



# Technical Assistance Report

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Project Number: 54146-001  
Knowledge and Support Technical Assistance (KSTA)  
November 2020

## Nepal: Knowledge Solutions and Institutional Strengthening for Sustainable Development

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Asian Development Bank



## CURRENCY EQUIVALENTS

(as of 12 September 2020)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
\$1.00	=	NRs116.72
NRe1	=	\$0.00856

## ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
FY	–	fiscal year
GDP	–	gross domestic product
GESI	–	gender and social inclusion
SNGs	–	subnational governments
TA	–	technical assistance

## NOTE

- (i) The fiscal year (FY) of the Government of Nepal ends in mid-July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ended on 15 July 2020.
- (ii) In this report, “\$” refers to United States dollars.

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## CONTENTS

	<b>Page</b>
KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Outputs, Methods, and Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	8
3. List of Linked Documents	9



## KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54146-001
<b>Project Name</b>	Knowledge Solutions and Institutional Strengthening for Sustainable Development	<b>Department/Division</b> SARD/NRM
<b>Nature of Activity</b>	Capacity Development, Policy Advice, Research and Development	<b>Executing Agency</b> Ministry of Finance
<b>Modality</b>	Regular	
<b>Country</b>	Nepal	
2. Sector		ADB Financing (\$ million)
✓ Public sector management	Economic affairs management	0.32
	Public administration	0.22
	Public expenditure and fiscal management	0.22
Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development	0.20
Education	Education sector development	0.05
Energy	Energy sector development and institutional reform	0.10
Finance	Finance sector development	0.05
Health	Health sector development and reform	0.05
Industry and trade	Industry and trade sector development	0.05
Information and communication technology	ICT industries and ICT-enabled services	0.04
Transport	Transport policies and institutional development	0.10
Water and other urban infrastructure and services	Urban policy, institutional and capacity development	0.10
<b>Total</b>		<b>1.50</b>
3. Operational Priorities		Climate Change Information
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum) 0
✓ Accelerating progress in gender equality		Climate Change impact on the Project Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		
✓ Making cities more livable		<b>ADB Financing</b>
✓ Promoting rural development and food security		Adaptation (\$ million) 0.00
✓ Strengthening governance and institutional capacity		Mitigation (\$ million) 0.00
✓ Fostering regional cooperation and integration		
		<b>Cofinancing</b>
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 1.b		Some gender elements (SGE) ✓
SDG 2.c		
SDG 3.9		
SDG 4.a		
SDG 5.c		
SDG 8.10, 8.2		
SDG 9.1, 9.3		
SDG 11.b		
SDG 12.8		
SDG 14.1		
SDG 16.6		
SDG 17.17, 17.9		
4. Risk Categorization		Poverty Targeting
Low		General Intervention on Poverty ✓
5. Safeguard Categorization		
Safeguard Policy Statement does not apply		
6. Financing		
Modality and Sources	Amount (\$ million)	
<b>ADB</b>	<b>1.50</b>	
Knowledge and Support technical assistance: Technical Assistance Special Fund	1.50	
<b>Cofinancing</b>	<b>0.00</b>	
None	0.00	
<b>Counterpart</b>	<b>0.00</b>	
None	0.00	
<b>Total</b>	<b>1.50</b>	

Currency of ADB Financing: US Dollar



## I. INTRODUCTION

1. This knowledge and support technical assistance (TA) will help the Asian Development Bank (ADB) support Nepal's inclusive and sustainable development with knowledge solutions and institutional capacity development. The TA will focus on knowledge solutions such as analytical and diagnostic studies to inform strategies, plans, and policies; institutional strengthening; and capacity development of government agencies especially at the subnational level. The TA will prioritize knowledge dissemination and will help implement the country knowledge plan of ADB's country partnership strategy (CPS) for Nepal, 2020–2024.<sup>1</sup> It will also enable ADB to respond to knowledge and institutional strengthening needs arising from the coronavirus disease (COVID-19) pandemic and other emerging challenges.<sup>2</sup>

2. The TA is closely aligned with the government's Fifteenth Plan (FY2020–FY2024)<sup>3</sup> and ADB's Strategy 2030.<sup>4</sup> It is included in ADB's country operations business plan, 2021–2023.<sup>5</sup>

