

## **Appendix III**

### **The 2003 Immediate Action Plan**

The development of the 2003 Immediate Action Plan (IAP) marks the second year of HMGN's continuing efforts to bolster the country's track record for implementing reforms. In June 2002, the Council of Ministers adopted the first Immediate Action Plan (IAP) to establish a track record for implementing what it promises. The 2002 IAP focused on expediting reforms in three areas—prioritizing public expenditures, improving service delivery and fighting corruption, as well as improving accountability. The successful implementation of the first IAP established a common understanding on the essential need to carry out all the actions included in the IAP. Moreover, their implementation has helped to establish credibility for HMGN for undertaking reforms. Building on the success of the 2002 IAP, HMGN has subsequently decided to formulate an annual IAP to bridge capacity gaps and expedite key reforms.

The 2003 IAP contains a set of measures that are critical for the successful implementation of the Poverty Reduction Strategy (PRS). This second IAP consists of 24 reform actions—an increase from the set of 19 contained in the 2002 version. Not only are the measures directly linked to the four PRS pillars, most programs are tied to the Medium Term Expenditure Framework (MTEF). The Cabinet approved the IAP in July 2003 and implementation of most actions is expected to begin by September 2003. In addition to the three areas covered under the 2002 IAP, the current IAP includes reforms in agriculture, private sector development, rationalization of SOEs, infrastructure development, targeted programs, decentralization, as well as measures to address human rights. The Reform and Development Group—a joint government-donor task force responsible for developing the IAP—identified lead Ministries and donor agencies ('Lead Agencies') responsible for carrying out detailed assessments of the respective actions.

The assessments include an explanation of the impact or importance of the actions, monitoring indicators, specific outcomes, preliminary cost estimates, timeframe for implementation and the key implementing agencies on both HMGN and donor sides. The 2003 IAP actions and assessments are presented in the following matrix.

**Table 1: The 2003 Immediate Action Plan**

Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
<b>PILLAR 1: BROAD BASED ECONOMIC GROWTH</b>					
<b>P1-A. Macroeconomic stability</b>					
Full implementation of Medium-Term Expenditure Framework (MTEF) to improve the outcomes focus and prioritization of the budget system.	To make a clear link between the Tenth Plan/PRSP and the Annual Plan and to ensure increased productivity of the government expenditure.	<p>€# MTEF extended to all ministries and the allocation to the P1 projects in development budget increased substantially, i.e., at least to 65 percent.</p> <p>€# Aggregate budget figure presented using recurrent and capital classification and produced as an annex to the Red Book.<sup>3</sup></p>	Completed July 2003	N/A	NPC/ MOF & WB/DFID
Extension of MTEF to all ministries, and use of recurrent and capital expenditure concepts.			Completed July 2003		
Annual Plans of all P1 projects (FY2003/04) published in the Red Book (as the basis for performance-based funds release) to bring transparency to high-priority investment activities.	To make a clear link between the Tenth Plan/PRSP and the Annual Plan and to ensure increased productivity of the government expenditure.	<p>€# All P1 projects published in the Red Book.</p> <p>€# Annual plans of all P1 projects made public (NPC).</p>	Completed July 2003 Completed September 2003	N/A	NPC/ MOF & WB/DFID
<b>P1-B. Agriculture</b>					
Fifty season-long farmer field schools (FFSs) on “integrated pest management (IPM)” organized in appropriate areas within Mid- and Far-Western districts in collaboration with and/or by contracting out to NGOs/CBOs.	To improve farmer knowledge of pest management in an eco-friendly way, increase yields of food grains (those having comparative advantage), decrease occurrence of pests and increase number of farmers participating the program.	<p>€# 35 trained officers on IPM approach.</p> <p>€# 1250 farmers trained on IPM.</p> <p>€# 50 year round FFS established.</p>	October 2003 <sup>4</sup> January 2004 February 2004	NRs. 20 million	MOA & ADB
Farmer’s Agricultural Funds established in 6 districts, at least 4 of which are in Mid and Far Western Region.	Funds will help deliver appropriate agricultural support services to rural poor through improved resources and institutional	€# Guidelines for implementing Local Initiative Fund (LIF) and District Extension Fund (DEF) developed and approved.	November 2003	NRs. 25 million	MOA & DFID

<sup>1</sup> Timeframe refers to either the adoption or implementation of the measure.

<sup>2</sup> For certain sectoral or targeted programs, cost estimates could be made. However, costing is not applicable for those actions relating to a broad policy change or introduction and hence indicated as N/A.

