

**Medium Term Expenditure Framework
(2002/3-2004/5)
Urban Development, Housing and Building Sector**

Nepal Development Forum-2002

**His Majesty's Government of Nepal
Kathmandu
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Urban Development, Housing and Building Sectoral Development Paper cum MTEF Ministry of Physical Planning & Works

Draft

Executive Summary

Background

The Ninth Plan envisaged planned urban growth with special focus on rural urban linkage and poverty reduction. It had encompassed all the aspects of the housing and urban development sector by identifying programs and projects at the national and local level. However, the allocation of resources did not match with the plans and programs.

The institutional and policy reform activities proposed in the plan was not fully implemented although the reorganization of the Ministry and the Department was done during the plan period. In order to enhance the rural – urban linkage, physical development plans were prepared and market centers were developed in several urban centers in the hills and Terai districts.

The government launched some infrastructure improvement projects in Kathmandu Valley, which have benefited the residents of the city center. Similarly, the implementation of land development projects in the fringe areas of the city has contributed to the planned development of the urban expansion areas.

There are 58 municipalities and about 80 emerging urban centers in the countries. The municipalities are responsible for the development and management of the urban areas within their jurisdiction. They have been given clear mandate to prepare periodic plans, land use plans and bye-laws, authority to collect taxes, fees and user's charges for the goods and services delivered by them which is in addition to the annual grant provided by the government.

Situation of the emerging urban settlements is rather worse compared to the municipalities. Those settlements come under the jurisdiction of VDCs who do not have financial resources and technical capability to ensure planned development. Although the Town Development Act- 1988 allows the government to constitute Town Development Committees to look after such settlements, TDCs have become redundant due to the absence of officials and lack of financial resources.

The **major challenges** in this sector are as follow:

- Uncontrolled growth of major cities and inadequacy of physical and social infrastructure.
- Emergence of slums and squatter settlements in the major cities.
- Weak rural – urban linkage resulting in distortion in the marketing of agriculture products.
- Growing deficiency in the housing stock due to rapid urbanization and natural population growth
- Low capacity of the local authorities in the management of the urban activities.
- Limited participation of the private sector in the provision of urban infrastructure.

Major Sectoral Reforms

The government recently conducted a study on public expenditure through forming a Public Expenditure Review Committee (PERC) as a part of its reform initiatives. As per the recommendations of PERC, following policy reforms and updating have been done or in progress:

- ☞ Strengthening the Process of Decentralization: for participatory planning and service delivery processes and capacity development of the stakeholders –local authority, community etc.

- ☞ Rural – Urban Partnership program: for integration of moderately poor into main stream of economy and provision of special assistance to the extremely poor. The program has been able to achieve an excellent social capital formation having an instrumental role in social mobilization creating Tole/lane Organizations (TLOs) initiating Participatory development process, social mobilization and promotion of Community Enterprise with rural urban linkage in the Municipalities and the Rural market centers.
- ☞ Kathmandu Valley Urban Development Authority ACT (Draft) - The Act has been billed in the Parliament to regulate rapid urbanization process in the Kathmandu valley in a more holistic manner. The lack of coordinated planning and development approach between the municipalities and the VDCs in the urban fringes has been detrimental to the overall development of the valley.
- ☞ Kathmandu Valley Long Term Development Plan – 20 Years (Draft): Based on the spirit of the Draft KV- Urban Development Act, a 20 years long-term developments plan has been prepared and is in the final stage of approval.
- ☞ Institutional Reorganization: Following the recommendations given by Public Expenditure Review Committee (PERC), the regional offices of DUDBC have been abolished and district level offices undertaking buildings and planning works have been replaced by Divisional Offices not exceeding twenty four. These changes are expected to result in the substantial reduction of administrative costs (salary, office materials, rent etc.). Down sizing of staff as per the PERC recommendation is in process

Tenth Plan – Approach Paper (Draft) and I-PRSP

The objective, strategy, major activities and outcome/output of the sector will be as follow:

Objective

- To regulate urban development as per the approved plans and programs
- To provide sustainable urban structure
- To develop Kathmandu Valley as the center of tourism and culture
- To improve urban rural linkages
- To enable the households to avail safe and affordable shelter.
- To construct safe government buildings
- To promote local resources and technology as far as possible
- To develop sites of cultural, historical and touristic value.

