

Annex B10

CAS Outcomes, Milestones and Indicators, and PRS Outcomes

PRS/IAP Areas <sup>1</sup>	PRS Outcomes	CAS Outcomes	Bank Strategy	Milestones	IDA Instruments/Partners <sup>2</sup>
<b>BROAD-BASED ECONOMIC GROWTH</b>					
<b>A2 (P1-A)</b>	<ul style="list-style-type: none"> <li>## Improved pro-poor budget allocation</li> <li>## Improved efficiency of public spending</li> </ul>	<ul style="list-style-type: none"> <li>## Outcome focused budgeting and monitoring in place</li> </ul>	<ul style="list-style-type: none"> <li>## Link IDA lending level to improvement in expenditure quality</li> <li>## Continue TA for MTEF</li> <li>## Support central and sectoral efforts to establish performance-based monitoring systems</li> </ul>	<ul style="list-style-type: none"> <li>## MTEF applied to all expenditures (FY04)</li> <li>## Recurrent/capital classification implemented (FY05)</li> <li>## Sectoral output and indicators monitoring systems in place (FY05)</li> <li>## Poverty monitoring unit fully functional (FY05)</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> TA/dialogue on MTEF</li> <li><b>Proposed</b> Evaluating the MTEF (FY05)</li> <li>PRSC I (FY04)</li> <li>PRSCs (FY05, FY06, FY07)</li> <li>Public Expenditure Analysis (FY05)</li> <li><b>Key partners</b> IMF, UK</li> </ul>
<b>A2, A6 (P1-D)</b>	<ul style="list-style-type: none"> <li>## Improved pro-poor budget allocation</li> <li>## Improved efficiency of public spending</li> <li>## Foreign direct investment increased</li> </ul>	<ul style="list-style-type: none"> <li>## Magnitude of SOE financial problems recognized by HMG/N and strategy/action plan developed</li> </ul>	<ul style="list-style-type: none"> <li>## Analytical work, policy dialogue and TA on SOE issues</li> </ul>	<ul style="list-style-type: none"> <li>## Completion of audits of all SOEs (FY04)</li> <li>## Completion of SOE Review AAA (FY05)</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> Dialogue on MTEF</li> <li><b>Proposed</b> The SOE Sector (FY05)</li> <li><b>Key partners</b> ADB, IMF, UK</li> </ul>
<b>E</b>	<ul style="list-style-type: none"> <li>## Labor productivity enhanced</li> <li>## Rights of labor protected</li> </ul>	<ul style="list-style-type: none"> <li>## Reform labor laws to allow greater flexibility in employment</li> </ul>	<ul style="list-style-type: none"> <li>## Help Ministry of Labor facilitate an agreement between labor and businesses on flexible contracts</li> </ul>	<ul style="list-style-type: none"> <li>## Flexible contracts allowed on a pilot basis (FY05)</li> <li>## Insolvency Act enacted to allow easy 'exit' (FY05)</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> Trade and Competitiveness Study (FY03) follow-up</li> <li><b>Key partners</b> ILO</li> </ul>
<b>J</b>	<ul style="list-style-type: none"> <li>## Increased private sector investment</li> </ul>	<ul style="list-style-type: none"> <li>## Lowered costs of doing business by liberalizing business support services</li> </ul>	<ul style="list-style-type: none"> <li>## Analytical work, policy dialogue and TA on investment climate and trade facilitation</li> <li>## IFC investments and TA for SME development</li> </ul>	<ul style="list-style-type: none"> <li>## Amend investment and trade policy to liberalize the business support services market by allowing Foreign Direct Investment in these sectors</li> </ul>	<ul style="list-style-type: none"> <li><b>Proposed</b> Policy dialogue/follow up on investment climate/trade work</li> <li><b>Key partners</b> IFC, Integrated Framework partners, IMF, UK, UNCTAD, UNDP</li> </ul>

<sup>1</sup> The PRS area is given first, while the IAP area is given second in parentheses. See Annex B11 for PRS areas and Appendix III, table 1 for IAP areas.

