

Nepal Policy Institute's
Comments and Observations on the Summary Report of
Policy Research Institute Narrative on Suggestions and Policy Recommendations
to the Office of the Prime Minister and Council of Ministers
May 17, 2021

A. Context

1. The summary narrative and policy recommendations made by Policy Research Institute (PRI), the Government of Nepal's think tank, first of its kind in policy research domain, is highly commendable. These suggestions and recommendations are the outcomes of after a thorough analysis of the policy gaps and resulting impacts of the government's programs and priorities, and as well as the annual budgets of past five years: 1972/73 to 2076/77 Nepali fiscal years. PRI has shared this report to the OPMCM (Office of the Prime Minister and Council of Ministers) with a view to positively input into the Annual Address of the President of the Republic at the Joint Session of the House of Parliament.

2. On 24 March 2021 *Nepal Policy Institute* received a copy of this summary report, which is shared across several Nepali diaspora experts, academics, scholars and practitioners from the North Americas, Europe, and Asia. The high-level comments and observations are the outcome of this global consultations and shared with the government as feedback from diaspora. NPI has, thus, limited its comments and observations based on the PRI summary report as the background study report is not made available.

B. Comments and Observations

1. According to the summary report, the PRI study finds (i) during the first three years, the GDP growth rate achieved by Nepal was impressive and inflation was at conventional level; (ii) the stable government that came to power after the introduction of federalism has been positive for economic development; and (iii) there are reforms required for fixing the processes, including program design, to coordination and implementation, and monitoring.

1(a). It is, however, unclear how the generic nature of the recommendations for reforms would bring acceleration in economic growth and achieve the national prosperity, which seems to be one of the objectives of the report. The report only offers scanty details on the findings on the study in its conclusion.

2. It is a welcome initiative by the Chief Secretary (Cabinet) seeking suggestions/recommendations for improving the quality of work and performance-oriented policies and programs of the government. The document covers a wide range of inter-governmental work processes highlighting the issues of interest with suggestions and policy recommendations from the government think-tank to the Office of the Prime Minister of Nepal. The report is, however, ambiguous on how these recommendations will positively impact the Government of Nepal's performance goal of achieving "*Samriddha Nepal, Shukhi Nepali (Prosperous Nepal,*

Happy Nepali”, a political theme, and in what ways proposed policy recommendations would manifest into results-oriented quality programs delivery that translates into a high economic growth and improved governance. There are no indicators provided of the evaluation process. This makes the scope and the objective of the task concluded by PRI a bit mixed up whereas the report is expected to be related to improving the quality of information presented in the Annual Address of the President of the Republic of Nepal.

3. It is a general practice in the Westminster model of democracies non-executive Head of the State (President of the Republic) would include only the top few priorities of the government in his/her address to the annual joint session of the parliament. The Prime Minister, being the Executive Head of the Government and accountable to the people, would announce, *inter-alia*, government’s policies, and articulate strategies regarding their program execution and implementation plans. This is then incorporated into the Annual Budget Speech of the Finance Minister with specific, measurable, and realistic objectives for timely delivery of programs. After the endorsement by the Council of Ministers, Finance Minister delivers the detailed annual budget at the august house of parliament for debate and approval.

4. The Budget Speech provides budgetary allocations and resources required in a comprehensive budget document describing implementation strategies. This practice is a good way of avoiding other priority items otherwise included into the President’s lengthy Annual Address and later being mis-quoted or lost later in processes and unanticipated developments. This ensures sanctity of the high office of the Presidency, with the declaration of top annual national priorities that the sitting government intends to pursue within a budget-year. Put differently, this is to suggest a clear separation of the policy making roles between the President of a Republic and the Executive Prime Minister and improve quality of the Annual Policy Address of the President.

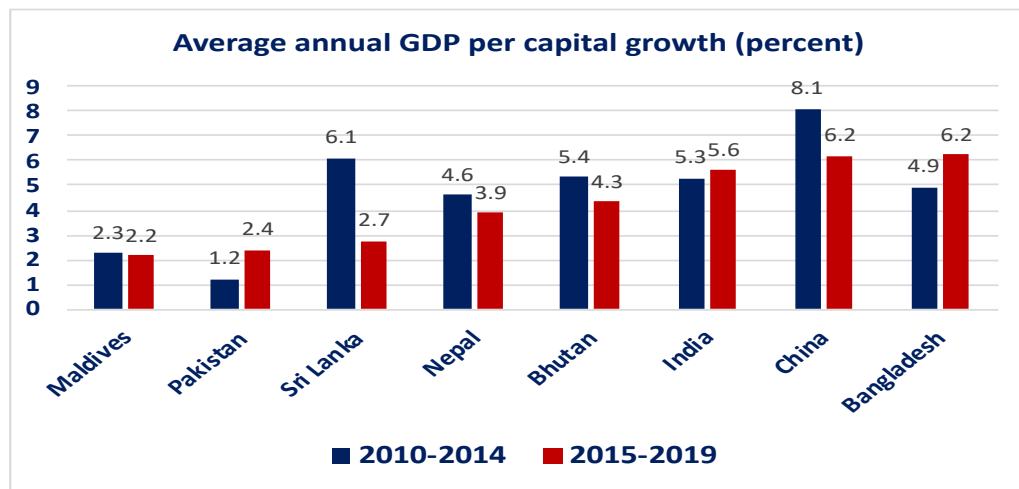
5. As regards to the recommendations and the suggested methodologies that are highlighted in the paper will be useful in the preparation of annual budget of the Government, but not necessarily for improving quality of the contents in the President’s Annual Address, especially in the absence of facts and evidence. The Presidential Address could be succinct and to the point.