Strategy

- Guiding urban development through physical development plans
- Mobilization of the resources of the private sector and local authorities
- Development of secondary towns the valley, market centres in emerging urban settlements.
- Development of compact rural settlements
- Provision of housing for underprivileged class of the society and disaster affected families.
- Construction of cost effective public buildings and emergency shelters for disaster affected people.
- Create job opportunities and income generating activities and enhance the role of women in housing and urban development as well as Involve CBOs, NGOs, Local People in planning and urban improvement programs/projects

Major Activity/Program

- Production of physical development plans (digital base maps) of all municipalities
- Updating of building by-laws of all municipalities
- Formulation of Integrated Action Plan and Development of Harisiddhi New Town.
- Implementation of urban and Environmental Improvement Programs
- Provision of training to municipal staffs.
- Implementation of land development programs
- Private housing improvement program.
- Construction of Ministry's buildings
- Development of sites of cultural and historic importance

Major Outcome/Output

- Regulated urban development
- Employment generated
- Safe, efficient and cost effective (affordable) housing and building help provided
- Digital maps of all municipalities prepared.
- Critical infrastructure provided in major urban centres.
- Urban infrastructure upgraded, developed in a towns around Kathmandu Valley
- Market centres developed in potential and emerging urban centres complementing rural development
- Two hundred hectares of land developed and about 2 thousand households provided shelter
- 5 ministry's buildings and other government buildings completed
- 5 cultural sites developed.

Project Prioritization Criteria/ Screening

An attempt has been made to prioritize the project on the basis of the contribution that each project makes to the main element of the Poverty Reduction outlined in I-PRSP and tenth plan. The other elements are accelerating economic growth, provision of social services and infrastructure, targeted program and good governance. As per the criteria advised on NPC and MTEF sectoral outline and PERC recommendations, the criteria including addition and revision as suggested by the workshop held on 18th January 2002, Kathmandu are considered for prioritization of on-going, new and future projects. They are National Objective, Sectoral priority, Regional balance, Need for government involvement, People's participation, Planned urban development, Strengthening of rural-urban linkages, Enhancement of private sector involvement, Local level participation (decentralization), Internal Rate of Return (IRR) and Target group

The possibility of bringing private sector participation should also be assessed before seeking funds from government and other sources for any urban development & housing projects of new and maintenance nature.

Rolling Program Budgeting - MTEF

MTEF concept on the need for three-year forward planning, programming and budgeting system can be a laudable step towards establishing better planning practice in a resource constraint country like ours. The adoption of this approach will certainly result in the judicious utilization of limited and scare resources in prioritized projects leading to optimal use of the available resources in the country and help meeting the national and sectoral objectives. Moreover, as the programmes and projects are well tied-up with resources, the element of uncertainty in the resource availability for the future is expected to be considerably minimized by this approach. This MTEF will help to translate the tenth plan into action program to achieve the target set. There is also a greater possibility of convincing donors directing their funds towards prioritized projects to meet the national goal.

The expected output in the three-year rolling program and tenth plan are as follow:

Physical Planning (Urban Dev., Housing & Building)	3 yrs. (MTEF) target	Tenth five yrs. target (Total)
- Digital map of municipalities prepared – sets	36	50
- Integrated plan of municipalities in no.	9	15
- Municipality's staffs trained in no.	150	150
- Infrastructure of towns in Nepal	19	25
- Infrastructure for Harisiddi New Town – Roads & Drainage in Km	5	-
- Craft-men trained in no.	600	1000
- Ministries building completed	5	6
- Master plan for cultural sites completed	9	15

Project Prioritization Assessment and Budget Allocation

Availability of limited resource necessitates the need for project prioritization and adoption of MTEF as a tool for efficient utilization of resources in the prioritized area/projects that will help achieve the target set.

There were about 40 projects in the list while initiating discussion on MTEF. Only 28 projects that have scoring of 60 and above in 100 scale are picked up for allocation of budget. Further, some of projects are on pipeline for financial support and some are under study. Hence, the final list of projects is subjected to change later (Refer revised project scoring and ranking).

Next year (Fy 2059/60) projects' budget is allocated based on the budget ceiling provided, which is slightly higher than this year's allocation. For the budget estimates of Fy 2060/61 and 2061/62, an increase of 10 to 15 % in each year is made. The total budget estimated for the next fiscal year is Rs. 280 millions. The budget estimates of Fy 2060/61 and 2061/62, are in the range of 314.5 and 347.0 millions respectively. The total of three years comes out to be Rs. 941.5 millions (Refer budget allocation for more details)

Finding, Implication, Readjustment and Implementation

The projects included in the prioritized list are expected to contribute in one way or other towards the achievement of national goal of poverty alleviation and leading to a sustained and planned urbanization. The numbers of projects, which have been dropped, are basically those types of projects where the role of the Department is minimal and the projects, which have low priority (low scoring).

