5	
14	CR 4832, CR 5002, GR H6290, GR H3390	Road Sector Development	4/20/2010	7/15/2015	1.2	129.2	22.1	17.1%	22.1	
15	CR 4707, GR H5570	Second HNP and HIV/AIDS	4/21/2011	10/30/2015	0.2	50.0	-	0.0%	-	
16	CR 4924, GR H6730	Enhanced Vocational Education & Training	4/7/2011	5/31/2016	0.2	3.0	-	0.0%	-	
17	GR H6660	Strengthening Regional Cooperation For Wildlife Protection	5/10/2011	7/31/2016	0.1	25.0	-	0.0%	-	
18	CR 4905, GR H6610	Emerging Towns	6/21/2011	12/31/2016	0.0	99.0	-	0.0%	-	
19	CR 4902, GR H6600	Nepal-India Electricity Transmission and Trade								
<b>IDA Total (1)</b>						<b>3.2</b>	<b>1,360.8</b>	<b>489.9</b>	<b>36%</b>	<b>228.1</b>
<b>TF</b>										
1	TF092561	Strengthening Institutional Capacity of the PPMO (IDF)	6/13/2008	10/1/2011	3.0	0.3	0.2	57.3%	0.0	
2	TF096287	Adolescent Girls Employment Initiative	3/6/2010	12/31/2011	1.3	2.1	0.4	19.2%	0.4	
3	TF058031	Biogas Support Program IV Project (GPOBA)	10/4/2007	4/30/2012	3.7	5.0	1.8	35.1%	1.2	
4	TF098650	Program to Promote the Demand for Good Governance in Nepal (PRAN)	1/24/2011	10/31/2012	0.4	0.8	0.1	7.2%	0.1	
5	TF093397	Pro-Poor Targeted School Stipend (JSDF)	2/22/2007	1/2/2013	4.4	1.9	0.3	16.8%	0.0	
6	TF094724	Preparation Grant (REDD)	2/16/2011	3/30/2013	0.4	3.2	-	0.0%	0.0	
7	TF099675	Strengthening Institutional Capacity of DNPWC (IDF)	3/29/2011	7/31/2014	0.3	0.5	-	0.0%	0.0	
8	TF098235	School Sector Reform Program (EFA-FTI)	12/7/2010	12/15/2014	0.6	120.0	30.0	25.0%	30.0	
9	TF056440	Biogas Support Program (CDCF)	6/2/2006	7/30/2015	5.1	7.0	2.0	28.3%	1.1	
10	TF090264	Micro Hydro (CDCF)	6/30/2007	6/30/2016	4.0	2.0	-	0.0%	0.0	
11	TF099274	Additional Financing of the Poverty Alleviation Fund II (FPCRf)	4/21/2011	6/30/2014	0.2	10.0	-	0.0%	0.0	
<b>TF Total (2)</b>						<b>2.1</b>	<b>152.7</b>	<b>34.7</b>	<b>22.7%</b>	<b>32.8</b>

(1) In addition, USD 9.62 million was disbursed from IDA projects that closed during the FY

(2) In addition, USD 1.09 million was disbursed from the TFs that closed during the FY

Nepal - IDA / TF Projects (US\$m)  
(as of June 30, 2011)