<sup>2</sup> Given the flexibility of the Poverty Reduction Support Credit (PRSC) Instrument, in all likelihood the envisioned series of PRSCs (FY04, FY05, FY06 and FY07) will support achievement of most of the CAS outcomes. As such, the PRSCs are not repeated for each of the outcomes, but likely apply.

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<b>D</b>	## Increased export/GDP ratio	## Increased institutional capacity for trade policy formulation and implementation	## Analytical work, policy dialogue and TA on investment climate and trade facilitation	## HMGN adoption of Nepal Trade and Competitiveness Study as HMGN policy (FY04) ## HMGN to establish apex foreign trade policy body responsible for policy evaluation, facilitation and negotiations(FY05)	<b>Proposed</b> Policy dialogue/follow up on trade work <b>Key partners</b> Integrated Framework partners, UK
<b>A5</b>	## Central Bank's supervisory and regulatory capacity improved ## Efficiency of the financial system service delivery improved	## NRB performing regulatory and supervision functions effectively	## With IMF, focus on banking issues in macro dialogue ## Continued TA to improve the quality of NRB operations	## Comprehensive Bank and Financial Institutions Act (FY04) ## Annual cycle of on-site inspection for minimum of 6 banks (FY05)	<b>On-going</b> Financial Sector TA <b>Proposed</b> Banking Reform I (FY04), Banking Reform II (FY06) <b>Key partners</b> IMF, UK
<b>A5</b>	## Confidence in the financial system augmented ## Efficiency of the financial system service delivery improved	## RBB/NBL privatized or liquidated	## Work closely with NRB, management teams, and IMF ## Provide financing for restructuring ## Link to overall lending level	## Restructuring plans agreed (FY04) ## Work force right-sized (FY05)	<b>On-going</b> Financial Sector TA <b>Proposed</b> Banking Reform I (FY04), Banking Reform II (FY06) <b>Key partners</b> IMF, UK
<b>B, C</b>	## Enhanced agricultural productivity ## Overall agricultural growth by 4.1%; crops production increased by 4.1%	## Improved enabling environment for factor and output markets ## Increased agricultural productivity and farm incomes	## Help HMG refocus its agriculture and rural development strategy, especially policies related to factor markets (land, credit, labor and water) ## Provide support for irrigation reforms, agricultural diversification and market development	## Improved efficiency of surface irrigation and transfer full O&M responsibility (up to the tertiary level) to farmers (FY06) ## Agreed framework for promoting agricultural diversification (FY05) ## Completion of joint assessment of constraints to factor market development (FY05)	<b>On-going</b> Irrigation Sector, Policy Note on Agriculture <b>Proposed</b> Improving Agricultural Performance (FY04), Factor Market Study (FY05), Agriculture Operation (FY06), <b>Key partners</b> ADB, Australia, Denmark, EU, Germany, Japan, Kuwait Fund, Norway, OPEC Fund, Saudi Fund, Sweden, Switzerland, UK, UN Agencies, US