Certainly any changes in the allocation of budget affects the implementation of some projects. However, enough attention has been paid to minimize the effect of budget fluctuation and cut in the proposed programmes by adjusting and accommodating those programs and projects which are on the top priority and critical towards fulfillment of department's role in the field of housing, urban development and building construction.

Appropriate regulatory frameworks and changes in the mode of operation and departure from the prevailing planning practices are required to enable MTEF to function effectively. If donors are supportive in program level rather than in project level, it would be more helpful to achieve national and sector objectives.

MTEF – Implementation -The Project Implementation Plan (PIP) providing a description of the project and all of the arrangements for project management, use of consultants, construction contracts, financial accounting, progress reporting, and monitoring and evaluation will be required to use as a guiding document by the executing agency, implementing agency, Project Manager and donor to plan, monitor and evaluate the project. In order to internalize MTEF, **implementation measures** to be adopted simultaneously are:

- Regular updating of data bases particularly relating to programmes, projects and budget.
- Training of manpower to familiarize with this new concept.
- Regular monitoring and supervision to observe whether or not the progress is moving in the right direction as per MTEF concept.
- Annual evaluation of performance to find out the real issues and challenges in the adoption of MTEF concept and lesson learned.

Monitoring and Evaluation - Project's Impact, progress and financial indicators should be defined for monitoring and evaluating the development impacts of the project. The possible ways to progress monitoring and evaluation of project work being done at different level and phases are: Regular quarterly progress monitoring and reporting, On-site supervision and inspection of works and Workshop

Project Public Auditing system should be introduced as a part of audit activities, which includes auditing in total aspects of project. **Post –Evaluation for Impact Assessment** – Project impact assessment should be carried after its completion to find out whether the project has provided impacts that were expected during the formulation. The lesson learnt from the project should be considered in the implementation of the future projects.

Conclusion and Recommendation

It is expected that the present MTEF approach will resolve most of the problems at least in the programming and budgeting front as it will plan ahead both prioritized programs and projects on the one hand, and budget to implement them, on the other. The effectiveness of this approach, however, is highly dependent upon the ability of all planning and programming units and implementers operating at different levels of the government departments and ministries.

Some of the recommendations are:

- ☞ Strengthen database management system, planning and program budgeting unit and M & E unit
- ☞ Encourage the need for advance and forward looking planning approach with cost-effectiveness
- ☞ DUDBC must be given full authority with clear-cut roles and responsibilities to take a lead role in housing, urban development and building construction sector.

Urban Development, Housing and Building Sectoral Development Paper cum MTEF Ministry of Physical Planning & Works

Draft

1.0 Background

1.1 Sub-Sector Review – background, objectives, target & achievement and issues & challenges

The Ninth Plan envisaged planned urban growth with special focus on rural urban linkage and poverty reduction. It had encompassed all the aspects of the housing and urban development sector by identifying programs and projects at the national and local level. However, the allocation of resources did not match with the plans and programs.

The institutional and policy reform activities proposed in the plan was not fully implemented although the reorganization of the Ministry and the Department was done during the plan period. The capacity building of the local authorities was slow and the implementation of Integrated Action Plans was not very effective. The local authorities have not been able to exercise the authorities delegated to them under the Local Self-Governance Act.

The planned development of emerging towns and market centers was given special attention in the plan. The government initiated preparation of physical development plans of such settlements and allocated funds for the development of critical urban infrastructure in designated settlements. In order to enhance the rural – urban linkage, market centers were developed in several urban centers in the hills and Terai districts. However, the Town Development Committees (TDCs) who are empowered to implement the Physical Development Plans, could not play active role in the whole process. The frequent changes of the officials of the TDC due to political reasons hampered the development process of such settlements.

The government launched some infrastructure improvement projects in Kathmandu Valley, which have benefited the residents of the city center. Similarly, the implementation of land development projects in the fringe areas of the city has contributed to the planned development of the urban expansion areas. The reorganization of the urban development institutions of the Valley has been initiated and the reform in legal and administrative system is also taking place.

During the plan period, studies have been conducted for the regional development of the emerging growth corridors of the Terai and mid hills. However, the institutional mechanism for the implementation of the recommendation of such studies is yet to be established.

There are 58 municipalities and about 80 emerging urban centers in the countries. The municipalities are responsible for the development and management of the urban areas within their jurisdiction. They have been given clear mandate to prepare periodic plans, land use plans and bye-laws. They have been given authority to collect taxes, fees and user's charges for the goods and services delivered by them which is in addition to the annual grant provided by the government.