S.N	Credit/Grant/TF	Project Name	Board Approval	Closing Date	Age (yrs)	Net Comm	Total Disb.	% Disb	FY Disb
1	GR H2680	Avian Influenza Control	1/19/2007	7/31/2011	4.4	16.0	13.9	87.0%	3.5
2	TF092561	Strengthening Inst Capacity of the PPMO (IDF)	6/13/2008	10/1/2011	3.0	0.3	0.2	57.3%	0.0
3	CR 3727	Financial Sector Technical Assistance	12/19/2002	12/31/2011	8.5	8.5	10.7	125.8%	0.1
4	TF096287	Adolescent Girls Employment Initiative	3/6/2010	12/31/2011	1.3	2.1	0.4	19.2%	0.4
5	TF058031	Biogas Support Program IV Project (GPOBA)	10/4/2007	4/30/2012	3.7	5.0	1.8	35.1%	1.2
6	GR H3670	Emergency Peace Support	5/6/2008	6/30/2012	3.2	50.0	22.3	44.6%	2.7
7	CR 3911, GR H3690	Rural Water Supply & Sanitation II	6/1/2004	8/30/2012	7.1	52.3	42.6	81.5%	7.6
8	TF098650	Program to Promote the Demand for Good Governance in Nepal (PRAN)	1/24/2011	10/31/2012	0.4	0.8	0.1	7.2%	0.1
9	CR 3766, CR 4637, GR H5060, GR H0390	Power Development	5/22/2003	12/31/2012	8.1	164.0	56.9	34.7%	17.2
	TF090264	Micro Hydro Project (CDCF)	6/30/2007	6/30/2016	4.0	2.0	-	0.0%	0.0
10	TF094724	Preparation Grant (REDD)	2/16/2011	3/30/2013	0.4	3.2	-	0.0%	0.0
11	CR 4515, GR H3380	Irrigation and Water Resources Management	12/6/2007	6/30/2013	3.6	64.3	22.1	34.4%	12.5
12	CR 4510, CR 4750, GR H4240, GR H5790	Social Safety Nets	9/30/2008	9/30/2013	2.7	64.5	48.4	75.1%	36.7
13	CR 4664, GR H1710, GR H5250	Rural Access Improvement & Decentralization	6/21/2005	12/31/2013	6.0	77.0	29.1	37.7%	3.6
14	GR H2740	Second Higher Education	2/22/2007	1/15/2014	4.4	60.0	23.3	38.8%	7.6
	TF093397	Pro-Poor Targeted School Stipend (JSDF)	2/22/2007	1/2/2013	4.4	1.9	0.3	16.8%	0.0
15	GR 3370, GR 6720	Poverty Alleviation Fund II	12/6/2007	6/30/2014	3.6	192.5	98.5	51.2%	40.2
	TF099274	Additional Financing of the Poverty Alleviation Fund II (FPCR)	4/21/2011	6/30/2014	0.2	10.0	-	0.0%	0.0
	CR 4652, GR H5180	School Sector Reform Program (IDA)	9/22/2009	12/15/2014	1.8	130.0	44.4	34.2%	44.4
16	TF098235	School Sector Reform Program (EFA-FTI)	12/7/2010	12/15/2014	0.6	120.0	30.0	25.0%	30.0
17	CR 4603, GR H4860	Agriculture Commercialization & Trade	6/4/2009	6/30/2015	2.1	20.0	2.3	11.5%	1.3
18	CR 4932, GR H6760	Kabeli Transmission	5/10/2011	6/30/2015	0.1	38.0	-	0.0%	0.0
19	CR 4832, CR 5002, GR H6290, GR H3390	Road Sector Development	12/6/2007	6/30/2015	3.6	117.6	53.3	45.3%	28.5
20	CR 4707, GR H5570	Second HNP and HIV/AIDS	4/20/2010	7/15/2015	1.2	129.2	22.1	17.1%	22.1
21	TF056440	Biogas Support Program (CDCF)	6/2/2006	7/30/2015	5.1	7.0	2.0	28.3%	1.1
22	CR 4924, GR H6730	Enhanced Vocational Education & Training	4/21/2011	10/30/2015	0.2	50.0	-	0.0%	0.0
	GR H6660	Strengthening Regional Coop For Wildlife Protection	4/7/2011	5/31/2016	0.2	3.0	-	0.0%	0.0
23	TF099675	Strengthening Institutional Capacity of DNPWC (IDF)	3/29/2011	7/31/2014	0.3	0.5	-	0.0%	0.0
24	CR 4905, GR H6610	Emerging Towns	5/10/2011	7/31/2016	0.1	25.0	-	0.0%	0.0
25	CR 4902, GR H6600	Nepal-India Electricity Transmission and Trade	6/21/2011	12/31/2016	0.0	99.0	-	0.0%	0.0
	<b>Total (1)</b>				<b>2.8</b>	<b>1,513.6</b>	<b>524.6</b>	<b>34.7%</b>	<b>260.9</b>

(1) In addition, USD 10.7 million was disbursed from IDA/TF projects that closed during the FY

