

# EVALUATION OF DFID COUNTRY PROGRAMMES

## COUNTRY STUDY: NEPAL

### REPORT

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## OVERVIEW OF COUNTRY PROGRAMME EVALUATIONS

DFID has a rolling programme of Country Programme Evaluations (CPEs) with 5 or 6 evaluations of countries or regions per year. A synthesis report pulling together findings from 5 recent CPEs is also produced annually. CPEs are challenging evaluations attempting to provide an overview of the entire DFID programme over a 5 year time frame and evaluate whether DFID made appropriate strategic choices in the given context and delivered effectively. CPEs are ideally undertaken in the year prior to development of a new Country Assistance Plan, as they are designed to meet DFID's needs for lessons that can inform future strategy and programming, as well as accountability for funds spent at country level. CPEs are intended for a wide audience including DFID's country office staff and partners, senior DFID managers in the relevant regional divisions and members of the public/ other stakeholders.

Each CPE is managed by DFID's Evaluation Department and carried out by 4-6 independent international consultants with a mixture of evaluation and development skills. The terms of reference for the CPE programme include a generic evaluation framework closely linked to standard evaluation criteria; this is customised a little for each individual evaluation (and annexed to the report). For CPEs, interpretation of each of the evaluation criteria is as follows:

- Relevance – CPEs should provide high quality, well evidenced material and judgements on whether 'DFID did the right things'
- Effectiveness – CPEs should examine key interventions and partnerships and identify and explain successes and failures
- Efficiency – CPEs should tell a narrative around the allocation of resources (financial and staffing) to deliver the results DFID was hoping to achieve
- Impact – CPEs cannot produce new information on impacts attributable to DFID, but should consider DFID's contribution to long term outcomes
- Sustainability – CPEs should discuss evidence on progress towards sustainability in terms of ownership of reforms, capacity development and resilience to risks.

Typically CPEs comprise a one week inception mission to the country to make contacts, scope the boundaries of the evaluation, customise the generic evaluation matrix and make decisions around issues such as field visits. The main CPE fieldwork then takes place around a month later and lasts up to three weeks. DFID's Evaluation Department provides each evaluation team with a large documentary evidence base comprising strategies, project/ programme information and context material sourced from a thorough search of paper and electronic files, DFID's intranet system and the internet. During the fieldwork the team interview stakeholders in country and current and past DFID staff. A list of people consulted is annexed to each study.

The views expressed in CPE reports are those of the independent authors. The country office can comment on these in a 'management response' within the Evaluation report. CPE reports are quality assured by an independent consultant who has no other involvement in the CPE programme.

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## Acknowledgements

The evaluation team for this CPE consisted of Nick Chapman (team leader), Jan Harnemejier (health, education and water and sanitation), Liz Kiff (rural livelihoods and infrastructure), Gael Robertson (social exclusion), Debi Duncan (conflict/ peace building) and Hari Regmi (governance).

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Full responsibility for the text of this report rests with the authors. In common with all evaluation reports commissioned by DFID's Evaluation Department the views contained in this report do not necessarily represent those of DFID or of the people consulted.





## **Preface**

The evaluation of DFID's country programme in Nepal is one of a series commissioned by DFID's Evaluation Department. The studies are intended to improve performance, contribute to lesson learning and inform the development of future strategy at country level. Collectively the CPEs are important in terms of DFID's corporate accountability and enable wider lessons across the organisation to be identified and shared.

This evaluation was carried out by a team of independent UK and Nepali consultants led by ITAD Ltd. The process was managed by Kerstin Hinds and Karen Kiernan of Evaluation Department (EvD). The success of the Evaluation is due to many people and EVD would like to acknowledge the contribution made by the evaluation team itself and thank DFID staff and development partners who engaged freely with the study.

The evaluation focused on DFID's programme during the period 2001-2006 - a period of great political and social turbulence in Nepal – and was carried out between March and June 2007. This included a one week inception visit carried out by EVD and Nick Chapman, the ITAD team leader for this CPE and a three week field visit carried out by the consultancy team.

In accordance with EvD policy, considerable emphasis was placed on involving the country office staff during the process and on communicating findings. EvD was particularly impressed at the way DFID Nepal engaged with the CPE team during the inception visit, seeing the potential value of the study and seeking to ensure the evaluation would be as useful for them as possible. One visible result of this process is that the Chapter on Impact has moved from its usual place at the back of the report, to the front - and there are also less visible customisations to the generic evaluation matrix which have improved the study. Despite close involvement, the country office does not necessarily agree with all the findings of the CPE; the office's 'management response' can be found at the end of this report.

EVD is encouraged that DFID Nepal plans to use the recommendations of the CPE to inform development of a new CAP during 2007/08 and also that DFID's 'Fragile States' team has found the study valuable for its policy and lesson learning work. We will be following up on the recommendations to ensure that DFID, in Nepal and Corporate Divisions, does give them due consideration.

Nick York

Head of Evaluation Department



## Executive Summary

S1 The Nepal Country Programme Evaluation (CPE) assesses the relevance and effectiveness of DFID's aid budget over the period 2001-06. It draws lessons and makes recommendations to help DFID's future assistance improve delivery performance and impact, so as to enable Nepal to meet its millennium development targets.

S2 During the period evaluated, Nepal suffered severe political unrest as a Maoist insurgency challenged the authority of the King Gyanendra's Government, leading to the deaths of 13,000 people. Beneath the surface of conflict lie deep and historic problems such as persistent poverty, weak governance and social exclusion that past aid assistance has largely failed to address. Development partners faced the challenges of assisting with peacebuilding while working to reform Government and delivering services to the poor and excluded, especially in conflict-affected rural areas. The review period has been one of turbulent political events. In 2002, the King dissolved parliament, and after various ceasefires followed by upsurges in violence, the King assumed full executive power in February 2005. This led to widespread international condemnation and internal political protests. Then in April 2006, the King relinquished power and the country is now on a fragile path towards democracy with elections anticipated in late-2007.

S3 Nepal's development performance has nevertheless been good, and under the Ninth and Tenth Development Plans poverty incidence fell from 42% in 1995-96 to 31% in 2003-04. Most Millennium Development Goals (MDGs) are likely to be met (with exceptions in primary education, sanitation and HIV/AIDS). This performance is surprising given the violent conflict, but positive changes have occurred in terms of wage increases, growth in remittances and increasing urbanisation. Nevertheless regional and social inequality have not improved.

S4 60% of Nepal's development budget is donor-financed, and much of the aid is in the form of projects. DFID provided some 12% of all assistance during the period, amounting to approximately £140 million from 2001-05. This has been mainly through financial aid and technical cooperation; budget support represents only 9% of total DFID expenditure.

S5 DFID's main **impact** since 2001 has been in two areas: contributing to the peacebuilding process and delivering development outcomes. In *peacebuilding*, DFID has been effective in improving the international response, and in building UN capacity to protect human rights. DFID was very successful in evolving methods to allow work to continue in conflict-affected areas, and the guidelines produced have been widely adopted by others. In *development outcomes*, DFID programmes have had wide outreach and impressive delivery, particularly in areas such as water supplies, health and livelihoods.

S6 Much of DFID's monitoring is based on numbers of beneficiaries reached and services delivered. It has been less successful in either assessing how well interventions have addressed the structural dimensions of conflict, or how they have contributed to a wider impact on poverty reduction. Thus it is hard to attribute DFID's role directly to the national poverty changes observed, although its programmes have addressed relevant areas.

S7 Four stages in the evolution of DFID's **strategy** for Nepal can be discerned. The 1998 *Country Strategy Paper* (CSP) presaged the opening of a local office in 1999, and planned a programme rising from £16 million per year to a £21 million high case scenario by 2001-02. The Paper stressed the need to address poverty and to introduce new aid

modalities such as Sector Wide Approaches (SWAp). The CSP was in line with the Government's Ninth Development Plan. While the CSP increased attention on governance and on meeting the MDGs, it also shared the failure of the Government's Plan to address the emerging conflict or its underlying causes.

S8 In contrast, the 2004 *Country Assistance Plan* (CAP) reoriented DFID to respond to the causes of conflict. The new direction, which took two years to prepare, introduced peacebuilding and social inclusion as strategic pillars. Within a year, however, a *Programme Review* took place in response to the takeover of power by the King in 2005. This introduced a more cautious, lower spend profile, and showed a balanced response by maintaining funding in a number of key areas. In moving away from government funding channels, it did however cause unnecessary disruption to some programmes. Finally, in 2006, with the return of parliamentary authority, DFID re-adjusted again with the aim of building its programme in a way that would encourage a return to democracy.

S9 DFID's strategies showed good alignment with Nepal's Poverty Reduction Strategy, and with wider concerns to work more effectively in fragile states. The CAP was ambitious, expecting the programme to double in size over three years yet be managed with staff reductions of 40%. DFID's ability to address risk evolved effectively over the period, and specific monitoring tools and analysis were introduced to enable work to remain effective. DFID retained a project approach using sole funding which, while out of line with corporate priorities, was the most effective response for ensuring service delivery to conflict-affected poor populations. Only in health where DFID played a lead, and in education where DFID followed others, were sector approaches successfully pursued. Peacebuilding represented only 5% of spend, but was aligned with DFID's strategy to concentrate on diverse, small initiatives that build attitudinal change.

S10 Much of DFID's programme, which rose from £14 million to £37 million per year over the review period, was directly-managed or implemented through sole-funded partners. However, efforts to show greater alignment with Government took place through poverty reduction planning, peacebuilding initiatives and in basic services. DFID's interest in supporting a longer-term reform agenda while also meeting the needs of the poor was a difficult balance to strike.

S11 Frequent programme reviews were necessary given the changing circumstances, yet some, such as the 2005 Review and particularly the CAP, were time-consuming and became rapidly out-dated as external events arose. Nevertheless, DFID remained flexible and opportunistic with useful quick impact responses using NGO channels and Global Conflict Prevention Pool funds. The choices made in such responses were usually good, but there were errors, as in the country office decision to expand a major road construction programme with a Government partner in order to meet expectations of a peace dividend, when capacity constraints were known to exist and funding was unapproved.

S12 In terms of **results**, delivery has been good with 58% of all rated interventions likely to achieve most of their objectives. DFID funded services in 74 of 75 districts, many reaching three or more hours beyond the road head. Largely due to DFID-support, Nepal was certified free of polio in 2005, while annual deaths from tuberculosis are estimated to have fallen from 16,000 to 5,000 per year. Many thousands of poor rural households have gained income generating opportunities from forestry management, improved agriculture, road construction and local enterprises, and have improved water, sanitation, schools, roads and bridges.

S13 Narrowly focused programmes that are directly managed or use established delivery mechanisms have proved effective in a fragile state environment. Short, quick impact interventions have also been appropriate, but setting longer timeframes does work in situations where committed, experienced partners can use this to build trust and show flexibility of implementation in response to the intermittent nature of conflict. The five largest programmes (in health, education, governance and roads) have had lower performance ratings, related to ambitious sector and governance reforms where Government leadership is weak; although in health and education, the sector support programmes are still quite new.

S14 Efforts to mainstream social inclusion (including gender) and peacebuilding into the programme have had a degree of success so far. In terms of the former, there is evidence for example of greater involvement by representative organisations of excluded groups in national debates. While conflict-sensitive approaches have emerged, and the contribution of the Risk Management Office and the Basic Operating Guidelines to reducing risk are widely recognised as groundbreaking, the contribution of DFID's different interventions to peacebuilding is mainly indirect and weakly understood.

S15 The wide geographical coverage of the programme has been impressive and justified by the absence of effective government services. The work of many of DFID's implementing partners has been extremely effective given the uncertain and at times dangerous operating environment, but coordination has been difficult because of DFID's many partners, its vertical programming and lack of staff field exposure.

S16 Given the turbulent context, DFID's funding has shown a surprisingly consistent overall upward trend. However this masks substantial adjustments between different programme areas. The pattern of predictability worsened in 2005-06, as first the 2005 Programme Review and then cuts by DFID's Asia Division following emergency spending needs elsewhere, reduced planned funding overall by 25%, and up to 40% in some programmes such as livelihoods, water and health. The volume, timing and the communication of these cuts have been detrimental to considerable numbers of Nepal's rural poor as well as to DFID's image and relationships.

S17 The country programme's directional stability has not been helped by the relatively frequent changes in leadership (with four Heads of Office in 5 years), and staffing reductions have stretched management capacity. Staff appointed in country have seen their role developed, but they have yet to be sufficiently empowered to lead on programme development or partnership work. In addition their composition does not reflect Nepal's caste and ethnic diversity.

S18 DFID's **strengths** in Nepal have been, amongst others, its early alignment with national processes and then its leadership in addressing conflict. It has maintained consistency in pursuing sector wide funding and it has introduced innovative approaches in risk management, in maternal health and in empowering communities. Its **weaknesses** include a lack of focus on learning from project and field experiences to feed into policy and strategy development both at country and corporate level, the inappropriate response at times to peacebuilding using more complex development interventions, and poor predictability towards the latter part of the review period due to reduced funding.

S19 Of the 21 **Lessons** drawn from the evaluation, six that are of high relevance to DFID globally may be highlighted.

S20 First, taking risks to support the political objective of support to a peace process should take into account that the window for such opportunities is almost always relatively short. In Nepal, programmes were used for this purpose to produce results quickly and with few bureaucratic procedures (such as in supplying seeds and medicines). Others were used inappropriately because they used more complex development approaches and inefficient partners. All risks need to be assessed in terms of the potential harm to poor communities and the use of the ‘do no harm’ principle.

S21 Second, it is possible to work on sector wide approaches within a fragile state situation, particularly where Government ministries have technical capacity, and a reform agenda is agreed. By taking time to prepare the grounds for a SWAp while funding other critical interventions directly, DFID can have impact while moving towards a state-led delivery system.

S22 Third, greater appreciation is required by DFID management of the consequences of significant budget cuts on beneficiaries and the need to sustain involvement and exit more carefully to maximise impact and not cause loss of credibility. Greater predictability is required, both in terms of meeting agreed funding levels and in the implementation of key decisions, so as to reduce uncertainty for partners and maintain DFID’s good reputation as a supportive and reliable donor.

S23 Fourth, development programmes can address the consequences of conflict on poor communities by the adoption (outside of Government structures) of a semi-humanitarian approach, i.e. targeted, quick delivery and tangible outputs. The experience in Nepal has shown that project approaches can be adapted not only to fragile contexts but also to situations of armed conflict in an effective way, and so there is good justification for continuing with them if they allow DFID to work in a flexible and innovative way in these situations.

S24 Fifth, putting in place an appropriate risk assessment and management system is a valuable tool to ensure safe and effective development work in a conflict setting. Nepal’s model of a Risk Management Office and shared operating guidelines is one that others working in a conflict setting can usefully draw on.

S25 Finally, building donor harmonisation in a fragile state setting is essential: a common understanding of the political context, analysis of conflict and especially joint response strategies to the conflict are necessary preconditions of development effectiveness, influencing the more ‘agnostic’ conflict-blind international financial institutions and for greater leverage on the parties to the conflict.

## Major Recommendations

Recommendations for DFID Nepal are:

- DFID's valuable **experience on how to deliver relevant aid within conflict-affected communities** could be built into a **set of best practice lessons**. These lessons should be communicated within Nepal at policy fora - especially as DFID moves to working more closely with Government. Such knowledge also needs to be more widely disseminated to the region and beyond.
- In order to provide better guidance around constraints as well as opportunities, **Nepal's experience in using development programmes to contribute towards peacebuilding** should be documented.
- **Elaborating specific sector strategies** will help provide a clearer road map for realisation of the next broad CAP objectives. These strategies should consider not only programme direction, but terms of engagement with Government, civil society and the private sector.
- Given the broad coverage and use of different implementing partners for delivery, DFID should find ways to **build greater synergy** between implementing partners in the same districts, and between complementary programmes.
- In further **mainstreaming social inclusion**, DFID needs to build further on the context-specific strategies proposed in the Social Inclusion Action Plan. For this, Livelihoods and Social Inclusion (LSI) monitoring should be strengthened and made mandatory, and the LSI and Safe and Effective Development in Conflict guidance should be merged.
- DFID programme and advisory **staff should be given time to go to the field** and to have space to reflect on the downstream implications of policy work and corporate priorities. DFID should seek ways to **improve its organisational learning by sharing and reflecting on experiences**. Particular issues of importance include working arrangements with partners, development of sector approaches and effective ways to address pro-poor and social inclusion objectives.
- DFID Nepal should **move further ahead on the representation of national staff** in programme and policy development. Also there is a need to continue efforts to **build greater diversity** (from a gender, caste and ethnic perspective) in the office.
- The need to **strengthen the HIV/AIDS response** requires DFID as a major stakeholder to take a leading role, especially in advocacy. Within DFID's own programmes, there are many opportunities to integrate HIV/AIDS prevention activities. Project logframes should be adapted for HIV/AIDS inclusion, guided by the National HIV/AIDS strategy.
- In a country where pressure continues to grow on land and water resources, and where climate change is a particular threat (as the recent flooding in August 2007 demonstrates), DFID's future strategies and programmes need to make a greater effort to **mainstream the environment** than has hitherto been possible.
- In the absence of a matching long-term strategy of the Government and weak ownership, **long term governance commitments (such as the Enabling State Programme) need to be revisited**. After 7 years and spending almost

£10.6 million, an overall impact assessment is required – particularly covering the results and relevance of the ‘change advocate’ concept - in order to work out a future strategy relevant to the country’s changing post-conflict situation.

- DFID Nepal should set aside resources and time to **measure and report on the wider impacts of its programmes** on such aspects as poverty reduction and the structural dimensions of conflict, and concentrate less on documenting only the outputs and processes. This should be harmonized around and supportive of the government’s own poverty monitoring systems.
- In planning the future direction of the programme, DFID should take into account the current context of political contestation, and the potential for elite/political capture of development space. A return to the *status quo ante* of 2000, i.e. working mainly through Government structures, is likely to prove inappropriate in the current context. DFID’s programme is and should remain large enough to allow both the building up and reform of Government systems, while continuing support to non-government actors (in both remote rural areas and with the growing urban poor). In Nepal, **care should be taken to avoid an over-enthusiastic alignment agenda** in a context where legitimate power structures are missing, coalitions are unstable and systems of patronage and weak governance are still in place.

Two recommendations for DFID globally are:

- DFID Nepal employed a range of modalities and developed innovative approaches to enable development to be delivered in conflict affected rural areas. **The Nepal programme should be considered a key learning model** for DFID’s evolving approach to working in fragile states.
- In order to avoid damaging cuts in country programmes due to sudden emergencies, a **better contingency fund arrangement is required** either at country level or regionally that will cushion the shock and allow ongoing priority commitments to continue.

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## **Abbreviations**

ADB	Asian Development Bank
APPR	Annual Portfolio Performance Review
APPSP	Agricultural Perspective Plan Support Programme
BOGs	Basic Operating Guidelines
CAP	Country Assistance Plan
CAS	Country Assistance Strategy
CBO	Community Based Organisation
CLP	Community Literacy Project
CPE	Country Programme Evaluations
CPN-M	Communist Party of Nepal (Maoist)
CSACP	Civil Society Anti-Corruption Project
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSPr	Community Support Programme
DAC	Development Assistance Committee
DADF	District Agricultural Development Fund
DDP	Directors Delivery Plan
DFDP	Decentralized Financing and Development Programme
DFIDN	DFID Nepal
DHS	Demographic and Health Survey
DNF	Dalit NGO Federation
EFA	Education for All
ESP	Enabling State Programme
EU	European Union
EvD	Evaluation Department of DFID
FCO	Foreign and Commonwealth Office

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FFW	Food for Work
GCPP	Global Conflict Prevention Pool
GDP	Gross Domestic Product
GNI	Gross National Income
GoN	Government of Nepal
GSEA	Gender and Social Exclusion Assessment
GTZ	German Agency for Technical Cooperation
GWS	Gurkha Welfare Scheme
HARP	Hill Agricultural Research Project
ICG	International Crisis Group
ICRC	International Committee for the Red Cross
IDP	International Development Partner
IFI	International Financial Institution
IMF	International Monetary Fund
IP	Implementing Partner
JEP	<i>Janajati</i> Empowerment Project
JICA	Japanese International Cooperation Agency
LFP	Livelihoods and Forestry Programme
LSI	Livelihoods and Social Inclusion Monitoring
LSS	Living Standards Survey
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEDEP	Micro Enterprise Development Programme
MOD	Ministry of Defence
MoF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NEFIN	National Federation of Indigenous Nationalities
NEWAH	Nepal Water for Health

NGO	Non-Government Organisation
NHSP	Nepal Health Sector Programme
NLSS	National Living Standards Survey
NPC	National Planning Commission
NR	Nepali Rupees
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OPR	Output-to-Purpose Review
PCR	Project Completion Report
PMAS	Poverty Monitoring and Analysis System
PRISM	DFID's Project Reporting Information System
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
RAP	Rural Access Programme
RBG	Road Building Groups
RCIW	Rural Community Infrastructure Works Programme
RMO	Risk Management Office
RNA	Royal Nepal Army
RWSSFDB	Rural Water Supply and Sanitation Fund Development Board
SAIC	Staff Appointed in Country
SASE	Strategy to Address Social Exclusion
SEDC	Safe and Effective Development in Conflict
SI	Social Inclusion
SIAP	Social Inclusion Action Programme
SSMP	Support to Safer Motherhood Programme
SSSP	Seed Sector Support Programme
STI	Sexually Transmitted Infections
SWAp	Sector Wide Approach

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TA	Technical Assistance
TOR	Terms of Reference
UNOCHA	United Nations Office for Coordination of Humanitarian Aid
UNOCHR	United Nations Office of the High Commissioner for Human Rights
UNDP	United Nations Development Programme
VDC	Village Development Committee
WB	World Bank
WFP	World Food Programme

# 1. Introduction and Methods

1.1 Against a background of a substantial increase in resources and a focus on poverty reduction and achievement of Millennium Development Goals (MDGs), DFID has adopted a policy of decentralisation in order to achieve greater relevance, responsiveness and impact for its aid resources. DFID country offices have been able to design and implement growing programmes of development assistance with increasing delegated authority, while at the same time efficiency drives have reduced staff resources and country teams must deliver ‘more with less’. Given the opportunities and challenges that these conditions place on DFID, there is considerable interest in assessing the effectiveness of the aid budget and learning lessons to improve delivery performance and impact in order to assist countries to meet their respective millennium targets.

1.2 The Evaluation Department of DFID (EvD) has therefore contracted the companies ITAD and KIT to undertake a series of Country Programme Evaluations (CPEs) with the aim of assessing the relevance, efficiency, effectiveness and impact of DFID assistance at country level. Each CPE takes a five year perspective; and in the case of Nepal, the focus is 2001-2006. DFID’s Nepal country programme is the first CPE to look at development performance within the context of a fragile state and during a major conflict.

1.3 **Methodology:** The CPE exercise, which is characterised as a ‘light evaluation’, was conducted in three stages (see Terms for Reference (TOR) in **Annex A**). An initial one week country visit was made in March 2007 to plan the evaluation, to collect documentation, to conduct initial interviews and to adjust the evaluation approach to key issues raised by interlocutors. An inception note was issued to summarise the work at this point. For the second stage, a three week field visit by a team of six independent consultants took place in April-May 2007. The third stage of the CPE was the drafting of the main report, followed by circulation for comment and report finalisation.