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<b>F</b> <b>(P1-F)</b>	## Sustainable road maintenance fund available in accordance with annual maintenance plan	## Percentage of main road network in poor condition reduced to 10%	## Work with key donors to ensure Roads Board is properly funded from fuel levies	## Roads Board operational (FY04) ## Adequate maintenance budget (FY06)	<b>On-going</b> Road Maintenance and Development Project (RMDP) <b>Proposed</b> Infrastructure Develop (FY07) <b>Key partners</b> ADB, China, Germany, India, Japan, Switzerland, UK, US
<b>F, B</b> <b>(P1-F)</b>	## Road access increased to 70 District headquarters ## Increased investment in agricultural road and electrification	## Share of population with close access to roads (i.e., 1/2 day walk) increased by 4%	## Encourage HMG to focus on accessibility and decentralized rural roads management	## Nation-wide accessibility mapping (FY05) ## Decentralize responsibility for rural roads in 10 competent Districts (FY05)	<b>On-going</b> RMDP, Decentralization dialogue <b>Proposed</b> Improving Rural Access (FY05), Infrastructure Develop (FY07) <b>Key partners</b> ADB, China, Germany, India, Japan, Sweden, Switzerland, UK, US
<b>H</b>	## Access of telecom services to all VDCs ## At least two telephone lines in all VDCs	## Private operator introduced for rural telephone service in Eastern Region	## Continue support for on-going reform ## IFC investments	## Private rural operator contracted (FY04) ## All VDCs in Eastern Region provided telephone connection (FY05)	<b>On-going</b> Telecom Project <b>Key partners</b> IFC, ADB, Denmark, Finland, Japan
<b>G</b> <b>(P1-G)</b>	## Increase in percentage of population with access to electricity from 40 to 55%	## Improved efficiency of NEA (as measured by a reduction in system losses to 20%), combined with greater private sector participation	## Provide financial support and TA to NEA's reforms and Power Development Fund ## IFC investments	## Internal unbundling of NEA (FY04) ## Power Development Fund (PDF) supporting private investment (FY05) ## Transform Tariff Fixation Commission into a full fledged regulatory body (FY05). ## Adopt subsidy policy for rural electrification (FY04)	<b>On-going</b> Power Development Project, TA to NEA <b>Key partners</b> IFC, ADB, Denmark, Germany, Japan, Norway, US
<b>G</b> <b>(P1-G)</b>	## Increase in percentage of population with access to electricity from 40 to 55%	## 30,000 additional households in remote areas served by micro-hydropower	## Continue financial and technical support to create a strong system to provide community-based micro-hydro projects	## Increased number of sustainable community-based micro-hydro schemes	<b>On-going</b> Power Development Project <b>Key partners</b> Denmark, UNDP

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<b>SOCIAL SECTOR DEVELOPMENT</b>					
<b>L1, R</b>	<p>## Net primary enrolment increased from 82% to 90%</p> <p>## Increased percentage of pupils completing primary level</p> <p>## Decline in percentage of primary school repeaters</p> <p>## Decline in drop out rates at the primary level</p>	<p>## 25% of public schools under community management providing socially inclusive and higher quality education</p> <p>## Efficient and timely textbook distribution system in place, as measured by all primary school children having books at the beginning of the school year</p>	<p>## Move toward HMG-led, sector-wide support by donors</p> <p>## Support school transfer initiative.</p>	<p>## 1,000 primary schools transferred to community management (FY04)</p> <p>## Integration of higher secondary education into school system (FY05)</p> <p>## Free textbook policy effectively implemented (FY04)</p> <p>## All community funded primary schools receiving block grants (FY04)</p>	<p><b>On-going</b> BPEP II (Phase 1), Community Schools LIL</p> <p><b>Proposed</b> BPEP II Phase 2 (FY04), An Evaluation of Community Managed Schools (FY07)</p> <p><b>Key partners</b> ADB, Denmark, EU, Finland, Japan, Norway, UN Agencies</p>
		<p>## Progress towards financial sustainability of public universities</p>	<p>## Build on achievements of past projects to enhance cost sharing</p> <p>## Support separation of 10+ grades from universities to improve efficiency</p> <p>## Support decentralization of university management</p>	<p>## Promulgation of Deemed University Act (FY05)</p> <p>## University accreditation system in place (FY05)</p> <p>## Agreement on policy framework for higher education, including plans for cost sharing and separation of 10+ grades from universities (FY04)</p>	<p><b>On-going</b> Policy dialogue</p> <p><b>Proposed</b> Higher Education (FY05)</p>
<b>M,R (P2-A)</b>	<p>## Reduction in infant mortality rate from 64 to 45%</p> <p>## Reduction in child mortality rate from 91 to 72%</p> <p>## Reduction in maternal mortality from 415 to 300 (per 100,000)</p>	<p>## Essential health care services implemented in 25 districts, at least half with low health indicators</p>	<p>## Work with other donors to support develop essential health packages and coherent service delivery mechanisms with special attention to reaching underserved populations</p> <p>## Develop guidance (and provide NGO support/facilitation) to ensure that the governance of the decentralized health facilities is inclusive, accountable and transparent</p> <p>## Work with other donors to support establishment of HIV/AIDS Trust Fund</p>	<p>## Implementation of essential health care packages started (FY04)</p> <p>## Health facilities at DDC/VDC levels handed over to community or private/NGO management in 1/3 of Districts</p> <p>## Autonomous HIV/AIDS Trust Fund operational (FY05)</p>	<p><b>On-going</b> Sector policy dialogue</p> <p><b>Proposed</b> Health Sector Operation (FY05)</p> <p><b>Key partners</b> China, EU, Germany, India, Japan, Norway, Switzerland, UK, UN Agencies, US</p>