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
PPMO	MS	MS	10/1/2008	10/1/2011	<p>1. A national strategy and action plan for implementing procurement laws is ready.</p> <p>2. Curriculum for basic procurement training and pool of trainers made available.</p> <p>3. A report on how to develop the e-submission system into a full fledged e-procurement system is available.</p> <p>A report on how to develop the e-submission system into</p>	<p>Jul, 2010</p> <p>10/1/2011</p> <p>10/1/2011</p>	<p>1. Achieved. A Nepal Public Procurement Strategic Framework document prepared and approved by Government</p> <p>2. Achieved. Training strategy and partnership with Nepal Administrative Staff College established. Draft assessment report and curriculum prepared. Pool of trainers developed.</p> <p>3. Partly achieved. Consultant hired and assessment started.</p>
		Net Commitmt \$					
		Disbursements \$ mn:					
Financial Sector TA	MU	MU	7/1/2003	12/31/2011	<p>1. Statutory audit for all banks completed within 5 months and NRB audit within 6 months; Annual on-site inspection and quarterly off-site inspection conducted by NRB; Prompt Corrective Action guidelines implemented from FY2010/11.</p> <p>2. More than 75 % of banking sector assets owned/managed by the private sector banks.</p> <p>3. CICA automated with upgraded system; Turn-around time within 24 hours; A functioning STR established with automated system</p>	<p>12/31/2011</p> <p>12/31/2011</p> <p>12/31/2011</p>	<p>1. NRB's statutory audit takes more than 6 months whereas almost banks complete it within 5 months; Quarterly Off-site report completed within 3 months of QE and Enforcement Report generated within 45 days of QE; On-site supervision of banks done annually for each bank; Commercial banks meet timely reporting requirement and are IFRS compliant, but NRB is not; Prompt Corrective Action guideline implemented during FY 2010/11.</p> <p>2. 77 % of the banking assets owned/managed by the private sector banks as of mid-July 2011.</p> <p>3. Following cancellation of bids to procure MIS under the FSTA project, CICA is in process of inviting fresh bids under its own funding ; Turnaround time for credit information takes 2 days; MoF established an STR and the implementation function was outsourced to CICA in FY 2010/11; However, FSTA Project support to fund automation has been cancelled due to inadequate time remaining for procurement within project period.</p>
		Net Commitmt \$ mn:					
		Disbursements \$ mn:					
Project Kabeli Transmission	#	#	9/1/2011	6/30/2015	<p>1. Increase in transmission capacity by 150 MW in the integrated Nepal power system. (baseline 0)</p> <p>2. 25 communities have received access to enhanced off-grid energy services under the project.</p> <p>3. 5200 new HHs connected to the grid in Panchthar and Ilam districts in total. (Baseline 0)</p>	<p>Due Date</p> <p>6/30/2015</p> <p>6/30/2015</p> <p>6/30/2015</p>	<p>Current Progress towards Key Results</p> <p>Project not yet started</p>
		Current Rating					
		Net Commitmt \$ mn:					
		Disbursements \$ mn:					



Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Power Development	MS	3/25/2004	12/31/2012	1. 74,000 additional rural households with access to electricity from MH schemes 2. 65,000 additional rural households with access to grid-connected electricity. 3. 1,500 MW increased transmission capacity. 4. 22.4 MW increased generation capacity 5. 170 GWh increased energy generation 6. 1.6% reduction in transmission & distribution losses outside KTM valley 7. 6% reduction in distribution losses within KTM valley	12/31/2012	1. 39,325 households have gained access to electricity provided through MH schemes. 2. 6,500 additional rural households have access to grid-connected electricity. 3. Contracts for 3 transmission lines (Khimti-Dhalkebar, Hetauda-Bharatpur, and Bharatpur-Bardaghat) and 2 substations under implementation. 4. Contracts under implementation for rehabilitation of Multifuel Powerplant and Hetauda Diesel Center. 5. Procurement for Kall Gandaki "A" HEP rehabilitation to be initiated shortly. Completion of rehabilitation works within the remaining project period is unlikely. 6. Distribution system rehabilitation project is under implementation. All but one supply packages have been completed and all construction contracts have been awarded. 7. Procurement for this activity has largely been completed
	MS					
	Net Commitmt \$ mn: 164.03					
	Disbursements \$ mn: 56.9, 34.6%					
Project	Current Rating DO IP	9/30/2011	12/31/2016	1. Cross border transmission capacity of 1000 MW 2. 744 GWh per year electricity imported from India into Nepal under the PSA. 3. Synchronization of Nepal grid and India Grid	12/31/2016	Project not yet started
	#					
	Net Commitmt \$ mn: 99.0					
	Disbursements: 0					
Project	Current Rating DO IP	12/1/2007	4/30/2012	1. Commissioning of 27,489 plants in designated districts	Apr-12	1. 24,613 ( 90%) plants installed as of June 2011
	S					
	Net Commitmt \$ mn: 5.0					
	Disbursements \$: 1.757, 35.2%					
Biogas (DFID)	Current Rating DO IP	8/1/2004	11/30/2015	1. Purchase of 1,000,000 tCO2e		1. The project has generated 453,562 ERs, out of which 329,410 ERs have been purchased (124,152 ERs are in the process of independent verification). 1 ER = 1 tCO2e
	S					
	Net Commitmt \$ mn: 7.0					
	Disbursements mn: 1.2, 28.3%					