<sup>3</sup> The Red Book is the budget’s appropriation book.

<sup>4</sup> Work in progress; activity to be completed by November/December 2003.

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Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
	<p>arrangements at the local level. This is in line with HMGN's commitment in the Tenth Plan/PRSP to enable poor farmers to support their livelihoods through appropriate and decentralized service delivery.</p>	<p>€# District Agriculture Development Fund and institutional framework established.                      €# Representatives of at least 20 farmer groups selected by District Agricultural Development Committee (DADC) given orientation training on the use of LIF.                      €# At least 10 CBOs/NGOs/private sector organizations given orientation training on the use of DEF.                      €# 25 percent of staff of DDCs and concerned line agencies given training on LIF and DEF.                      €# Use of LIF by at least 10 farmer groups in each district.                      €# Use of DEF by at least 3 organizations in each district to implement activities.                      €# One participatory M&amp;E of LIF and DEF implementation carried out in each district.</p>	<p>January 2004                       January 2004                       February 2004                       February 2004                       April 2004                       April 2004                       July 2004</p>		
<p><b>P1-C. Irrigation</b>                      On-farm water management program scaled up from the current 9 districts to 20 districts.</p>	<p>Efficient use of available water will increase cropping intensity and yield per hectare and resultant increase in farmers' income since most of the irrigation systems have limited water for winter and spring crops.                      The 1997 Irrigation Policy</p>	<p>€# 30 officers trained.                      €# 5400 farmers involved in FFS.                      €# On-farm water management programs scaled up to 20 districts.</p>	<p>October 2003<sup>5</sup>                      January 2004                       October 2003<sup>6</sup></p>	<p>NRs. 2 million</p>	<p>DOI/DOA &amp; ADB</p>
<p>Legal authority provided to water</p>	<p>The 1997 Irrigation Policy</p>	<p>€# The Irrigation Regulations</p>	<p>September 2003<sup>7</sup></p>	<p>N/A</p>	<p>DOI &amp;</p>

<sup>5</sup> Work in progress; activity to be completed by November/December 2003.

<sup>6</sup> Work in progress; expected to be completed by November 2003.

<sup>7</sup> The Irrigation Regulation has been forwarded to the Water User Association (National Federation) for comments.

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Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
user associations (WUA) through revision to the Irrigation Regulations 2000 for collection of irrigation services fees (ISF) from water users.	includes provisions to provide legal authority to WUAs for collection of ISF. However, the provisions are not well addressed in the 2000 Irrigation Regulations. This measure will help improve O&M cost recovery of irrigation systems and their sustainable management.	2000 is revised and shared within DOI's division offices and WUAs through their national federation. ## Water User Association empowered to charge and collect user charges.			ADB
<b>P1-D. Public enterprise rationalization</b> Boards of all public enterprises (PEs) with majority Government shareholding reconstituted in line with the Cabinet decision of 17 December 2002.	As an immediate step towards reform of PEs, this action will address political interference and mismanagement of PEs by removing political appointees on their boards, possibly improving their performance with positive fiscal implications. This will also demonstrate the Government's commitment to further reform PEs, i.e., ultimately through privatization or liquidation.	## Boards of all PEs listed in the Yellow Book <sup>8</sup> reconstituted— i.e., no more than 5 members in each board (chairman, general manager, representatives of MOF and line ministry, and an expert in the concerned sector), and the chairman and GM selected as per the procedure established by the Cabinet.	October 2003 <sup>9</sup>	Professional management of PEs leading to improved performance of PEs and positive impact on the budget.	MOF & WB
<b>P1-E. Financial system</b> Passage/issuance of Bank and Financial Institutions Act/Ordinance to protect depositors from fraudulent or irresponsible banking practice, and safeguard the integrity of the financial system.	Long sought action aimed at improving the entire financial sector.	## Act/Ordinance enacted. ## Implementation of Act/ Ordinance with immediate effects.	October 2003 <sup>10</sup>	N/A	NRB & IMF
<b>P1-F. Infrastructure development</b> Roads Board operationalized and funded with a special fuel levy as authorized in the previous annual budgets. Annual maintenance plan received from Road agencies	Preservation of capital investments. Substantial savings in rehabilitation costs, which could be diverted to other priority sectors. Accessibility.	## Annual maintenance plan prepared. ## Fuel tax levied. ## Road board operationalized.	Completed August 2003	NRs. 32 million	DOR/ MOF & WB

<sup>8</sup> The Yellow Book contains the targets and performance of public enterprises.