1.4 Given the scope of the study and the time frame, the fieldwork concentrated on gathering evidence from a large volume of documentation and a range of stakeholders, including DFID country staff (past and present), donors, Non Government Organisations (NGOs), consultants and Government staff. A three day field trip to Surkhet, Dailekh and Dang districts exposed the team to local conditions and partners. A list of persons consulted is given in **Annex B** and of documents in **Annex C**. The exercise was guided by a matrix of pertinent evaluation questions (the pro-forma matrix is presented in **Annex D**). Preliminary feedback was given by the CPE team to the country office before departure.

1.5 **Limitations:** the Nepal CPE is a complex evaluation model given the political turmoil and violent conflict affecting the country over the period. The timeline of events (**Annex E**) provides an outline of the environment in which DFID operated, but the rapidity with which events unfolded meant that DFID’s response also changed more frequently than in other circumstances. Given the complex nature of working on development in a conflict setting, and support to peacebuilding efforts, isolating the effects of DFID’s work on desired outcomes in these areas is a difficult task, and one where attribution is not always clear. Evaluators also need to be aware of using hindsight carefully, particularly in a situation where working in conflict was a new and unfamiliar experience with few precedents to fall back on.

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1.6 **Report Structure:** the CPE report follows a slightly different structure to past CPE reports<sup>1</sup>. **Chapter 2** describes the country context in Nepal, the level of development assistance and DFID's own history of assistance since 2001. **Chapter 3** then presents the overall development changes and outlines the impacts DFID helped to achieve. From there, the report looks at how DFID designed and delivered its programme in order to be relevant in a rapidly changing context. **Chapter 4** looks at DFID's strategy over the period, including its relevance, its alignment with corporate policy and with Government and other partners, how risk was assessed, and how it expected to use the resources available. This leads to a review of the programme's effectiveness in **Chapter 5**, where the results achieved by different projects and through different instruments are examined. In so far as documented evidence is available or the views of informants can be triangulated, the contribution of these different interventions to broader strategy objectives and key policy themes are also addressed. Evidence to suggest progress towards sustainability is also presented in Chapter 5. In the final **Chapter 6**, conclusions are drawn regarding DFID's strengths and weaknesses, and a set of lessons and recommendations are presented that may guide future assistance in Nepal and be of use for DFID globally.

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<sup>1</sup> The discussion of 'impact' has been moved forward to form Chapter 3 at the request of DFID Nepal. The material on 'sustainability' that would normally have sat with it in the Chapter before the Lessons and recommendations can be found in Chapter 5.

## 2. Context

2.1 This section presents an overview of the situation in Nepal during the period of the evaluation in order to provide the context for DFID's assistance. It then describes the pattern of development aid provided to Nepal from 2001-06, and summarises DFID's support within that picture.

### Political, Social and Economic Country Context

2.2 Nepal is the poorest country in South Asia with a population of 27 million and a per capita Gross Domestic Product (GDP) of \$270 in 2005. It is ranked 138th out of 177 countries on the UN Human Development Index. Since 1996, it has experienced a political struggle between the Nepalese Government and a Maoist rebel movement which has undermined economic progress and resulted in widespread human rights abuses and deaths, many of them civilians. The period covered by this Country Programme Evaluation (2001-2006) covers a dramatically turbulent period of Nepal's recent history. 2001 began with an escalation in the Maoist insurgency and was followed by the traumatic assassination of King Birendra and his close family. The UK Government followed a pro-government line in Nepal that brought support to the Royal Nepal Army (RNA) and a desire to crush the insurgency. Increasing autocratic control by the Palace culminated in King Gyanendra's takeover of executive power in February 2005<sup>2</sup>. Strong pro-democracy protests and widespread donor condemnation led to him relinquishing power in April 2006 (known as *Jana Andolan II*), and the country is now on a positive though fragile path towards a restoration of democracy, with elections scheduled for the end of 2007.

2.3 During the period, the increasingly difficult working environment of conflict and political instability (with a dissolution of local government and national government in 2002), has challenged the donor community to find effective ways of maintaining its programme activities. Underlying the conflict are issues of deep-seated poverty, uneven development, social inequality, poor governance and intransigent power structures allied with discrimination and patronage (see Box 1). Particularly excluded groups include women, *Dalits* (untouchables) and *Janajatis* (local tribal groups). Over the last decade, the Maoist movement (the Communist Party of Nepal – Maoist or CPN-M) has drawn on these factors to build support, mount a 'People's War' and come to effectively control most of the countryside. As Figure 1 shows, the Government's authority in rural areas has remained restricted at district level right through to the current period.

2.4 Since 2002, the Government's efforts to promote aid effectiveness have resulted in a technically sound Poverty Reduction Strategy Paper (PRSP) complemented by a Medium Term Expenditure Framework (MTEF) and a Poverty Monitoring and Analysis System (PMAS). Mechanisms for donor co-ordination are also in place. However, a number of constraints undermine PRSP implementation, notably: i) the unwillingness of some bilateral partners to associate closely with a Government that lacked legitimacy; ii) the limited ability of the Government to deliver services in rural areas as a result of the

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<sup>2</sup> In February 2005, the King dismissed the then Prime Minister, declared a state of emergency and assumed direct rule.

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insurgency; and iii) under-spending by Government in social sectors, inefficiencies in its judicial and financial systems, and bureaucratic inertia.

2.5 Following the establishment of an interim parliament in May 2006, the challenge moved on from conflict mitigation to building the basis for a lasting peace. The principal challenge facing Nepal and its development partners is to restore democracy and build the basis for a lasting peace by directly addressing the causes of the conflict and supporting a development process aimed at reducing poverty and social exclusion.

### **Box 1 Nepal's Emerging Conflict**

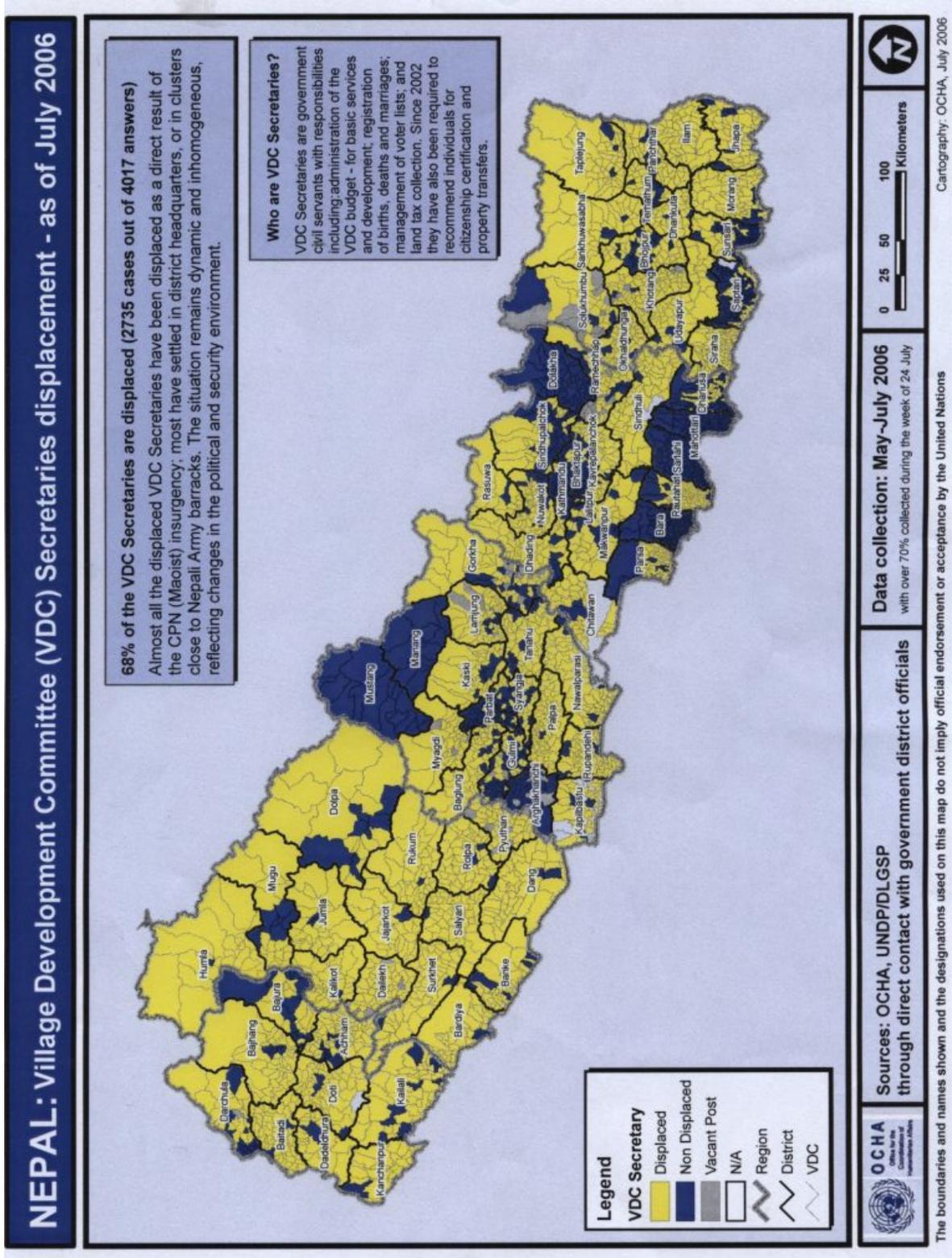
Democratic rule came to Nepal in 1990. Prior to this there was an absolute monarchy. In February 1996 the Communist Party of Nepal (Maoist) declared a 'People's War'. Their political manifesto was set out in 40 social, political and economic demands. Initially the insurgency was concentrated around a limited number of districts in the heartland areas of mid and far-west Nepal. By 2004, all 75 districts of Nepal were affected – estimates placed Government control of the country between 10 and 20 per cent. Some 13,000 people, many of them civilians, have been killed as a result of the conflict – of these, 5,000 were killed in 2002. The conflict led to widespread human rights abuses by both parties, including the murder, rape and torture of civilians. Between 2002 and 2004, Nepal had the highest rate of unlawful disappearances in the world.

Until 2005, there were two attempts at a ceasefire and peace negotiations: in September-November 2001 and January-August 2003. Following the collapse of both attempts, the return to conflict was characterised by an escalation in violence. During the first mobilisation phase of the conflict, the Maoist strategy involved attacks on police posts and class enemies, awareness-raising amongst the people and the establishment of base areas. Counterinsurgency operations by the police and army were characterised by brutality and gross human rights abuses, which increased support for the Maoists.

There has been no elected Government at the local level since July 2002 or at the national level since October 2002 as elected bodies at district and national level were allowed to lapse and the Government bureaucracy took direct control. With no Parliament, important oversight and legislative functions have been inactive, reducing safeguards and hindering progress on reform. On top of the widespread conflict, the absence of elected local government has hindered service delivery and development.

In many areas, forest user groups have been the only democratically organised institutions functioning in rural areas affected by conflict. Their presence has assisted implementation of initiatives linked to good governance (Pro-Political) and community support during the conflict.

Figure 1. Map of Displaced Local Governments across Nepal



## Development Assistance

2.6 Between 2001 and 2005, Nepal received over \$2 billion in foreign aid (Table 1).

**Table 1. Net Official Development Assistance Flows to Nepal 2001-2005**

	2001	2002	2003	2004	2005	Total	% of Total
	Amount (\$ million)						
Japan	84	98	61	56	63	362	17%
Germany	38	35	63	53	63	251	12%
<b>United Kingdom</b>	<b>33</b>	<b>37</b>	<b>53</b>	<b>66</b>	<b>62</b>	<b>251</b>	<b>12%</b>
IDA	30	15	79	46	16	185	9%
United States	20	33	38	35	55	181	9%
Denmark	26	25	40	34	28	153	7%
Norway	12	13	20	23	25	93	4%
Switzerland	12	14	14	16	16	73	4%
EC	11	13	16	22	10	73	4%
Others	124	79	78	76	91	448	22%
<b>Total All Donors</b>	<b>391</b>	<b>361</b>	<b>463</b>	<b>428</b>	<b>428</b>	<b>2070</b>	<b>100%</b>

Source: Official Development Assistance Disbursements 2A, OECD-Stat., 19/4/07

2.7 60% of the development budget is donor financed (this assistance constituted 6% of Gross National Income (GNI) in 2005). All foreign assistance in 2002 was 'projectised' (there were 700 projects in 2001-02) and aid was typically donor-led. During the king's regime, commentators regarded the Government as weak in its concern for pro-poor spending or achieving development impact. This perception was underscored by a growing recurrent budget, and the failure of government to convince donors they are part of this growth was due to an increase in security spending.

2.8 Bilateral aid is the main source of development assistance. It constituted 74% of Official Development Assistance (ODA) in 2005. The UK has provided 12% of all aid in the past five years and has been in the top 3 of all donors, with assistance amount to \$250 million (or approximately £140 million) from 2001-05.

## DFID Assistance

2.9 DFID's aid allocations to Nepal over the evaluation period have doubled, though the increase is not as fast as the total of DFID aid to Asia (Table 2), or as fast as was anticipated in the 2004 Country Assistance Plan (CAP) (4.10). Actual disbursements have been affected by decisions over debt relief, political events in Nepal and external humanitarian emergencies.

2.10 Decisions over provision of debt relief, under the Multilateral Debt Relief Initiative (MDRI)<sup>3</sup> and support for the World Bank's (WB) Poverty Reduction Support Credit (PRSC) had effects on the disbursement profile, though not at country level. The

<sup>3</sup> Total net benefits are potentially in the region of £20m to £25m per year over a 40 year period

Resource Allocation Round in 2005/06 reduced the aid framework to Nepal from the £47 million anticipated in the CAP to £40 million because of ruling out co-financing of a PRSC (Programme Review 2005, p. 19).

2.11 Following the king's takeover in February 2005, a Programme Review (4.11) assessed the effectiveness of DFID's projects and programmes and decided to continue support under an 'erosion' scenario but to reduce aid further to £32 million.

2.12 Unfortunately, the Programme Review adjustment was followed within a few months by a second drop in funding resources, brought about by the need for DFID Asia Division to have to accommodate pressures for funds for emergency events including the Asian Tsunami (December 2004), the Pakistan earthquake (October 2005) and avian influenza outbreaks. The effect was that DFID staff and partners had to re-double efforts to find ways to meet these further cuts.

'Ministers endorsed a reduction in the 2006/07 aid framework allocation for Nepal from £40m to £32m following the 2005 programme review. This was reduced further to £30m as a consequence of pressures on Asia resources generally and the 2007/08 framework was set at £27m. ...We have been grappling with the difficult task of reducing the portfolio from £40m to £27m next year' Head of Office email, April 2006.

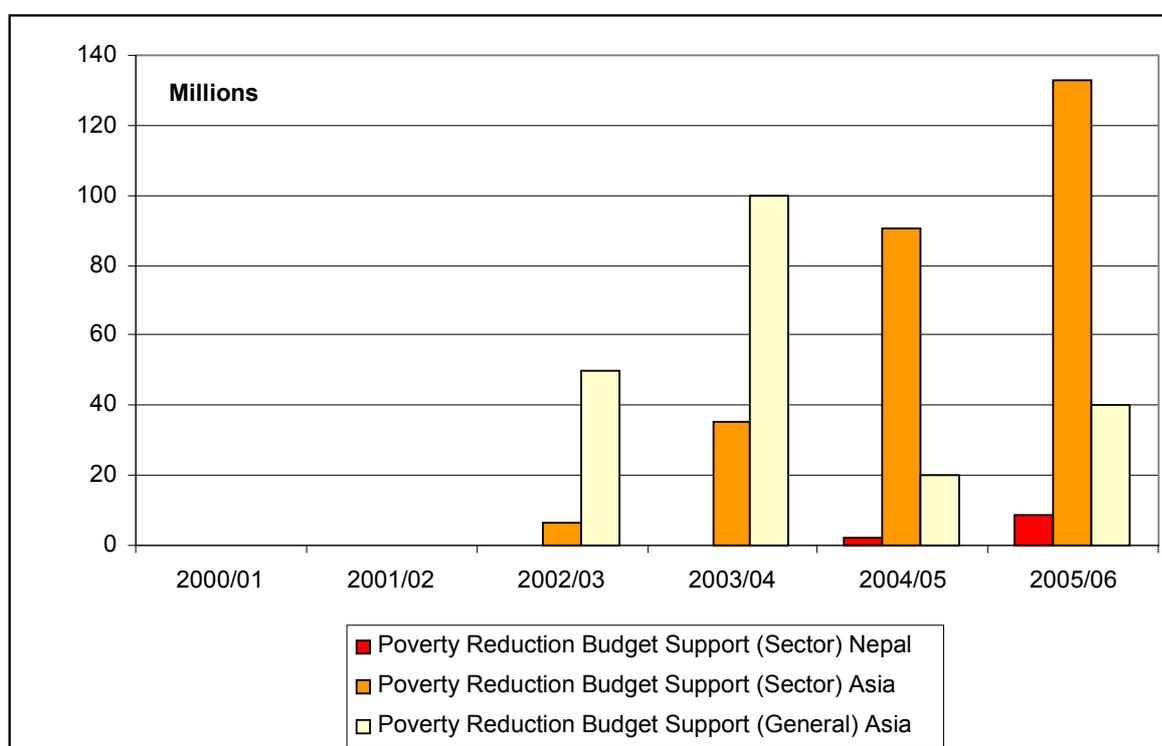
2.13 The bulk of DFID aid to Nepal over the evaluation period has been in the form of financial aid (30% of spend) and technical cooperation (47% of spend) through both Government and non-government channels. Budget support has emerged relatively recently (from 2004) compared to the rest of Asia (Figure 2). It constitutes a small part of the portfolio at 9% of spend and is confined to the education and health sectors. The UK's Global Conflict Prevention Pool (GCPP) represents 5% of the total of DFID assistance. Accountable grants (9%) make up the total.

**Table 2. DFID Allocations to Nepal and to Asia 2000/01 to 2005/06**

Amount (£ million)	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06 estimates
Nepal	17	20	27	28	32	32
Asia	291	397	451	538	639	752
Nepal as % of Asia	6%	5%	6%	5%	5%	4%

Source: DFID Department Report 2006 Annex 1.

**Figure 2. DFID's Budget Support Funding in Nepal and Asia 2000/01 to 2005/06**



2.14 Nepal's PRSP (2002-07) constitutes its 10th medium term Plan for poverty reduction. It is based on four pillars: broad based high and sustainable growth, social sector development with emphasis on human development, targeted programmes with emphasis on social inclusion and improved governance. The simultaneous preparation of the Medium Term Expenditure Framework provided an effective mechanism to link the Plan with the annual budget. Prior government plans tackled economic reform, raised growth rates and improved urban poverty; however, the Tenth Plan was launched against the backdrop of a fragile economy. After a decade of fairly robust growth, Nepal's real GDP growth became negative (-0.6%) in 2001/02, for the first time in nineteen years, partly due to the global recession and the after-effects of September 11 (2001) events but also to growing internal insecurity.

2.15 While donors broadly endorsed the Government's development programme as expressed through the PRSP and MTEF, there have been diverging views of how aid should provide support in a context of a fragile state undergoing internal conflict and weak democratic processes. The international financing agencies played a more apolitical role in supporting the Government's investment plans, while many European bilaterals were reluctant to continue providing support to an autocratic regime. All donors faced a difficult balancing act of on the one hand strengthening government capacity to deliver development while on the other helping to restore peace and democracy. Budget support has proved an issue for some as it may be seen as an endorsement of the prevailing political situation.

### 3. What impacts has DFID Nepal helped to achieve?<sup>4</sup>

3.1 In this section, the overall development performance of Nepal is discussed, along with its progress towards achieving the MDGs. The contribution of DFID's support to two key strategic areas - peacebuilding and specific development outcomes - is then assessed. Finally the quality of DFID Nepal's monitoring and evaluation is reviewed as well as the national PMAS.

#### Nepal

3.2 Nepal has seen a decline in poverty and a steady movement towards achieving all but two of the MDGs over the past 10 years (universal primary education and halting HIV/AIDS being the two that are unlikely to be met) (**Annex F**). Given Nepal's ongoing Maoist insurgency, which deters investments and other economic activities, impedes the delivery of services, and costs human lives, these results represent a surprising picture of the resilience of the Nepalese people against the backdrop of failing state institutions.

3.3 Recent evidence from Nepal's National Living Standards Survey (NLSS) 2003-04 and preliminary results from the Nepal Demographic and Health Survey (DHS) 2006 points to a number of explanatory factors for the improving trend. The main causes are considered to be (i) the rise in wages: for example agricultural wages have increased by the equivalent of 3 to 4 kg of rice between 1995-96 and 2003-04, (ii) increased urbanization: the proportion of the population residing in urban areas more than doubled from 7 percent in 1995-96 to 15 percent in 2003-04 (mainly due to the escalation of conflict in the country side), (iii) a decline in fertility: households with 7 or more members, which have the highest incidence of poverty of all demographic groups, fell from 50% in 1995-96 to 41% in 2003-04; and (iv) the rise in remittances (see Box 2).

#### Box 2 Remittances

'Remittances from abroad soared, from \$203m in 1995-96 to \$794m in 2003-04, equivalent to 12.4 percent of GDP. This large inflow of remittances suggests that households' disposable income and private consumption are growing faster than the GDP growth figures would suggest. Figures compiled by the Department of Labor and Employment Promotion show that over 1 million workers were working abroad in 2004. The proportion of households receiving remittances increased from 23 % in 1995-96 to 32 % in 2003-04'. (Resilience through Conflict, World Bank, ADB, DFID, 2006)

3.4 Results from the NLSS 2003-04 indicate that :

'Between 1995-96 and 2003-04 the Nepalese economy performed well, with real GDP growing at almost 5% per year. Annual agricultural growth accelerated to 3.7 % in the

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<sup>4</sup> In most CPEs this Chapter would come later – after the material in Chapters 4 and 5, however it has been moved for Nepal at the request of the office.

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second half of the 1990s. Growth also accelerated in manufacturing (led by exports), in services, and especially in tourism’.

3.5 As a result :

‘Poverty incidence in the country declined appreciably, from 42 percent in 1995-96 to 31 percent in 2003-04, and various sensitivity analyses confirm the robustness of these trends. On the other hand, as a result of unequal growth in per capita consumption across different income groups and geographic regions, inequality increased substantially.’<sup>5</sup>

3.6 Regarding health, vaccination coverage has improved in the last five years from 66% of children fully immunized in 2001 to 83% in 2006. The proportion of babies delivered by a health professional increased from 11% in 2001 to 20% in 2004. Comparison of mortality data from the three DHS surveys conducted in Nepal confirms a declining trend in mortality: infant mortality declined from 79 per 1,000 live births during the period 1991-1995 (Pradhan et al., 1997) to 51 per 1,000 live births in 2001-2005.

3.7 In general, the nutritional status of children has improved over the last five years. 48% of children under five were underweight in 2001 compared to 45% of children in 2006. Similarly, 51% of children had stunted growth in 2001 compared to 43% in 2006. However, there was a small increase over the last five years in the percentage of children under five who are wasted, from 10% in 2001 to 12% in 2006. HIV/AIDS is an emerging threat, with the general prevalence estimated at 0.7%, and there are currently weak prospects of meeting the MDG to halt and reverse its spread.

3.8 For education, in terms of universal primary education, net enrolment in primary school lags behind the MDG target. Greater efforts to target children from ‘hardcore’ poor families and girls are required if the MDG target is to be met.

## **DFID’s Impact**

3.9 DFID’s contribution to Nepal’s progress over the evaluation period relates to two main areas: (i) contributing to the peacebuilding process, (ii) delivering development outcomes.