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Rural Access Improvement	MS	8/16/2005	12/31/2013	1. 20% increase in motorized & non-motorized trips by beneficiaries by EOP 2. 20% reduction in travel time by beneficiaries by EOP 3. 15% increase in the number of people in participating hill districts that live within 4 hour walk of all-season road. 4. 10% increase in the number of people in participating Terai districts that live within 2 hour walk of all-season road.	12/31/2013	1. More than 20% increase in vehicle trips on completed roads.
	MS				12/31/2013	2. 79% reduction in travel time on completed roads.
	Net Commitmt \$ mn: 77.0				12/31/2013	3. Impact study is being conducted. Results will be available by Nov 2011.
	Disbursements: \$ mn 29.1, 37.7%				12/31/2013	4. Impact study is being conducted. Results will be available by Nov 2011.
Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Road Sector Development	S	2/21/2008	6/30/2015	1. 6% increase in number of people with all season access to economic centers & social services 2. 35% reduction in journey times to key economic centers in project areas. 3. Reduce the percentage of black top Strategic Road in poor condition to 15% 4. Upgrading of 700 km of Strategic Roads 5. 705 km of strategic roads receive periodic maintenance	6/30/2015	1. 3.15% increase in number of people with all season access to economic centers & social services.
	S				6/30/2015	2. Preliminary survey by DoR project offices resulted in a 35% reduction in travel time. Impact study to be carried out for completed roads by June 2012.
	Net Commitmt \$ mn: 117.6				6/30/2015	3. 22.41% black top roads in poor condition.
	Disbursement \$ mn: 53.3, 45.3%				6/30/2015	4. Upgrading work on 285 km strategic roads completed.
			6/30/2015		6/30/2015	5. 285 km completed.
Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Irrigation & Water Resources Management	MS	1/30/2009	6/30/2013	1. Increase in productivity of selected crops to, Paddy: 3.5 MT/ha; Wheat 2.8 MT/ha, Maize 3.2 MT/ha; Potato 14.0 MT/ha 2. 60% of tail enders reporting improved water availability 3. 75% of WUAs in transferred irrigation schemes whose O&M expenditures is as per agreed Asset Management Plans	6/30/2013	1. Paddy: 2.9MT/ha; Wheat 2.0 MT/ha, Maize 2.1 MT/ha; Potato 10.0 MT/ha
	MS				6/30/2013	2. No details yet, as the rehabilitation of the first schemes only recently completed.
	Net Commitmt \$ mn: 64.3				6/30/2013	3. MoU signed between the WUAs and the DOI in four irrigation systems. No details yet, as WUAs are just now starting to work on O&M under transferred scheme conditions.
	Disbursements \$ mn: 22.1, 34.3%				6/30/2013	
Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
School Sector Reform (IDA)	MU	12/23/2009	12/15/2014	1. NER: 85% (Basic); NER: 99% (Primary) 2. Gender Parity Index (Basic): 98% 3. Completion Rate for Basic Education: 66% 4. Two Student Learning Assessments (SLA) to be carried out during program period 5. Target Net Enrolment Rate for Secondary Grades (9-12): 27% ; Baseline NER: 21%	10/31/2014	1. NER (Basic): 86%; NER (Primary): 94.5%
	MU				12/15/2014	2. Gender Parity Index (Basic): 98%
	Net Commitmt \$ mn: 130.0				12/15/2014	3. Completion Rate for Basic Education: 56.80%. Figures will be updated as the team receives the data from NLS III survey.
	Disbursements \$ mn: 44.4, 34.1%				12/15/2014	4. First SLA process has begun; analysis is to be completed by April 2012.
			12/15/2014		12/15/2014	5. Current Net Enrolment Rate for Secondary Grades (9-12): 27.10%
School Sector Reform (EFA- FTI)	Net Commitmt \$ mn: 120.0 Disbursements \$: \$ 30 mn, 25%					

