



Technical Assistance Report

Project Number: 53238-001
Transaction Technical Assistance Facility (F-TRTA)
September 2019

Nepal: Portfolio Management and Capacity Development for Enhanced Portfolio Performance

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 August 2019)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
NRs1.00	=	\$0.0087458
\$1.00	=	NRs114.34

ABBREVIATIONS

ADB	–	Asian Development Bank
CDRC	–	Capacity Development Resource Center
CPS	–	country partnership strategy
GESI	–	gender equality and social inclusion
MOF	–	Ministry of Finance
NASC	–	Nepal Administrative Staff College
TA	–	technical assistance
TPRM	–	tripartite portfolio review meeting

NOTES

- (i) The fiscal year (FY) of the Government of Nepal ends on 15 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 15 July 2019.
- (ii) In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE

1. Basic Data		Project Number: 53238-001
Project Name	Portfolio Management and Capacity Development for Enhanced Portfolio Performance	Department/Division SARD/NRM
Nature of Activity Modality	Capacity Development Facility	Executing Agency Ministry of Finance
Country	Nepal	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Public sector management	Economic affairs management	1.50
	Total	1.50
3. Operational Priorities		Climate Change Information
✓ Accelerating progress in gender equality		Climate Change impact on the Project Low
✓ Strengthening governance and institutional capacity		
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 17.9		Some gender elements (SGE) ✓
		Poverty Targeting
4. Risk Categorization Complex		
5. Safeguard Categorization Safeguard Policy Statement does not apply		
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		1.50
Transaction technical assistance: Technical Assistance Special Fund		1.50
Cofinancing		0.00
None		0.00
Counterpart		0.00
None		0.00
Total		1.50
Currency of ADB Financing: US Dollar		

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. **Alignment with Asian Development Bank strategies.** The transaction technical assistance (TA) facility will provide capacity building to projects in Nepal financed by the Asian Development Bank (ADB). The facility will support ADB's country partnership strategy (CPS) for Nepal, 2013–2017, the forthcoming CPS for Nepal, 2020–2024, and ADB's Strategy 2030.¹ Given the growth and increasing complexity of ADB's Nepal portfolio and the country's transition from a central system to a three-tiered federal system of governance, ADB's hands-on support for its Nepal projects is essential. Hence, a TA facility is proposed to provide systematic and demand-driven capacity development for project implementation and evaluation, to support tripartite portfolio review meetings (TPRMs), and to provide targeted capacity development for ongoing and pipeline projects to improve effective project implementation. The TA facility is included in ADB's country operations business plan for Nepal, 2019–2021, which is consistent with the extended CPS.² ADB has discussed and reached an agreement with the Ministry of Finance (MOF) on the purpose, scope, implementation arrangements, cost and financing plan, and terms of references of the TA facility.³

2. **Portfolio growth and challenges.** ADB's active portfolio in Nepal as of the end of December 2018 stands at \$2.8 billion, with 31 loans amounting to \$2.5 billion and 18 investment grants totaling \$282.0 million. ADB's annual lending commitment to Nepal averaged \$253 million annually during 2014–2016, then increased to \$510 million in 2017 and to \$592 million in 2018. The forthcoming CPS envisages increasing this figure to about \$600 million annually during 2020–2024, with annual contract awards and disbursements increasing commensurately. Nepal transitioned to a three-tiered federal system of governance in FY2018, with federal, provincial, and local governments entrusted to execute development projects. Increasingly, provincial and local governments will implement ADB-funded projects. But ADB's experience with local governments suggests that they have limited capacity to meet ADB requirements. As provinces are new administrative structures, capacity strengthening is deemed particularly urgent for provincial governments with no prior experience of engaging with ADB.

3. Implementing the new federal structure and sustaining the performance of its active portfolio will be challenging for Nepal. Therefore, it is crucial to build the capacity of executing and implementing agencies of federal, provincial, and local governments. Insufficient capacity affects project performance in procurement, consultant recruitment, contract management, financial management, safeguards, gender equality and social inclusion (GESI), and project monitoring and evaluation. Furthermore, during implementation, projects frequently encounter problems surrounding transfer of project directors and other key project staff, so regular capacity development support is required. Hiring qualified contractors and consultants has been a problem; improving the performance of contractors and consultants will require effective procurement design, regular performance monitoring, and solid control mechanisms. Issues surrounding land

¹ ADB. 2013. [Country Partnership Strategy: Nepal, 2013–2017](#). Manila. ADB extended the country partnership strategy, 2013–2017 until 2019. ADB. Forthcoming. *Country Partnership Strategy: Nepal, 2020–2024*. Manila; and ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

² ADB. 2017. [Country Operations Business Plan: Nepal, 2018–2020](#). Manila. The TA facility first appeared in the business opportunities section of ADB website on 28 August 2018.

