

Nepal: Toward Results-Based Management

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Executive Summary

His Majesty's Government of Nepal (HMG/N) is creating and implementing a results-based management (RBM) framework that will provide a sound structure for sector level planning and expenditure management, support sector business plans with significant result components, and develop capacities for monitoring and evaluation at all levels. Nepal's Poverty Reduction Strategy Paper (PRSP), corresponding to the 10th national plan, defines intermediate and outcome indicators, while also mandating annual monitoring of intermediate and some outcome indicators. The Nepal Medium Term Expenditure Framework (MTEF) contains priorities, programs and projects, and sets annual targets at national and sector levels. Sector business plans provide a basis for harmonizing external assistance and potentially for sectorwide approaches (SWAPs). Each sector business plan contains specific objectives, measures and targets, time frames and responsible agencies, expenditure/budget estimates, and evaluation mechanisms.

Challenges and progress to date – Progress has been slow as planning and implementation functions are gradually devolved to subnational administrative units. Nepal's monitoring and analysis systems have historically treated input monitoring as a standard administrative task of line ministries and the National Planning Commission. Making the transition to RBM has been an ongoing challenge, given the institutional and technical limitations of subnational administrative bodies. Nevertheless, evidence of major progress includes the government's emerging results-orientation, implementation of MTEF's performance-based management and civil service reform, and harmonized reporting and procedures.

Lessons learned – Among the key lessons of the Nepal experience:

- **Need for capacity building:** Implementing RBM requires investment in training and education as well as strong support from the top of the government.
- **Key role of national-level surveys:** Fragmented sector and thematic household surveys need to be unified to alleviate confusion created by diverse estimates emanating from different surveys on common indicators.
- **Monitoring of targeted programs:** Social inclusion as a development goal requires strong mechanisms for monitor poverty-targeted programs.

Conclusion – HMG/N is implementing RBM to improve development effectiveness and improve the quality of life of the Nepalese people. To this end, the government has introduced major reform measures at the policy and institutional levels. The government needs to further develop its institutional and technical capacity, beginning at the central level but quickly moving to the subnational level.

Problems/Issues Addressed

HMG/N has engaged in planning exercises for half a century, a period during which foreign assistance and budgetary outlays have increased significantly.

Overall performance has been mixed, however, with major improvements in some areas but disappointing outcomes in others. Contributing factors included:

- Dominance of political agendas
- Overcentralized bureaucratic structures with limited implementation capacities
- Dominance of top-down planning
- Underdeveloped private sector
- Inadequate development partner (donor) coordination

The government has now committed to creating and implementing a results-based management (RBM) framework that will address these constraints. The following case describes how Nepal has aggressively reformed its public sector management based on RBM principles, with the objective of more effectively supporting the country's development strategy as encapsulated in its PRSP.

Objectives

This national level program evolved as part of developing Nepal's Tenth Plan/PRSP (see below). The various components described in this case were designed to:

- Create a governmentwide awareness of results management and the need to monitor performance



- Build capacity for results-based management (RBM)
- Provide a sound structure for sector level planning and expenditure management
- Support sector business plans with significant results components
- Significantly improve Nepal's monitoring and evaluation capacities at all levels.

Design and Implementation

Poverty Reduction Strategy Paper. Nepal's PRSP, which corresponds to the 10th national plan, differs in three important respects from previous planning exercises. First, development of the PRSP involved extensive consultations with development partners, including discussion of development objectives, plans, policies, programs, and monitoring indicators. Second, sector plans were developed by responsible ministers with overall coordination provided by the National Planning Commission, thus enhancing agency-level ownership. And, third, strong linkages were established between poverty reduction goals and human development on the one hand, and sector goals and objectives on the other. The PRSP mandates annual monitoring of intermediate and some outcome indicators. Performance as measured by intermediate indicators will be monitored on an annual basis and will provide a sound basis for assessing progress.

Medium Term Expenditure Framework (MTEF). Nepal's MTEF, revised annually, contains priorities, programs and projects, and sets annual targets at national and sector levels for a three-year period. For each sector and subsector, the MTEF shows expenditures for the previous year, estimates for current year budget allocations for the forthcoming year, and forecasts for two additional years. Implementing agencies prepare detailed quality work plan/programs with performance indicators. Release of budgeted allocations is contingent on demonstrated performance. The government is now working to institutionalize the MTEF, including developing comprehensive manuals and guidelines.