### **Peacebuilding**

3.10 At the strategic level, although direct attribution of DFID’s role is difficult given the complex forces affecting peacebuilding, our assessment is that DFID has been influential in keeping conflict on the international agenda, and publicly demonstrating to the parties to the conflict the concerns of the international community. This has been done through three London Conferences (2002, 2005, 2007). In 2002, DFID was able to challenge the Government’s portrayal of the conflict as a ‘security problem’, and raise concerns over human rights and the role of aid in fragile states. In subsequent conferences, DFID worked to improve the donor response, share analysis on the causes of conflict, and

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<sup>5</sup> Poverty Trends in Nepal 1995-96 – 2003-04, National Planning Commission / Central Bureau of Statistics, Sept. 2005

build confidence in an international response to mitigating the effects of conflict and working on peacebuilding.

3.11 In its 2004 Country Assistance Plan (CAP), DFID had four stated outcomes in the area of peacebuilding. For the first outcome: 'sustainable ceasefire leading to inclusive peace process', DFID's latest annual review of 2005-06 rates DFID projects as 'influential'. A cross party group of parliamentarians interviewed during the evaluation supported the view that working with the DFID-supported National Peace Campaign was instrumental in helping to persuade their parties to accept re-structuring of the state as part of a peace process.

3.12 In the same review, DFID also states that 'the positive response of the international community to the agreement was influenced in part by analysis from the International Crisis Group (ICG) - which DFID funded'. While such ICG reports were widely read by the international community and found to be useful, it is difficult to attribute their positive response to these reports directly: the ICG do not themselves attempt such attribution.

3.13 For the second CAP peacebuilding outcome 'Human rights respected', the 2005-06 review reports:

'Some improvement in human rights as incidents of disappearance dropped sharply and both Army and Maoists took steps to reduce civilian casualties during military operations. The deployment of UNOCHR monitors and the presence of the ICRC (both funded by GCPP) were critical factors. At the same time, (as) repression against civil opposition and the media increased, the Advocacy Forum (also GCPP-funded) provided legal aid, filed numerous *habeas corpus* cases and secured the release of hundreds of detainees. The International Committee for the Red Cross (ICRC) suspended visits to Army-held detainees in May 2005 following their failure to respond to ICRC reports. Visits resumed in February 2006'.

3.14 A widely held view by the International Community and human rights organisations is that without the presence of the UN Office of the High Commissioner for Human Rights (UNOCHR), the outcome of *Jana Andolan II* may have been different, as the state may have used violent measures against people. DFID's contribution to UK support for the enabling Memorandum of Understanding at the 61st session of the UN Commission on Human Rights in Geneva (June 2005) and subsequent financial support for the UNOCHR mission was positive. Perhaps more significant, was DFID's funding of a senior human rights advisor to the UN (from January 2004 - April 2005). This advisor was instrumental in paving the way for a full UNOCHR mission.

3.15 For the third outcome 'Reduced suffering through integrated response to conflict', DFID reports that 'progress on introducing conflict sensitive approaches into line agencies has been slow'. DFID recognised it did not put enough resources into trying to achieve this part of the strategy, although there is evidence of support to the Office for Coordination of Humanitarian Aid (UNOCHA) for disaster preparedness, leading to the launch of the UN humanitarian appeal for Nepal in October 2005.

3.16 Finally the fourth outcome, 'DFID programmes continue in conflict areas', is stated as the most successful part in the strategy:

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‘DFID staff continued to work safely and with varying degrees of effectiveness. On average projects achieved around 70% activities, with access for staff to most parts of districts. Efforts to promote the Basic Operating Guidelines (BOGs)<sup>6</sup> intensified with some success. The GoN officially endorsed the BOGs in July 2005; the Maoists in December. Most projects appointed risk management focal points and the district emergency coordinator network worked reasonably well. The Safe and Effective Development in Conflict guide was translated and published in Nepali, and some projects actively applied the methodology, but this was patchy. The advice from the Risk Management Office (RMO) continued to be highly valued by programmes, DFID Nepal, DFID London and other departments’. (2005-06 DFID Annual Review)

3.17 The data for access to districts and level of implementation of activities was drawn from DFID’s Conflict Impact Monitoring System. This system was based on projects’ self-assessment of access and performance, and subsequently analysed by DFID staff. The RMO (see 4.39) was used to ‘ground truth’ reports, even though monitoring of DFID projects/programmes was not part of its terms of reference. Thus while there is no evidence to disprove the analysis, the system of monitoring was based on self-assessment and a paper trail rather than actual on-site monitoring by DFID staff<sup>7</sup>.

3.18 The issue of monitoring and assessing impact was raised in 2002. A Programme Level Conflict Assessment report commissioned by DFID in August 2002 stressed the need for DFID to focus much more on the impacts of its projects on conflict. However, there is evidence to suggest that while DFID considered impact an important issue it was reluctant to invest time and energy in measuring its effect on conflict at the expense of actual implementation<sup>8</sup>. There is no evidence to suggest that their approach was altered. Indeed evidence suggests that the priority for programmes was implementation, focussing on output level measurement rather than at assessing the impact their activities have had on the structural dimensions of conflict.

## **Delivering Development Impact**

3.19 In terms of development impact, DFID and its implementing partners have achieved a wide and impressive level of outreach and delivery of benefits despite the difficult security situation. While this is assessed later in the report in Chapter 5 in terms of strategic outcomes and results, the successful examples given in Box 3 illustrate the achievement yet also pose a question as to how far they have contributed to Nepal’s positive poverty reduction record.

3.20 While these results are impressive in scale, the documentary record tends to emphasise beneficiary outreach rather than systematic, aggregated measurement of impact. Progress reporting by DFID’s implementing partners is detailed but driven by filling spreadsheets with beneficiary numbers, and impacts are less well captured or

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<sup>6</sup> See footnote on page 28 for a definition.

<sup>7</sup> DFID did not wish to put resources into on-site monitoring or independent monitoring. Staff were also overstretched ‘we just did not have the time for those types of things’ (Kathmandu based advisor).

<sup>8</sup> See management group minute in September 2002, ‘Investing time and energy into assessing impact would mean more studies and less implementation’.

synthesised. Moreover, the analysis to improve attribution of DFID's project achievements to wider national changes is fragmented.

3.21 Many of DFID's implementing partners have provided excellent case studies illustrating (mostly successful) experiences, yet there is recognition that a more structured approach to impact assessment is needed:

'Our own regular monitoring mainly reports output rather than impact. With regard to impact, we have many case studies, done in each and every district. These however, are not structured and not systematic. Most of these studies reveal that there is a substantial effect on household income, food security and quality. In order to provide systematic information, the programme has scheduled a structured impact assessment through external consultants in September this year' (Agricultural Perspective Plan Support Programme response to CPE questionnaire).

'Support to the Safer Motherhood Programme (SSMP) directly works on utilisation of health facilities for safer motherhood services, and mainly in the 19 partner supported districts. However, no specific evaluation has yet been carried out. The only data currently available are at national level, which does not give disaggregated information for SSMP-supported districts' (SSMP response to CPE questionnaire).

3.22 Some doubts were expressed to the mission by representatives of political parties<sup>9</sup> about 'reach beyond the road-head' (i.e. to those communities only accessible by footpath) and the targeting of the ultra-poor. In response, DFID's partners were asked by the CPE team to provide evidence of outreach. Their response (collated in Annex G) indicates that the proportion of beneficiary user groups or villages that live over 3 hours from the road head or from the district capital ranges from 40% to 95%. Most claim that their outreach is on a par with the proportion of the population that live in remoter areas.

3.23 The lack of a broader impact analysis makes it hard to link DFID's programme directly with the positive development changes in Nepal over the review period. The main drivers of growth and poverty reduction identified in available studies appear related to wider macro economic factors, and even to the side effects of conflict (such as higher migration leading to urbanisation and higher remittances). However, it is likely that contributing to sustaining local services, supporting forest user groups, improving rural access, delivering relevant health and empowering communities to plan and manage their own development have all had a positive effect on the observed growth trajectory (although it is difficult for a broad country evaluation of this kind to analyse these linkages in any depth). The more critical underlying changes in areas such as governance and social inclusion are longer term issues, and while DFID's work has brought increased awareness (and the conflict has brought important changes in perspectives too), Nepal's longer term development will ultimately depend on these being addressed.

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<sup>9</sup> CPE mission meeting in Surkhet with five political parties (Nepali Congress, Nepali Congress Democratic, Janamorcha, CPN Maoist, UML), 29<sup>th</sup> April 2007.

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### **Box 3 Delivering in conflict (examples from recent reviews of sole-funded DFID programmes implemented directly and through partners)**

1.6 million households (39% of total households in Nepal) are members of Forestry User Groups. The Livelihoods and Forestry Programme (LFP) works with 3,851 of these groups covering some 452,000 households or a third of the total. About 54% of households reached through LFP are poor and some 76,000 have already been assisted with income generating activities, including 31% poor households.

14,000 Micro Enterprise Development Programme (MEDEP) entrepreneurs are now in business, increasing their family incomes by an average of over 50%. Businesses are spread throughout 20 districts and 95% are still continuing with their enterprises. With 70% of its entrepreneurs drawn from the hard core poor (incomes below NRs 4,000), *Dalits* or *Janjatis*, MEDEP 'demonstrates an extraordinary ability, during an insurgency, in reaching the difficult cases with an enterprise development opportunity, rather than humanitarian welfare'.

With the Rural Access Programme (RAP), 1,782 Road Building Groups (RBGs) were active in 2005, employing 35,148 people and indirectly benefiting 210,888; the RBGs had saved NRs 8 million (over £ 64,000) from employment through road construction (as at end March 2005).

The District Agricultural Development Fund (DADF) of the Agricultural Perspective Plan Support Programme (APPSP) has reached almost 54,000 households, with good targeting of poor and excluded groups in 10 districts.

The DFID Community Support Programme (CSPr) has reached out to 300,000 people (of which 19% are *Dalit* and 32% are *Janajati*) in the mid and far-west of Nepal.

The Rural Community Infrastructure Works Programme (RCIW) annually reaches about 50,000 workers drawn from 35,000 households who benefit directly from temporary employment opportunities in food for work projects. In addition, more than 30,000 target groups benefit from saving and credit self-help schemes, advocacy and skill development activities due to which their self-help and economic capacity has markedly improved.

The Support for Helvetas Programme has provided 49,000 people with safe drinking water, and supported 2,040 communities to construct 911 bridges. 6,800 farmers annually earn NRs. 10,000 by selling cash crops, 12,600 farmers earned NRs.5,500 by selling cash crops, i.e. vegetable, vegetable seeds, non-timber forest products, 43,800 people served by 374 micro rural infrastructure initiatives.

Nepal was certified free of polio in 2005, an achievement largely due to the DFID-supported polio eradication programme. For tuberculosis, due to rising cases detection rates and DOTS coverage, the annual risk of infection has fallen from 1.82% (1999) to 1.61% (2006) and deaths fallen from 16,000 to 5,000 per year. Through the Reproductive Health and Safe Motherhood Programmes, improvements in contraceptive use, skilled birth attendance rates have measurably risen.

## **Monitoring and Evaluation**

3.24 The ability to assess DFID's impact rests on the quality of its monitoring and evaluation systems. While there are gaps (see 3.23 and 3.27), DFID Nepal has a stronger record in this area than in the other countries assessed under the Evaluation Department's CPE programme. This is due to several factors:

- There has been reasonably regular annual reporting during the period under review, as opposed to some countries where annual reporting is intermittent. Such reporting shows the level of progress as measured against targets set in the Country Strategy Paper (CSP) or in the CAP and in the Director's Delivery Plans (DDP).
- The emphasis on stand-alone project-based aid has made conventional M&E tools easier to apply.
- The use of a range of well-funded implementing partners has delegated the burden of measuring detailed progress.
- Over the period 2001-3, DFID aligned itself with the PRSP and the Immediate Action Plans of the Government<sup>10</sup>, which defined specific results to be jointly managed by Government and partners.
- Subsequently, the CAP Part III elaborated a results matrix for each of the five pillars with indicators of success.
- Finally, DFID Nepal combined various tools into a fragile states monitoring system (outlined in Figure 3 below). This innovative approach used various sources of information including from conflict monitoring / risk incidence, and social impact monitoring and context monitoring<sup>11</sup>

3.25 There is clear improvement in what the annual reports say about impact from 2004 onwards. Prior to that, the emphasis was largely on process – with descriptions of what DFID was ‘working on’, and how it was finalising strategies - but less evidence was presented of what these actions had delivered in terms of development outcomes as stated in the CSP.

3.26 The 2004-05 and the 2005-06 CAP annual reviews are more systematic in attempting to report against DDP indicators and CAP objectives. Five DDP indicators reflect real development changes to the population of Nepal (in terms of receipt of agricultural grants, births with skilled attendants or major reforms in human rights, social inclusion and banking reform). The CAP Tables attempt to measure movement towards the stated CAP objectives and outcomes (sub-objectives).

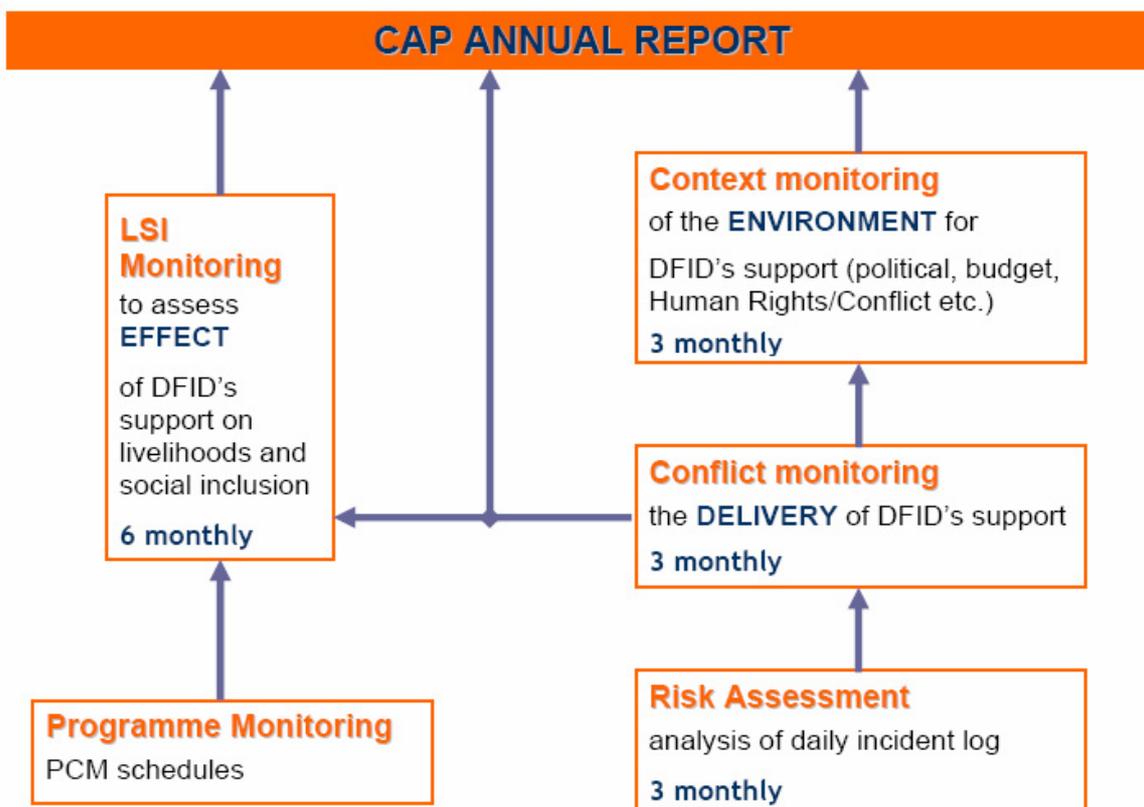
3.27 Nevertheless, although much of the detailed evidence presented in reviews is useful, it is often undigested. The key element of measuring the leading indicator is sometimes avoided. For example, the CAP's Outcome 4C is that there should be ‘an increased proportion of women and excluded groups benefiting from DFID programmes’. The reviews provide no estimate, only noting that programmes are ‘proactively refocusing to ensure that maximum benefits accrue to the most excluded’ (the same statement appears in both 2004-5 and 2005-06).

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<sup>10</sup> Annual plans to implement the PRSP, produced in 2003 and 2004.

<sup>11</sup> Monitoring in a Fragile State, DFID Nepal, May 2005.

**Figure 3. CAP Monitoring in a Fragile State Framework**



## Poverty Monitoring and Assessment System

3.28 Measuring impact at national level should be a Government and donor priority so that poverty reduction strategies can be tracked. Nepal embarked on the PMAS as part of PRSP formulation in 2002. DFID played a constructive role in funding support activities through a National Poverty Reduction Agenda project, and by providing support to PMAS from DFID's Nepal's half time Statistics Advisor.

3.29 The events of 2005 (the takeover of executive power by the king) derailed the national development forum and the reform agenda to which the PRSP was attached. The PMAS has experienced slow growth and relatively weak Government buy-in<sup>12</sup>. Apart from larger periodic poverty surveys funded by donors, the Government's own routine monitoring has been weak. Yet this area is critical for routine reporting, especially in the context of SWAp approaches. DFID's support had been valuable given that other donors had not been able to provide such capacity in poverty analysis or statistics, and it was unfortunate that this post was cut in 2004 (4.76).

<sup>12</sup> Handover Note from Statistics Advisor to Head of DFID Nepal, 6<sup>th</sup> Dec. 2004.

### SUMMARY CHAPTER 3

- Despite the serious conflict affecting the country, Nepal has seen a decline in poverty and positive movement towards achieving all but two of the MDGs over the evaluation period.
- Poverty reduction has been driven by growth in wages and urbanisation, rapid rises in remittances and lowering fertility. Nevertheless regional and social inequality have not improved.
- DFID's impact can be seen in two areas: peacebuilding and delivering development outcomes.
- In peacebuilding, although attribution is particularly difficult, DFID is judged to have been effective in improving the international response, and in building UN capacity to protect human rights. It provided less support in humanitarian aid. DFID was very successful in developing methods to continue working in conflict-affected areas, and it led the widespread adoption of the BOGs that allowed others to be as effective.
- While DFID has been successful at working *in* conflict, and has managed this through innovative tools such as the BOGs, it has been less successful in monitoring how it has worked on conflict and in assessing how well its responses have addressed the structural dimensions of conflict.
- DFID's monitoring and evaluation is stronger than in other countries and this is linked to the good results matrices in the CAP and to the regularity and improving quality of its annual reporting. It is also helped by the vertical, project-driven structure of much of the portfolio that allows benefits to be more easily attributed to resources.
- There is strong evidence for the wide outreach and effective delivery of DFID's programmes, but much of the monitoring is output-based and there has been limited assessment of wider impact on poverty reduction. Thus it is hard to attribute DFID's role directly to the national poverty changes observed, although its programmes have addressed relevant areas.



## 4. Did DFID Nepal's approach allow it to remain relevant?

4.1 This chapter examines how DFID designed its assistance within the rapidly changing context described in Chapter 2. Were the strategies aligned to Government policy and to DFID corporate policy and were the changes made to strategic direction appropriate? The chapter then considers how well the strategies took account of risk. The portfolio of interventions is described, and assessed in terms of the choice of aid instruments used. DFID's approach to working with partners is discussed, and how far DFID aimed to work in a harmonized way. The chapter then considers whether strategies addressed cross-cutting themes and also took into account the level of resources that could be expected. Finally, the chapter looks at the extent to which the planned interventions were results focused.

### Evolution of strategy

4.2 Four stages in the evolution of DFID Nepal's strategy can be identified:

1. 1998 Country Strategy Paper (CSP)
2. 2004 Country Assistance Plan (CAP)
3. 2005 Programme Review
4. 2006 Programme Adjustment

4.3 The **1998 CSP**, prepared by DFID's Regional Asia Office and covering the period 1998/99 to 2001/02, set the platform for a new stage of DFID's relationship with Nepal. Aligned closely to the Ninth Plan (1997/98-2001/02), the CSP had poverty reduction as its core objective. The view expressed at that time was that DFID had not yet succeeded in impacting on the 'vicious cycle of poverty between disempowered communities and a poorly performing Government'. Nepal's poverty was seen to be caused by natural resource and access constraints, low levels of education and poor health, lack of accountability and competence within Government, and the prevalence of patronage inhibiting development of participatory institutions inside and outside Government.

4.4 The CSP felt that the previous approach had been too project-based and while individually results were seen to be good, there was little scope for impacting on a larger scale or for gaining leverage to change the fundamental constraints on poverty. The CSP, therefore, heralded sector-wide approaches and a focus on governance leading to better management, accountability and delivery. Greater coordination and harmonisation would also be needed, and for these reasons, a DFID office in country was required. As the CSP states:

'Opening DFID Nepal is crucial if DFID is to develop the understanding and networks to promote these opportunities for change' (CSP, p.1)

4.5 The CSP goal matched DFID's first White Paper's concern to address poverty reduction in a more collective and targeted way (around the MDGs). The five intervention areas, described in Table 3, addressed the main perceived causes of poverty in the Ninth

Plan and included a special focus on poverty analysis. Finally, special mention was made of the need to mainstream gender throughout DFID's programme. Resources to deliver these aims were anticipated to grow from £16m to a 'high case scenario' of £21 million by 2000-01.

**Table 3. Outline of CSP, CAP and 2005 Programme Review Strategies**

CSP 1998/99-2001/2 (£16 rising to £21 million per year)	CAP 2003/4- 2005/6 (£26 million rising to £47 million per year)	Programme Review 2005 (£32 million per year)
<p>GOAL: Poverty incidence can be significantly reduced within 10 - 20 years if a stronger basis is established for implementing reforms, greater momentum for change built up in civil society, and proven programmes and interventions pursued.</p> <p>Purpose: Attainment of a situation in which pro-poor policies and sector programmes are in place and being implemented effectively by major stakeholders.</p>	<p>OVERALL PURPOSE: To reduce poverty and social exclusion, establishing the basis for lasting peace</p>	<p>OVERALL PURPOSE: To reduce poverty and social exclusion, establishing the basis for lasting peace</p>
<p>Governance</p> <ul style="list-style-type: none"> <li>-Trust fund</li> <li>-Good governance</li> <li>-Privatisation</li> <li>-Private sector development</li> </ul>	<p>Governance</p> <p>To help make the system of Governance more responsive to the interests of the poor and excluded</p> <ul style="list-style-type: none"> <li>-public expenditure management</li> <li>-decentralisation</li> <li>-anti corruption</li> <li>-security and access to justice</li> </ul>	<p>Governance</p> <p>To support an environment for sustainable systems of democratic governance that are responsive to the needs of the poor and excluded</p>
<p>Human Development</p> <ul style="list-style-type: none"> <li>-health SWAp</li> <li>-education SWAp if possible</li> <li>-continue existing health service projects</li> <li>-safe water</li> </ul>	<p>Basic Services</p> <p>To help improve basic services, especially for the poor and excluded</p> <ul style="list-style-type: none"> <li>-health sector programmes</li> <li>-HIV/AIDS</li> <li>-education - basic and primary</li> <li>-water and sanitation</li> </ul>	<p>Basic Services</p> <p>To prevent deterioration, reduce vulnerability and help improve and diversify the livelihoods of the poor and excluded</p>
<p>Rural Livelihoods</p> <ul style="list-style-type: none"> <li>-Agriculture Perspective Plan</li> <li>-community forestry</li> <li>-community based projects</li> <li>-Small and Medium Enterprise</li> </ul>	<p>Growth for Rural Poor</p> <p>To help improve and diversify the livelihoods of the rural poor</p> <ul style="list-style-type: none"> <li>-agric markets and services</li> <li>-rural access</li> <li>-food, market &amp; employment opportunities for poor</li> </ul>	<p>Growth for Rural Poor</p> <p>To help sustain and where possible improve basic services, especially for the poor and excluded</p>

Rural Access -labour intensive feeder roads	Social Inclusion To help women and excluded caste and ethnic groups to achieve more equitable access to resources and opportunities. -excluded groups -Government services -poverty monitoring	Social Inclusion Same
Poverty Analysis -information sharing -policy analysis -impact assessment -capacity building	Peacebuilding To help end violent conflict and create the conditions in which the causes of poverty and conflict can be addressed -negotiate end of conflict -relieve suffering -human rights -programme continues in conflict areas	Peacebuilding To support an environment for sustainable systems of Democratic governance that are responsive to the needs of the poor and excluded

4.6 While the **2004 CAP** was not published until 6 years later (in February 2004), it covered the period 2003/04 to 2005/06 and so left a one year gap between end of the CSP and the start of the CAP. The gap was due to (i) a dramatic escalation in the conflict that meant drafting a new strategy had to be put on hold, (ii) DFID prioritising its engagement around an emerging PRSP process (on which a CAP would then build) and (iii) the need for a new Head of Office (arriving in Sept 2001) to adjust to and build a new conflict-sensitive approach.