³ ADB received the confirmation on 1 July 2019.

acquisition, resettlement, forest clearance, and ensuring right-of-way also hamper project implementation. Resolving these issues will require improved interministerial coordination.

4. **Continued engagement.** ADB has been addressing these challenges through the Capacity Development Resource Center (CDRC), which was established in the Nepal Administrative Staff College (NASC) through ADB TA to Nepal for Enhancing Portfolio Performance.⁴ From December 2015 to May 2019, the CDRC delivered 54 training programs to more than 1,500 executing and implementing agencies staff working on ADB projects; these covered topics such as environmental and social safeguards, GESI, procurement, consultant recruitment, contract management, financial and project management, and preparation of quarterly project progress report. The CDRC conducted four procurement and contract management clinics. NASC and ADB identified the training topics through a training needs assessment. NASC and ADB delivered the training programs, ensuring they were locally relevant, resource-driven, and economical. The TA (footnote 4) also supported the establishment of TPRMs as an institutional mechanism to address project implementation issues and support the successful completion and evaluation of projects.

5. The TA facility will support the continuation of demand-led capacity development programs, improve the quality of these programs, and continue to support the CDRC as a key mechanism for delivering capacity development programs. One lesson learned from the Enhancing Portfolio Performance TA was that identifying training needs for specific target groups—for instance, new implementing agencies or senior officers—yields better results. Therefore, the TA facility team will (i) conduct regular training needs assessments to identify specific capacity gaps of selected agencies, (ii) upgrade training materials through feedback received from participants, and (iii) combine field-based training programs and clinic-style issue-resolution workshops with classroom training programs. The CDRC will closely coordinate and, where feasible, collaborate with ongoing capacity development activities supported by the government and/or other development partners.⁵ The CDRC will help establish pools of local trainers or resource persons in partnership with existing training institutes to institutionalize capacity building. In addition, the TA facility will provide project implementation support on environmental and safeguard compliance, contract management, financial management, and project management to critical ADB projects. ADB's Disaster Resilience of Schools Project will be supported with capacity development in quality assurance of school designs, environmental and social safeguards compliance management, and financial management.⁶ The TA facility will

⁴ ADB. 2014. [Technical Assistance to Nepal for Enhancing Portfolio Performance](#). Manila. The TA is due for closure in September 2019.

⁵ For instance, the Integrated Public Financial Management Reform Project implemented under a trust fund managed by the World Bank, which focuses on capacity development (specifically targeting procurement and financial management) of the Financial Comptroller General Office, Office of the Auditor General, Public Procurement Monitoring Office, and key central and subnational government agencies. Another large project is the Provincial and Local Governance Strengthening Project which is designed to strengthen the capacity of the sub-national governments to deliver public services. The project, which aims to start activities in 2020, is financed by the United Kingdom Department for International Development, the Swiss Agency for Development and Cooperation, Norway, the European Union and United Nations Development Program, together with the Government of Nepal and includes, the development and strengthening of training centers in each provincial capital. The Ministry of Foreign Affairs and General Administration will implement this project. In addition, the National Planning Commission has, as part of its mandate to support planning activities in the three-tiered federal system, prepared guidelines on planning, budgeting, and financial management for the subnational level, which can be a resource for capacity development activities.

⁶ ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan, Grant, and Administration of Grant to Nepal for Disaster Resilience of Schools Project](#). Manila. Implementation of this project commenced in early 2019. ADB. 2015. [Technical Assistance to Nepal for Support for Project Implementation of the](#)

among others support the South Asia Subregional Economic Cooperation Roads Improvement Project, the Melamchi Water Supply Project, and the Bagmati River Basin Improvement Project in environmental and social safeguards compliance and contract management.⁷

B. Outputs and Activities

6. Output 1: Capacity development of executing and implementing agencies increased.

The TA facility will support the CDRC to conduct at least 50 capacity building programs to train about 1,500 staff from the executing and implementing agencies of ongoing and pipeline projects and associated federal, provincial, and local government staff during 2019–2023 and to conduct four clinics on procurement, social safeguards, financial management, and contract management targeted at individual projects. These capacity building programs will cover ADB policies and procedures, project implementation, and thematic topics for improved project portfolio performance, with an emphasis on field-level, clinic-style, issue-resolution workshops, including the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The TA facility will support the CDRC to develop training programs based on capacity assessments of executing and implementing agencies and periodic training-needs surveys. The topics covered will include procurement, consultant selection, contract management, project management, safeguards, GESI, financial management, and topics assessed from the periodic surveys. ADB staff from relevant ADB departments will be consulted to develop training material and where appropriate engaged as resource persons in the capacity building programs to discuss international best practices. The TA facility will further enhance the online training nomination and registration system to improve efficiency on training administration through web-based nominations, selection of participants, trainee database, trainee tracking, and training logistics management. Development of e-learning modules for the capacity development activities implemented by CDRC, will also be supported. As part of the capacity development activities, the TA facility will support four business opportunity seminars to disseminate business opportunities to contractors and consultant organizations in collaboration with the World Bank and/or other development partners. The CDRC will conduct an impact assessment of training programs and improvements in monitoring and evaluation of portfolio results; this assessment will be used to improve the quality of capacity development.