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Second Higher Education	MU MU	7/27/2007	1/15/2014	1. Six Institutions accredited	15/1/2014	1. One institution accredited
	Net Commitmt \$ mn: 60.0			2. Student pass rates at bachelors levels : 36%, baseline 32.60%) and at Masters levels: 26%, baseline 22.30%) in participating institutions.	15/01/2014	2. Student pass rates at bachelors levels : 32.60% and Masters levels: 22.30%. Current data for both is being collected.
	Disbursements \$ mn: 23.2, 38.8%			3. 39% of students enrolled in science, technology, management and other employment/economic development focused programs in participating higher education institutions. (Baseline: 34.3%)	15/01/2014	3. Current data is being collected.
	Net Commitmt \$ mn: 1.9			4. Share of graduates from under-privileged groups in the total number of graduates: Higher education: (girls: 44%, dalits and janajatis: 13.5%); in Higher Secondary education: (girls: 50%, dalits and janajatis: 6.2%)	15/01/2014	4. Higher Education: Girls - 42.97%, Dalit and DJ- 12.88%; Higher Secondary Education: Girls - 52.3%, Dalits - 5.8%
	Disbursements: \$ 0.32 mn, 17%			5. 80,000 students enrolled in participating higher education institutions. (baseline : 74,012)	15/01/2014	5. Current data is being collected.
Pro-Poor Targeted Stipend (JSDf)				6. 163,000 students enrolled in participating higher secondary schools. (baseline : 48,000)	15/01/2014	6. 153,009 students enrolled in participating higher secondary schools
Project	Current Rating DO IP	Approval date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
EVENT	# #	4/21/2011	10/30/2015	1. 80% employment rate of short term training graduates after 3, 6 and 9 months of completing training.	10/30/2015	Project not yet started
	Net Commitmt \$ mn: 50.0			2. 25% increase in average monthly earnings of Short term training graduates after 3, 6 and 9 months of completing training.	10/30/2015	
	Disbursements: \$ 0 mn, 0.0%			3. Number of active micro-entrepreneurs after 6 months of training. ( Number TBD)	10/30/2015	
				4. 10,000 NSTB certified youth ( baseline 0)	10/30/2015	
				5. Increase in enrollment of TSLC and diploma students (Number TBD)	10/30/2015	
Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
AGEI	# #	3/17/2010	12/31/2012	1. By the EOP, Skill provision for 4,375 young women aged between 16 and 24.	12/30/2012	No updates yet
	Net Commitmt \$ mn: 2.05			2. Job placement of 80% of graduates every year.	12/30/2012	
	Disbursements: \$ mn. 393, 19%			3. Avg monthly income of Nrs 3,000, for graduates placed in informal jobs over a 6 mth period.	12/30/2012	
				4. Average monthly income of Nrs 4,600, for graduates placed in formal jobs over a 6 month period.	12/30/2012	
				5. 25% annual increase in the share of applicants from excluded or special groups.	12/30/2012	