Situation of the emerging urban settlements is rather worse compared to the municipalities. Those settlements come under the jurisdiction of the Village Development Committees (VDCs) who do not have financial

resources and technical capability to ensure planned development. Although the Town Development Act-1988 allows the government to constitute Town Development Committees to look after such settlements, there is a tug-of-war between the elected body (VDC and DDC) and the TDCs. Moreover, the TDCs have become redundant due to the absence of officials and lack of financial resources. The unlimited number of the TDC in the country has generated tremendous managerial responsibility and financial liability to the Ministry of Physical Planning and Works.

The **major challenges** in the urban development sub-sector are as follows:

- Uncontrolled growth of major cities including Kathmandu and inadequacy in the provision of physical and social infrastructure.
- Emergence of slums and squatter settlements in the major cities.
- Weak rural – urban linkage resulting in distortion in the marketing of agriculture products.
- Growing deficiency in the housing stock due to rapid urbanization and natural population growth
- Low capacity of the local authorities in the provision of infrastructure and management of the urban activities.
- Limited participation of the private sector in the provision of urban infrastructure.

2.0 Major Sectoral Reforms

The government recently conducted a study on public expenditure through forming a Public Expenditure Review Committee (PERC) as a part of its reform initiatives.

In line with the recommendations of PERC, following policy reforms and updating have been done or in progress:

☞ Strengthening the Process of Decentralization

There has been increased recognition to decentralization in the sectoral planning process through the development of regulations, guidelines, manuals and working procedures. Emphasis has been laid on the decentralized participatory planning and service delivery processes. Similarly the capacity development of the local Governments particularly the municipalities in the development of the urban environment through training's, information and knowledge sharing and planning exercises has been promoted.

☞ Rural – Urban Partnership program

The rural urban partnership program, under UNDP assistance, builds on two main strategies: integration of moderately poor into main stream of economy and provision of special assistance to the extremely poor adopted by Ninth Plan for the poverty reduction. The program has been able to achieve an excellent social capital formation having an instrumental role in social mobilization creating Toile/lane Organizations (TLOs) initiating Participatory development process, social mobilization and promotion of Community Enterprise with rural urban linkage in the Municipalities and the Rural market centers. The achievements have been noteworthy 2059 LOs covering more than eighty percent of population living in the project area. TLOs have successfully initiated Saving/credit Scheme creating a financial base for promotion of micro- enterprise of the locality. This model needs to be replicated, supported and institutionalized within the HMG/N organizations.

☞ Kathmandu Valley Urban Development Authority ACT (Draft)

The need to look the rapid urbanization process in the Kathmandu valley in a more holistic manner and not limiting to the boundaries of the five municipalities was felt very strongly since long. The lack of coordinated planning and development approach between the municipalities and the Village development committees in the urban fringes has been detrimental to the overall development of the valley. It is for the reason an Authority which can plan and monitor the planned activities looking the Kathmandu valley in a more holistic approach (water shed as a whole) for its overall development is being established through an Act. The Act has been billed in the Parliament and hopefully will be approved in the forthcoming session. In accordance with the spirit of the Local Governance Act, the respective Municipalities and the VDCs will implement the approved plan and their important role has been duly recognized.

☞ Kathmandu Valley Long Term Development Plan – 20 Years (Draft)

Based on the spirit of the Draft KV- Urban Development Act, a 20 years long-term developments plan has been prepared and is in the final stage of approval.

☞ Institutional Reorganization

Following the recommendations given by Public Expenditure Review Committee (PERC), the regional offices of DUDBC have been abolished and district level offices undertaking buildings and planning works have been replaced by Divisional Offices not exceeding twenty four. These changes are expected to result in the substantial reduction of administrative costs (salary, office materials, rent etc.). Down sizing of staff as per the PERC recommendation is in process

3.0 Tenth Plan – Approach Paper (Draft) and I-PRSP

The vision of DUDBC in the tenth plan is to plan and regulate the uncontrolled growth of urbanization through the physical planning interventions and social infrastructure for the sustainable development of the cities, towns and villages and to provide safe & affordable shelters in order to achieve improved socio-economic status of the citizens.

The mission of DUDBC during the tenth plan is to carry out studies to achieve planned urban development, training in land development and housing, implementation of land pooling projects and road improvements and preparing Integrated Action Plan for municipalities and undertaking studies of small towns. Besides this, DUDBC is to undertake development and restoration of government and public buildings, conservation of religious places.