<sup>9</sup> Boards of the 11 public enterprises have been reconstituted and the selection process is on-going.

<sup>10</sup> Cabinet has approved the Bank and Financial Institutions Act and the process has been initiated for Royal assent.

Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
and reviewed by the Roads Board.	<p>seasonability and trafficability improved in rural areas. Substantial economic benefits due to low vehicle operating cost (VOC) and time savings. A public-private partnership-oriented Roads Board effective in maintenance planning, funding and monitoring of the activities of the public road agencies. Performance-based funds release to road agencies implemented. Priorities fixed on the basis of pre-set criteria and least affected by political decisions.</p>				
<b>P1-G. Public expenditure management</b>					
<p>Responsibility for distribution of electricity to local consumers handed over from NEA to 25 cooperatives/user groups/private entities.</p>	<p>This action will help to improve NEA's efforts to improve electricity distribution efficiencies through the involvement of cooperatives and user groups. In addition, it will help to reduce distribution losses and to provide electricity access to a larger proportion of the rural population because of the flexibility of cooperatives/user groups to mobilize their own resources to expand the electricity coverage. Moreover, based on the experience of rural areas, this scheme could be extended to city areas with modifications as necessary.</p>	<p>€# NEA Board approval of NEA by-laws for bulk electricity distribution. €# Handover of electricity distribution to 25 cooperatives/user groups in rural areas and handover agreements concluded.<sup>11</sup></p>	Completed October 2003	N/A	NEA & ADB
<b>PILLAR 2: SOCIAL SECTOR DEVELOPMENT</b>					
<b>P2-A. Health</b>					
<p>Essential health services package (EHSP) implemented. €# Upgrade mother and child health workers (MCHWs) to</p>	<p>Implementing EHSP is feasible as it narrows down the multiple interventions by primary health care providers with capped</p>	<p>€# 150 MCHW upgraded to ANM. €# 250 buildings constructed.</p>	<p>June 2005 June 2005 June 2004</p>	<p>NRs. 1.35 million NRs. 5.0 million NRs. 130 million</p>	MOH & WB

<sup>11</sup> On-going.

Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
<p>auxiliary nurse midwives (ANMs).                      ## Sub-health posts (SHPs) building construction.                      ## Program for control and prevention of Japanese encephalitis.                      ## SHPs handed over.</p>	<p>resources for EHSP. Selected interventions of prioritized EHSP will provide health care that is reported causing major sickness and deaths in Nepal, i.e., accounting for 50 percent of deaths and 69 percent of disease burden. These interventions are proven cost effective, and with little improvement in modality of service delivery in addition to community participation, a good referral back-up system and public private partnership can make a significant difference in health outputs and ultimate outcomes such as maternal and child mortality rates and fertility behavior.</p>	<p>## 250,000 persons vaccinated.                      ## 500 SHPs managed by communities.</p>	<p>June 2004</p>	<p>NRs. 50 million                       Total cost of NRs. 211.35 million</p>	
<p>Scheme to hand over sub-health posts to Local Health Management Committees (LHMCs) supported by VDCs/DDCs. Scheme expanded in existing 'IAP 2002' Districts and scaled up to include 10 new (conflict affected) Districts.</p>	<p>Local management of health facilities is important for ensuring:                      (a) improved management of health facilities by the local bodies/LHMC with high levels of ownership, participation and a sense of accountability; (b) motivation for wider service coverage and utilization; (c) increased resource mobilization; (d) creating awareness; (e) inclusion of poor, marginalized and outcast members of communities; (f) adequacy of essential drugs, presence of service providers in the facility in designated time and days; (g) wider infrastructure, human resource and other logistics support; and (h) most importantly, the poor availing of adequate health care despite their inability to</p>	<p>## Increased number of districts with LHMC management of health facilities.                      ## LHMCs will function in sub-health posts of at least 20 districts.                      ## Increased quality services in sub-health posts.</p>	<p>June 2004</p>	<p>Money is to be made available for:                      ## Orientation and training to local bodies, health service providers, LHMC members.                      ## LHMC needs continuous capacity building support to better understand and carry out their respective role and responsibilities and to coordinate with local stakeholders.                      ## District, regional and central health officials need adequate financial support for providing technical and</p>	<p>MOH &amp; WB</p>

Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
	pay.			management support to ensure quality of care, supervision and monitoring visits more frequently and organizing local level workshops with LHMCs prior to preparation of annual health work programs and budgets indicating their contributions. €# HMGN's grant and other alternate financing means.  The level of funding is expected to decline in a few years when LHMCs have gained adequate experience and capacity to manage by themselves.	
<p><b>P2-B. Education</b> Transfer of 600 schools to community management. (It is expected that a majority of the schools will be at the primary level but those at the lower secondary and secondary levels may also be included.)</p>	<p>€# Develop local capacity in managing schools. €# Improve school efficiency and effectiveness. €# Ensure quality of education. €# Develop transparency, sense of accountability and local control over resources. €# Apply subsidiary principle. €# Strengthen monitoring system.</p>	<p>€# 600 schools handed over to school management committees and these schools receiving regular HMGN block grants. €# Measures in place for recruitment of teachers in these 600 schools by school management committees. €# Increased number of schools handed over to communities.</p>	April 2004	NRs. 60 million	MOE & DANIDA
Provision of 25 percent of the cost of teacher salaries to 3,150 community primary schools (CPS) for a number of teacher	<p>€# Encourage devolution of school education. €# Develop partnership with communities.</p>	<p>€# Number of CPS receiving grants for 25 percent of teacher salaries.</p>	2003/04	NRs. 176 million	MOE & DANIDA

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positions calculated on the basis of Teacher Regulations (1 teacher per 55 pupils in Terai, 1:45 in the hills and 1:35 in the mountains.	€# Improve management.				
Responsibility for school feeding transferred from the primary schools (PSNFP) to the District Education Officers in 21 districts. School feeding for 450,000 children made an integral part of school management in primary schools in these districts.	€# Increased enrolment, particularly girls and disadvantaged children. €# Improved retention. €# Improved success rate of students promoting to the next grade.	€# 450,000 school children provided with food.	January 2004	N/A	MOE & DANIDA
<b>PILLAR 3: TARGETED PROGRAMS AND SOCIAL INCLUSION (P3)</b>					
A fully functioning autonomous and accountable Poverty Alleviation Fund (PAF).	This is in line with Nepal's Tenth Plan and PRSP objectives of poverty reduction. It would help alleviate poverty and reach out to the socially excluded, improve donor coordination and effectiveness in poverty alleviation, demonstrate more innovative and effective ways of addressing poverty and social exclusion, and deepen decentralization. The PAF would demonstrate ways of reaching the socially marginalized groups. The PAF is needed by Nepal because: (i) foreign financing and budgetary constraints make it difficult to finance needed services of foreign and local experts; and (ii) arranging sufficient alternative sources of funding from other sources is difficult.	€# Legislation imparting strong autonomy to the Board of the PAF with a professional secretariat to enable it to operate independently flexibly and effectively. €# Act enacted.	January 2004	NRs. 35 million	NPC & WB
Approval and implementation of affirmative action policies and programs to promote the participation of women as well as Janajati and Dalit groups in the	It will contribute to an increase in women's participation in the civil service. At present, there are 75 percent women in civil service. This first step should help build	€# Training provided to 250 women/dalit/janajati graduates. €# Training provided to 500 undergraduate women/dalit/janajati.	August 2004	N/A	MOGA & ADB

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Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
civil service, including the upper layers.	momentum for broader affirmative action to increase the proportion of women, Dalits and disadvantaged Janajati groups in the civil service.				
Public spending in Mid- and Far-West increased on the basis of needs assessment. Appropriate monitoring systems set up.	Regions with lower development levels compared to other regions need increased efforts to help their inhabitants live dignified lives.	<p>€# Allocations increased.</p> <p>€# Part 2 of the Program Book (Districts) of the NPC made public.</p> <p>€# Increased levels and shares of funds disbursed through District Treasury and Comptroller Offices in the regions.</p>	Completed August 2003	Significant	NPC & WB/DFID
<b>PILLAR 4: GOOD GOVERNANCE</b>					
<b>P4-A. Anti-corruption and transparency</b>					
Legal action initiated against major bank defaulters (at RBB and NBL) and parties responsible for the major irregularities identified in the Auditor General's report.	This is urgent for maintaining soundness of the banking sector, curbing corruption and ensuring productivity.	<p>€# List of defaulters made public.<sup>12</sup></p> <p>€# Cases/enforcement results published in the national dailies.<sup>13</sup></p> <p>€# Legal action initiated against those involved in the major cases of embezzlement as reported in the AG report.<sup>14</sup></p>	October 2003 <sup>15</sup>	N/A	AG & NORAD/ IMF/ CIAA
Police reform towards creating a professional, modernized police force and establishment of an independent Police Commission.	<p>€# An independent Police Service Commission would reduce the opportunity for political/corrupt external influences on recruitment, transfer and promotion which affect the activities of the police force.</p> <p>€# A professional, modernized</p>	<p>€# Enactment of Ordinance.</p> <p>€# Formation of Police Service Commission.</p>	October 2003 <sup>16</sup> August 2004	N/A	MOHA & DFID

<sup>12</sup> Expected to be completed within the stipulated timeframe.