## II. ISSUES

3. Nepal's economic growth averaged 5.3% during FY2014–FY2019 and 7.3% during FY2017–FY2019, higher than the average of 4.9% (FY2010–FY2019). In FY2020, the Central Bureau of Statistics estimates a fall in gross domestic product (GDP) growth to 2.3%, reflecting the adverse effects of the COVID-19 pandemic. Hotels and restaurants, manufacturing, construction, transport, and trade have been particularly adversely affected. With large numbers of Nepali migrant workers returning home, remittances (25.4% of GDP in FY2019) have declined. The structural transformation that economies typically undergo as they develop—with a shift from agriculture to more productive manufacturing and services—has been gradual.<sup>6</sup> Agriculture's share in GDP declined from 49% in FY1990, but remains large at an estimated 27.6% of GDP in FY2020. Likewise, the share of manufacturing has declined from a recent peak of 9.0% of GDP in FY1998 to 5.1% in FY2020.<sup>7</sup> Much of the growth is attributable to services. The economy is largely informal.<sup>8</sup>

4. Nepal has significant potential for higher production and exports of goods and services such as hydropower; tourism; high-value agriculture and agro-processing; and manufacturing of textiles, garments, and footwear (footnote 6). These sectors have the potential to create substantially more productive jobs for the young and growing labor force and returning migrant workers. While an increase in public investment is necessary to realize the potential, it is equally important to improve the quality of such investments. That will entail developing knowledge solutions and stronger public institutions for better planning, management, and design and implementation of projects, programs, and policies; attracting domestic and foreign investment;

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<sup>1</sup> ADB. 2019. *Country Partnership Strategy: Nepal, 2020–2024—Promoting Connectivity, Devolved Services, and Resilience*. Manila.

<sup>2</sup> The TA first appeared in the business opportunities section of ADB's website on 12 August 2020.

<sup>3</sup> Government of Nepal, National Planning Commission. 2020. *Fifteenth Plan, FY2020–FY2024*. Kathmandu.

<sup>4</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>5</sup> ADB. 2020. *Country Operations Business Plan: Nepal, 2021–2023*. Manila.

<sup>6</sup> ADB. 2019. *Country Partnership Strategy: Nepal, 2020–2024—Promoting Connectivity, Devolved Services, and Resilience*. Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3). Manila.

<sup>7</sup> Footnote 6 and Central Bureau of Statistics.

<sup>8</sup> Among the employed in FY2018, 62.2% were in the informal sector. These informal workers accounted for 94% of all workers in agriculture and 53% of all workers in non-agriculture sectors. Informal employment accounted for 84.6% of total employment, which includes those employed in the formal sector who do not have access to social security benefits (footnote 6).

and ensuring healthy competition in the private sector so that the country's scarce resources are allocated to more productive activities and used more efficiently.

5. The transition to a federal governance system mandated by the 2015 constitution and initiated since the 2017 elections raises the prospects of greater accountability and better delivery of public services. The constitution has assigned larger functional, semi-judicial, and fiscal management responsibilities to subnational governments (SNGs). The success of federalism depends largely on whether SNGs fulfill their constitutional mandates. Inadequate knowledge solutions and weak institutional capacity are major challenges in the transition to federalism, which affect the government's ability to deliver public services efficiently and implement development projects and programs. ADB must adapt its operations to the federal governance structure and clarify the roles and responsibilities of the central, provincial, and local governments.<sup>9</sup>

6. The government's Fifteenth Plan (FY2020–FY2024) and its long-term strategy expect Nepal to reach a per capita income of \$1,595 by FY2024, meet the Sustainable Development Goals by FY2030, and become a high-income country by 2047.<sup>10</sup> The plan's objectives include human capital development; universal, accessible, and modern infrastructure; higher production and productivity in agriculture, industry, and services; a healthy and balanced ecosystem, including resilience to climate change and natural hazards; and good governance. The plan calls for the government to implement smoothly the federal system of governance and create an investment-friendly environment for the private sector. It places critical importance on the accumulation of knowledge, skills, technology, and more generally, human and physical capital. With poverty and inequality likely to rise because of the COVID-19 pandemic, and given Nepal's vulnerability to natural hazards, climate change, and environmental degradation, more inclusive and greener growth has become even more important.