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<b>N1, N2</b>	<ul style="list-style-type: none"> <li>## Consistent community driven approach operational sector wide</li> <li>## Health and hygiene improved</li> <li>## About 3.8 million people have access to safe and sustainable drinking water services</li> </ul>	<ul style="list-style-type: none"> <li>## Extend rural water supply to an additional 10% of the population</li> <li>## Extend coverage of sanitation services to an additional 5% of the rural population</li> </ul>	<ul style="list-style-type: none"> <li>## Leverage the success of the “Fund Board” approach to introduce more sustainable community-based approaches sector wide</li> <li>## Improve M&amp;E at the sector level and develop indicators of cost effectiveness, sustainability and inclusiveness of systems delivered by different projects and institutions to permit HMG to channel sectoral allocations funds to the best performing institutions/projects</li> </ul>	<ul style="list-style-type: none"> <li>## Rural Water Fund Board made independent (FY04)</li> <li>## Performance based resource allocation for sector established (FY05)</li> <li>## Rural water schemes under the Fund Board achieve equitable coverage of disadvantaged groups (FY06)</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> Rural Water Supply &amp; Sanitation Project (RWSSP I)</li> <li><b>Proposed</b> RWSSP II (FY04)</li> <li><b>Key partners</b> ADB, UK, Water Aid</li> </ul>
<b>SOCIAL INCLUSION AND TARGETTED PROGRAMS</b>					
<b>L3</b>	<ul style="list-style-type: none"> <li>## Enrolment rate of girls and disadvantaged children increase</li> <li>## Improvement in the ratio of girls enrolment rate to that of boys</li> </ul>	<ul style="list-style-type: none"> <li>## Reduce out of school primary aged children (primarily Dalits, girls and disadvantaged Janajati groups) by 50%</li> </ul>	<ul style="list-style-type: none"> <li>## Encourage social inclusion in the next phase of BPEP</li> <li>## Provide a LIL to help refine the program design</li> <li>## Support primary education in mother tongue</li> <li>## Develop indicators to track gender, caste and ethnic inclusion over time at the school level</li> </ul>	<ul style="list-style-type: none"> <li>## Establish scholarship programs to support the target population (FY04)</li> <li>## Establish systems for monitoring the educational attainments, including the inclusion of girls and Dalits, at community managed schools (FY04)</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> Social &amp; Gender Analysis (FY04), BPEP II (Phase 1), Community Schools LIL</li> <li><b>Proposed</b> BPEP II Phase 2 (FY04)</li> <li><b>Key partners</b> ADB, Denmark, EU, Japan, Norway, UN Agencies</li> </ul>
<b>O1, O3</b>	<ul style="list-style-type: none"> <li>## HDI index of far-western and mid-western provinces to increase by 8% per year</li> <li>## Proportion of deprived communities below poverty line declines significantly</li> </ul>	<ul style="list-style-type: none"> <li>## Increased public funds used by disadvantaged rural groups for services</li> </ul>	<ul style="list-style-type: none"> <li>## Help HMG with the design of a PAF, as an instrument for PRSP</li> <li>## Link financial support for PAF to its autonomy effective poverty focus</li> <li>## Help HMG design poverty-based block grant formula and consider using PAF to give incentive grants to VDCs/DDCs that perform well in reducing poverty so there is not a negative incentive for maintaining high poverty levels</li> </ul>	<ul style="list-style-type: none"> <li>## Autonomous PAF established and operational (FY04)</li> <li>## Increased funds available to the poorest VDCs through poverty based block grants (FY05)</li> <li>## VDCs that do well in improving poverty and social inclusion outcomes are rewarded with additional funding from PAF.</li> </ul>	<ul style="list-style-type: none"> <li><b>On-going</b> Policy dialogue on PAF</li> <li><b>Proposed</b> PAF I (FY04), PAF II (FY06)</li> <li><b>Key partners</b> Denmark, UK</li> </ul>

