



Nepal: Enhancing Portfolio Performance

Project Name	Enhancing Portfolio Performance								
Project Number	48339-001								
Country	Nepal								
Project Status	Active								
Project Type / Modality of Assistance	Technical Assistance								
Source of Funding / Amount	<table border="1"><tr><td colspan="2">TA 8847-NEP: Enhancing Portfolio Performance</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 1.50 million</td></tr><tr><td colspan="2">TA: Enhancing Portfolio Performance (Supplementary)</td></tr><tr><td>Technical Assistance Special Fund</td><td>US\$ 500,000.00</td></tr></table>	TA 8847-NEP: Enhancing Portfolio Performance		Technical Assistance Special Fund	US\$ 1.50 million	TA: Enhancing Portfolio Performance (Supplementary)		Technical Assistance Special Fund	US\$ 500,000.00
TA 8847-NEP: Enhancing Portfolio Performance									
Technical Assistance Special Fund	US\$ 1.50 million								
TA: Enhancing Portfolio Performance (Supplementary)									
Technical Assistance Special Fund	US\$ 500,000.00								
Strategic Agendas	Inclusive economic growth								
Drivers of Change	Governance and capacity development								
Sector / Subsector	Agriculture, natural resources and rural development - Rural water policy, institutional and capacity development Transport - Transport policies and institutional development Water and other urban infrastructure and services - Urban policy, institutional and capacity development								
Gender Equity and Mainstreaming	No gender elements								
Description	The proposed TA envisages institutional strengthening for enhancing portfolio performance_focusing on the capacity building so that implementation of ADB funded projects will be improved. The contract award and disbursement will be enhanced leading to improved capital expenditure and accelerated growth. Given its size, the proposed TA will be able to support the much needed wider and more generic reforms and capacity building focusing on (i) strengthening the systems and capacities in public procurement, project and contract management; (ii) develop sector-wide roadmaps and actions to enhance the sector investments progressively through policies on investment and capacity building, project feasibility studies and detailed designs, accelerated implementation, and associated institutional restructuring of the sector; (iii) improving budgetary and monitoring processes including the steps and arrangements for budget approval, endorsement, expenditure authorization and implementation, and (iv) other portfolio management activities.								

Project Rationale and Linkage to Country/Regional Strategy

To improve portfolio performance, the Government needs support in its implementation capacity. The Government needs to prepare a pool of projects with high readiness for implementation. The efficiency of Government's annual budget preparation, approval, authorization and execution processes also needs improvement. This requires better coordination and monitoring among the National Planning Commission (NPC), the Ministry of Finance (MOF) and the lines ministries supported by efficient Information Technology management system.

As a less developed and fragile country, Nepal lacks institutional capacity in several areas but especially in project planning, preparation and implementation, and procurement. There is a lack of robust procurement plans critical to monitor procurement and contract execution. The public procurement environment is less conducive to maintain stringent procurement process due to weak enforcement of Public Procurement Act and Regulations. While some progress has been made in e-procurement, such as, rollout of first phase of electronic government procurement (eGP) launched in 2013, human resources and capacities of a central regulating agency, the Public Procurement Monitoring Office (PPMO) remains weak. The PPMO does not have effective mechanism to monitor the procurement performance of executing and implementing agencies (EAs and IAs). It suffers from high turnover of key officials. Procurement capacities of local bodies also remain insufficient. They lack trained human resources in procurement and the weak financial management capacities expose to a high level of fiduciary risks. Weak performance of contractors and consultants continue to be an issue in a number of projects. Contractors' performance is often hampered by the absence of lead firm and delays in equipment deployment, leading to weak implementation, and time and cost overrun. Performance of consultants has also often been poor, with high turnover of key personals and weak contract management, and oversight skills of government's executing agencies. A system of performance evaluation and monitoring system for contractors and consultants is also lacking.