7. Drawing on the government's priorities, ADB's CPS included three strategic objectives: (i) improved infrastructure for private sector-led growth; (ii) improved access to devolved services; and (iii) strengthened environmental sustainability and resilience to climate change and natural hazards (footnote 1). ADB's country knowledge plan focused on (i) policy advisory services with diagnostic studies and assessments of good practice models, including the feasibility of new technologies, appropriate for Nepal; (ii) planning and implementation mechanisms for inclusive and sustainable delivery of quality infrastructure and social services, especially at the subnational levels; and (iii) capacity development of relevant stakeholders (Appendix 2 of footnote 1). The COVID-19 pandemic has underscored the importance of health services; social protection; food security; employment generation including in micro, small, and medium-sized enterprises; appropriate labor force skills to respond to changing markets; essential infrastructure; efficient supply chain management; and promotion of gender equality and social inclusion (GESI). With restrictions on in-person interactions, the use of digital technology has assumed greater urgency.

8. One of the key lessons from ADB's experience in Nepal is the need to incorporate sustainability mechanisms in ADB operations, including disaster-resilient project designs, well-coordinated policy and regulatory reforms, institutional capacity development, and effective communication and coordination during project design and implementation (footnote 9). Recommendations include an increased focus on institutional strengthening, capacity development, and governance reform, including support to key intergovernmental subsystems to facilitate the transition to the federal system. ADB needs to buttress its support for knowledge, in

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<sup>9</sup> ADB. 2018. *Country Partnership Final Review: Nepal, 2013–mid-2018*. Manila.

<sup>10</sup> The long-term strategy targets per capita GDP of \$12,100 by 2047.

addition to finance, by communicating more effectively what it does and what it can do to help achieve the country's development objectives.<sup>11</sup> At the corporate level, ADB should substantially enhance the scope of knowledge contribution to add to development finance in the future, thereby deepening ADB's continuous transformation.<sup>12</sup>

9. ADB's TA in strengthening the institutional capacity of government and providing knowledge solutions is timely and important given the capacity and knowledge gaps in (a) implementing policy and institutional reforms, (b) designing high-impact projects and programs, (c) planning and resource allocation, (d) making quality investments, (e) delivering public services efficiently under the federal system of governance, and (f) addressing medium-term challenges likely to emerge from the COVID-19 pandemic.

### III. THE TECHNICAL ASSISTANCE

#### A. Impact and Outcome

10. The TA is aligned with the following impact: knowledge, skills, technology, and human and physical capital enhanced (footnote 3). The TA will have the following outcome: Design and implementation of development policies, strategies, programs, and projects improved.

#### B. Outputs, Methods, and Activities

11. **Output 1: Knowledge solutions produced and events organized for inclusive and sustainable development.** The TA will support the generation and dissemination of knowledge products covering various sectors and themes, as well as knowledge events. The TA will support analytical, diagnostic, and feasibility studies, including with surveys, based on their alignment with the ongoing or planned government and/or ADB initiatives.<sup>13</sup> Policy reform strategies, plans, and policy briefs will be prepared based on the findings of these studies. Lessons from past operations will be drawn through case studies and used in the design of projects and for policy and institutional reforms. GESI aspects will be considered in the knowledge products when appropriate. Knowledge sharing events will be organized to share findings from these studies and plans. Interactive forums and seminars on other development and policy issues relevant to Nepal will also be organized.

12. **Output 2: Policies, strategies, and plans to improve institutional capacity of public institutions prepared.** The TA will support capacity development of public institutions, particularly at the SNG level. This will include support for (i) preparing acts, regulations, and policies that incorporate gender and climate change-related features when feasible; (ii) setting up institutional structures;<sup>14</sup> reporting mechanisms; and operational systems, including the use of digital technology (para. 13); and (iii) developing strategies and plans to improve local economic development and employment generation by focusing on areas such as domestic resource mobilization; micro, small, and medium-sized enterprise development; and public-private partnerships.

<sup>11</sup> ADB. 2019. *Nepal: Validation of the Country Partnership Strategy Final Review, 2013–mid-2018*. Manila.

<sup>12</sup> ADB. 2020. *Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030*. Manila.

<sup>13</sup> The studies could include diagnostic studies of potential tourist destinations; possibilities for electrification of Nepal to make it fossil-fuel free; digital platforms to connect different stakeholders in the agriculture value chain; alternative modalities such as public-private-community partnerships in solid waste management and agriculture extension; and analytical studies on developing and effectively operating special economic zones.