<sup>13</sup> High profile cases have been reported in the press.

<sup>14</sup> In the absence of the Parliament, the Auditor General's report has not been made public.

<sup>15</sup> On-going, expected to be completed within the timeframe.

<sup>16</sup> The act has been drafted and sent to the Ministry of Law, Justice and Parliamentary Management for clearance.

Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
	police organization places greater emphasis on 'service' than force. Training and a system of monitoring can reduce corruption and improve the police force's record of respect for human rights.				
<b>P4-B. Decentralization</b>					
Fiscal decentralization framework developed and implementation initiated in FY2003/04, including release of conditional or unconditional grants to local governments for poverty alleviating activities. Local Body Fiscal Commission (LBFC) capacity developed in the process.	N/A	<p>€# Framework in place.</p> <p>€# Conditional/unconditional grants provided to local bodies in health, agriculture, education and infrastructure continued thereafter.</p> <p>€# Poverty sensitive DDC grant formula implemented.</p> <p>€# LBFC secretariat physically functional.</p>	<p>September 2003<sup>17</sup></p> <p>September 2003<sup>18</sup></p> <p>January 2004</p> <p>January 2004</p>	N/A	MOLD/ MOF/ NPC & DANIDA
Tourism fees shared with concerned DDCs as provided in the Local Self Governance Regulation (L-SGR).	This action will help to demonstrate HMGN's commitment to improving implementation of its policies. This would also convey a clear message about HMGN's commitment to effectively implement its decentralization policy and enable local bodies/communities to receive part of the resources generated in their areas as provided in the LSGR.	<p>€# Sharing of tourism fees announced in FY04 budget.</p> <p>€# Identification of various tourism fees to be shared with DDCs.</p> <p>€# Clear mechanism for sharing the fees with DDCs, including opening of necessary accounts and a formula for sharing the proceeds among DDCs where more than one DDC is involved.</p> <p>€# Monitoring system in place to ensure DDCs receive the funds.</p> <p>€# Draft concept paper prepared (MLD).</p>	August 2004	Developing and implementing the revenue sharing mechanism does not involve any costs.	MLD/ MOT & DANIDA/ MOWR
Local civil service system established and implementation	N/A		August 2003 <sup>19</sup>	N/A	MLD & DANIDA

<sup>17</sup> Road map completed and overall principle of fiscal framework is under preparation to be finalized within this fiscal year.

<sup>18</sup> Conditional grant as program related devolved, but unconditional grant interim formulae development to be finalized within this fiscal year.

<sup>19</sup> Draft concept paper has been prepared and consultation is on-going with stakeholders.

<sup>20</sup> Guidelines for devolution of three sectors (education, health and agriculture/livestock) have been prepared.

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Action	Impact/ Importance of Action	Indicators	Timeframe <sup>1</sup>	Estimated Cost <sup>2</sup>	Lead Agencies
initiated in FY2003/04.		<p>€# Personnel with devolved functions made fully accountable to LBs (MLD/MOGA).                      €# Bill approved.</p>	<p>August 2003<sup>20</sup>                      August 2004</p>		
<p><b>P4-C. Human rights</b>                      HMGN's human rights record improved with respect to its handling of the conflict. Action includes provision of sufficient funds to National Human Rights Commission (NHRC) to fulfill its mandate.</p>	<p>This action is judged as an important action, and it would send an important signal to strengthen the NHRC and thereby focus on human rights issues. Human rights issues should be more up front, and NHRC has an important role to play in addressing them.</p>	<p>€# Finalization of National Human Rights Action Plan.                      €# Necessary funding of NHRC arranged.</p>	<p>September 2003<sup>21</sup></p>	<p>Significant</p>	<p>MOF/                      NHRC &amp;                      NORAD/                      MOHA</p>

<sup>21</sup> In progress.