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Health Sector Support (SWAp)	S MS	2/25/2005	7/15/2015	1. Contraceptive prevalence rate increased from 45.5% to 55% 2. Skilled Attendance at birth increased from 11% to 35% 3. Percentage of children immunized against DPT3 increased from 72% to 90% 4. Mothers taking IFA during last pregnancy increased from 81.3% to 87%	7/15/2015	1. Contraceptive prevalence rate (CPR) decreased to 43.2% (modern methods) 2. Skilled Attendance at birth increased to 36% 3. DPT3 immunization coverage : 91.4%. 4. 81.1% of mothers have been taking IFA during last pregnancy.
	Net Commitmt \$ mn: 129.2				7/15/2015	
	Disbursements \$ mn: 22.1 (17.1%)				7/15/2015	
					7/15/2015	
Avian Influenza Control	S MS	3/27/2007	7/31/2011	1. HPAI Absent 2. Positive behavioral change related to AI increases among poultry farmers (80%), health workers (80%), and general population (80%) in terms of key aspects of knowledge, attitudes, and practices.	7/31/2011	1. No HPAI in poultry. 10 outbreaks including the one in Chitwan in Oct 2010, have been contained. 2. Positive behavioral change related to AI increased to 81.5% on average.
	Net Commitmt \$ mn: 15.92				7/31/2011	
	Disbursements \$ mn: 13.92, 87.4%					
Rural Water Supply & Sanitation II	MS MS	11/19/2008	08/30/2011	1. Operationalization of RWSS sector M&E unit at the Ministry of Physical Planning and Works 2. 100% of population in project area with access to water supply points that can be reached with a 15 minute round trip walk from their residence (1,463 schemes / base year pop of 1.03 mn) 3. 50 % of population in project area with access to hygienic sanitation facilities within 30 meters of residence. 4. 1,463 WSUCs with more than 3 women members.	8/30/2011	1. RWSS sector M& E/MIS fully operational as of Nov 19, 2010. 2. 64% of target population has access to water supply points within a 15 min round trip walk. 3. 67% of target population has access to hygienic sanitation facilities within 30 mtrs of their residence. 4. Target achieved in all schemes- WSUCs groups with more than 3 women members formed in 1,561 schemes.
	Net Commitmt \$ mn: 52.3				8/30/2011	
	Disbursements \$ mn: 42.6, 81%				8/30/2011	
					8/30/2011	
Project PAF II	HS MS	3/19/2008	9/30/2012	1. 25,000 households (both poor & non-poor) with access to improved infrastructure facilities 2. At least 25% of poor households have incomes increase by at least 15% 3. At least 30% of key positions in Project COs are filled by persons from targeted HHs 4. At least 30% each IGA of CO members belong to targetted HHs	8/30/2012	1. No. of HHs: 49,168 2. 66% of poor households have experienced a 15% increase in income. 3. 55% of key positions in Project COs are filled by persons from targeted groups 4. 52.5% of each IGA CO members belong to targetted HHs.
	Net Commitmt \$ mn: 192.5				8/30/2012	
	Disbursements: \$ 98.5 mn, 51.16%				8/30/2012	
					8/30/2012	

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO IP	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Agriculture Commerce & Trade	S S	11/13/2009	6/30/2015	1. Productivity of selected commodity value chains increase by 25% 2. Number of samples submitted for analysis increased by 30%. 3. By EOP, at least 310 new partnerships involving farmer groups and agribusinesses have received competitive grants.	6/30/2015	1. Productivity of selected commodity value chains has increased by 7% 2. Number of samples submitted for analysis increased by 9%. 3. As of May 2011, 48 new partnerships involving farmer groups and agribusinesses have received competitive grants.
	Net Commitmt \$ mn: 20.0				6/30/2015	
	Disbursements \$ mn: 2.3, 12%				6/30/2015	
					6/30/2015	
Project Social Safety Nets	S S	1/28/2009	9/30/2013	1. 170,000 direct project beneficiaries. 2. 95% of targeted households reporting increased ability to meet their food and basic needs 3. At least 60 days of food/cash for work per acute food-insecure household per annum	Due Date	Current Progress towards Key Results 1. Total direct beneficiaries have reached 1,659,260. 2. 91% of households reported an increase in food security. 3. Achieved. Each food-insecure household has been able to secure at least 60 days of food/cash for work, per annum.
	Net Commitmt \$ mn: 64.5				9/30/2013	
	Disbursements \$ mn: 48.4, 75%				9/30/2013	
					9/30/2013	
Project Peace Support Project	MS MS	9/19/2008	6/30/2012	1. At least 95% of identified eligible families of the deceased and widows receive cash payments as per BPOG 2. At least 90% of eligible individuals in agreed target groups who seek skills/ employment rehabilitation services receive them as per BPOG 3. At least 90% of surveyed recipients are satisfied with MOPR benefit delivery process 4. Summary payment information to families and widows is available on MOPR website and on district disclosure boards 5. MOPR grievance redressal mechanism operational	Due Date	Current Progress towards Key Results 1. 13,650 families (90%) out of 15,193 eligible had been compensated as of Jun 30, 2011. 2. MOPR has prepared draft directives on services to be offered for 5 conflict affected groups. Draft training guidelines prepared as well. Service provision not yet started. 3. Interim 3rd party assessment has not yet been carried out. 4. Website has information on payments to families of the deceased, but information on payments to widows is being corrected. Payment information is posted in District disclosure boards. 5. Grievance mechanism not in place.
	Net Commitmt \$ mn: 50.0				6/30/2012	
	Disbursements \$ mn: 22.3, 45%				6/30/2012	
					6/30/2012	
					6/30/2012	
					6/30/2012	
Project Emerging Towns	# #	Approval date	Closing Date	1. 10% increase in the citizens who report that the infrastructure services offered by the municipality better meet their needs than the previous year. 2. 10% increase in citizens who report that they have participated in planning meetings at the ward level. 3. 100,000 people benefited from urban services and infrastructure improvements of which 10% are female and from disadvantaged groups.	Due Date	Current Progress towards Key Results Project not yet started
	Net Commitmt \$ mn: 25.0	5/10/2011	7/31/2016		7/31/2011	
	Disbursements \$ mn: 0, 0%				7/31/2011	
					7/31/2011	