<sup>14</sup> For example, determining the number and type of functional divisions/sections and human resources based on the institutional mandate, as determined by government laws or regulations.

13. The TA will support at least one SNG institution's efforts to install digital technologies, such as a facility for video conferencing, and to automate its administrative and financial management system to help it function effectively and deliver public services even during crises such as the COVID-19 pandemic.<sup>15</sup> Where necessary, the TA will also support institutional assessments and preparation of institutional strengthening plans for select government agencies in relation to their specific development operations or their mandates. This support could include assessing a provincial government's capacity for disaster risk management or crisis management for events such as COVID-19, and developing a plan to manage such risks. Support will also be provided to prepare communication strategies that will improve coordination among government agencies at different tiers.

14. **Output 3: Skills, capacity, and knowledge of government officials and other stakeholders enhanced.**<sup>16</sup> The TA will support capacity development through selected training programs. While ADB is delivering training related mainly to project implementation through the Capacity Development Resource Center at the Nepal Administrative Staff College,<sup>17</sup> this TA will provide training in other functional areas at all tiers of government. Training programs in specific areas and for particular skills will be determined by the institutional strengthening plans of the government agencies (para. 13), and as requested by the government. This will include tailor-made executive programs for senior government officials to enhance leadership and management skills.

### **C. Cost and Financing**

15. The TA is estimated to cost \$1.5 million, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 2. The government will provide counterpart support in the form of counterpart staff and other in-kind contributions.

### **D. Implementation Arrangements**

16. The International Economic Cooperation Coordination Division (IECCD) of the Ministry of Finance will be the executing agency of the TA. The resident mission will administer the TA in close coordination with government agencies, development partners, and other ADB-funded programs, projects, and TA to ensure complementarity and avoid duplication.

17. The implementation period will be 5 years from the date of TA approval. The implementation of the TA will be guided by a TA advisory committee, which will be formed under the leadership of the resident mission country director (as knowledge custodian). Heads of resident mission programs and portfolio units, the knowledge focal person, and external relations officer will be the committee members. The resident mission knowledge focal person (currently the senior programs officer) will be responsible for the day-to-day management of the TA.

18. Resident mission staff will support government counterparts in preparing and submitting proposals for TA support. The list of proposals received by ADB will be shared with the IECCD for feedback. The proposals will be discussed at TA advisory committee meetings. Such

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<sup>15</sup> Training and an operational manual will be provided. This could be replicated in other local governments.

<sup>16</sup> Other stakeholders could include communities and civil society organizations, especially at the subnational levels.

<sup>17</sup> The Capacity Development Resource Center is funded by ADB. *TA 9800-NEP: Portfolio Management and Capacity Development for Enhanced Portfolio Performance*. Manila.

proposals will be evaluated for (i) alignment with the ongoing or planned government and/or ADB initiatives; (ii) expected results; (iii) clear knowledge and/or capacity needs that have not been met by the government's own initiatives, or by the support of other development partners, or ADB's other ongoing and planned projects and TA; and (iv) ownership and capacity of government agencies to achieve the results in a timely manner. The proposals will be approved upon the concurrence of the IECCD. The resident mission staff submitting the proposal will serve as the project officer for the proposed work and will be responsible for its deliverables, will report to the committee, and will prepare the final report.<sup>18</sup>

19. Implementation arrangements are summarized in Table 1.

**Table 1: Implementation Arrangements**

Aspects	Arrangements	
Indicative implementation period	November 2020–November 2025 (5 years from the TA approval date)	
Executing agency	Ministry of Finance	
Implementing agencies	Relevant government agencies	
Consultants	To be selected and engaged by ADB	
	Individual: Framework agreement/individual selection	International (22 person-months): \$350,000 National (90 person-months): \$550,000
Procurement	Goods, non-consulting services, and consulting services will be procured by ADB following the ADB Procurement Regulations (2017, as amended from time to time) and its associated staff instructions.	
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).	
Asset turnover or disposal arrangement upon TA completion	When the TA is completed, ADB and/or the consultant will promptly dispose of any purchased equipment or turn it over to the government. The consultant will then submit a certificate of disposal/turnover to the user unit.	

ADB = Asian Development Bank, NRM = Nepal Resident Mission, TA = technical assistance.

Source: Asian Development Bank.