The objective, strategy, major activities and outcome/output of the sector will be as follow:

Objective

- To regulate urban development as per the approved plans and programs
- To provide sustainable urban structure
- To develop Kathmandu Valley as the center of tourism and culture
- To improve urban rural linkages
- To enable the households to avail safe and affordable shelter.
- To construct safe government buildings
- To enforce building codes in the design and construction of buildings
- To promote local resources and technology as far as possible
- To develop sites of cultural, historical and touristic value.

Strategy

- Guiding urban development through physical development plans
- Mobilization of the resources of the private sector and local authorities in the provision of urban infrastructure including public private partnership concept
- Development of secondary towns around Kathmandu valley
- Development of market centres in emerging urban settlements.
- Development of compact rural settlements
- Provision of housing for underprivileged class of the society and disaster affected families.
- Construction of cost effective public buildings
- Promotion of domestic consulting and contracting firms in the sub sector
- Construction of emergency shelters for disaster affected people.
- Create job opportunities and income generating activities in the urban development and building projects
- To enhance the role of women in housing and urban development
- Involve CBOs, NGOs, Local People in planning and urban improvement programs/projects

Major Activity/Program

- Production of physical development plans (digital base maps) of all municipalities
- Updating of building by-laws of all municipalities
- Formulation of Integrated Action Plan
- Implementation of urban and Environmental Improvement Programs
- Provision of training to municipal staffs.
- Implementation of land development programs
- Development of Harisiddhi New Town.
- Private housing improvement program.
- Construction of Ministry building
- Development of sites of cultural and historic importance

Major Outcome/Output

- Regulated urban development
- Employment generated
- Safe, efficient and cost effective (affordable) housing and building help provided
- Digital maps of all municipalities prepared.
- Critical infrastructure provided in major urban centres.
- Urban infrastructure upgraded, developed in a towns around Kathmandu Valley
- Market centres developed in potential and emerging urban centres complementing rural development
- Two hundred hectares of land developed.
- About 2 thousand households provided shelter
- 5 ministry's buildings completed
- Various government buildings constructed
- 5 cultural sites developed.

4.0 Institutional Capability and Physical Infrastructure

The DUDBC had its 65 district offices to deliver services at the district level. Recently these offices are consolidated into 24 divisions. These divisions will have complete manpower to deal with the urban

development plans and programs. Over the years, DUDBC has gained good experience in the design, supervision, and management of urban development and building projects. DUDBC has one training centre and has conducted many training and workshops in urban development and planning. The officials working in KVTDC have good experience in the implementation of land development programs including environment improvement projects. DUDBC has helped KMC to prepare IAP for all wards and it has already prepared IAP for more about 30 municipalities. Manpower for IAP, GIS mapping is available in the department and has good database of most of the urban centres. Regarding physical infrastructure, office buildings with necessary facilities are available in more than 40 districts.

5.0 Stakeholders in the Development

The major stakeholders in this sector are as follows

Central Authority	- NPC, Ministries, Departments Division Offices
Local Authorities	-Municipalities, District Development Committees, Village Development Committees
Social Org.	- INGOs, NGOs, CBOs, Social mobilisers
Civil Societies	
Private Sector	- Federation of Chamber of Commerce and Industry, real estate agencies, suppliers, domestic consulting and contracting firms
Bi-lateral and Multi-lateral Organization (development agencies)	

The role of the local authorities is to mobilize revenue and the community participation in the provision of the physical infrastructure where as the private sector can provide some basic urban services such as water supply and solid waste management. UNDP and GTZ/ UDLE have long experience in the capacity building of the municipalities and government institutions involved in the urban development sector. ADB and the World Bank have been involved in the capital development projects since last 15 years.

Their roles and responsibilities should be clearly assessed and defined based on who is most capable in handling the program and should be provided with necessary authorities and support facilities. This needs further exercise for working out details.

6.0 Major Projects and Program

The major project and programs to be implemented are urban environment improvement project for nine towns outside Kathmandu Valley, training of DUDBC and municipality staffs in urban planning and management, implementation of land pooling projects, low cost housing initiatives and implementation of studies on small towns and IAP programs. Public building development and restoration, building code enforcement and training in low cost construction techniques, earth quake awareness and preventive measures are also other important programs.

7.0 Project Prioritization Criteria/ Screening

An attempt has been made to prioritize the project on the basis of the contribution that each project makes to the main element of the Poverty Reduction outlined in I-PRSP and tenth plan. The other elements are

accelerating economic growth, provision of social services and infrastructure, targeted program and good governance. As per the criteria advised on NPC and MTEF sectoral outline and PERC recommendations, the following criteria including addition and revision as suggested by the workshop held on 18th January 2002, Kathmandu are considered for prioritization of on-going, new and future projects.