4.7 DFID engaged in a process of learning and analysis in 2002-03 that for the first time in Nepal sought to re-orient DFID's role in terms of a response to conflict. The conclusion was that DFID's development programme had to address the causes of conflict and build peace in order for any social and economic transformation to be meaningful. Delivering services and investments had to be done in a conflict sensitive manner. While the Government agenda, as expressed through the PRSP was supported, inequality, weak governance and the demands of the insurgents were also correctly recognised as legitimate expressions of the weak and under-privileged in society.

4.8 The CAP was built around five pillars: governance, growth, basic services, inclusion and peacebuilding. The first four reflected the Government's PRSP framework, with peacebuilding as a fifth but key pillar. In addition, as part of a joint UK approach to engagement with Nepal around conflict prevention, additional funds for quick impact projects were drawn from the UK's Global Conflict Prevention Pool (GCPP). The GCPP reflected the policy of joint working in Whitehall between the Foreign and Commonwealth Office (FCO), Ministry of Defence (MOD) and DFID to improve the UK's assistance in conflict situations. In Nepal's case this presented an opportunity to use pooled funding to address conflict directly rather than in post-conflict situations.

4.9 A number of key studies informed this shift in approach. An analysis of conflict by Vaux, and earlier by Goodhand, built an understanding of factors underlying Nepal's

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conflict<sup>13</sup> and an assessment of the economic impact of conflict by Jackson and others highlighted the cost to the country of the conflict<sup>14</sup>. An external review of the CSP in 2002 also included an assessment of how conflict affected DFID's programmes.

4.10 The CAP benefited from a very extensive consultation process. A wide range of partners commented on drafts, and away days and meetings were held in Nepal and in London. The revised document anticipated a significant growth in the aid framework from £26 - £47 million from 2003-04 to 2005-06<sup>15</sup>.

4.11 The **2005 Programme Review** was undertaken following the king's takeover of power in February 2005. Autocratic rule and the likelihood of sustained conflict meant that DFID had to consider what existing interventions were likely to remain effective, as well as considering possible support for humanitarian responses and for pro-democracy groups. The CAP objectives were adjusted to seek to prevent further deterioration of conditions and to sustain services rather than aim for improvements. The Review proposed a reduced aid framework of £32 million in both 2005-06 and 2006-07. Sufficient justification was found for continuing funding through Government systems of the large health and education programmes. At the same time, new approaches such as Democracy Funds were introduced, and support for UNOCHA and elections. The move to larger but fewer individual programmes (down from 60 to 30) that started during the CAP, continued as part of efforts to increase efficiency and improve management.

4.12 The last phase of strategy adjustment was the internal **2006 Programme Review**. This was a response to two things (i) a significant regional cut in DFID funding due to new emergency events, and (ii) the relinquishing of power by the king and the peace agreement in April 2006. DFID Nepal faced competing pressures to make cuts of up to 30% to allow reallocation to emergency programmes elsewhere, whilst showing a positive response to changing political conditions in Nepal. In addition, a new Head of Office took up post in August 2006, and this brought a new strategic approach which sought to build on the peace process and build greater alignment with Government.

## Relevance ~ Were the strategies right?

4.13 The CSP introduced new directions in aid modalities that reflected progressive aid thinking in terms of poverty focus, sector wide approaches and good governance. The CSP though was founded on an imperfect analysis of the fundamental constraints to Nepal's development particularly in relation to the scale of the conflict. Greater recognition could have been given to the emerging conflict - and to that extent reflected the 'conflict-blind' nature of the Ninth Plan and other donor programmes. The ADB's Country Strategy (2002-04) for example makes peripheral reference to the conflict, but does not seek to address its causes. Similarly, large bilateral partners have given less attention to

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<sup>13</sup> Vaux, T. Nepal Strategic Conflict Assessment. Oct. 2002. Humanitarian Initiatives. Goodhand, J. Nepal Conflict Assessment. June 2000. INTRAC.

<sup>14</sup> Jackson, C. et al. Economic Aspects of the Conflict in Nepal: A Background Paper. Draft. May 2002. DFID Nepal. Based on analysis by author and a team of experts: Malcolm Smart,, Dr Mansoob Murshed, Leiv Lunde, Audun Gleinsuik, John Bray, Dr Govind Agrawal, Binod Bhattarai, Sudheer Sharma.

<sup>15</sup> Excluding administration costs and GCPP funds.

peacebuilding: GTZ focused on local governance, health and energy, while Japanese aid supported infrastructure, social development and rural income generation. As the DFIDN's 2003 End of Year Report states:

'The CSP makes very little reference to the 'People's War' declared by the Maoists in February 1996. At that time the conflict was limited to parts of the Mid West. However by 2002, Nepal was faced with a full-scale conflict.'

4.14 While the CSP was seen as increasingly irrelevant by DFIDN, attempts to adjust strategy were not always welcome in other quarters of the UK Government. For example, DFIDN had commissioned a strategic conflict assessment in 2000 by Goodhand, in line with DFID's corporate policy, which sought to improve understanding of the causes of violent conflict. However, the report was not circulated as it was considered too sensitive by the UK Embassy in Kathmandu as it pointed to the culpability of the Nepal Government in the conflict. Hence DFID strategy in 2000-01 was not as informed by available analysis as it could have been<sup>16</sup>.

4.15 In contrast to the CSP, the CAP was a milestone document in setting out a more grounded and balanced vision of how DFID should work in Nepal. Its strengths were that it recognised the centrality of the conflict, of Government's weak performance, and of tackling social exclusion as a leading cause of conflict. It was outspoken in recognising the validity of Maoist concerns – something most other donors were reluctant to state publicly.

4.16 The focus on social exclusion in the CAP as an underlying cause of the conflict was based on a valuable DFID paper that drew attention to the worsening trend in horizontal inequalities (subsequently termed social exclusion) in Nepal and the link to conflict:

'Group differences based on caste and ethnicity are central to explaining the genesis of the present conflict. Furthermore, reducing horizontal inequalities is part and parcel of the strategy of poverty reduction, as outlined in the millennium development goals'. (Jackson, May 2002).

4.17 **Were the Strategies Realistic and Aligned?** While the CSP reflected the reality that past poverty reduction efforts had yet to show success, the CAP stands out from the CSP (and from many other contemporary development partner approaches), as a leading expression of a more politically astute strategy that moved conflict and its causes to the centre of the development agenda. It did this while showing strong alignment to Nepal's poverty reduction strategy yet at the same time arguing that progress in all these areas was linked to successful peacebuilding efforts.

4.18 The CAP can be seen as ambitious, with its many pillars each with separate outcomes and outputs. Given the head count pressures, there were grounds for limiting the number of sectors, for example focusing the wide ranging growth pillar on fewer sub-sectors. The large number of projects and partners placed considerable management pressure on the office. The CAP also had a long preparation of two years (originally due in May 2003 but not published until February 2004). While the underpinning analysis was

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<sup>16</sup> The DFID Nepal conflict adviser obtained a copy only in December 2001.

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valuable, and the difficulty of operating in a period of escalating conflict considerable, the time taken was excessive, especially given the unpredictability of Nepal's politics, and the fact that within a year a review had to be launched to take account of changed circumstances.

4.19 In terms of **cross-Whitehall working**, the UK's Conflict Resolution Strategy for Nepal<sup>17</sup> presented DFID with major alignment difficulties. While this strategy outlined the basis for a coordinated response to the situation in Nepal, it also undermined the potential for DFID (as an arm of UK Government) to do more than work 'in' conflict and to start to directly address the real causes. This was because one of the key objectives of the UK strategy was to support the state to contain the Maoists by strengthening the security forces to counter the insurgency (the effects of this difference in strategic approach is discussed in 5.66-5.67).

4.20 **Were the strategies in line with corporate priorities?** The evolution of the DFID strategy matched several corporate policy imperatives, with poverty reduction, good governance, social exclusion and working on conflict in a fragile state being pre-eminent<sup>18</sup>. In addition, efforts to promote sector wide approaches throughout the period (successfully in health and education and less so in agriculture and forestry) reflected preferred aid modalities<sup>19</sup>. DFID's strong harmonisation and alignment agenda was also followed in the alignment with the Government's PRSP and the World Bank (WB) Country Assistance Strategy (CAS). Nevertheless, the portfolio was and still is seen as out of line with new aid approaches by some DFID management, based as it is on a large proportion of direct-funded, often stand-alone, financial aid and technical cooperation projects.

4.21 **Where changes to strategy appropriate?** DFID adjusted its strategy appropriately to reflect changing circumstances in Nepal and to adjust to DFID's corporate approaches and resource constraints. Reviews to consider strategy adjustment took place in almost every year of the period under evaluation (including the CSP review of 2002, the 2004 CAP, the 2005 review, and the adjustments in 2006). The volatile nature of Nepal's politics justified a flexible stance. Experience of working in conflict in Nepal was limited and the conflict escalated rapidly. The longer-term reform agenda on the other hand required a more steady approach. This was a difficult balance to strike. While the CAP and the 2005 Review were rigorous exercises, they were time consuming, and involved considerable introspection.

4.22 The escalation in the conflict from 2002 meant that in order to work in rural areas of districts controlled by the CPN-M in the mid and far-West, DFID needed to adapt its strategy to one of enabling and maintaining development space and programmes. This comprised necessary changes in aid modalities - using direct grants with experienced local partners and different operational approaches - to ensure greater transparency, accountability to beneficiaries, delivery of tangible benefits, reductions in the time between assessment and delivery, and less layers of management.

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<sup>17</sup> UK strategy for conflict resolution in Nepal was finalised in Feb. 2004 and is a confidential document.

<sup>18</sup> Reflecting corporate expressions of intent in the White Papers 1 and 3, and 'Why we need to work more effectively in fragile states' DFID, Jan 2005; 'Reducing poverty by tackling social exclusion' DFID, Sept. 2005.

<sup>19</sup> Poverty Reduction Budget Support, DFID, May 2004; 'Guidance on Aid Instruments', DFID, 2005.

4.23 During the 8 month ceasefire in 2003, DFID attempted to use development programmes to try and further the peace process. The Rural Access Programme (RAP) was extended, based on the premise that it would increase employment opportunities and deliver help to the vulnerable. DFID also supported Quick Impact Programmes with similar objectives. As will be seen in Chapter 5, the choices made were not always sound and none of these programmes delivered on the essentially political objective of furthering the peace process.

4.24 Following the king's coup in 2005, DFID proposed to expand peacebuilding and human rights activities in line with the prevailing context. However, DFID was unable to expand its portfolio of peacebuilding projects due to the lack of available GCPP resources (from which these projects were almost wholly funded) and cuts in the bilateral aid framework.

## Sector Strategies

4.25 There is a mixed record in terms of strength of strategies at sector level<sup>20</sup>. The following section compares the record for livelihoods, health, education, water and sanitation, governance and inclusion.

4.26 In **livelihoods**, strategies are implicit rather than explicit, and follow the increased focus on rural development introduced in the Government's Ninth Plan, and its centrepiece the Agricultural Perspective Plan. An agricultural position paper was developed during 2002/3, and an external issues and options paper produced for the future of forestry interventions (Shepherd and Gill, 1999), but there is no explicit livelihoods strategy document covering the period of evaluation. Attempts were made to produce a strategy<sup>21</sup>, however these analyses reflected previous 'conflict-blind' approaches. A change in focus to support feeder and rural roads, rather than the strategic road network, was introduced prior to the evaluation period<sup>22</sup> but again there was no clearly articulated strategy for implementation.

4.27 The 'key strategies' outlined in the CAP for economic growth identify broad policy aims that reflected the growth pillar in the PRSP, rather than detailed strategies as to how to achieve these aims. Failure to further develop concrete, agreed strategies allowed conflicting practices in different projects. For example, within the APPSP a budget is made available for Government recurrent costs, while in LFP and RAP, funding through the red book<sup>23</sup> can only be used for programme development work. Thus, officers within the same district received different terms for engagement with different DFID supported projects leading to lower levels of co-operation.

4.28 Some Government and donor partners interviewed suggested that DFID adapted strategy too often. Government officials expressed the opinion that DFID exited prematurely from both agricultural research and seed support programmes, given their

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<sup>20</sup> It is recognised that DFID *does not require* sector strategies, however the often prove useful in showing strategic direction.

<sup>21</sup> A review of literature by Mathema in 1999, followed by strategy suggestions by Turton and Shepherd, 1999

<sup>22</sup> DFID's 1997 Transport sector review

<sup>23</sup> The Government's official budget

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long involvement in both (some 30 years) and the fragility of the remaining institutions. Within the conflict situation and weak Government institutions, there is a danger of loss of gains made and a feeling of abandonment. The message received is that corporate aims are given greater weight than either issues of prime importance to local partners or of the practical realities of implementation.

4.29 For **health**, a Medium/Long Term Strategy paper in 2001 provides a transition model that adequately analyzes constraints and is consistent with the CSP. The strategy supports the 2nd Nepal Long-Term Health Plan, indicating the problems of an under-resourced and poorly managed public sector, an ill-regulated private sector, and fragmented donor support. DFID's approach to the sector was well-balanced, consisting of:

- Initial continuation of previous projects (District Health Support Programme; Safe Motherhood Project);
- Short-term support to fragile, but important programmes (TB, Reproductive Health, Polio Eradication, HIV/AIDS);
- A GCPP project specifically designed to address health services in conflict areas
- SWAp preparation project (Health Sector Programme and SSMP)

4.30 In **education**, the CSP proposed that DFID work to improve donor harmonisation through sector wide approaches, and was aligned to the Ninth Plan's emphasis on building basic services. DFID decided not to join the Government's second Basic Primary Education Programme, even though it had been engaged in the first phase, but worked to influence the move towards a SWAp. A transition strategy was developed in 2003 with the appointment of a DFID Technical Assistance (TA) post in the Ministry of Education to support the move from pooled funding to a full SWAp mechanism under a joint Government and donor 'Education for All' (EFA) programme (2004-09). DFID was to act as a 'silent partner' with Finland as the lead donor in the sector, but this approach can be seen as due more to advisory constraints than to an explicit strategy to improve aid harmonization.

4.31 The **water and sanitation** sector is a strong example of good strategic development, well-aligned with Government plans<sup>24</sup>. The CSP includes an explicit strategy for increasing access to safe water in rural areas, with emphasis on partnerships with NGOs. This continues with the inclusion of 'improved rural and sanitation services' in the CAP's Basic Services pillar. In an excellent position paper in 2001, DFID considered options for short and medium term support, including a careful transition to a sector investment plan, albeit without consideration of the political situation. This changed in 2004 when, in line with a new national policy<sup>25</sup>, DFID approved a strategy that intended to bring funding under a state-run umbrella agency. Although the political events in early

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<sup>24</sup> The Government's Ninth Plan had the objective of providing all Nepalese with safe water by 2002, and highlighted the need for government to move from direct implementation to a regulating role; and to partner with NGOs, CBOs and the private sector. The 10th Plan continues in a similar vein where the core objectives are to increase access to sustainable drinking water in rural areas and basic sanitation in both rural and urban areas.

<sup>25</sup> In 2004 the Government formulated the Rural Water Supply and Sanitation Policy, Strategy and Action Plan with the aim of providing safe water supply and sanitation facilities to all Nepalese, to reduce water borne diseases and to use saved time in productive household activities.

2005 led DFID to reconsider this approach, nevertheless over time DFID intends to move to a sector approach, channelling all funds through the Fund Board.

4.32 In terms of **governance**, the CSP brought to the fore the need for reform to improve weak services, overcome patronage and tackle exclusion. It presented the case for a longer term, more strategic approach, and provided the genesis for the Enabling State Programme (ESP). This programme followed a 'multiple approach' covering such areas as decentralisation, the judiciary, the media, independent development fora, revenue improvement, corruption control and privatisation. DFID readjusted the governance programme in response to changing circumstances, particularly the need to address the repercussions of conflict, the lack of Government commitment to reforms and the greater emphasis on peacebuilding and democracy as expressed in the CAP.

4.33 The balance of the programme has shifted from working on the 'supply' side (such as public finance management) to more 'demand-side' activities (such as support to ethnic organisations, to anti-corruption awareness and to the media). Nevertheless governance remains a key strategic area, reflecting both the fourth pillar of the Nepal Government's PRSP, and DFID's third White Paper in 2006. Strategically, however, the governance pillar has proved extremely challenging in a volatile political environment. Approaches have remained flexible with no definitive strategy but sets of options and scenarios (as in the Options Paper, 2004) that have allowed DFID to adjust by closing down some areas while opening up others (such as the Rights and Inclusion Democracy Fund).

4.34 Finally, in **social inclusion**, an explicit strategy emerged during the CAP formulation, when it was seen as a strategy for addressing underlying causes of conflict and for building peace. This superseded and broadened the earlier emphasis on gender under the CAP<sup>26</sup>. The DFID Nepal '*Strategy to address Social Exclusion 2004 – 2007*' was developed concurrently with the CAP and was informed by the Gender and Social Exclusion Assessment (GSEA) work funded by DFID and led by the World Bank. The GSEA underpinned the need for poverty outcomes to focus on the poorest, most excluded groups and the PRSP adapted the analysis to build in inclusion as a fourth pillar to address national poverty reduction. The GSEA has nevertheless not been as widely influential in Government and civil society as had been intended, partly due to its overlong preparation and therefore only recent availability<sup>27</sup>.

## **Risk Management**

### **How systematically did DFID assess Risks in its Strategies?**

4.35 The CSP acknowledged the dangers of weak Government commitment to reform and the perfidious nature of patronage leading to un-transparent and exploitative elitism,

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<sup>26</sup> A study initiated during the ceasefire of 2003 argued that 'The root cause of the conflict has been identified as traditional deep-seated political, economic and social exclusion of a range of people based on class, caste, gender, ethnicity, religion, language and geographical isolation' Social Change in Conflict Affected Areas: Assessment Report August 2003

<sup>27</sup> The GSEA took four years to complete (starting in 2002 and not published until 2006)

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but otherwise it was silent on risk. The recognition of risk as a key element of strategic planning emerges more strongly in the CAP. Since the PRSP was the guiding framework, it was noted to be vulnerable to political uncertainties around the absence of elected national or local governments. Nonetheless, supporting the PRSP was considered less risky than not supporting it, and the CAP rightly pointed out that working outside the PRSP would not offer a less risky approach. In addition, risks were recognised from conflict and militarism, capacity constraints, resistance to reform and also physical risks, particularly earthquakes.

4.36 Table 1 in the CAP presents a careful assessment of the different kinds of risks, their impact and what DFID's response should be. In contrast it is silent on wider regional risks especially those relating to Nepal's large and influential neighbours and the country's vulnerability in terms of such issues as its dependency on others for energy, trade, and the risks related to spread of disease and drugs.

4.37 The CAP Monitoring Framework did not contain risk indicators, although most individual programme and project logframes did. However a more evolved monitoring framework emerged in 2005 (Figure 3) that appears to be a unique approach within DFID to bring together field and analytical assessments of risk levels.

4.38 DFID has addressed fiduciary risk together with the World Bank and the International Monetary Fund (IMF) during the emergence of the PRSP, and has since conducted several fiduciary assessments in key sectors such as health. These have noted the relatively strong technical capacity of the Government civil service but accepted the weakness of Government systems and incentives to implement their own rules on the ground. Further concerns arose, especially in 2005 over the risk of spending on security by Government through drawing on donor development funds. These threats prevented any move towards wider general budget support from DFID beyond health and education.

## **How well did DFID manage Risks?**

4.39 DFID placed high priority on managing and mitigating safety of staff and threats to the delivery of development in conflict-affected districts. In 2002 DFID and the German Agency for Technical Cooperation (GTZ) jointly established a Risk Management Office (RMO). The RMO provided advice and training on risk management for staff, and supplied agencies with qualitative security information gathered from across Nepal. The RMO has been effective in providing detailed security analysis and on-going context assessment, including future scenario mapping for DFID and implementing partners.

'the RMO's contextual analysis, which includes political, social, economic and cultural elements, is widely considered within the international community to be the best publicly available ongoing source of analysis on the Nepali situation'.  
Evaluation of the DFID-GTZ Risk Management Office, June 2006

4.40 Space for development activities was reduced by the conflict as agencies became frequently 'caught in the middle' between the demands of the Maoists and the security forces. In response, DFID led the development and implementation of the Basic Operating Guidelines (BOGs). These comprise 14 principles of engagement that define common approaches to programme management while defending development space against insurgents and the security forces. The BOGs have been endorsed by 11 bilateral agencies and subscribed to by the UN system and international NGOs. They commit agencies to

provide inclusive assistance to the poor, while maintaining impartiality in the armed political conflict. They have allowed development agencies to maintain the principle that any attack or restriction to the activities supported by one organisation would trigger the suspension of all development activities in a determined area.

4.41 The BOGs are widely recognised as a successful instrument. They were extended in 2005 to the Safe and Effective Development in Conflict guidelines (SEDC). These provided a tool for field staff to work safely and effectively in a conflict environment without increasing conflict and also included strategies aimed at reducing conflict. The SEDC analysis was designed specifically for use in Nepal and did not reflect any corporate policy.

4.42 A further strategic shift in response to the management of risk and ensuring effective programme operation was DFID's shift to direct funding and non-government channels in 2005, because of the risk attached to being seen as too Government aligned. Education services for example were particularly vulnerable to Maoist interference, as schools were regarded by the CPN-M as an instrument of state control, and the main means for mitigating conflict-related risks were to use NGO and community-based organisations, including school management committees, to deliver and monitor education services.