20. **Consulting services.** ADB will engage (international and national) consultants following the ADB Procurement Regulations (2017, as amended from time to time) and its associated staff instructions. Individual consultants will be recruited as needed using individual consultant selection. If appropriate, a framework agreement may be used for some of the experts. The required number of inputs in person-months will depend on the nature of the work and will be included in the proposals that are submitted to the TA advisory committee for approval. Where feasible, ADB will use output-based, lump-sum contracts with a provision for fixed out-of-pocket expenditures. For knowledge events, proposals could include an honorarium for the experts invited as speakers or resource people. ADB will also engage a knowledge management coordinator and a part-time national consultant to help administer the TA during the TA implementation period. The terms of reference for the consultants are in the linked document.

#### IV. THE PRESIDENT'S DECISION

21. 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 Knowledge Solutions and Institutional Strengthening for Sustainable Development, and hereby reports this action to the Board.

<sup>18</sup> Partnerships with academic institutions and regional and global institutions may be explored for delivering capacity building programs and preparing knowledge products and should be included in the proposal.



## Key Activities with Milestones<sup>b</sup>

### 1. Knowledge solutions produced, and events organized for inclusive and sustainable development

- 1.1 Identify and approve sectoral/thematic areas and subjects for relevant technical/diagnostic/case studies (first batch by Q1 2021, second batch by Q2 2022, third batch by Q3 2023).
- 1.2 Execute the study in consultation with relevant stakeholders, including civil society organizations (first batch by Q2 2022, second batch by Q3 2023, third batch by Q4 2024).
- 1.3 Organize dissemination seminars for sharing knowledge products (reports, plans, cases) with government officials and development partners—the budget for the seminars should be included in the proposals for the studies/assessments/plans (first batch by Q3 2022, second batch by Q4 2023; third batch by Q1 2025).
- 1.4 Organize interaction events with subject matter experts in relevant development topics, e.g., fiscal federalism (intermittently during the implementation period).

### 2. Policies, strategies, and plans to improve institutional capacity of public institutions prepared

- 2.1 Identify and select implementing and executing agencies for institutional assessment (first batch by Q3 2021, second batch by Q3 2022, third batch by Q3 2023).
- 2.2 Prepare institutional strengthening plans and support implementation of some activities in the plans (first batch by Q4 2022, second batch by Q4 2023, third batch by Q4 2024).
- 2.3 Identify SNGs to be supported for the preparation of resource and investment plans (by Q4 2022).

### 3. Skills, capacity, and knowledge of government officials and other stakeholders enhanced

- 3.1 Assess/identify relevant courses for SNG officials (intermittently through the implementation period).
- 3.2 Select relevant officials to be trained and arrange for the training programs (intermittently during the implementation period).
- 3.3 Identify a course and a team of senior government officials for an executive training program and execute the program (by Q2 2024).
- 3.4 Conduct training (intermittently during the implementation period).

### Project Management Activity

Recruit consultants (continuously during TA period).  
Progress monitoring (continuously during TA period).

### Inputs

ADB: \$1.5 million

Note: The government will provide counterpart support in the form of counterpart staff and other in-kind contributions.

ADB = Asian Development Bank; CPS = country partnership strategy; GESI = gender equality and social inclusion; SNG = subnational government; TA = technical assistance

<sup>a</sup> Government of Nepal, National Planning Commission. 2020. *Fifteenth Plan, FY2020–FY2024*. Kathmandu.

<sup>b</sup> All activities will need to be approved by the TA advisory committee.

Source: Asian Development Bank.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	350.0
ii. National consultants	550.0
b. Out-of-pocket expenditures	
i. International and local travel	50.0
ii. Reports and communications	5.0
2. Printed external publications <sup>b</sup>	25.0
3. Surveys	100.0
4. Goods (rental or purchase) <sup>c</sup>	100.0
5. Training, seminars, workshops, forum, and conferences	
a. Facilitators and resource persons	50.0
b. Travel cost of ADB staff acting as a resource person	25.0
c. Venue rental and related facilities	95.0
6. Contingencies	150.0
<b>Total</b>	<b>1,500.0</b>

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-6).

<sup>b</sup> External publications will be printed only for high-level government officials.

<sup>c</sup> Rental of seminar/training halls and hiring of multimedia facilities at subnational government levels.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=54146-001-TARreport>

1. Terms of Reference for Consultants