- a) National Objective
- b) Sectoral priority
- c) Regional balance
- d) Need for government involvement
- e) People's participation
- f) Planned urban development
- g) Strengthening of rural-urban linkages
- h) Enhancement of private sector involvement / participation / competition
- i) Local level participation (decentralization)
- j) Internal Rate of Return (IRR)
- k) Target group

The possibility of bringing private sector participation should also be assessed before seeking funds from government and other sources for any urban development & housing projects of new and maintenance nature.

8.0 Rolling Program Budgeting - MTEF

8.1 MTEF Concept and Adoption

An attempt has been made to prepare a Medium Term Expenditure Framework based on the following references:

- Interim Poverty Reduction Strategy Paper (I- PRSP) (draft)
- Tenth Plan - Approach Paper (draft)
- Ninth Five-year Plan
- Mid Term Evaluation of Ninth Five-year Plan
- Progress report of FY 057/058
- Report of Public Expenditure Review Commission (PERC)
- Donor's Strategy and Country Assistance Documents
- Foreign Aid Policy and
- Sub-sector Documents like Policy and Plan & Program

MTEF concept on the need for three-year forward planning, programming and budgeting system can be a laudable step towards establishing better planning practice in a resource constraint country like ours. The adoption of this approach will certainly result in the judicious utilization of limited and scare resources in prioritized projects leading to optimal use of the available resources in the country and help meeting the national and sectoral objectives. Moreover, as the programmes and projects are well tied-up with resources, the element of uncertainty in the resource availability for the future is expected to be considerably minimized by this approach. This MTEF will help to translate the tenth plan into action program to achieve the target set. There is also a greater possibility of convincing donors directing their funds towards prioritized projects to meet the national goal.

Despite all these positive side of the picture, Institutionalization of MTEF can be a challenge particularly to replace the existing planning practices by this approach more or less abruptly. The other equally important issues to be resolved are related with poor and weak database for forward planning. The existing established planning practices probably might feel it difficult to internalized as quickly as desired by MTEF.

8.2 Three Years' Target (MTEF)

The expected output in the three-year rolling program and tenth plan are as follow:

Expected Output in MTEF (3 Yrs) and Tenth Five Year Plan (Tentative)

Physical Planning (Urban Dev., Housing & Building)	3 yrs. (MTEF) target	Tenth five yrs. target (Total)
- Digital map of municipalities prepared – sets	36	50
- Integrated plan of municipalities in no.	9	15
- Municipality's staffs trained in no.	150	150
- Infrastructure of towns in Nepal	19	25
- Infrastructure for Harisiddi New Town – Roads & Drainage in Km	5	-
- Craft-men trained in no.	600	1000
- Ministries building completed	5	6
- Master plan for cultural sites completed	9	15

8.3 Cost Estimate, Project Prioritization Assessment and Budget Allocation

Cost estimate

Basically there are two types of works: (i) Construction-related works (Buildings and other infrastructure development works ii) Planning and study works (Preparation of reports and maps). The unit costs are based on previous record or are estimated on project to project basis. *The details on unit cost estimates are provided separately.*

Project Inventory and Prioritization Assessment

Availability of limited resource necessitates the need for project prioritization and adoption of MTEF as a tool for efficient utilization of resources in the prioritized area/projects that will help achieve the target set.

There were about 40 projects in the list while initiating discussion on MTEF. Only 28 projects that have scoring of 60 and above in 100 scale are picked up for allocation of budget. The revised project scoring and ranking is presented in **Annex 1**.

Further, some of projects are on pipeline for financial support and some are under study. Hence, the final list of projects is subjected to change later.

Budget Allocation

Next year (Fy 2059/60) projects' budget is allocated based on the budget ceiling. For the budget estimates of Fy 2060/61 and 2061/62, an increase of 10 to 15 % in each year is made.

The total budget estimated for the next fiscal year is Rs. 280 millions. The budget estimates of Fy 2060/61 and 2061/62, are in the range of 314.5 and 347.0 millions respectively. The total of three years comes out to be Rs. 941.5 millions. Refer **Annex 2** for details on budget allocation

9.0 Finding, Implication, Donor's Readjustment and Implementation

Findings and Scenario

The overriding concern behind the selection of projects was guided by the need for planned urban development in the country, and this is justified in view of the haphazard urbanization as experienced in almost all towns and cities of Nepal. The projects included in the list are expected to contribute in one way or other towards the achievement of national goal of poverty alleviation. Moreover, projects are expected to generate employment opportunities, strengthen the linkages between rural and urban areas, improve the environment of many areas, encourage the use of local technology and resources, provide planning support to local authorities, improve the housing condition particularly that of poor and disadvantaged group of the society etc. These projects, therefore, help reduce not only poverty in the country, with the creation of employment, and the provision of training to low level unskilled craftsmen but at the same time, meet the housing need of the needy people, enhance the planning capabilities of local authorities, improve the physical environment of many areas – all these leading to a sustained and planned urbanization in the country.

