



**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**

**by
Nepal Policy Institute**

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A. Context

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

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

B. Comments and Observations

3. According to the summary report, the PRI study finds that: (i) during the first three years, the GDP growth rate achieved by Nepal was impressive and inflation was at a 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.

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

5. It is a welcome initiative by the Chief Secretary (Cabinet) seeking suggestions and 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 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 will the proposed policy recommendations manifest into results-oriented quality program delivery that translates into 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.

¹ PRI is considered to be the Government of Nepal's think tank.

6. It is a general practice in the Westminster model of democracy that the non-executive Head of the State (President of the Republic) includes only the top few priorities of the government in his/her address to the annual joint session of Parliament. The Prime Minister, being the Executive Head of the Government and accountable to the people, announces, *inter-alia*, government's policies, and articulates strategies regarding 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 in Parliament for debate and approval.

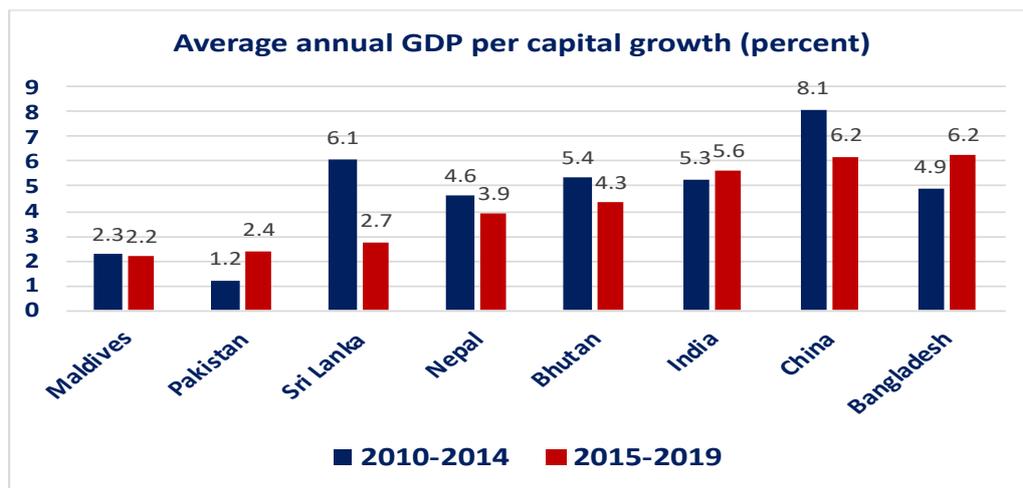
7. The Budget Speech provides budgetary allocations and resources required in a comprehensive budget document describing implementation strategies. This practice is a good way of avoiding other priority items otherwise included in the President's lengthy annual address and later being mis-quoted or lost in the process 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 fiscal year. Put differently, this is to suggest a clear separation of the policy making roles between the President of a Republic and the Prime Minister and improve quality of the annual policy address by the President.

8. 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.

9. In terms of procedures of developing policies and strategies, the 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 past practices and efforts made.

10. The claim of an impressive GDP growth of Nepal does not necessarily meet the goal of "*Happy Nepali*" because the per capita growth rates² are only ahead of Maldives and Pakistan in South Asia but fall behind the bordering and immediate neighbors (India and China) as shown by the following chart analysis (compiled by using the World Bank Development Indicators data for the periods 2010-2014 and 2015-2019).

² The PRI paper quotes GDP growth rate, not GDP per capita rate. The best indicator in comparing with other countries is their GDP per capita as it takes into account the differences in population growth rate and the spread of development growth because what matters for living standards is GDP per capita.



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

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

12. It is not clear how the suggested "Nitti Tatha Karyakram Masayuda Samiti (Policy and Program Draft Committee)" would improve accountability 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 NPC 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.

13. It is indeed accurate that the gaps between the planned objectives and actual delivery is widening. It is suggested, as in the preceding paragraph 11 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.

14. Contractual arrangements, land acquisitions, and staffing arrangements appear to have much deeper problems associated with government's less than satisfactory performance in implementation and rigorous monitoring. This would require government's resolute determination to enhance implementation and monitoring of the proposed recommendations.

15. The biggest problems faced by the country today include: reward and sanctions, capacity building, improving efficiency, and development of effective institutional mechanisms. A strategy on implementation in the absence of effective monitoring capacity carries little meaning; it results from a lack of rigorous thinking and is the outcome of a simplistic view of issues and problem analysis. Hence, further research is necessary with respect to monitoring capacity building.

16. It is a generally known, although not explicitly accepted by the government, that corruption is one of the key impediments of development in Nepal. The country is generally perceived to have

rather high levels of corruption and that it is beset with less than satisfactory performance delivery, lacking high levels of ethical standards. The government should consider adoption of mandatory provisions of an ethics agreement as part of its code-of-conduct of its employees, as suggested below:

- a. Performance Audit: The level of budget expenditure has been used as an indicator of government efficiency. However, it is noted that even as the budget is spent results have not been achieved, or that the outputs have been of inferior quality. Thus, there is a need to refocus on monitoring and auditing from purely a financial audit to the audit of results (performance). The performance audit examines the economy, efficiency as well as the effectiveness of resource allocation. The effectiveness of monies spent is more important and impactful in the long run than the short-term considerations of economy or efficiency. Likewise, the procurement process should be effectiveness-oriented rather than economy-oriented (ie, the 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.
- b. Conflict-of-Interest:³ 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 then becomes a part of their internal records retained by Government.

³ Conflict of interest is defined as a family or friendly relationship of the decision maker/those making recommendations with the vendor/beneficiary in a particular action.