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<b>O</b>	## Success rates of female, ethnic and disadvantaged groups in civil service increased	## Affirmative action policy and implementation system for improving the diversity of the civil service in place and working	## Carry out AAA to build HMGN and civil society awareness of various approaches to overcoming historical discrimination ## Help efforts to develop affirmative action programs in civil service while retaining principle of merit based selection/promotion	## Workshop in collaboration with Ministry of General Administration (MOGA) and other donors on various approaches to affirmative action to help develop Nepal's policy (FY04) ## Establish tertiary scholarship and internship program to support the target population (FY05)	<b>On-going</b> Policy dialogue on PRSP <b>Proposed</b> TA to provide best practice information <b>Key partners</b> Canada, Denmark, Germany, Netherlands, Norway, Switzerland, UK, UN Agencies
<b>GOOD GOVERNANCE</b>					
<b>R (P4-B)</b>	## Central grants allocated to local bodies on poverty based formula ## Functioning of fiscal decentralization based on road map drawn by fiscal commission	## Decentralization (as designed in the Local Self Governance Act-LSGA) advanced substantially, with good monitoring systems in place	## Assist HMG to develop a consistent legal framework for decentralization, including fiscal aspects ## Provide financial support to test full decentralization in pilot DDCs and municipalities	## Fiscal decentralization framework designed (FY04) ## Inconsistencies in legal framework resolved (FY05) ## Implementation of full fiscal decentralization piloted in 2-3 DDCs and 2-3 municipalities (FY05)	<b>On-going</b> TA for developing a fiscal decentralization formula <b>Proposed</b> Decentralization Support (FY07) <b>Key partners</b> Denmark, UK, UN Agencies
<b>P</b>	## Enhance civil service efficiency and accountability	## Clear delineation of responsibilities between Ministers and civil service to ensure autonomy and accountability of civil service	## Work with change agents in HMG to build consensus on the need for reform ## Provide best practice knowledge	## Legislation passed establishing clear roles and responsibilities of civil servants (FY05)	<b>On-going</b> Policy dialogue <b>Proposed</b> Reform TA/Capacity Building (FY05) <b>Key partners</b> ADB, EU, Switzerland, UNDP
<b>R, A2</b>	## Transparency and accountability improved ## Citizen's charter in all DDCs and municipalities prepared	## Improved accountability and transparency	## Provide TA for implementation of CFAA and CPAR action plans ## Provide TA for better performance monitoring in the public expenditure system ## Support capacity building at the central and local level ## Link overall lending level (PRSC support in particular) to progress on accountability systems	## Implementation of key CPAR recommendation ## Implementation of key CFAA recommendation ## Institutionalization of expenditure tracking survey in the public sector (FY04) ## Institutionalization of citizen charters and client surveys in 2-3 pilot DDCs and 2-3 pilot municipalities (FY05)	<b>On-going</b> TA for expenditure tracking, TA/IDF grants to support CFAA and CPAR follow-up actions <b>Proposed</b> Decentralization Support (FY07) <b>Key partners</b> Denmark, UK, US