The number of projects which have been dropped are basically those type of projects where the role of the Department is minimal and the projects which have low priority (low scoring). Thus, the number of projects that were dropped will not significantly affect the achievement of overall goal and objectives of the sub sector.

The new projects proposed in the Tenth Plan period are infrastructure development for small town and market centers, study of rural-urban linkages, formulation of regional development plan by identifying growth corridor, land development programmes in association with private sector, technology transfer, urban development plans, urban infrastructure development, urban environment improvement, official building construction and maintenance and HRD and research work etc.

Certainly any changes in the allocation of budget affects the implementation of some projects. The present cut in the budget naturally leads to scaling down of some projects during the Tenth Plan period. However, enough attention has been paid to minimize the effect of budget fluctuation and cut in the proposed programmes by adjusting and accommodating those programs and projects which are on the top priority and critical towards fulfillment of department's role in the field of housing, urban development and building construction.

Implication

Major policy and institutional changes will not require for the adoption of this approach. However, changes in the mode of operation and departure from the prevailing planning practices are required to enable MTEF to function effectively.

Donor's Re-adjustment

The necessities of donor's readjustment are not seen with significance. If donors are supportive in program level rather than in project level, it would be more helpful to achieve national and sector objectives.

MTEF - Implementation

The Project Implementation Plan (PIP) providing a description of the project and all of the arrangements for project management, use of consultants, construction contracts, financial accounting, progress reporting, and monitoring and evaluation will be required to use as a guiding document by the executing agency, implementing agency, Project Manager and donor to plan, monitor and evaluate the project.

The PIP should be prepared in two stages:

- A preliminary PIP providing sufficient essential information to enable the sectoral agency, NPC and MOF to appraise and approve the project.
- An expanded PIP to use after project is approved and included in the sectoral agency's programme, containing details needed for implementation. For donor-funded projects and large scale HMGN projects, the PIP should be prepared following a prescribed format with require detailed descriptions of arrangements for project management, reporting, participation of stakeholders, etc.

The PIP should be divided into three major sections:

- Project description
- Implementation arrangements
- Implementation plan

Project Description

This should include project's basic information, objectives and scope, activities with output of each components and ways to achieve them. Further the project description should also cover financial and economic analysis, assumptions and risks and financing plan including source of funding, expenditure and fund requirement and forecast.

Implementation Arrangements

A clear-cut implementation arrangement will be required in terms of organization responsible for the Project. The project manager should be assigned with clearly designed delegation of authority and line of command and responsibilities of other concerned especially in complex projects. For example defining levels of authority for approval of design, cost estimates, shortlisting of consultants, preparation of terms of reference, proposal evaluation criteria and procurement of goods and works in conformance with the FAR etc.

Further the functions and responsibilities of consultants, contractors and equipment suppliers should be made clear especially where multiple consultants and contractors are involved. In conditions of contract for works or goods, the Employer, Employer's Representative, Engineer, Engineer's Representative, Contractor, Contractor's Agent etc. shall be identified. The powers of the Engineer and Engineer's Representative shall be clearly specified.

The PIP should identify key project stakeholders as well as agencies whose cooperation is necessary. This may include agencies at the central level (other line agencies, AGO, FCGO), district level (DDC, CDO, other line agencies) and the local level (VDCs, NGOs, users groups).

The PIP should describe the coordination arrangements, which will be established with these stakeholders to gain their cooperation in the design, implementation and operations/ maintenance stages of the project.

A Project system should be made for project financial accounting, disbursement and auditing. In domestic projects the procedures to be followed are defined by FAR 2056

In donor-funded projects, the executing agency / implementing agency should adopt project management and accounting procedures which conform to all the parties involved.

Implementation Plan

Plan and Schedule should be prepared covering principal tasks or activities in each component and their planned start and completion dates. For example activities such as land acquisition, resettlement action plan and coordination with utilities including detailed plan and schedule covering all procurement actions for the appointment of consultants and contracting for works and goods.