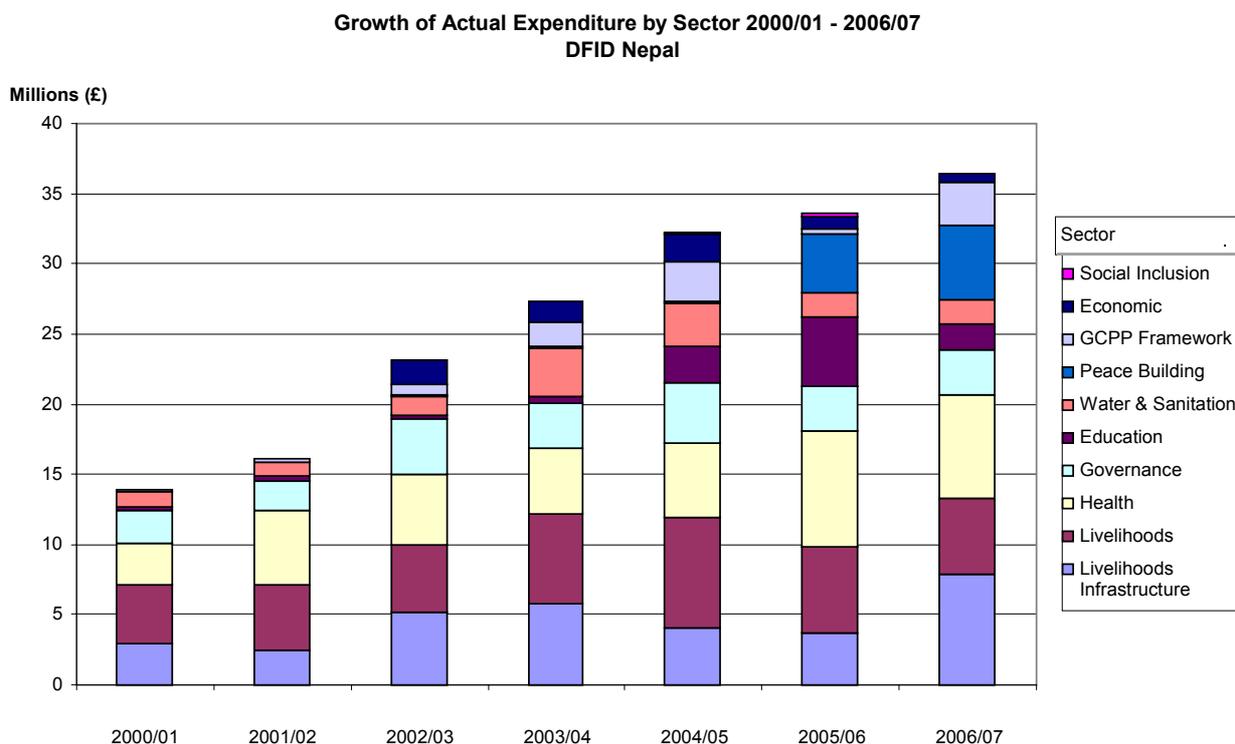
## **Portfolio**

4.43 DFID Nepal implemented 86 projects over the period 2001-06, in nine areas: health, education, water and sanitation, livelihoods, governance, social inclusion, economic development, peacebuilding and conflict prevention. The total commitment for these projects was £358 million of which £185 million had been disbursed by April 2007<sup>28</sup>. The bulk of the spend has been in livelihoods (including infrastructure and water) accounting for 50%, followed by health (21%), governance (12%). Peacebuilding and GCPP amount to 10%.

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<sup>28</sup> Note that the actual disbursement figures are provided by DFID Nepal, and include GCPP funds, while the allocation figures in Table 2 are from DFID's Departmental Report 2006 and exclude GCPP.

**Figure 4. DFID Nepal Sector Expenditure 2000/01 - 2006/07**



*The totals here differ a little from those in Table 2 because Table 2 also includes some elements of debt relief and DFID support to the UN and other agencies for peace building that was not channelled through the Nepal program*

4.44 Projects and programmes (supported through instruments such as financial aid, accountable grants and technical cooperation) represent the bulk of the portfolio (86% of total spend over the period 2001-2006), while sector budget support (mainly in health and education, but a limited amount in forestry) accounts for just 9%. The jointly managed GCPP funds (agreed between the FCO, MOD and DFID), represent 5% of spend. Humanitarian aid is just 2% (support through World Food Programme (WFP), emergency medical and seed supply and Bhutanese refugee food assistance). The largest ten projects account for 50% of spend, and those valued over £1 million are in the minority (36 out of 86 projects). GCPP accounts for 20 of the 50 project lines under £1 million in value of spend.

4.45 Disbursements have increased by 157% over the review period, from £14 million in 2000/01 to £37 million in 2006/07. The pattern of steady growth belies the decisions in 2005 to not increase spending beyond a level of £32 million following the Programme Review, and in 2006 the cuts enforced by DFID's Asia Division that required a reduced spend of £30 million in 2006-07. In fact the figure for 2005-06 is £33.6 million while in 2006-07, following the return of political parties to power, DFID Nepal was able to respond positively to new circumstances with spending rising to £37 million.

## Portfolio / Strategy Fit

4.46 Most interventions matched DFIDN's strategic priorities at the time of their inception, and follow the intended transition of project to programme/sector support,

albeit with deviations due to the emerging conflict. However due to changes in the corporate strategy and the deteriorating political situation in country, the relevance of some interventions changed during implementation. The corporate directive from London to reduce the number of interventions in 2004 led to the early termination of the Utthan Livelihoods Programme. Support for police, prisons and the prime minister's office were stopped in 2005 following the King's takeover, on the grounds that their reform objectives would be compromised.

4.47 Interventions that linked communities and Government at district level were severely affected by the conflict situation. This led to a switch in approach, to direct service provision in order to meet basic community needs (for example the Community Support Programme (CSPr) that was directly managed by DFID-funded staff) or to the adjustment of objectives of other projects. For example the Achham Poverty Reduction Project concentrated more on service delivery than on its original governance and advocacy aims.

4.48 Health interventions reflected the transition phase set out in DFIDN's health strategy. Preparations for sector support followed by actual funding of the Health Sector Programme operated in parallel with several direct funded programmes directed at specific health MDGs (in tuberculosis, polio, and reproductive health). In livelihoods, less graduation can be detected from the historic engagement in direct-funded projects such as forestry and agricultural research towards policy level support and programme/pooled funding. In education, too, while DFID placed high priority on the sector in the CSP and CAP, its programming was less consistent and linear, with no major funding in the formal sector until the EFA in 2004. Although TA consultancy support in 2003 facilitated SWAp development in the Ministry of Education, no full-time advisory support was available after 2002.

4.49 The peacebuilding portfolio was drawn from recommendations of the peacebuilding framework and supported a negotiated settlement, e.g. National Peace Campaign, support to radio projects, analytical studies, human rights organisations, UNOHCHR, ICRC and the United Nations Development Programme (UNDP) Trust Fund. The portfolio was in line with the CAP and with DFID's approach to work on peacebuilding:

'Peacebuilding is best implemented through working at different levels – a 'multi-track approach' – which aims to create synergies for peace at the grassroots, mid-levels and leadership levels of society. This may require many, small, diverse initiatives, rather than single large programmes. The aim of these initiatives is usually attitudinal change, rather than acquisition of knowledge or skills.' (Annex B, Peacebuilding Pillar Options Paper, Programme Review, 2005).

4.50 The peacebuilding pillar also included several rapid impact projects. These projects were in line with the CAP aim of delivering rapid, tangible benefits to poor people in conflict-affected areas. While DFID was quick to sign agreements for the start of these projects, those working through Government bureaucracy took four months to obtain approvals and a further three before implementation started.

4.51 DFID also saw these projects as an opportunity to support the ceasefire of 2003 and help deliver a 'peace dividend'. A key part of this was to try and get the CPN-M and local government to form joint committees to decide on priorities and needs. In other words, the Food for Work (FFW) projects were a tool to facilitate a political process between the protagonists of the conflict. This objective failed when it became clear that

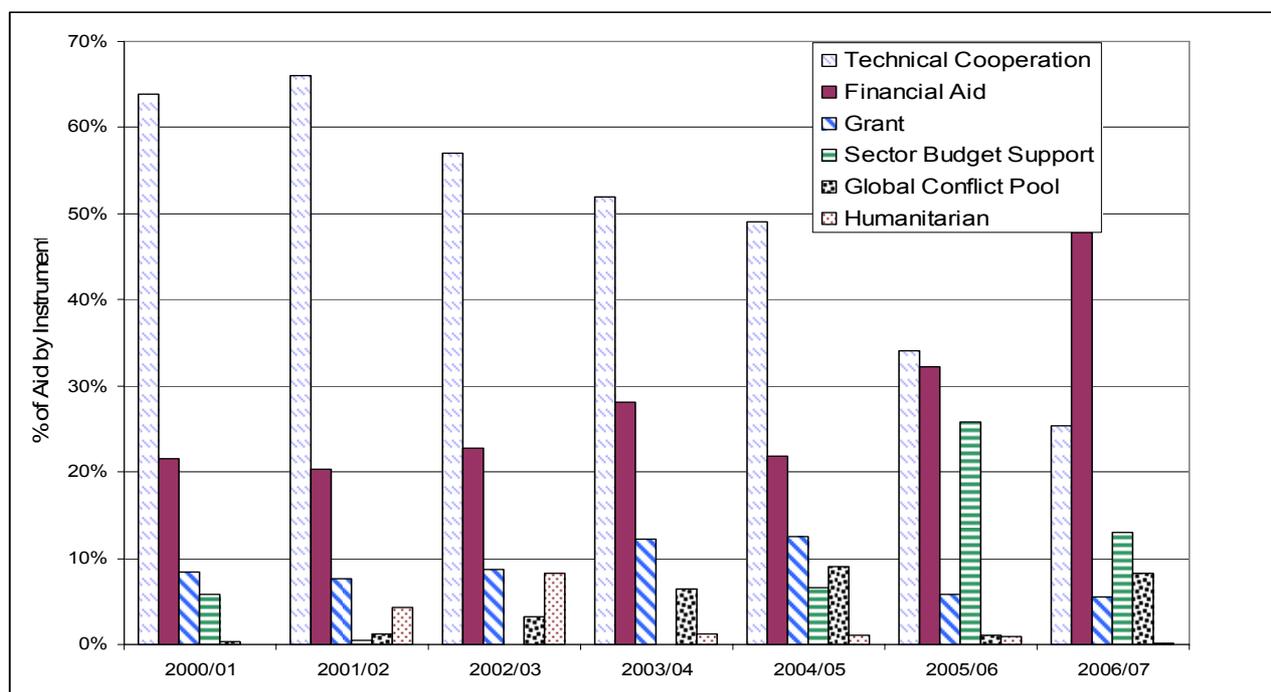
neither party wanted to cede legitimacy to the other by any form of recognition. The use of the FFW projects as potential ‘peacebuilding’ tools, while opportunistic, was not in line with their aim as stated in the CAP.

## Choice of Aid Instruments – was there balance? was the choice context sensitive?

4.52 While the intention in the CSP was to move towards more progressive instruments such as budget support and pooled funding, the main focus was on moving from high cost technical co-operation to direct funding of village level activities (Figure 5). The desire to support a stronger reform process provided the basis for seeking ways to support Government more directly.

4.53 In the CAP, there was a strategic decision to further protect the poor and vulnerable especially in conflict-affected areas by maintaining service delivery where Government services were reduced. This led to further use of projects, grants and financial aid through different implementing partners, as well as through direct DFID-managed operations (CSPr). Sector wide approaches and budget support were restricted to national programmes and to building common approaches, although corporate priorities overtook local concerns at times (4.28).

**Figure 5. DFID Nepal Expenditure by Instrument by Year 2000/01 - 2006/07**



4.54 The CAP focused on the peacebuilding agenda and managing programme delivery during conflict, and paid less attention to pursuing the reform process. DFID sought to deliver rapid, tangible benefits to people largely through financial aid and technical co-operation and grants, which together account for 85% of all aid over the period.

‘In the short-term, reaching the poorest is also likely to involve more interventions intended to have a rapid impact on service delivery, rather than longer-term policy and capacity building’ (CAP).

This judgement was on balance fair and sensitive to the conflict context. There were missed opportunities in pursuing key economic reforms that had been started under the CSP such as in public finance and privatisation, even though some further work in these areas was pursued through the Asian Development Bank and the World Bank.

4.55 There has been a rather uneven balance between longer term support and quick impact opportunistic interventions. Several major investments deliberately took 7-10 year time spans and tied up large funding allocations (ESP £27m, RAP £33m, LFP £19m, SSMP £20m). These provided significant commitments that implied predictability and long-term engagement towards major development outcomes. On the other hand, the GCPP and the emergency medicines and food for work provided the means to respond quickly to peacebuilding and humanitarian opportunities, but the resources were considerably less.

4.56 In health, the 2001 Medium/Long Term Strategy paper sets out a transition phase of a parallel set of programmes (TB, polio and others) to be implemented while the SWAp was being developed. While this reflected corporate policy, the personal engagement of the then health advisor also played a role – having been involved in the Zambia SWAp prior to his Nepal posting.

## Partnership Working

4.57 **Approach** The CSP stressed building common approaches and pooled funding where possible and initiated DFID’s intention to move away from separately funded and operated projects. DFID’s relatively large programme size and its capacity to work both centrally and locally has allowed it to work with a wide range of partners, including NGOs. The CAP preparation process included assessments of DFID’s role with its partners (WB, ADB, UN, Japan and European partners) and as a result the CAP stressed the need to communicate better, streamline the programme and reduce management layers.

4.58 During the PRSP formulation, DFID played an important supporting role with the Government and key donors such as the WB and Asian Development Bank (ADB). DFID also aligned itself with the Government’s Foreign Aid Policy in 2002. DFID support to the National Development Forum and the London Conferences on Nepal in 2002 and 2005, demonstrated DFID’s commitment to building understanding of the conflict situation and its leadership role in guiding the response. At field level, DFID too often worked independently from local government and through separate NGO channels, and the exceptions - such as the Decentralized Financing and Development Programme (DFDP) - did show that there was greater local capacity for coordination that could have been exploited elsewhere.

4.59 Changes in the political situation reduced partnership-building opportunities. Yet DFID’s strong local presence, funding weight and therefore its influence, has allowed it to play a valuable bridging role between the international financial institutions (IFIs) and the European bilaterals, particularly when views diverged such as in the response to the king’s takeover in 2005. DFID took a lead in applying the Organisation for Economic Cooperation and Development - Development Assistance Committee (OECD-DAC) Fragile States principles in a pilot exercise in Nepal in 2006, and while there was a limited

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response from the Government, other donors appreciated the learning and expertise brought through this exercise. The Utstein initiative<sup>29</sup> has also proved useful in strengthening collaboration between the UK and Germany, Norway and Netherlands in areas such as conflict response and SWAp.

‘Collaborating with other donors is a particular aim for DFID Nepal and these efforts are widely appreciated. DFID is seen as being interested in forming partnerships...and seen as able to take a leadership role, when requested and appropriate, and ready to take up sensitive issues such as human rights and governance’ (DAC peer review, 2001).

4.60 Large and critical international actors, such as the US, India and China have remained to a large extent beyond DFID Nepal’s sphere of influence<sup>30</sup>. Little strategic guidance is offered in DFID’s plans as to how it should interact or exploit opportunities with these players. Even Japan has remained largely independent of DFID’s efforts to build partnerships, although in late 2006 DFID did facilitate meetings with the Japanese International Cooperation Agency (JICA), WB and ADB. Working with the European Union (EU) has also proved less straightforward partly because of the EU’s limited programme in Nepal, and also because the UK Embassy usually represents the UK in member states’ coordination work.

4.61 DFID’s efforts to improve **harmonisation** faced difficulties in a donor environment that was generally disjointed (with weak UN leadership and a history of project-driven donor behaviour), where conflict has caused differences of approach and disrupted ongoing coordination, and where the Government did not take a sufficiently strong lead. In certain sectors, joint approaches were pursued, such as in health and education. However, DFID did not seek joint funding opportunities in other sectors – JICA only has one joint-funded project with DFID (in TB), and in livelihoods, roads, water and governance most of DFID’s interventions are sole-funded.

4.62 DFID identified in the CAP the need to support the UN’s role in Nepal’s peace process, but its approach since then has been more ambitious in terms of seeking to build harmonisation and to support reform of the UN agencies. DFID pursuit of UN reform was a creative combination of constructive pressure from dialogue allied with significant funding in areas such as peacebuilding, human rights, decentralisation and food security<sup>31</sup>.

4.63 Building a harmonized approach to working safely in conflict is an area where DFID can take real credit as it led the development of the BOGs in 2003 (4.41), and has remained an active funder and coordinator.

4.64 **Communication.** DFID has improved its efforts to communicate its strategies over the period, and the CAP consultations and launch, the subsequent Annual Reviews

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<sup>29</sup> A group of European donors that met in Utstein in 1999, and agreed to collaborate on governance and anti-corruption issues. DFID, Netherlands, Norway, Sweden and Germany formed the initial group which has since expanded (<http://www.u4.no>)

<sup>30</sup> Though internationally, DFID’s aid programme in Nepal is very much influenced by the UK - US alignment in the war on terror and the geo-political ambitions and roles of India and China.

<sup>31</sup> An approach that is appreciated by the UNDP Resident Representative and the Peace and Security Advisor

and the Programme Review in 2005 are all noted for their quality by other International Development Partners (IDPs). A communication strategy was developed in June 2005 with the stated aims of improving influencing, ensuring transparency and accountability, building support in the UK and internationally for development and improving information sharing between Nepal and DFID UK.

4.65 In terms of good communication, mention can be made of the wide dissemination of the BOGs and to a lesser extent the SEDC which partners value. Within many programmes such as in LFP, innovative methods such as radio links and ‘how to’ guides have been effective. Other means for improving transparency and local accountability of plans and objectives that were proposed in the CAP have proved effective, such as community consultation methods and public auditing. Sectoral working groups, such as in health, agriculture and education have also been used to communicate DFID’s aims.

## Approach to cross-cutting themes

4.66 **Gender** was correctly identified as a key theme in the CSP, given the discriminated status of Nepalese women, and it was pledged that ‘gender concerns would be mainstreamed throughout the programme’. However, there is no evidence of any detailed gender strategy emanating from this broad statement to guide implementation during the CSP period. Gender was then merged with the wider social inclusion agenda introduced in the CAP, and as such became a strategic pillar with a set of sub-strategies that included mainstreaming of social inclusion across DFID programmes and a provision for TA support to assist this process. Gender issues formed a key element of the GSEA and have been addressed in the subsequent Strategy to Address Social Exclusion (SASE).

4.67 **HIV/AIDS** was not a high priority in the CSP, but became a sub-programme of the basic services pillar in the CAP, reflecting a growing recognition of the threat and also of DFID’s corporate HIV/AIDS strategy in 2001. Although the prevalence rates are low (currently around 0.7% in the general population and 52% amongst high risk groups), the World Health Organization estimates that HIV/AIDS will be the leading cause of death among 15-49 year olds in ten years unless the epidemic is controlled. No evidence exists of a mainstreaming strategy.

4.68 Likewise **environmental** issues were not seen as a focus of work or for mainstreaming in the two main strategy documents, which is surprising given Nepal’s sensitivity to erosion and history of forest degradation, but it is addressed during the design of interventions. Mention was made in the CSP of concerns around urban pollution, but no strategy or interventions have been developed to address this.

4.69 **Peacebuilding** is identified as a cross-cutting theme in the CAP, but there is no clear strategy as to how this would be mainstreamed beyond the broad CAP statements, apart from the work on conflict-sensitive approaches that are reflected in the BOGs and subsequent SEDC analysis. The wider UK Conflict Resolution Strategy, which was confidential, did set out how DFID would work with other UK Government departments, and in broad terms how different elements of DFID’s own programme would or would not address peacebuilding.

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## Were DFID's strategic ambitions matched by the anticipated resources?

4.70 Both the CSP and the CAP expected significant growth in the aid envelope – doubling in the case of the CAP over three years. So even though the five CAP pillars presented an ambitious range of outcomes, there was confidence that DFID could deliver significant resources through escalating conflict. The CAP argued that by streamlining to fewer project lines and to the better performing partners, it could meet the strategic objectives. Moreover, the CAP reflected the need to reduce the scope of the programme by withdrawing from several areas (tourism, agricultural research, private sector development). However, our assessment is that the CAP scope was still too broad and multi-pillared, and would have been a better strategy had it reduced its focus still further to say three pillars that would have simplified programme management and focused advisory resources.

4.71 The political events in 2005 led to an adjustment in strategy that examined the effectiveness of each intervention under a fragile political environment. The resulting downward adjustment to a framework of £32 million for 2005/06 coincided with DFID's 'Dyer' model (that matches DFID's global resource allocations against poverty levels, population and other parameters). Nevertheless, the steady growth in DFID spend through the period of conflict and continuing fragility in Nepal using projects, TA and less budget support, indicates that in a fragile states context, DFID can deliver substantial resources and that there are alternative ways to align resource allocations with country performance<sup>32</sup>.

4.72 Peacebuilding initiatives, which started in 2002, had no advanced planning of projects, in part because it was difficult at that time to predict advances in the peace process but mainly because there was no certainty of the allocation of the GCPP. This uncertainty of GCPP allocations continued throughout the evaluation period, and even though DFID was aware of this situation, there was no change in the policy of using the GCPP rather than seeking funds from the main programme for peacebuilding projects.

4.73 **Did staffing resources match objectives?** DFID Nepal, like other country offices, has faced head count pressures and this meant a 40% reduction overall in staff from 2004-06 (Table 4). Such reductions within a growing aid framework place pressures on areas such as quality of advisory support, programme management and level of policy engagement and field exposure, issues that are discussed later in Chapter 5. The CAP's planned increase in Staff Appointed in Country (SAIC) advisory level staff to build greater understanding of DFID's role has nevertheless taken place (from zero Nepali advisors before 2003 to five in 2006). In addition, a second deputy head position was introduced in 2004 to provide greater management capacity (Annex E).

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<sup>32</sup> Programme Size: Background Paper, Programme Review Workshop, Deputy Head of Office Nepal, May 2005

**Table 4. Staffing changes in DFID Nepal 2004- 2006.**

	2004 Baseline (A)	Net staff reductions (B)	2006 Headcount (A) – (B)	% change from baseline
UK Staff	19.5*	5	14.5	26%
SAIC	74	33	41	44%
Totals	93.5	38	55.5	40%

\* This is the adjusted UK staff baseline (increased from 12.5) and includes staff assigned to projects whose costs are paid through the programme

Source: Performance Framework and Delivery Plan 2006/07, DFID Nepal, June 2006

4.74 There have been mismatches in some sectors between strategic ambition and staffing. In education, the £20 million committed to EFA was a substantial amount and although education was seen as a key sector, after the departure of the first education advisor in mid 2002, no replacement was appointed. From mid-2003, the economics advisor was the lead on a part-time basis (providing only 25% of his time for education) and although partners felt that this brought relevant budgeting skills to the education SWAp group, many believed that DFID should have been more actively engaged. For example, the World Bank felt isolated in 2006 when its drive to promote community school management met resistance from unions. With the change in Head of Office in 2006, DFID has recruited a full time education advisor to make a full contribution to the donor engagement with Government.

4.75 For peacebuilding and social inclusion, the strategic ambitions were less clearly matched with budget and staff resources. One conflict advisor was insufficient to deliver on the peacebuilding pillar of the CAP, manage the GCPP and contribute to wider UK policy and strategy on conflict resolution. An email from the then Head of Office in 2003 makes the wider point that the high interest in Nepal in Whitehall has

‘ratcheted the demands on the DFID Nepal team’ and that ‘responding to the needs for information, advice and analysis particularly from Ministers and Whitehall has... affected the ability to manage the programme in what must be one of the most difficult environments in the world’<sup>33</sup>.

The social inclusion programme had slightly better advisory cover, but limited funds to match the challenging set of objectives in the CAP.

4.76 It was unfortunate that the DFID statistics advisor post was dropped in 2004<sup>34</sup>. The advisor had played an appreciated role in developing the PMAS (3.28), and had assisted in coordination between sometimes competing players such as the National Planning Commission (NPC), WB and UN, and had worked to improve the design of the Livings Standards Survey (LSS) and the WFP poverty mapping. The advisor also assisted

<sup>33</sup> Email from D.Wood to D.Fish, November 2003.

<sup>34</sup> This post was split 50% for Nepal and 50% for Bangladesh.

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DFIDN to build up systems to aggregate outputs / results to assess outcomes, something that this review has noted as a missing element in reporting (3.20). The coverage in these two areas (external poverty monitoring and internal reporting) has been inadequately addressed since the departure of the statistics advisor, and DFID's comparative advantage in this area, and the leadership it had shown has unfortunately been lost.