The fragility of the country from the impact of the decade-long civil conflict has also undermined the government agencies' project implementation capacity. Other than the ordinarily allocated ADF resource and Technical Assistances (TAs), there are no special supports to help address these weaknesses. These weaknesses are reflected in ADB operations in the country. ADB's active portfolio as of 31 July 2014 comprises of 39 investment projects with a net loan and grant amount of \$1.75 billion, and 58% of this amount remains uncontracted and 75% undisbursed. This compares unfavorably with other countries in the subregion. Year 2012 posed particular challenges, due to disruptions caused by the dissolution of the Constituent Assembly and difficulties associated with the partial and delayed budget. However, in 2013, the Nepal portfolio achieved \$229.0 million in contract award and \$159.4 million in disbursements, with contract award and disbursement ratios of 24% and 16%, respectively. Nepal's disbursement performance is far below the ADB-wide achievements of 22 % and 21% in 2012 and 2013, respectively. Furthermore, project implementation is often delayed, with most of the projects not being completed within the stipulated project implementation period.

Improving procurement, project management, contract management and financial management and strengthening the capacity of EAs/IAs in these areas are imperative to improve portfolio performance in Nepal. In addition, project preparation capacity must improve with a pool of implementation-ready high-priority infrastructure projects prepared.

Impact	Enhanced capital expenditure in Nepal
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Project Outcome

Description of Outcome	Improved portfolio performance of ADB-assisted projects
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Progress Toward Outcome

Implementation Progress

Description of Project Outputs	Output 1: Project budgetary and monitoring process improved Output 2: Action plan for enhancing capital expenditure of key infrastructure sectors developed and implementation started Output 3: Capacity of executing and implementing agencies improved
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Status of Implementation Progress (Outputs, Activities, and Issues)

Output 1: Project budgetary and monitoring process improved
- The draft action plan for government budgetary and monitoring has been completed

Output 2: Action plan for enhancing capital expenditure of key infrastructure sectors
- Draft investment strategies for Energy, Transport and Urban sectors have been prepared in consultation with line ministries.
- Three experts (Public Enterprise, Financial Management and Legal) mobilized to support the Ministry of Finance in review status and provide recommendations of Public Enterprises in Nepal.

Output 3: Capacity of executing and implementing agencies improved
- A Capacity Development Resource Center (CDRC) was established in November 2015 to improve project implementation. By December 2016, 17 training program provided to 515 project staff in procurement, contract management, safeguards, gender equity and social inclusion, project management and financial management.
- Consultant performance monitoring system: Final draft has been prepared and the automated rating system is expected to be rolled out by June 2017.
- Contractor performance monitoring system (MIS) started in August 2016 and collection of data is in process. The MIS with a relational data base management system is expected to be completed by June 2017.
- Technical Audit: Checklist and TOR developed for technical audit. National Vigilance Centre will use this for the upcoming technical audits in 2017.
- An action plan and damage and needs assessment (PDNA) in response to earthquake recovery efforts were developed, and Emergency Earthquake Assistance Project (\$200 million) approved in 2015.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design	Consultations held with the key agencies - Ministry of Finance, National Planning Commission, Ministry of Physical Infrastructure and Transport and Public Procurement Monitoring Office.
During Project Implementation	Consultations will be held during review mission. Regular meetings will also be held with the stakeholders on the progress.

Business Opportunities

Consulting Services	The TA will recruit 26 person-months international and 108 person-months national consultants (total 134 person-months) to provide specialized inputs for capacity development and project/portfolio management _in order to achieve the envisaged TA scopes.
Procurement	None.

Responsible Staff

Responsible ADB Officer	Khan, Sarosh I.
Responsible ADB Department	South Asia Department
Responsible ADB Division	Nepal Resident Mission
Executing Agencies	<i>Ministry of Finance The Government of Nepal Singha Durbar Kathmandu, Nepal</i>

Timetable

Concept Clearance	31 Oct 2014
Fact Finding	28 Oct 2014 to 28 Oct 2014
MRM	-
Approval	12 Dec 2014
Last Review Mission	-
Last PDS Update	27 Mar 2017

TA 8847-NEP

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Dec 2014	09 Jan 2015	09 Jan 2015	31 Dec 2017	-	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,500,000.00	0.00	150,000.00	0.00	0.00	0.00	1,650,000.00	12 Dec 2014	1,000,595.50

Project Page

<https://www.adb.org/projects/48339-001/main>

Request for Information

<http://www.adb.org/forms/request-information-form?subject=48339-001>

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