Sector business plans. Sector business plans provide a basis for harmonizing external assistance and potentially for sectorwide approaches (SWAps). Each sector business plan includes results-based targets and indicators. These business plans identify:

- Key outcomes (i.e. strategic objectives)
- Performance measures and targets
- Time frames and responsible agencies
- Expenditure/Budget estimates
- Evaluation mechanisms

Part 2. Examples of MfDR at the National Level

- Critical factors for successful implementation ("key success factors")

Poverty Monitoring and Analysis System (PMAS). Nepal's PMAS tracks indicators of policies, programs, and projects. Objectives include monitoring (i) budget allocations to core programs and policies; (ii) process/activity indicators of policies and programs; and (iii) targets for core policies and programs within the PRSP. To achieve this, the PMAS integrates household surveys and management information systems to support input, output and outcome monitoring. The five major components of the PMAS are:

- Implementation (or input/output) monitoring
- Outcome or well-being monitoring
- Impact assessment
- Poverty management information system
- Communication/advocacy.

Public expenditure tracking. In addition to regular expenditure monitoring, the government has initiated public expenditure tracking; initially, one sector will be covered each year. In 2003, public expenditure tracking was completed for the education sector, and in 2004 it was conducted in the roads and health sectors. Initial indications are that this tracking has helped identify critical procedural delays. This activity will be expanded and institutionalized.

Challenges Encountered

Devolution. Effective RBM requires the involvement of government agencies at all levels. To date the exercise in Nepal has remained largely at the central level. Progress has been slow as planning and implementation functions are gradually devolved to subnational administrative units. The government plans to conduct household surveys at the district level to support decentralized planning and implementation. Effective implementation of district-level planning will require better and more transparent financial procedures, clearly defined accounting and auditing processes, and simplified, district-level monitoring mechanisms.

Traditional monitoring systems. Nepal's monitoring and analysis systems have historically treated input monitoring as a standard administrative task of line ministries and the National Planning Commission, while output monitoring has focused primarily on the expenditure side. Traditionally, poverty monitoring involved large-scale household surveys. Integrating and improving these data-gathering mechanisms has been an ongoing challenge.

Building capacity in monitoring agencies. Nepal's monitoring agencies have inadequate human and financial resources, with only limited resources allo-



cated to data collection and analysis. Such institutional limitations on capacity are more pronounced in subnational administrative bodies. Overall capacity development is needed to improve the quality of data collected and the ability of agencies to analyze and evaluate result.

Results Achieved

Government results orientation. The government, with the support of stakeholders, is now focusing on achieving results. There has been a gradual shift toward stakeholder participation and ownership, as well as significant reforms in civil service and the financial sector. The government has developed an MTEF to improve planning and priority setting, and systematic expenditure reviews are helping allocate resources rationally and minimizing waste.

Medium-Term Expenditure Framework. The MTEF helps bridge the gap between annual plans and periodic plans, and in the process is reducing the mismatch between annual budgets and periodic planning. The benefits of Nepal's MTEF have included: an increase in allocations for priority projects, protection of key programs/projects from resource shortfalls, and better fiscal discipline.

Performance-based management and civil service reform. Nepal is committed to improving governance and capacity in its institutions, which will help strengthen the linkage between planning and measurable outcomes. In addition to ongoing efforts to right-size the bureaucracy, performance indicators have been developed for all ministries. Ministries are charged with monitoring and evaluating organizational and individual efficiency. Institutional objectives and targets that cascade down to operating units and individuals will support these initiatives. These indicators are matched with the outcome indicators identified in sector business plans. The performance monitoring mechanism complements existing public expenditure tracking and performance monitoring systems and will determine (i) whether expenditures on targeted programs and projects reach designated final service delivery institutions, and (ii) whether the outputs and services of such programs and projects reach disadvantaged areas/groups.

Harmonized reporting and procedures. The government works closely with its development partners to develop harmonized procedures and reporting systems. Such processes and systems are periodically reviewed and improved. They serve an important role in that, if effectively applied, they will reduce transaction costs over time.

Lessons Learned

Need for capacity building: human resources. Implementing RBM requires investments in training and education, as well as strong support from the top of the government. Staff members need to understand why RBM is important and how to carry out the technical aspects. There is a pressing need to develop reference materials, manuals, and guidelines, and then to disseminate and use them as the basis for comprehensive training.

Key role of national-level surveys. The government manages a regular national household survey to collect data on human and social development indicators. Findings from several thematic household surveys undertaken by sector institutions will be integrated into a unified household survey to alleviate confusion created by diverse estimates emanating from different surveys.

Special monitoring of targeted programs. Nepal gives priority to social inclusion, implying the need to develop a strong mechanism to monitor poverty-targeted programs. Such a mechanism should focus on inputs, processes, and outputs to ensure that programs and resources reach intended beneficiaries and produce anticipated outputs. Two of the most important tools in this regard are public expenditure tracking and service delivery surveys.

Conclusion

HMG/N has long been concerned with the implementation of development programs which have a direct impact on the quality of life of the Nepalese. RBM is proving to be an important tool for improving effectiveness and better serving the citizens of Nepal. Over the last few years, the government has introduced major reform measures at policy and institutional levels, but recognizes that there is an ongoing need to build institutional capacity, beginning at the central level but quickly moving to the subnational level. Only by doing so will national development objectives be achieved.

For more information

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