Specific Actions should be prepared that include any specific actions which will be required to achieve the project's development impact objectives. Such actions may include a resettlement action plan (RAP), environmental management action plan (EMAP) and other plans to mitigate undesirable impacts on project affected groups.

Implementation Measures

In order to internalize MTEF as quickly as possible, the following implementation measures should be adopted simultaneously.

- Regular updating of data bases particularly relating to programmes, projects and budget.
- Training of manpower to familiarize with this new concept.
- Regular monitoring and supervision to observe whether or not the progress is moving in the right direction as per MTEF concept.
- Annual evaluation of performance to find out the real issues and challenges in the adoption of MTEF concept and lesson learned.

Monitoring and Evaluation

Project's Impact, progress and financial indicators should be defined for monitoring and evaluating the development impacts of the project with source of information and means of verification; performance indicators in terms of delivery of inputs and achievement of measurable outputs. It should clearly state the source of information and the frequency of monitoring; and indicators to assess the project's budgetary and financial health, indicating source of information and frequency of monitoring.

The possible ways to progress monitoring and evaluation of project work being done at different level and phases are:

- Regular quarterly progress monitoring and reporting
- On-site supervision and inspection of works
- Workshop

There is nothing new about prevailing regular quarterly progress reporting for all government agencies and are familiarized with this system. The second category of tools such as on-site supervision and inspection of works are carried out particularly in the major construction and planning related works as and when required. However, the third one, that is, workshop, is new approach being put into practice by the department since last few years and this has proved useful and effective to review and evaluate the works. The workshop brings into focus not only the progress of works as per regular annual programme but also discusses seriously the issues and problems (financial, administrative etc.), hindering the progress of the work. These efforts, however, calls for further refinement and strengthening in order to get desired result in the future.

Project Public Auditing system should be introduced as a part of audit activities, which includes auditing in total aspects of project.

Post –Evaluation for Impact Assessment – Project impact assessment should be carried after its completion to find out whether the project has provided impacts that were expected during the formulation. The lesson learnt from the project should be considered in the implementation of the future projects.

10.0 Conclusion and Recommendation

Conclusion

The well-formulated plans and programmes have no meaning if its implementation part is weak. The past experience has clearly indicated that even the well-formulated plans and programmes also suffer during the implementation phase due to a number of causes, such as lack of budget and uncertainty of funding, lack of effective inter-agency coordination, non-availability of appropriate manpower, lack of political commitment and so on. The problem is further compounded by duplication and overlapping of works often leading to wastage of resources resulting mainly due to lack clarity in the responsibilities between different agencies on the one hand and conflicting acts and regulations, pertaining to urban development works on the other. Furthermore, due to lack of a single authority looking into urban affairs coupled with limited share of this sector in the total allocation of national budget, this sector has not been able to make substantial changes in the urban scene. Therefore, the target to achieve planned cities with access of housing to needy people and required basic services remained as a distant dream in the country. Until some breakthrough is achieved in this sector with the injection of more resources, introduction of reforms and recognition of its role at the national level, one can hardly expect to observe any dramatic changes in this sector during the Tenth Plan period.

It is expected that the present MTEF (Medium Term Expenditure Framework) approach will resolve most of the problems at least in the programming and budgeting front as it will plan ahead both prioritized programs and projects on the one hand, and budget to implement them, on the other. The effectiveness of this approach, however, is highly dependent upon the ability of all planning units operating at different levels of the government departments and ministries.

Recommendations

- ☞ The process of adaptation should be gradual to enable the existing established planning system operating at various levels to absorb and digest it.
- ☞ Develop and circulate booklet (in Nepali) dealing with MTEF concept and methodologies.
- ☞ Inject in all offices the habit of collecting, processing, compiling, updating and publication of data and information required for MTEF exercise.
- ☞ Make provisions in the framework to accommodate some unforeseen projects in the future.
- ☞ Encourage the need for advance and forward looking planning approach in department and ministries.
- ☞ Analyze the MTEF tool in the light of political changes and political interference in our context
- ☞ DUDBC must be given full authority to take a lead role in housing, urban development and building construction sector with provision that Town Development Committee, Rural Housing Company, Town Development Fund and urban planning work of municipalities must get approval for their plans and programmes from the department.
- ☞ The urban development sector and building construction sector should be made responsible with necessary delegation of authority.
- ☞ The ceiling on budget should be given in a more realistic way or manner
- ☞ There should be a single agency made responsible in urban affairs to avoid duplication of works.
- ☞ The existing conflicting acts and regulations in the urban sector often leading to confusion must be resolved.
- ☞ Strengthen Planning and program budgeting unit and M & E unit of the department and ministry