Nepal - Project Results (as of June 30, 2011)

Project	Current Rating DO #	IP #	Effective date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Regional Wildlife			7/1/2011	5/31/2016	1. Establishment of regional coordination forum for addressing illegal wildlife trade and other conservation threats. 2. Development of at least one protocol each on a common research agenda, knowledge, collaboration and division of labor. 3. Agreement among the enforcement agencies on at least two regional protocols, including approaches and solutions.	5/31/2016	Project not yet started
	Net Commitmt \$ mn: 3.0					5/31/2016	
	Disbursements \$ mn: 0.0%					5/31/2016	
Project	Current Rating DO #	IP #	Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
DNPWC (IDF)			8/25/2011	8/25/2014	1. 350 staff and 300 community members trained in mountain protected area management 2. 5 protected area management plans updated	8/25/2014	Project not yet started
	Net Commitmt \$ mn: 0.5					8/25/2014	
	Disbursements \$ mn: 0.0%						

**NEPAL - IDA/TF Project Monitoring Arrangements**

Cr/Gr	Project Name	Uses Sector or Agency M&E System	Uses Project Specific M&E	Data feeds to Sector M&E	Is building Sector or Agency M&E
CR 3727	Financial Sector TA		X		
TF092561	Strengthening Inst. Capacity of the PPMO (IDF)		X		X
CR 3766, CR 4637, GR H5060, GR H0390	Power Development (PDP)		X	X	X
TF090264	Micro Hydro (CDCF)				
CR 4932, GR 6760	Kabell Transmission		X	X	
TF056440	Nepal Biogas Support Program (CDCF)		X	X	
TF058031	Nepal Biogas Support Program (GPOBA)				
GR H274	Second Higher Education (SHEP)		X	X	X
TF093397	Pro-Poor Targeted Stipend (JSDF)				
CR 4652, GR H5180, TF098235	School Sector Reform Program	X			X
CR 4924, GR 6730	EFA-FTI School Sector Reform Program		X	X	X
CR 4707, GR H557	Enhanced Vocational Educ & Training				
GR H268	Nepal Health Sector Program II	X			X
GR 3911, GR H369	Avian Influenza Control		X	X	
CR 4664, GR H1710, GR H5250	Rural Water Supply & Sanitation II	X		X	X
CR 4832, CR 5002, GR H6290, GR H3390	Rural Access Improvement & Decentralization		X	X	X
CR 4905, GR 6610	Road Sector Development (RSDP)		X	X	X
CR 4515, GR H3380	Emerging Towns	X	X	X	
CR 4603, GR H486	Irrigation & Water Resource Management		X	X	
GR H367	Agriculture Commercialization and Trade		X	X	
CR 4510, CR 4750, GR H4240, GR H5790	Emergency Peace Support		X	X	X
GR 3370, GR 6720	Social Safety Net		X	X	X
TF099274	PAF II (IDA)				
GR 6660	Additional Financing of the PAF II (FPCRf)	X			
TF099675	Streng. Regional Coop For Wildlife Protection		X		X
TF094724	Strengthening Inst Capacity of DNPWC (IDF)				
CR 4902, GR 6600	Preparation Grant (REDD)				
TF098650	Nepal-India Electricity Transmission and Trade		X	X	
TF096287	Program to Promote the Demand for Good Governance in Nepal (PRAN)		X		
	Adolescent Girls Employment Initiative (AGEI)		X	X	
	<b>Totals</b>	<b>5</b>	<b>19</b>	<b>16</b>	<b>12</b>

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