4.77 **Geographical coverage:** the CAP argued for a greater concentration of the programme in the poorest areas - the Far and Mid West Regions - but DFID has remained engaged in almost all districts in Nepal through its different sectoral interventions. The 2005 Review notes that DFID has a project in 74 of the 75 districts in the country, with greater emphasis in the Far and Mid West (6 initiatives per district on average), compared to four in the East and three in the West and Centre. In addition, national programmes in health and education reach, in principle, all parts of Nepal. The practice of engaging a number of competent partners to manage parts of these programmes has helped to ensure delivery is effective even though the reach is wide. Annex G shows the level of outreach reported.

4.78 The concern to ensure delivery of services continues in the absence of Government services has justified the continued wide outreach. At times, however, the expansion in scope was questionable, for example the plan to expand the RAP in 2002 as a response to the cease-fire, led to an expansion to four more districts. This stretched resources too far and led in 2005 to a decision to reverse these plans, so that by 2006 the revised design cut the target road length by 50% from 1,249 km to 619 km.

4.79 DFID's outreach has not always been well coordinated with other partners and there is often a picture of fragmented service delivery. For example in the water sector, of the 63 districts covered by four agencies<sup>35</sup> since 1998/99:

- In 6 districts, all four agencies have been working;
- in 6 districts, three agencies have been working;
- in 30 districts, two agencies have been working; and
- in 21 districts, only one of the agencies has been working.
- in 11 districts none of these agencies have worked (7 of which have water supply and sanitation coverage below the national average).

4.80 Many of DFID's implementing partners interviewed by the mission point to the need for improved coordination among the various stakeholders at local level. DFID's low field exposure and vertical programming approach (through five pillars), combined with its wide geographical reach, has led to 'weak synergy' between interventions, duplication of effort and limited inter-sectoral linkages<sup>36</sup>.

4.81 Peacebuilding projects were confined to Kathmandu initiatives. DFID could possibly have done more to develop initiatives outside of Kathmandu, but this would have

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<sup>35</sup> Rural Water Supply and Sanitation Fund Development Board, Nepal Water for Health, Gurkha Welfare Scheme and Helvetas.

<sup>36</sup> A small example is in sanitation where CARE and NEWAH are working side by side with DFID funds and offering different subsidies (5,000 and 1,000 NRs) for latrine construction.

necessitated more resources – both in terms of funds and staff. DFID’s conflict sensitive approach was developed and focussed on districts affected by conflict, but given that by mid-2004 nearly all of Nepal’s districts were affected to some extent by the conflict (and still is as shown in Figure 1), this constituted a large geographical coverage.

## **Were DFID’s interventions sufficiently results-focused?**

4.82 To the extent that its interventions were subject to measurable deliverables, DFID has worked well to bring a results-focus to its programme. The CSP was less well structured in terms of defining and monitoring results, and it is hard to find programme level indicators of success included in planning documents such as the 2000 Annual Portfolio Performance Review (APPR). The most useful tool was the ‘Change Model’ approach which DFID used to unpack the anticipated results in different sectors in order to track progress towards the MDGs.

4.83 The CAP made stronger efforts than the CSP to analyse in detail the expected outcomes and outputs (especially in ‘Part Three’ of the CAP). The rigour of goals to outcomes and then results is stronger, and the selected measures of success are divided between outcome and process indicators. The Director’s Delivery Plan indicators are also included and underlined for clarity.

4.84 In terms of the different CAP pillars, a focus on results is difficult in at least two areas: the sectors where SWAPs were developed, and the newer areas of peacebuilding and social inclusion where DFID had less experience and was working in a more process related way. For SWAPs, attribution of individual donor impact is a recognised problem (especially where DFID is a minor donor as in education where it provides 4% of financial resources). In health, the Nepal Health Sector Programme (NHSP) has a good set of eight outputs and a Health Management Information System that generally produces timely data. In education, the designed outputs are monitorable but education statistics are weak.

4.85 With regard to peacebuilding, applying results-based frameworks is not always appropriate<sup>37</sup> since work in this area is often reactive, non-linear in design and reliant on feedback and context. Nevertheless of the four CAP outcomes in peacebuilding, three can be monitored to some extent (sustainable ceasefire leading to peace process, human rights respected, and DFID programmes continue in conflict areas), while the fourth is problematic (reduced suffering through integrated response to conflict).

4.86 For social inclusion, too, outcomes reflect the need for attitudinal changes that underlay barriers to social justice. Two of the three CAP outcomes for social inclusion present measurement challenges: ‘Government policy becoming more informed and responsive to women and excluded groups’, and ‘women and excluded groups better able to influence Government and public opinion’. The third, ‘better access to DFID programmes for women and excluded caste and ethnic groups’ is more straightforward, particularly as the Livelihoods and Social Inclusion Monitoring System (LSI) was

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<sup>37</sup> ‘An Approach to DAC Guidance for Evaluating Conflict Prevention and Peacebuilding Activities, Collaborative for Development Action (CDA) ‘ Paper commissioned for OECD-DAC Development Evaluation and Conflict Network. January 2007.

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introduced in 2005 to capture the results of better social inclusion practices across DFID's programme.

4.87 **Have reviews been used to redesign programme direction?** DFID Nepal undertook reviews at programme level and for specific interventions throughout the evaluation period. While the volatility of Nepal's recent political history has accounted for the need to almost constantly consider the relevance and success of DFID's strategies, the frequency of reviews has been a disturbing and often exhausting process. Apart from the local context, other factors have stimulated the desire for reviews and re-strategising, including the high interest in Nepal from the UK, the growing need to understand how to operate in a fragile state setting, the size of DFID's resources committed to Nepal and the sensitivities around the joint working of the GCPP.

4.88 The most important review was the internal Programme Review in 2005 which, though time consuming, produced a measured and appropriate adjustment to DFID's programme in the light of dramatic and serious new political circumstances. Other reviews have had less influence on programme re-design, such as the external CSP review in September 2002 and the DAC peer review in March 2001.

4.89 At the level of interventions, DFID Nepal has embarked on a number of large and longer term programmes, which in the volatile context of the past five years have faced rapidly changing circumstances that have led to the need for reviews and subsequent readjustments. Two examples are ESP and RAP.

4.90 The ESP has undergone two reviews, the first in 2002 when the approach of seeking champions of change in Government proved difficult. Consequently ESP was re-designed to be more independent of Government and to take account of the growing conflict. The broad programme of advocacy for change built on a model of a central research programme that would result in spin-off opportunities for a range of satellite projects was abandoned in favour of a focus on reforming key institutions outside of the state. Later in 2005, following the king's takeover, a further redesign occurred that suspended three projects in police, prisons and the Prime Minister's Office that DFID assumed were no longer viable.

4.91 RAP has undergone a series of reviews that have impacted on its targets, financing and implementation modalities. Early reviews extended the timeframe and adjusted the funding arrangements because of the complexity of the 'green' road building approach. Subsequently the 2005 review led to the reduction in road length by some 50%, and sub-contracting of two areas of work to other implementers, GTZ and ADB.

## SUMMARY CHAPTER 4

- Four stages in the evolution of DFID's strategy can be discerned. The 1998 Country Strategy Paper stressed the need to address poverty and to introduce new aid approaches such as policy-based lending. While it increased attention on governance and on meeting the MDGs, it did not address conflict or its underlying causes.
- The 2004 Country Assistance Plan reoriented DFID to the need to respond to the causes of conflict. The new direction was more relevant to the country context and resulted in including peacebuilding and addressing social inclusion as key pillars in the strategy.
- The 2005 Programme Review was a response to the takeover of power by the King, and adjusted strategies towards a more cautious, lower spend profile that was appropriate given the narrowing prospects for peace. In 2006, DFID had to re-adjust once again and aimed to build up its programme in a sensitive way that would encourage a return to democracy.
- The country strategies were broadly sound in that they showed good alignment with Nepal's Ninth and Tenth Plans, and with wider concerns to work more effectively in fragile states. The CAP was astute in moving conflict to the centre of DFID's agenda, but was also ambitious, expecting the programme to double in size over three years. Subsequent staff reductions, together with a strong interest from the UK in Nepal, led to stretched capacity, especially in conflict and education.
- DFID's ability to address risk evolved well over the period, and specific monitoring tools and analysis were introduced to enable work to remain relevant and effective amidst volatile political conditions.
- The portfolio implemented by DFID included 86 projects with a commitment value of £358 million. Peacebuilding represents 5% of spend, but was aligned with DFID's strategy to concentrate on diverse, small initiatives that build attitudinal change. DFID relied heavily on projects and experienced implementing partners to ensure effective delivery in conflict.
- DFID set out to build partnerships through its sector-wide work, through its work around the PRSP and through its peacebuilding agenda. Its approach was hampered by a fragmented donor environment and weak Government leadership. Large and critical international actors have nevertheless stayed beyond DFID's sphere of influence (India, China, US).
- Attempts to build gender into its programmes in the CSP were not backed up by specific strategies. A broader social inclusion agenda was pursued in the CAP and elaborated in the Strategy to Address Social Exclusion. No strategies to mainstream HIV/AIDS or the environment across the programme have been produced.
- Strategies anticipated significant growth in allocations but within a more streamlined set of interventions. The CAP could have been more focused, since there were gaps in terms of matching staff capacity with strategic ambition, especially in education, peacebuilding, social inclusion and poverty monitoring.
- The programme's wide geographical coverage has been impressive and justified by the absence of effective Government services, but coordination has been difficult because of DFID's many partners, vertical programming and lack of staff field exposure.
- DFID's portfolio has in general been well focused on results, especially as regards conventional projects. But areas such as peacebuilding and social inclusion which depend on attitudinal change have proved a challenge to manage through a logframe approach.



## 5. Effectiveness, Efficiency and Sustainability~ How well did DFID engage and deliver results?

5.1 Having reviewed the relevance of DFID's approach in the previous chapter, this chapter now looks at how DFID's strategies were implemented, concentrating on the CAP which was the main guiding framework for the evaluation period. It considers how successful DFID was in achieving the intended outcomes and results, and how well risk was managed, particularly given the conflict situation in which the programme operated. The chapter then assesses how efficiently DFID managed its resources and staff in delivering the projects and programmes. Aid effectiveness is judged on the basis of secondary evidence, such as reviews and evaluations commissioned by DFIDN, and is examined particularly in terms of how well different aid instruments worked, how well partnerships were maintained and how well results and lessons were communicated. The chapter also looks at the extent to which different cross-cutting themes were addressed by the programme. The chapter ends by considering how sustainable the achievements of DFID's programmes might be.

### Delivering on Strategy

#### Achieving CAP Strategies

5.2 Table 5 summarises overall achievement of the CAP outcomes. It is important to recognise the immense disruption to the CAP objectives caused by events in the period following Feb 2005 and then from April 2006. DFID moved to a cautious case-by-case approach in 2005 and can take credit for continuing to fund programmes and sector approaches where it was considered feasible. The adjustments generally were viewed as modest compared to actions taken by other bilateral agencies, but the adjustments affected DFID's ability to deliver on its planned CAP objectives. For example, the proposed change in strategy by the conflict advisor, post February 2005, to increase efforts at achieving a negotiated settlement and increased support for the protection of human rights, did not materialise because of lack of GCPP funds and cuts in the bilateral programme. Most other programmes faced cuts particularly in 2006, due to reductions in the aid framework.

**Table 5. Summary of Programme Achievements** <sup>/1</sup>

Programme Area	Overall Achievement
<b>Governance</b>	
To help make the system of governance more responsive to the poor and excluded	
(i) help improve the public resource through better prioritization and control	This has been the most successful component through the implementation of MTEF and gradual improvement in the planning-budgeting process. Evidence of improved allocation and expenditure under priority development budgets.
(ii) support decentralisation	After an attempt to develop a multi-donor programme to support local governance was abandoned, following the ending of democratically elected local government, DFID was relatively inactive in the absence of the elected local government

<p>(iii) help reduce corruption (iv) assist with police and support community mediation</p>	<p>representatives, except for the co-financing of DFDP in 20 districts through UNDP.</p> <p>For corruption and police reform, there has been slow progress due to disruption from political events.</p>
<p><b>Basic Services</b> To help improve basic services, especially for the poor and excluded</p>	
<p>(i) Health  (ii) Education  (iii) Water and sanitation</p>	<p>DFID supported the transition towards a sector wide approach in both health and education. For health, most programmes are on track, though the health SWAp is moving slowly. Although there is progress in terms of traditional health indicators, less progress has been made with outputs and processes related to equity, systems strengthening, accountability and increased allocation of domestic resources for health care.</p> <p>DFID entered the EFA in 2005, in a supportive rather than leading role. The performance of EFA overall is reasonable, access and enrolment are rising, but there are significant problems (in repetition and drop out rates for example).</p> <p>While delivery has been good, M&amp;E data are weak and sanitation remains an MDG unlikely to be met. Efforts to move to a programme approach have been disrupted.</p>
<p><b>Livelihoods</b> To help improve and diversify the livelihoods of the rural poor</p>	
<p>(i) Developing new ways of accessing agricultural services and markets  (ii) Improving productive services  (iii) Better rural access  (iv) Trade policy</p>	<p>New approaches have been piloted through the APPSP, seed sector support and micro enterprise development. But both the scope and uptake of successful pilots have been limited by increasing conflict and with the decision not to provide further support as a result of programme streamlining, for example to the seed sector or to poverty reduction through income generation (in Achham District with JIBIKA).</p> <p>While approaches to improving community access and management of forest resources have been very successful (LFP), the political and donor environment has not been conducive to taking forward more programmatic and user-driven approaches. DFID has taken a programmatic approach in agriculture, through APPSP.</p> <p>Slow progress with RAP has meant that this project has not had the impact on policy envisaged, although its approach to 'green' road construction and labour employment are a valuable model. Successful implementation of rural access programmes with Helvetas has led to development of a strategic partnership programme. This positive experience in successful service delivery provides useful information for contribution to formation of a SWAp for the sector.</p> <p>Little has been done as planned projects met funding cuts and constraints of the current conflict situation.</p>

<p><b><i>Peacebuilding</i></b></p> <p>To achieve a negotiated end to violent conflict and to create the conditions under which development could be launched to address the underlying causes of conflict</p>	<p>It is difficult to attribute DFID interventions directly to the achievement of a negotiated settlement to the conflict, as factors outside of DFID’s control have had a significant impact on this process. DFID can demonstrate more success in the adoption of conflict sensitive development approaches. A more detailed discussion is given on page 10.</p>
<p><b><i>Social Inclusion</i></b></p> <p>To help women and excluded caste and ethnic groups to achieve more equitable access to resources and opportunities</p>	<p>Though the process laid out in the strategy has begun, evidence of inclusion is limited. Gender and social exclusion data are now disaggregated, DFID programmes have initiated socially inclusive practices and incorporated the LSI, health and education sector reforms have begun to engage, and Dalit and Janajati movements have been empowered.</p>

/1 The evidence used here is drawn from available Output-to Purpose Reviews, Project Completion Reports and other reviews commissioned or conducted by DFIDN.

5.3 From this summary of achievements, and given the limitations of the evidence base and degree of attribution possible, this evaluation judges that the CAP did deliver an important contribution in reducing poverty and social exclusion, and helping to establish the basis for lasting peace. However, the way that it did this (through careful risk management and following non-doctrinaire aid approaches) provides important lessons for DFID.

## **Managing risks and remaining engaged**

5.4 There is good evidence to suggest that DFID was able to continue to deliver its programmes during the conflict and political unrest in Nepal in the period under review. This judgement is based on both the rising spend levels each year, and on the range of delivery data available from different implementing partners. The risk management systems, set up and supported through the RMO, and latterly with SEDC guidance, allowed operations at district level to be locally managed and adjusted as conditions improved or deteriorated. Progress reviews refer to strong and sensitive engagement, for example:

‘The 139 NGOs contracted to provide literacy support to the beneficiaries of 2754 community groups in 251 Village Development Committees (VDCs) of 10 mid and far western districts have been largely locally managed and monitored’. At least 50% of the NGOs were judged to have developed ‘a conflict sensitive system of implementing community literacy programmes which includes a clear role and ownership of local stakeholders.’ (Community Literacy Project, OPR 2004)

5.5 The support and advice offered by the RMO was highly valued by implementers enabling them to continue to work and feel supported during heightened conflict periods. The BOGs have been adopted widely and publicly displayed on vehicles and in offices. Field staff reported that this has helped in countering demands for paying insurgent ‘taxes’ and led to acceptance by both sides that their presence is non-aligned. Specific interventions by RMO staff in negotiations to continue work in areas of conflict and over abductions (in the case of Rural Community Infrastructure Works Programme (RCIW) and LFP) have been particularly valuable. The RMO played a crucial role in resolving programming and staff security issues in at least four major security incidents (in Kalikot and Dailekh districts in 2004, and Sankhuwasabha and Baitadi districts in 2005).

5.6 In some areas there is little reference to the conflict or DFID's response. In the management of education and health programmes, discussions in Kathmandu centred around coordination and systems development in central ministries, as did work on financial sector reform, banking, privatisation and support to PRSP. Actions by DFID to expand programmes in order to deliver improved services during peace agreements were not always managed appropriately. There was no effective risk assessment conducted with regard to the proposed extensions to RAP in 2002. Had a thorough risk assessment been completed, it would have highlighted the high risk nature of the proposals in terms of raising expectations in areas already experiencing high conflict levels and the unsuitability, technically, of this development project as a vehicle for political influence and as a short-term peacebuilding initiative.

## Results

5.7 **Portfolio Performance:** DFID's individual interventions show reasonably good results based on DFID's own ratings (PRISM) scores<sup>38</sup>. DFID Nepal's own 2006 Performance Target 6.1 states 'At least 67 % of portfolio judged as successful (PRISM score 1 or 2) with corrective action taken for those projects with lower scores, by September 2007'<sup>39</sup>. The most recent PRISM results for the 32 projects scored over 2001-2006 show that 58%<sup>40</sup> assessed at Purpose level score 1 or 2 and at Output level 64% score 1 or 2, which puts the programme on or just below target (Table 6). However there are a number of qualifications to this.

**Table 6. DFID Nepal PRISM Ratings for Purpose Achievement by Sector**

Sector	Purpose Score					Average = 2.25*	Total
	1	2	3	5	blank**		
Economic			1		1		2
Education		1	1				2
GCPP Framework					21		21
Governance	1	2	2		12		17
Health	2	3	3		1		9
Livelihoods		8	1	1	7		17
Peacebuilding		1			5		6
Social Inclusion					4		4
Water & Sanitation		2					2
Livelihoods Infrast		3			3		6
<b>Grand Total</b>	<b>3</b>	<b>20</b>	<b>8</b>	<b>1</b>	<b>54</b>		<b>86</b>

\* Output scores are almost identical

\*\* Blank = No score available, either because project amount is too small or it is too early to make judgement

<sup>38</sup> For DFID, the Purpose or Output is either: 1 = likely to be completely achieved, 2 = likely to be largely achieved, 3 = likely to be partially achieved, 4 = only likely to be achieved to a very limited extent, 5 = unlikely to be realised, X = too early to judge the extent of achievement

<sup>39</sup> It is assumed that this is 67% by number of projects not value, although DFID usually uses value in its 'value for money' measure.

<sup>40</sup> In terms of number of projects not value.

5.8 A large number of projects (54) are not scored, including all GCPP activities and all those with a commitment of under £1 million. There are also other recognised limitations to PRISM scores, some of which are given in Box 4.

5.9 The five biggest programmes (NHSP, EFA, ESP, SSMP, RAP) are rated 3 and account for 30% of spend<sup>41</sup>: a total of 9 programmes with a score of 3 account for 44% of spend over the 2001-2006 period. This reflects the ambitious scope and longer timeframe which make these larger interventions vulnerable to poor performance. The health and education SWaps are relatively new (starting in 2004) and in the difficult Nepali context, slow progress has been all the more likely given the reluctance for reform in Government and the constraints on delivery of services in conflict-affected areas.

#### **Box 4 Limitations of PRISM scoring**

PRISM scores focus on the achievement of stated project outputs and purpose, and often fail to capture impacts of projects beyond their original objectives. These may include important wider impacts such as contribution to shaping country strategy and to cross-project learning. LFP, for example, piloted and contributed to the development of the SEDC and LSI guidelines, which are now being introduced programme wide. The same programme has developed links with the Civil Society Anti-Corruption Project and with CSPr, strengthening good governance and equitable service delivery within their areas and encouraging expansion of user group activity. Latest PRISM scores give LFP a 2, the same score as RAP, which is now scheduled to complete only half its original target road coverage, with significant negative impacts on communities who will no longer be building roads.

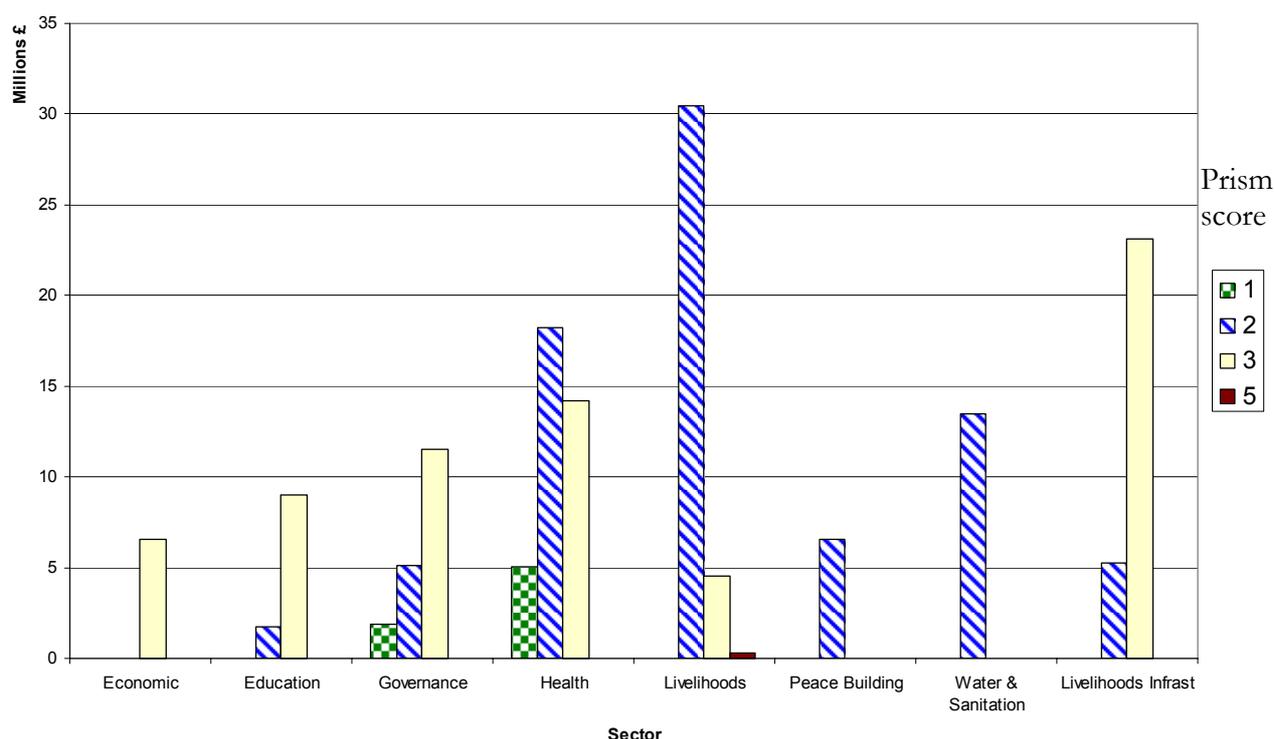
5.10 Vertical programmes with established delivery mechanisms in contrast have proved more successful (such as reproductive health, polio immunization and TB), while other health programmes (SSMP, HIV/AIDS) are more complex, have higher risks and are more related to reform processes with all their internal resistance dimensions.