7. **Output 2: Cross-learning in between projects supported.** The TA facility will support cross-learning between best practices in projects in Nepal as well as cross-learning learning from selected, relevant international best practices. The following sub-outputs are proposed: (i) representatives from executing and/or implementing agencies will be invited for at least five field visits to project sites from successful projects for hands-on experience on good project management practices; (ii) lessons learned from at least three ADB projects will be documented to facilitate improved project implementation and evaluation; and (iii) representatives from

[Nepal Earthquake Rehabilitation and Reconstruction Program](#). Manila. The TA which will close in December 2019, is providing support for quality assurance of school designs.

⁷ ADB. 2016. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to Nepal for the South Asia Subregional Economic Cooperation Roads Improvement Project](#). Manila. This project has special features on environmental safeguards management, especially focused on wildlife preservation. ADB. 2000. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to Nepal for the Melamchi Water Supply Project](#). Manila. ADB approved the additional financing for this project in 2014. ADB. 2013. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant, and Administration of the Technical Assistance Grant to Nepal for Bagmati River Basin Improvement Project](#). Manila. Approval of additional financing for this project is expected in 2019. These projects face social issues (among others) that impact contract management.

executing and/or implementing agencies will learn through an estimated five international exposure visits about innovative technologies and capacity building initiatives relevant for Nepal. The TA facility will develop cross-learning activities for the education sector on innovations in school safety and the learning environment; for the energy sector and urban development on livable cities through trenchless technologies, horizontal direction drilling and tunneling, and rehabilitation of old sewer conduits; and for the agriculture sector on value chain improvement.⁸ The TA team will identify additional areas for cross-learning activities during implementation.⁹

8. **Output 3: Portfolio management improved.** Improving the performance of ADB funded projects in Nepal will include (i) funding ten TPRMs of ongoing and pipeline projects to support the quality and timeliness of implementation, including on-site performance reviews of specific projects by the MOF; (ii) supporting the ongoing Disaster Resilience of Schools Project (footnote 6) by providing consultancy support for quality assurance on school designs to improve school safety and learning environments; and (iii) engaging individual consultants to provide capacity development support in procurement, contract management, financial management, reporting, safeguards, gender, and other areas for ongoing and pipeline critical projects (footnote 7 lists examples).¹⁰

C. Cost and Financing

9. The TA facility is estimated to cost \$1,650,00, of which \$1,500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The government will provide counterpart support in the form of office accommodation, counterpart staff, facilities for seminars and meetings, and other in-kind contributions. The detailed cost estimates and financing plan are in Appendix 1.

D. Implementation Arrangements

10. The International Economic Cooperation and Coordination Division of the MOF will be the executing agency responsible for providing the strategic direction for the implementation of the TA facility. ADB's Nepal Resident Mission will administer the TA and oversee TA facility implementation, working closely with TA beneficiaries to ensure the effective use of TA facility resources. The travel cost of ADB and non-ADB resource persons will be met from the proposed TA.

11. The TA team, through the TA facility, will provide workshops, conferences, and training programs through the national training institute. The national training institute proposed to be engaged to operate the CDRC, will host the online training nomination and registration system.

12. The implementation arrangements are summarized in the table.

⁸ The cross-learning on safe schools will benefit the Disaster Resilience of Schools Project (footnote 6). The cross-learning on livable cities will benefit the Nepal Energy Authority and the Alternative Energy Promotion Centre, which implement energy projects; and the Ministry of Water Supply, the Ministry of Urban Development, and selected municipalities that implement urban projects. The cross-learning on value chain development will benefit the Ministry of Agriculture and selected provincial and local governments.

⁹ ADB staff from relevant departments staff will be consulted and or engaged as resource persons for implementing cross-learning activities.

¹⁰ ADB will update, as needed, the design and monitoring frameworks of ongoing projects to reflect the outputs and activities of the TA facility. The updated versions of these frameworks will be included in the project administration manuals of the supported projects.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	October 2019–September 2023		
Executing agency	International Economic Cooperation and Coordination Division of the Ministry of Finance		
Implementing agency	International Economic Cooperation and Coordination Division of the Ministry of Finance		
Consultants	To be selected and engaged by ADB		
	Selection method	Selection title	\$ (amount)
	ICS	10 individual consultants	470,000.00
	Direct contracting	Capacity building contract	550,000.00
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, ICS = individual consultant selection, TA = technical assistance.
Source: Asian Development Bank.