6. In terms of procedure of developing policies and strategies, involvement of relevant agencies/ministries is advisable for better technical support and coordination in monitoring and implementation. Long-term policy formulation may otherwise suffer from gaps in experience and knowledge as well as lessons learned from the past practices and efforts made.

7. The claim of an impressive GDP growth of Nepal does not necessarily meet the goal of “*Happy Nepali*” because the *per capita growth rates*¹ are only ahead of Maldives and Pakistan in South Asia but falls behind if compared the per capita growth rates achieved by the bordering immediate neighbors, India and China as

shown by the following chart analysis - compiled by using the World Bank Development Indicators data for period 2010-2014 and 2015-2019.

(Source: <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>The World Bank).



Therefore, the general conclusion of the study gives somewhat an impression of an effort to appreciate the Government’s performance without providing supporting data and evidence. This may undermine policy impact of the recommendations, particularly in the absence of supporting evidence established through research and objective analysis.

8. It is not clear how the suggested “*Nitti Tatha Karyakram Masayuda Samiti (Policy and Program Draft Committee)*” would improve the accountability, workings, and transparency when this could minimize the primary roles and functions of the National Planning Commission (NPC) and the Ministry of Finance, and other Ministries. On the contrary, it would have been advisable to restructure the National Planning Commission and empower it with responsibility as well as the authority for effectiveness and efficient program coordination, monitoring and evaluation, making NPC accountable, rather than just an advisory entity.

9. It is indeed accurate that the gaps between the planned objectives and its actual delivery is widening. It is suggested, as in the preceding paragraph # 8 above, that these issues be studied further using the methodology of gap analysis to ascertain the associated bottlenecks and to come up with recommendations for necessary reforms.

¹ The PRI paper quotes GDP growth rate, not GDP per capita rate. The best indicator in comparing with other countries is GDP per capita as it into account the differences in population growth rate and the spread of development growth because what matters for living standard is GDP per capita.

10. Contractual arrangements, land acquisitions and staffing arrangements appear to have much deeper problems associated with government’s less than satisfactory performance in the implementation and rigorous monitoring. This would require

government's resolute determination on implementation and monitoring of recommendations made.

11. The biggest problem facing the nation today is the reward and sanctions, capacity building, improving efficiency, and development of effective institutional mechanism. Strategy on implementation in the absence of effective monitoring capacity carries a little meaning. It is the result of the lack of rigorous thinking and the outcome of a simplistic view of issues, and problem analysis. Hence, re-thinking and further research is necessary with respect to monitoring capacity building.

12. It is a generally known, although not explicitly accepted by the government, fact that corruption is one of the impediments of development in Nepal. The Government of Nepal suffers from an international perception of corruption and beset with less than satisfactory performance delivery, lacking high-level of ethical standard. The government should consider adoption of mandatory provisions of ethics agreement as part of its code-of-conduct of its employees, as suggested below:

- ❖ 12(a). Performance Audit: The budget expenditure had been used as an indicator of government efficiency. However, it is noted that budget allocation is spent but the result has not been achieved, or the output has been of inferior quality. Thus, there is a need for refocusing on monitoring and auditing from pure financial audit to the audit of results (performance). The performance audit examines the economy, efficiency as well as the effectiveness of resource allocations. The effectiveness of the money spent is more important and impactful in the long run than short-term economy or efficiency. Likewise, the procurement process should be effectiveness-oriented rather than economy oriented (lowest bidder to get the contract as is the current government practice). The examination of effectiveness discloses not only the effectiveness of the money spent but also the usefulness of the project itself, which then leads to policy audit – that is examining the policy adopted by the government, including the legislature. Therefore, the program budget can propose the performance and policy audit – both internally and by the Auditor General.
- ❖ 12(b). Conflict-of-Interest²: It is suggested that the following requirement of disclosure in decision making be included; (a) Officials making decisions or making recommendations should recuse themselves if they have any *conflict of interest*. (b) If there is no conflict-of-interest, all officials in the decision process should sign a statement of no conflict-of-interest declaration that becomes a part of the decision file.

² The conflict of interest is defined as a family or friendly relationship of the decision maker/those making recommendation with the vendor/beneficiary in the particular action.