5.11 Figure 6 illustrates the performance of the portfolio by expenditure and sector. This is a snapshot based on most recent purpose scores, and as with Table 6 does not reflect the historic trend. Given this caveat, the overall picture is that most of the funding is achieving its purpose. The sectors with the largest and best rated levels of spend are health, water and livelihoods (RAP is recorded as a 2 in this graph). The two SWAp interventions in health and education are scored at 3.

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<sup>41</sup> The CPE would disagree with the latest RAP rating of 2, and would award it an overall 3. RAP has scored 3s for most of its reviews until 2006, when after a substantial redesign, recent progress has merited a lift in rating to a 2. The CPE agrees with the other ratings for NHSP, EFA, ESP and SSMP)

**Figure 6. DFID Expenditure by Sector and by latest PRISM Purpose score**



## Results by Sector

5.12 Despite the Government's expressed commitment, working on **governance** has proved high risk and DFID's governance interventions have been more affected than others by political volatility and weak Government commitment to reform. The latter is demonstrated by the disappointing results from the Privatisation Project, which was closed after only one enterprise was privatised. Public financial management has performed better, with progress being made on budgeting systems through the Financial Management Project. Despite a rating of 2, there have been gaps in accountability through the line ministries, and increasing fiduciary risk at local levels, exacerbated by the conflict. The Financial Sector TA Project and DFDP also performed well, as to a lesser extent did bank restructuring.

5.13 The lack of appetite for reform within Government blocked progress with DFID's largest governance intervention, ESP, whose performance ratings have fluctuated widely. The original intention to work closely with Government proved difficult as no clear partner office could be identified (the Prime Minister's Office was regarded as 'dysfunctional' by DFID), and ESP has found it hard to move beyond analysis and make the 'change advocate' approach bite. The UK response to 2005 events led to disruptions in important areas of reform in the police and prison services. ESP has undergone two redesigns (in 2003 and 2006) in an effort to improve performance, but it remains seriously underspent, with only £11 million spent out of £27 million committed (from 1997-2008).

5.14 ESP has been successful in identification of governance issues, and in raising anti-corruption awareness in districts. Some longer-established 'satellite' projects have shown benefits in terms of greater access to community mediation channels, political awareness of disadvantaged groups and media awareness. Improvements to food security

and income are noted for Self Reliant Development of the Poor by the Poor, the *Dalit* Empowerment and Inclusion Project, and the *Janajati* Empowerment Project.

5.15 The **growth** pillar has seen the biggest spend of all the CAP pillars, about £72 million over the period. The largest intervention, RAP, budgeted at £33 million, had a slow start at the design stage, as it used an environmentally cautious approach that used labour intensive methods. RAP has scored 3s in all its reviews up until 2006, yet it was selected for two separate expansions in 2002-3 in order to respond to peacebuilding opportunities. These new and unapproved plans stretched delivery capacity and raised expectations, yet the funding was never officially approved. A fundamental review in 2006 led to a halving of construction targets and progress is now more on track. Under the revised plans some 20,000 households will benefit from employment opportunities. No mention is made, however, of the negative impacts on the estimated 13,660 households whose members belong to the 715 decommissioned groups (See Annex H).

5.16 Other major investments have been in forestry and agriculture. LFP is a 10 year £18.7 million programme to strengthen community forest resource management. Initial lower ratings were more a reflection of ambitious aims for a 10 year project, than of slow progress or low impact. Scores increased to 2 in the latest review (2006), where flexibility and pro-poor inclusive approaches have led to success in continuing to work in contested areas. About 1.6 million households (39% of Nepal's total) are members of forest user groups, and LFP works with 27% of these, they form an invaluable local community management resource for Nepal's future. The latest annual report notes :

'LFP's approach to entering contested areas should be recognised with its key elements of flexibility, responsiveness, and use of tangible development activities to gain confidence and trust from traumatised communities...Tackling social exclusion through animator and Local Resource Persons' approaches has been instrumental in achieving both technical and social objectives.' (Annual Review LFP 2006)

5.17 In agriculture, other projects conceived before 2001 but completed within the evaluation period are Hill Agricultural Research Project (HARP), and Seed Sector Support Project (SSSP). Both were designed before the current focus on poverty alleviation and have been assessed with more emphasis on inclusion than was originally envisaged during design. HARP undertook the reconstruction of agricultural research in Nepal, introducing competitive funding and integrating former DFID-supported hill research stations into a national system. The lack of a sufficiently pro-poor focus and the inability to widen the research funding to a more sustainable base resulted in a lower rating. SSSP was very successful in meeting physical targets for seed production and in influencing policy on seed production. SSSP enjoyed strong participation from women and other excluded groups and presented opportunities for raising their income.

5.18 Perhaps the most challenging intervention in the sector is the APPSP (2003-2008) because of its dual aim to work at sector level on policy reform as well as at district level through a District Agricultural Development Fund (DADF), which accounted for three-quarters of its £10m budget. APPSP works through central Government systems, and as noted earlier this has proved difficult because of lack of commitment from others to a sector approach in agriculture and slow decentralisation. Ratings are positive though, reflecting steady progress despite difficulties of managing funding and working with Government staff in districts during periods of increased political unrest.

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5.19 Two other examples of successful implementation during conflict are the RCIW and the Support for Helvetas Programme (Box 3). The first operated through Government (Ministry of Local Development) in partnership with WFP and GTZ, while the second through an international NGO. Over time the RCIW has gained a good reputation as one of the Government's most successful poverty alleviation programmes. The Helvetas programme covers bridge building, income generation and water supply. The success of this programme in delivering basic services, building the capacity of local service providers and building local VDC planning capacity led to development of a further phase of co-operation with Helvetas under a Strategic Partnership Agreement (2006-2009).

5.20 There are other interventions in the growth pillar that were less successful or not extended, either because they were affected by conflict, or because they over-targeted excluded groups causing resentment amongst other community members (Action Aid Poverty Project), or because of DFID's need to downsize its number of projects (Utthan Livelihoods Programme).

5.21 **Basic Services.** Health has received the largest investment in this pillar of £41 million over the review period. These funds have been used in the Nepal Health Sector Programme (NHSP) and several sub-sector projects (safe motherhood, HIV/AIDS, reproductive health, district health services, and polio and TB). The most successful have been polio eradication (contributing to eradication of the disease in Nepal), and TB (which has helped reduce mortality from 16,000 to 5,000 deaths, thus saving 40,000 lives in the past four years). Other programmes (SSMP, NHSP, HIV/AIDS) are more complex, have higher risks related to reform processes, and in the case of NHSP and HIV/AIDS are relatively new (from 2004). With the recent DHS findings, indicators relating to several health programmes appear to be on track. For example, the following SSMP indicators are all being met: deliveries assisted by health workers increased from 2% per year in 2003-05 to 3.2% in 2005/06; deliveries in health facilities increased from 1.7% annually to 2.1% in 2005/06; use of obstetric care increased from 2.05% per year to 3.1% in 2005/06.

5.22 The SSMP has been assessed as making 'slow but discernable progress almost across the board ... and there has been the spectacular success of the globally-important Comprehensive Abortion Care initiative' (SSMP strategic issue paper No.14). This multi-donor supported initiative, started in 2004, succeeded in reducing maternal mortality through training and upgrading of services for abortion in 70 out of 75 districts. DHS results do suggest that, in overall terms, maternal mortality has fallen in ten years from 539 to 281 deaths per 100,000 live births, an improvement that can be associated with DFID's support for SSMP.

5.23 Another key element of SSMP is the Maternity Incentive Scheme, which provides incentives for delivery services to clients and providers. By 2007, 66 districts reported a total of 120,000 women benefiting. However, a recent review notes that there are aspects that need further attention, such as delay in payments to women, the lack of a user fee policy, and the effect of incentives on other hospital services.

5.24 SSMP is still not adequately linked to the NHSP. SSMP is a complex and large body, dominating the Ministry of Health's Department of Health Services, and in fact has undermined capacity by usurpation of DHS staff. Efforts to engage productively with the Ministry have been unsuccessful so far. Overall SSMP project design is ambitious and a longer starting up time should have been anticipated.

5.25 For **HIV/AIDS**, DFID's engagement is relatively recent. Working through UNDP, DFID's commitment is for £15 million in support of the National Operational Plan. By 2006, the programme had set up 119 projects delivered by 77 NGOs in 27 districts. The activities cover a wide spectrum from information and awareness, peer education, testing services, support to people living with HIV/AIDS and safe blood supply. While the project is innovative, covering previously unsupported areas such as drug users and prison inmates, the most recent review considers the contribution 'too young and too small to have an impact on halting and reversing the spread of the disease'. Although surveillance data is thin, there is concern with the slow pace of the Government's response to the epidemic. Greater advocacy is required if this emergency health concern is to be tackled effectively.

5.26 Health is a basic need accepted by most parties and has therefore suffered less from conflict than other services. The health SWAp did not suffer greatly from conflict and continued its slow course mainly affected by a lower level of Government decision making due to the political context and higher turn-over of staff than usual, but the paralysis of local government resulted in few structural changes. Even United States Agency for International Development-funded programmes (in family planning, Vitamin A) have reportedly been able to operate, despite the strong anti-American sentiments amongst insurgent forces.

5.27 In **education**, the £20 million EFA programme scored an output rating of 3 in 2006. The performance of EFA overall is reasonable, but there are significant problems in key areas. Net enrolment increased from 86.8% in 2005 to 87.4% in 2006 – though it is not on course to meet the 96% target by 2009. Net enrolment for girls increased from 83.4% to 85.5% in 2006. However survival rates to grade 5, which rose to 79.1% in 2005 fell to 47% in 2006. Some of the fall may reflect the problem of increasing access – and meeting a higher demand for education as the conflict moves into its next phase - without increasing quality of education, including student-teacher ratios.

5.28 Data reliability for EFA is gradually strengthening in the post-conflict environment. Access for marginalised groups is improving e.g. *Dalit* children enrolment in primary education has risen from one third enrolling to one half during 2005, but repetition and drop-out rates are high. For example, independent monitoring suggests only 8% of *Dalits* survive to Grade 5. Data on learning achievement outcomes are unavailable, and quality of education is unquestionably the next challenge for EFA. There is a shortage of teachers, and a need to redistribute them more equitably between regions, while overcrowding is widespread creating a need for accelerated classroom construction.

5.29 The other education intervention prior to EFA was the Community Literacy Project (CLP), which has achieved some substantial outputs and coverage. There are issues over sustainability in terms of the lack of integration in Government programmes. The Project Completion Report (PCR) comments: 'The Government, however, is yet to be influenced to mainstream the CLP approach, although (it) has informally acknowledged its potential'. This suggests the project was terminated without attempting to fully discuss integration strategies with the Ministry of Education to attain some sustainability.

5.30 **Water and sanitation** projects have consistently scored well throughout the evaluation period and judging by output indicators most are on target. By 2007, two of the programmes reported:

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‘The Water User Committees of all 213 completed schemes from 1999 have been managing and using improved water and sanitation facilities as of the end of September 2006. The target is 262 schemes by 2006/7. The planned and under construction projects will be completed on-time’. (Nepal Water for Health (NEWAH) Review 2007)

‘The physical target of 555 schemes is most likely to be achieved by March 2007. Incidence of diarrhoea has been reduced by 95%’. (Gurkha Welfare Scheme (GWS) Review 2007)

5.31 GWS and NEWAH operated widely in remote and conflict-affected areas. The Rural Water Supply and Sanitation Fund Development Board (RWSSFDB) projects were implemented mostly in the Terai region and near road heads (i.e. less conflict affected areas). GWS and NEWAH developed effective strategies and incorporated the BOGs, while RWSSFDB reduced conflict risks through transparency in procedures including community procurement, so allowing the RNA to permit transportation of materials.

5.32 For **social inclusion**, no PRISM scores are available nor are there Output-to-Purpose (OPR) or other reviews available. Detecting results relies on qualitative assessment of mainstreaming and policy change evidence. In Government, there is evidence of some disaggregation of data to capture levels of inclusion, particularly in surveys such as the NLSS, in education (flash reports) and in agriculture and forestry, thanks to effective follow up in DFID’s programmes (LFP and APPSP). Greater engagement by representative organisations of excluded groups has occurred, with *dalit* and *janajati* federations being invited to debates and policy groups<sup>42</sup>. There is evidence of excluded caste and ethnic movements gaining leverage in national debates. Examples include: well populated rallies organised by these movements; major political parties incorporating issues of affirmative action and inclusion of *janajati* and *dalits* into their agenda; recent legislation for 33% representation of women being passed; the *Dalit* Foundation being able to influence the Government to increase the scholarships for *Dalit* students from Rs. 250 to 500.

5.33 Within DFID’s own programming, the LSI has been designed, agreed, and piloted within the Rural Growth Pillar. Four programmes (LFP, RAP, APPSP, Helvetas) have, to differing degrees, used LSI monitoring to sharpen their strategies and focus on the most excluded. Social Development advisors have been recruited by two of these programmes. Health and education SWAPs have also developed local plans to ensure that poor and excluded groups can access and benefit from their services – these have been rolled out to some extent in education, but not yet in health.

5.34 Most **peacebuilding** projects were funded from the GCPP, and thus do not appear on the DFID performance system. Projects under the GCPP are required to report according to pro-formas that were collated by the UK Embassy and forwarded to the FCO

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<sup>42</sup> Dalit NGO Federation (DNF) and the National Federation of Indigenous Nationalities (NEFIN) have been invited to several high level national debates and consultations such as the MDG review organised by NPC/UNDP. DNF has additionally been requested to be a member of steering committee headed by Secretary of Ministry of Local Development to submit a report to the UN Committee on the Elimination of Racial Discrimination in Geneva, and to be a member of committees on higher education scholarship committee, CEDAW committee under Ministry of Women, Children and Social Welfare

in London who manage the GCPP country strategies. DFID commissioned separate, independent evaluations for each peacebuilding project and these were generally positive.

5.35 Other projects funded under the GCPP were quick impact projects. A WFP evaluation found that these projects were an effective and appropriate entry point for building confidence and hope in deprived communities. However, the report also found that institutional arrangements were too complex, monitoring was weak, costs too high and peacebuilding was beyond the initial objectives of the quick impact projects.

5.36 The CSPr (£11.5 million direct DFID managed, plus £10.3 million through two NGOs, RRN and CARE) is an additional investment placed under peacebuilding, although in most respects it follows similar modalities to other NGO community projects, such as Helvetas. CSPr's aim to provide rapid impact basic infrastructure has proved generally effective, and achieved positive PRISM scores of 2.

## **Efficiency**

### **Disbursement Predictability**

5.37 DFID recognised in its CAP that programme resources in the context of Nepal's unpredictable environment could fluctuate: 'The volume of assistance we will be able to deliver, as well as its pattern, is uncertain' (CAP, p.18). DFID's stance was that it would be prepared to provide more resources should the situation merit it, in terms of a more stable or reform-minded Government. If the situation deteriorated, then greater humanitarian aid would replace development funding. Nevertheless making such a commitment to a surge in aid over three years (from £26 – 47 million) in order to provide an incentive for reform, was overly optimistic, given prior experiences with programmes such as the ESP. Pressures from DFID UK meant that such an expansion of aid would also occur at the same time as DFID Nepal's head counts had to be reduced and the programme streamlined into fewer larger programmes.

5.38 The GCPP was a special case over the period, as decisions on allocation to the GCPP strategy were made on a yearly basis, and it was never sure how much would be received. Projects funded from the GCPP suffered from drastic fluctuations in allocation to the UK strategy and inability to forward plan. Spend figures varied over the period (from £0.2 million to £3.0 million).

5.39 Changes in aid instruments following the 2005 review had effects on predictability. Many programmes with Government switched to direct funding, a move which affected relations with some line ministries, such as forestry. Where support continued through Government channels, the requirement for UK ministerial approval for expenditure had a significant effect, for example on APPSP. It effectively added a 3-4 month delay to fund release, which led to only being able to access 50-60% of budget. These steps were over-cautious given the importance of continuing to build relations with

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line ministries and the fact that fiduciary risk was assessed as not having worsened in the period after the king's coup<sup>43</sup>.

5.40 While the 2005 review was DFID Nepal's own considered response to difficult circumstances, the subsequent cuts in country programmes across Asia were a result of commitments made at the highest levels of UK Government to support public responses in the UK to emergencies (2.12). The volume, timing and the communication of these cuts in to DFID Nepal (and from DFID Nepal to its main implementing partners) have been detrimental for basic service planning and execution, image and relationships. In the absence of any contingency funds, DFID Nepal was unable to obtain relief from the imposed reductions, despite strong reservations from the Head of Office and from some sectors, such as health and education<sup>44</sup>.

'There is no further scope for reallocation within the current portfolio. To do so would entail cutting budgets for programmes giving direct support to poor communities, which rank among the most important interventions in the current situation, and cutting back further on essential basic services programmes through Government' (Options Paper, DFID Nepal, June 2006)

5.41 The sudden and delayed announcement of budget cuts for the 2006/7 year meant cancellation of planned activities at short notice, which appeared to undermine DFID's express support for bottom-up planning and consistent programming. In the sector budget support programmes, while arrangements were made for the World Bank to offset shortfalls from DFID, a revision of all Ministry of Health and partners' plans had to be undertaken to accommodate a 33% cut in the middle of the financial year leading to this observation:

'...(the cut) undermines one of key reasons for engaging in sector funding; it destroys the development of strategic planning within the sector; promotes distrust and cynicism within MoHP; risks damaging the present ownership and enthusiasm for NSMNHP within MoHP; is entirely against the principles of the Paris Declaration; contradicts DFID's own guidelines on how to work effectively in fragile states' (Safe Motherhood Programme review 2007)

5.42 The effect of these cuts on individual programmes was investigated in some detail by this evaluation (See Annex I). Responses from the larger ongoing programmes indicated a mostly consistent trend, though the case of RAP is more complex (See Box 5 and Annex H). For ESP, cuts occurred in several of their satellite projects in FY 2006/07: Self-Reliant Development of the Poor by the Poor Project: £700,000 to £130,000; *Janajati* Empowerment Project (JEP): £650,000 to £300,000; Civil Society Anti-Corruption Project (CSACP) £360,000 to 250,000. For CSACP, 'the cut resulted in an extended restructuring exercise and loss of efficiency, and many experienced staff had to leave while field staff were overstretched' (Feedback note to CPE mission from the implementing partner, Pro-Public).

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<sup>43</sup> Programme Review, 2005, para 2.21.

<sup>44</sup> Minute from Health Advisor to Head of Office on 'Consequences of a dramatic reduction in poverty reduction budget support', March 2006.

### **Box 5 Effects of RAP expansion and subsequent reduction**

For RAP, the situation is more complex. The impact of the findings of the fundamental review of RAP was felt in 2006/7. Overall programme budget reductions in 06/7 and 07/8, if applied across the whole programme would have led to some 25% cut in proposed budget. However, individual project managers in the health, water, infrastructure and livelihoods sectors reported to the CPE mission that cuts were closer to 30-40% of that proposed. It would appear that RAP did not take its 'fair share' of these cuts, because it was already having to deal with a huge reduction in planned activities following the fundamental review in 2006. A 'funding hole' had been created by additional commitments, made to further peacebuilding objectives, for which funds were never secured. Effectively the 'issue of expanding RAP without secured funding' impacted across the whole Nepal country programme.

'The resources needed to complete the exit strategy from RAP in 06/7 and 07/8 will far exceed current forecast expenditure. The annual allocations will need to be closer to £8m / yr, (the current allocations are £5m in 06/7 and £3m in 07/8)', Minute from Deputy Head to Head of Office, 2/3/06. For RAP itself, reduction of activities to 50% of the originally planned road length meant that more of the poor and disadvantaged were let down by the project.

5.43 Following the April 2006 return to political party control in Nepal, the case for expansion of support returned. The consensus amongst donors was for a cautious funding response given the uncertainties in the political landscape, and the need for elections to occur before a legitimate Government was in place. With the arrival of a new Head of Office in August 2006, DFID Nepal remained concerned about the framework restrictions that were still in place, and argued again for a rise in resources to over £40 million for 2007-08<sup>45</sup>. An interim CAP is now being approved to guide the programme for the next two years that should see a growth in DFID spend.

### **Staffing**

5.44 There are a number of issues around staffing that have impacted on DFID's delivery efficiency. These cover the continuity, skill mix and SAIC<sup>46</sup>/UK staff balance, as well as the ability to spend time on different areas of work (from influencing to management, fieldwork, corporate reporting etc). During the period, the general context meant that DFID Nepal faced considerable operational pressures, and on two occasions nearly evacuated its UK-based dependant and non-essential staff when security deteriorated.

5.45 A significant issue in Nepal's case has been the **changes in Head of Office**, with four Heads over the period 2001-06. The first Head saw the setting up of the Nepal office, and the implementation of the CSP, the second then spent considerable energy in developing the CAP, only to leave in 2004 as it was starting implementation. The third Head oversaw the Programme Review in 2005, and had a turbulent time considering the political events in 2005-06 and the aid framework cuts, before also leaving within two

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<sup>45</sup> Email from Head of Office to Head of Asia Division, October 2006

<sup>46</sup> SAIC: Staff Appointed in Country

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years. The new Head of Office has been in post for the last 6 months of the review period, necessitating a need to review direction again, while managing the recovery of the programme from the earlier spending cuts.

5.46 As noted earlier in Table 4, **staffing has reduced** over time while aid expenditure has risen; and although the number of project lines has also diminished, loss of advisory cover has been detrimental in areas such as statistics and education. There have also been four **reorganisations** of the DFID office during the period under review, which have affected programme management efficiency as these require time to re-engineer team working.

5.47 **Continuity of staff** has been reasonable overall and compared to other countries reviewed under the CPE exercise, with an average time for all UK-based staff of 36 months and for SAIC staff of 60 months (over the period 1999-2006), and good in the peacebuilding, health, governance and livelihoods sectors.

5.48 In conflict, the first advisor was appointed on a short-term basis and then extended until 2006, to be replaced by another advisor. The conflict advisors have an especially challenging role, dividing time between the programme, UK Whitehall discussions and the GCPP. It was not until 2004 that an umbrella fund for management of the GCPP was placed with the British Council. There may be a case for arguing that DFID could have set up this mechanism earlier to free conflict advisors' time, but in any case he would still have needed to provide the technical input to those peacebuilding projects. In general the GCPP has placed high transaction costs on DFID Nepal staff time in relation the relatively small quantity of funding involved.

5.49 For livelihoods cover was generally good, although the appointment of an engineer to the joint livelihoods / infrastructure advisor post in 2005 is questionable, given the number of livelihood projects compared to infrastructure and no agreed strategy for the livelihoods programme (see 4.26). A better balance would have been reached with the appointment of an engineer under contract to push through reforms and accelerate progress in road building in RAP, with a livelihoods-oriented leader for the joint post and responsibility for overall programme development.

5.50 Continuity has been less consistent in the areas of social inclusion, education and statistics. Four social development advisors have been in post over the review period, with a number of locums (covering maternity leave and gaps between appointments). In 2004 due to the changed strategic position of Social Inclusion there was an increase in staffing from 1 to 2 posts. Early in 2006 this was reduced to 1.5 posts, which was the state of affairs during the CPE. A decision to increase the complement to 2 posts has been taken recently. In education, there was a gap in specialist advisory cover from mid-2002, when due to head counts pressure a replacement was not possible. While cover was provided by a full-time advisor in the Ministry of Education till 2005 and on a part-time basis by the DFID economist, stakeholders interviewed by the mission commented negatively on the lack of a full time advisor.