13. **Consulting services.** ADB will recruit eight individual national consultants for 111 person-months and two individual international consultant for 12.5 person-months.¹¹ ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹² Furthermore, seven national consultants for 53 person-months will be recruited through a firm (NASC), which is subject to ADB's approval. Appendix 2 has details on the allocation of consultants to the projects supported by the TA facility.

14. Given the diverse nature of the deliverables and the specialized expertise required, ADB will recruit some of the experts based on the individual consultant selection method. It is expected that NASC will deliver the capacity development training activities. NASC is an autonomous training entity designated by the government to develop and conduct training programs for government staff. NASC employs well-experienced trainers in the area of procurement, financial management, social safeguards, and GESI; has faculties with dedicated training units that are able to administer training events, including preparation of training materials in local languages; and owns a campus with an adequate number of training halls and a hostel for residential training with a 24-hour electricity supply. NASC has been providing similar services for ADB since 2015 under the Enhancing Portfolio Performance TA project, and no other national firms are able to provide these services. Therefore, it is proposed that NASC be selected to provide training through direct contracting, per para. 86(ii) of the Staff Instructions on ADB-administered consulting services, which indicates that direct contracting can be applied when only one consultant is qualified or has experience of exceptional worth of the relevant assignment.¹³

II. THE PRESIDENT'S DECISION

15. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis to the Government of Nepal for Portfolio Management and Capacity Development for Enhanced Portfolio Performance, and hereby reports this action to the Board.

¹¹ As appropriate, ADB will consider output-based (lump sum) contracts.

¹² Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

¹³ ADB. 2016. Delegation of Approval Authority under Financing Partnership Operations. *Compendium of Staff Instructions*. Manila.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	250.0
ii. National consultants	445.0
b. Out-of-pocket expenditures	
i. International and local travel	150.0
2. Training, seminars, and conferences (tripartite portfolio review meeting and cross-learning) ^b	550.0
3. Contingencies	105.0
Total	1,500.0

Note: The technical assistance (TA) is estimated to cost \$1,650,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of office accommodation, counterpart staff, facilities for seminars and meetings, and other in-kind contributions. The value of the government contribution is estimated to account for 10% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

^b ADB staff may travel for meetings, conferences, and workshops as resource persons.

Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Indicative Consultants' Input Allocation (person-months)

Item	Total	Disaster Resilience of Schools Project {low risk}	Urban, Agriculture, and Natural Resources; Energy; and Transport ^a {complex}	Capacity Building and Portfolio Management {low risk}
A. Individual Consultants				
1. International				
Team Leader/Capacity Development Management Specialist	12.0	0.0	0.0	12.0
FIDIC Tutor	0.5	0.0	0.0	0.5
2. National				
Procurement Specialist/Deputy Team Leader/Training Coordinator	24.0	0.0	0.0	24.0
Social and Environment Safeguards Specialist	10.0	2.0	8.0	0.0
Procurement Specialist	24.0	4.0	20.0	0.0
Electronic Government Procurement Coordinator	5.0	0.0	5.0	0.0
Quality Control Engineer for School Buildings	12.0	12.0	0.0	0.0
Financial Consultant	12.0	2.0	10.0	0.0
Portfolio Database Management/Training Assistant	24.0	0.0	0.0	24.0
B. Consultants with Nepal Administrative Staff College for Capacity Development Resource Center				
1. National				
Financial Management Specialist	8.0	0.0	0.0	8.0
Contract Management Specialist	8.0	0.0	0.0	8.0
Social and Environment Safeguards Specialist	16.0	0.0	0.0	16.0
Gender, Equality, and Social Inclusion Specialist	8.0	0.0	0.0	8.0
Project Management Specialist	5.0	0.0	0.0	5.0
Information System Development Specialist	8.0	0.0	0.0	8.0

^a The South Asia Subregional Economic Cooperation Roads Improvement Project, the Melamchi Water Supply Project, and the Bagmati River Basin Improvement Project will be supported, with other ongoing and pipeline projects to be identified during TA implementation.

Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53238-001-TARreport>

1. Terms of Reference for Consultants
2. Report and Recommendation of the President to the Board of Directors: Disaster Resilience of Schools Project
3. Report and Recommendation of the President to the Board of Directors: South Asia Subregional Economic Cooperation Roads Improvement Project
4. Report and Recommendation of the President to the Board of Directors: Melamchi Water Supply Project
5. Report and Recommendation of the President to the Board of Directors: Bagmati River Basin Improvement Project
6. Report and Recommendation of the President to the Board of Directors: Melamchi Water Supply Project (Additional Financing)

Supplementary Document

7. List of Active and Pipeline Projects