5.51 **Field exposure:** As with many of DFID's country offices, opportunities and incentives to visit the field are limited, due to demands from other areas of work. Effective monitoring is particularly difficult in conflict-affected environments. Some implementing partners expressed concern that DFID staff have insufficient understanding of field realities. The 17 staff travel plans studied revealed that the number of days in the field ranged from 0 – 16, with an average of 8.6 days per staff member in 2006/7. The staff

survey conducted by this evaluation also indicated that less than 5% of time is spent on fieldwork, and nearly all those interviewed felt they should do more (Annex J).

5.52 **Diversity.** DFID has made efforts to promote SAIC staff and broaden their responsibilities. In 2000/01 there were no local staff at Band B1 and only a handful at Band B2. By 2006 local staff (both male and female) were occupying A2, A3, B1 and B2 posts - some of which were externally recruited. However, many staff had been promoted from C Bands<sup>47</sup>. The various reorganisations offered opportunities for advancement, and SAIC staff have moved into programme management in the past year.

5.53 Nevertheless, partners interviewed by the CPE team noted the lack of diversity of the DFID Nepal team, with limited frontline use of SAIC staff. There was a perception of ‘a white face to DFID policy’, that national staff were less likely to attend, and if present tended not to speak, at coordination and policy meetings<sup>48</sup>. This is partially a reflection of work distribution, in that programme management responsibilities are greater for national staff, leaving less time for strategic thinking and programme development.

5.54 Given DFID’s strategic commitment to address social exclusion, there is an issue over DFID’s own **inclusivity** in terms of recruiting Nepali staff from less favoured ethnic groups. An analysis of the current staff roster reveals that representation of the *Janajati* caste is high, while for *Dalit* it is low (Table 6). The proportion of women staff (25%) is also low. In the CPE staff survey, a majority felt that DFID’s strategy to strengthen SAIC skills was ineffective (Annex J).

**Table 7. DFID staff inclusivity by affiliation and gender**

Affiliation	Total	Women	Men	%
Newar	13	6	7	34%
Janajati	13	1	12	34%
Brahmin	5	1	4	13%
Chhetri	5	1	4	13%
Dalit	2	1	1	5%
Madhesi	0	0	0	0%
Nepali Total	38	10	28	100%
UK staff	13	3	10	
Total all staff	51	13	38	
Gender balance		25%	75%	

<sup>47</sup> Communication from former Deputy Head of Office.

<sup>48</sup> The World Bank noted that their staff profile (with only 2 international staff out of 40 in the country office), is in marked contrast to DFID and local WB staff empowerment is much greater.

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## Aid effectiveness

### Mix of instruments

5.55 DFID has used a wide range of instruments to achieve its objectives, and in being flexible and taking risks in using them, has achieved successes and experienced disappointments. It has taken a balanced approach to moving towards newer aid modalities, and has introduced budget support while ensuring poverty outreach still occurs through more conventional instruments. Quick impact projects and GCPP funds have delivered benefits, though sometimes at higher cost and without the attendant peacebuilding benefits anticipated. DFID's programme has been large enough to run different approaches in parallel, though often the way of working (with pillared management and limited field exposure) has mitigated against better integration of approaches, especially at district level, where partners are often operating side-by-side with different arrangements and objectives.

5.56 In the health sector, there was a mix of traditional project support, GCPP interventions and wider programme and sector support. This has been an effective approach that has balanced risk, by maintaining vertical delivery to reach key MDG targets in disease eradication and maternal and child health, while building a more progressive aid approach through the SWAp. So far, the community-level programmes in health and water have been much more successful in delivering tangible benefits than sector-support. Regarding the latter, the long period of advocacy, dialogue and NHSP preparation by DFID, is starting to pay off and the contours of a sector wide health reform programme are visible, including pooled funding, Joint Annual Reviews and a draft Code of Conduct.

5.57 The education sector did not have a mix of instruments, as DFID moved in sequence from a project instrument (CLP) into a SWAp. The complementarity of instruments that were used in health did not occur, and the inconsistency of advisory support (with only part-time cover by the DFID economist from 2003 on), allied with a 'silent' role, has prevented DFID from being more active in policy dialogue or in conducting more detailed reviews<sup>49</sup>. DFID's overall contribution to the education budget is relatively small (4%), and DFID has spent only one quarter of what it has spent on health in the education sector. This is a low emphasis given the poor status of education MDGs, and the greater impact that conflict has had on education compared to health.

5.58 The greater predictability associated with pooled funding and sector approaches has not been a consistently strong feature in Nepal for DFID. Although, in 2005, funding through Government was continued in the two large sector programmes in health and education, the subsequent funding cuts in 2006 and the need to arrange an 'advance' payment from the World Bank to cover DFID shortfalls<sup>50</sup>, was a poor demonstration of DFID's commitment to aid effectiveness principles, and affected DFID's reputation.

5.59 Where it was used to support the reduction in armed conflict, the GCPP was an effective instrument in that it enabled DFID to support small scale peacebuilding projects

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<sup>49</sup> Weak policy dialogue is recognised in the Summary Review 2007.

<sup>50</sup> The World Bank advanced £1million to EFA and £1.5 million for NHSP

that it would not normally consider under its' bilateral framework. It also provided a flexible 'pool' of funds that enabled DFID to support initiatives in a dynamic context. However, the shortcomings in DFID's approach to only using the GCPP to fund peacebuilding (and not to meet the second objective of creating conditions for development) were highlighted following the political changes at the beginning of 2005. DFID withdrew its projects from the GCPP and funded them from its bilateral framework in order to free GCPP funds for the establishment of the UN Information Unit and a UNOCHA mission. DFID was therefore unable to expand its portfolio and support new peacebuilding initiatives. In addition, budget cuts meant that funding priorities were for DFID's ongoing commitments in its development programme.

5.60 The increased use of technical cooperation funding in 2005 to directly support large programmes such as LFP and RAP, was a precautionary step in the face of increasing government inefficiency, and was effective in maintaining delivery. But the handling of the move had negative repercussions with the affected line ministries, particularly forestry where a break in relations occurred for nine months. On the other hand, the decision to continue funding through the Government budget for APPSP, in the interests of building sector wide support, delayed implementation, as payments were subject to UK ministerial scrutiny.

## **Effectiveness with Partners**

5.61 Over the period DFID has worked with a large number of partners in pursuing its development agenda. A key area of partner influencing was DFID's efforts to raise the awareness of the international community over Nepal's political fragility and conflict. Internationally, it is difficult to assess the effectiveness of this in terms of quantifiable evidence. There is evidence that DFID raised the profile and understanding of the conflict through the series of London conferences, and shared its analysis of the conflict widely. DFID led the development and raised the profile of the BOGs, initiated the RMO with GTZ, and supported a range of human rights activities.

5.62 **Government:** DFID has had mixed relations with Government, with a generally positive relationship at the beginning with two main central agencies, the NPC and Ministry of Finance (MoF), and a less even pattern with different line agencies. During the PRSP preparation, DFID provided support to the development of the MTEF and PMAS, and its support for national fora and London meetings have been valued by the Government. The enthusiasm with which DFID pursued reforms (in public service and financial management) has been seen by some (such as an ex-NPC Vice Chairman) to dissipate, as DFID grew more concerned with the growing political instability and the legitimacy of the King's rule, and its disenchantment with the slow reform response. Some senior Government figures feel that DFID went too far in avoiding Government channels in its bid to continue delivering its programmes at local level and that DFID has 'created an unsustainable bubble' (according to one senior MoF figure), when local Government mechanisms could (in their view) have been used more to coordinate and manage some services.

5.63 Nevertheless, DFID remained engaged with critical sector reforms in health and education when others were more circumspect, through continuing funding in 2005. More recently, DFID's desire to build stronger relations with Government has caused concern amongst NGO partners and some bilaterals, such as the Swiss, who remain worried about the Government's legitimacy and of DFID's over-enthusiastic alignment agenda.

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5.64 The UN sees DFID as perhaps its most important partner, and has enjoyed considerable support as an implementing agent for several programmes. The UN has been especially effective in decentralisation (MEDEP, DFDP), and has delivered quick impact projects (WFP) and more recently managed and co-funded the biggest HIV/AIDS programme in Nepal, as well as peacebuilding work with the UN Peace Fund. In terms of UN reform, the UNDP Deputy Resident Representative recognises the slow progress in improving coordination between UN agencies, and welcomes DFID's constructive pressure for change, although DFID's wish to see Nepal as a pilot for a 'One UN' is thought premature.

5.65 Relations with the **IFIs** have been mostly positive. DFID has worked closely with the World Bank in sharing analysis, jointly supporting the PRSP and in aligning the CAP and the World Bank CAS. DFID co-funded the GSEA and worked as a joint partner with the Bank on the EFA, while the Bank led on the MTEF and privatisation. The World Bank appreciated DFID's bridging role between the IFIs and bilaterals, especially when there was a divergence of views over how to respond to political events. There has been some divergence in approach since the downturn of events in 2005, and the Bank considered that DFID, although more measured than some NORDIC partners, still took an over-reactive stance which led to it dropping support for key parts of the reform agenda. The ADB has also experienced a good partnership with DFID, particularly in agriculture, roads and education, and more through specific programmes than through the SWAs. The ADB sees DFID as being proactive in coordination work and having an effective approach to working both centrally and locally (in APPSP for example).

5.66 In terms of relations with other **UK Government departments**, up to 2005 there were differences between UK Ministers in their views on the approach to conflict resolution in Nepal. DFID maintained the view that the conflict could not be won militarily, and that a political solution was required, entailing some fundamental reforms in governance. Given the nature of the conflict in Nepal, DFID's view was that increasing the military advantage of the Government would not likely weaken the Maoists (rather the reverse), but it would certainly increase the number of war casualties. The FCO/MOD view was that the Maoists would more willingly negotiate from a position of military disadvantage, hence the support from these UK government departments for assistance to the RNA<sup>51</sup>. These differences had to be resolved at the highest levels of UK Government, and led to the appointment by the FCO of a UK Special Representative to bring coherence to the UK strategy. Thereafter, the FCO and DFID have been more closely aligned in working towards common peacebuilding objectives. This is reflected in a new joint Conflict Resolution Strategy in January 2006 and subsequent Peace Building Strategy in November 2006.

5.67 DFID's underlying concern was that the UK's support to the RNA would limit its ability to protect staff and maintain access to conflict-affected areas. DFID felt such support would seriously hamper its development programme and possibly endanger staff. Thus, on the one hand the UK was publicly supporting the armed wing of the state while at the same time DFID was coming into contact with, and having to negotiate development space with, the armed non-state actor in the conflict (the CPN-M). DFID's ability to

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<sup>51</sup> These differences were starkly illustrated by DFID's opposition to the gifting of two transport helicopters to the RNA in March 2003.

deliver effective aid in rural areas beyond the reach of Government control was largely achieved as a result of the effective delegation of programme delivery to implementing partners and the practical assistance from the RMO.

5.68 Work with **civil society and NGOs** has been a major feature of DFID's programme, and these channels have received the bulk of DFID's overall funding during the evaluation period. In their responses to a CPE questionnaire on the strengths and weaknesses of DFID, ten implementing partners gave a balanced view that indicated their appreciation of DFID's strategic support, influential role in peacebuilding and targeting, flexibility, trust and funding strength; but also their concerns over DFID's weaknesses in terms of lack of learning from field experiences, limited synergy between programmes, administrative delays, and the negative effects of the recent funding cuts compounded by short-notice of decisions.

5.69 **Communicated results and lessons?** There have been considerable opportunities to learn about effective development approaches within a fragile states setting. DFID can take credit for effectively disseminating the work of the RMO and the BOGs. The benefits have been taken up by other partners and the experience documented in DFID policy documents (e.g. Service delivery in Difficult Environments). DFID has actively supported conferences and working groups, and its annual reporting and programme reviews set good standards of communication. Many DFID-supported programmes have published studies and maintain informative web-sites ([www.esp-nepal.com](http://www.esp-nepal.com), [www.lfp.org.np](http://www.lfp.org.np) and [www.passlivelivelihoods.org.uk](http://www.passlivelivelihoods.org.uk) are good examples).

5.70 DFID has not been sufficiently proactive in communicating lessons, and there has been a lack of learning from field experience and little time to reflect and build best practice. Implementing partners have noted that much of the innovation and adaptation that has taken place to overcome the constraints of conflict, to build inclusion and to develop appropriate technologies have yet to be captured or disseminated. International NGOs that know DFID well, such as Water Aid and Oxfam, point out that DFID is missing influencing opportunities to build on its close interaction with strong local NGOs like NEWAH or RRN, to capture learning that feeds into national policy and regional fora, and influences larger funding agencies<sup>52</sup>.

## **Delivery on Cross Cutting Themes**

5.71 **Gender:** the CSP intention to mainstream gender was not as explicitly addressed as had been proposed, and evidence indicates an ad hoc response to gender. In March 2001, DFID Nepal organised a workshop on 'mainstreaming gender equality' and in August 2001 a Social Exclusion and Gender Study identified the weakness of staff capacities in DFID Nepal to address gender and social exclusion and the need for a more strategic thrust. Then in 2003 the Social Development Learning Group identified 'a serious lack of position on gender with DFID Nepal with gaps in terms of conceptual clarity and practical application'.

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<sup>52</sup> There is also a view that those closest to the field are less equipped to draw out lessons as they tend to become used to conditions, and sometimes it is in their interest to play down difficulties in order to keep funds flowing. Thus DFID would be better placed than its partners to carry out or commission independent reviews of good and bad practice.

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5.72 Greater awareness was achieved on gender issues through the World Bank-led GSEA, while under the CAP, the emphasis on inclusion and reaching out to all excluded groups meant that the involvement of women in programmes was increasingly sought and measured. Several programmes addressed gender aspects more directly, especially in health (for instance safe motherhood and reproductive health), in livelihoods and in education (where 80% of CLP beneficiaries were reportedly women).

5.73 **Social Inclusion.** Within DFID, the roll out of Livelihoods and Social Inclusion Monitoring has been disappointing and does not reflect its strategic position as DFID's key intervention to peacebuilding<sup>53</sup>. Resources allocated to DFID's social inclusion work have been small so far, and across some pillars the peacebuilding / social inclusion relationship is not well engaged with. The LSI roll out report states:

'Livelihoods has achieved the most progress; understandably so as the pilot programmes were from this pillar. More focused efforts have to be ensured in the Peacebuilding and Governance pillars. Programmes such as the Cross Party Approach need a far more intense engagement with the process to effectively integrate LSI.' LSI Monitoring System, July 2006.

5.74 Social inclusion requires fundamental and personal changes of view, and an awareness of the effect of excluding as well as including people. While DFID programmes show a readiness to build in more inclusive approaches, it is more often seen as a numbers game rather than a transformation process. More widely though, there is evidence of incorporating inclusion into significant programmes such as in EFA with the Vulnerable Communities Development Plan. Building on the positive work in LFP, a gender and social inclusion strategy for the forestry sector is in the process of approval by the Ministry of Forests and Soil Conservation.

5.75 **HIV/AIDS** The integration of HIV/AIDS in DFID programmes has been notably weak both in terms of inclusion in logframes and activities. This is of particular concern given that DFID has such a wide spectrum of programmes and reach. A typical integration issue would be the observation of high sexually transmitted infections (STI) levels and three confirmed HIV cases in a clinic receiving DFID support located next to a cantonment/camp that is part-funded by DFID<sup>54</sup>. Since conflict is known as a high risk factor in STI/HIV/AIDS spread, linkages between these separate programmes would be required. Equally, within SSMP there is an opportunity to do more to integrate Prevention of Mother-to-Child Transmission.

5.76 **Environment.** Although certain interventions such as LFP and APPSP address environmental issues, there is little evidence that the environment is mainstreamed across the DFID portfolio, for example in the governance or basic services pillars, reflecting its low profile in the CSP and CAP. The gap is a serious one as climate change and urban migration has increased pressure on Nepal's water and forest resources nationally and in the context of its large neighbours.

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<sup>53</sup> One indicator of this is the poor response to call on TA to mainstream Social Inclusion, from total of a 120 days of TA support (90 days for programmes and 30 for core team and pillar leads), only one third of the days were utilised.

<sup>54</sup> Evidence from CPE field visit to Surkhet District, Dasharathpur Camp.

5.77 **Peacebuilding.** To effectively work on peacebuilding, DFID's interventions need to (i) bring about a change in the structures underlying the conflict and/or (ii) effect a change in the attitudes of the parties to the conflict.

5.78 Working in a conflict sensitive way is not the same as actively working on the underlying causes of conflict. Many of DFID programmes claim to have worked on peacebuilding, when in fact they may have been working in a conflict sensitive manner in the provision of a range of basic services and so building hope and raising living standards. However they have not necessarily worked directly on building peace.

5.79 Peacebuilding projects funded under the GCPP in support of a negotiated end to violent conflict have no direct link with the design and implementation of the rest of DFID's programme. DFID staff and partners, however, view the RMO and SEDC as 'peacebuilding' initiatives. Technically they are not. In so much as the SEDC analysis is viewed as a tool to enable programmes to work ON conflict, then it may be considered a peacebuilding tool, but the SEDC is a tool to enable programmes to work IN conflict. The implication is that DFID needs to be clearer in its approach to mainstreaming peacebuilding in order to better assess which interventions will address peacebuilding more directly.

## **Sustainability**

5.80 DFID's programme in Nepal in the past five years has, due to force of circumstances, been strongly projectised and stand-alone in nature. While many interventions have effectively delivered benefits under difficult circumstances, there is less progress in terms of sustainable uptake or co-funding by local government services or other service providers in the private sector, many of whom have either no elected mandate or been unwilling to provide services. The successes of the maternal incentive scheme in SSMP, or of the water and sanitation schemes delivered by Helvetas or Community Support Programme (CSPr) have been achieved by good management working in remote areas and during conflict. But there is likely to be a continued need for external assistance to fund these services, until such time as an elected democratic Government, effective line ministries and operational local government structures are all in place.

5.81 In health and education, the pooled funding arrangements and joint performance reviews are putting in place the machinery for greater local control of resources. Constraints to sustainability still exist in the Nepal health sector, particularly with regard to human resources (with very high staff-turnovers and transfers), poor management and financial weaknesses. Some interventions by SSMP such as the Comprehensive Abortion Care are well received and may well take root in the future. However genuine ownership of the Health Reform Process still remains a challenge and there is only modest evidence so far of an increasing Government share of the total health budget, and this mainly for salaries.

5.82 At community level, innovative delivery mechanisms have helped build ownership and confidence, and so should enhance sustainability. These include community procurement, public auditing and information boards that instil transparency of resource use. In addition training of community maintenance and hygiene workers will help continue the operational life of facilities. Where there is greater control of local resources, as evidenced by forest user groups, local confidence has grown to protect and support sustainable management, in this case of forest resources.

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5.83 Equally the training and adoption of risk management and conflict sensitive approaches by different partners will enable their work to continue. This includes having more diverse and representative Executive Committees, paying greater attention to field staff safety, and delivering services to communities in a more inclusive manner (balancing activities specific to poor and excluded groups with others that benefit the general community - thus avoiding tensions or creating conflict).

## SUMMARY CHAPTER 5

- Achievement of DFID's objectives was affected by outbreaks of violence, spasmodic ceasefire and frequent changes in political leadership. This resulted in programmes moving more slowly, delays in planned Government reforms and the suspension of some projects. DFID moved to a cautious case-by-case approach in 2005 and can take credit for continuing to fund programmes and sector approaches where it was considered feasible. The adjustments were modest compared to other bilateral agencies, but affected DFID's ability to deliver on its planned CAP objectives.
- It is difficult to attribute DFID's interventions to the successful negotiated settlement in 2006, but DFID can demonstrate more success in the adoption of conflict sensitive development approaches. In social inclusion, DFID helped support the process of better understanding but substantial change is a long-term prospect.
- Governance efforts moved from public financial management to strengthening civil society as the conflict made working with Government more difficult and weakened the pace of reform. The transition to sector approaches in health and education has been initiated and DFID can take part of the credit for progress so far. The lower commitment to education in terms of advisory support and spend compared to health is unwarranted given the sector's poor MDG status.
- Delivery of programme and project objectives has been good with two thirds of all scored interventions rated as achieving most or all of their purposes. However the 8 largest programmes have lower ratings, reflecting the ambitious scope and longer timeframe that have made these larger interventions vulnerable to poor performance.
- Given the turbulent context, DFID's funding has shown a surprisingly consistent upward trend. However this masks substantial adjustments between different programme areas. The pattern of predictability worsens in 2005-06, as first the 2005 programme review and then cuts by DFID's Asia division following emergency funding needs elsewhere, cut resources by 40%. The volume, timing and communication of cuts to DFID Nepal and from DFID Nepal to its main implementing partners has had a detrimental effect on programme implementation, and hence on Nepal's rural poor, as well as to DFID's image and relationships.
- DFID has introduced budget support while ensuring poverty outreach still occurs through more conventional instruments. Quick impact projects and GCPP funds have delivered benefits, though sometimes at higher cost and without the attendant peacebuilding benefits anticipated.
- Country programme's directional stability has not been helped by frequent changes in leadership (with four Heads of Office in 5 years), and staffing reductions have stretched management capacity. Staff appointed in country have seen their role develop, but they have yet to be sufficiently empowered, while their composition does not reflect Nepal's caste and ethnic diversity.
- DFID faced alignment difficulties in working with other Whitehall departments (FCO and MOD) up to 2005, by which time the FCO analysis altered and closer alignment around peacebuilding occurred.
- DFID's reputation as a leader in conflict-sensitive approaches remains strong amongst its partners. However, DFID has not yet drawn out lessons from field experience to build best practice in working in conflict and on social inclusion.



## 6. Lessons and Recommendations

6.1 This final chapter draws upon the evidence presented in previous chapters to highlight the strengths and weaknesses of DFID's activities in Nepal, to highlight relevant lessons and to make recommendations for consideration by the country team as they plan for the future direction of DFID's assistance to Nepal.

### DFID Strengths and Weaknesses

6.2 DFID Nepal's strengths include:

- Showing leadership in developing a CAP strategy that took account of the overarching need to address conflict and build peace (4.7, 4.15).
- Good alignment with national processes especially during 2001-2004 (PRSP, and key sectors – health and education) (4.29).
- Maintaining a consistent approach in pursuing sector wide approaches in education and health, even though circumstances have mitigated against working with Government, and the donor environment has been often weakly aligned (5.56).
- Innovation in several areas – such as the Maternity Incentive Scheme (5.23), developing risk assessment and management mechanisms (4.39) and in the introduction of local empowerment tools (citizens' charter, community procurement public auditing) that have raised transparency and accountability (5.82).
- Provision of effective TA, for example in education (4.30) and financial reform (5.12).
- The commissioning of valuable analysis which has been shared in a range of areas and appreciated by partners - for example conflict (4.9), social inclusion (5.72).
- The ability to adapt and expand effective livelihoods and basic services programmes within a conflict setting (5.4).
- Flexibility in providing rapid funding for short-term initiatives within the GCPP and other quick impact projects (5.55), and in adapting modalities (such as switching to direct funding when political conditions deteriorated) (5.60).
- Good reporting standards that incorporated risk assessment and annual programme reviews that addressed overall performance against strategic objectives (3.25).

6.3 Weaknesses include:

- The use by DFID of inappropriate means to respond to political peacebuilding opportunities (such as infrastructure for quick impact projects) (5.35, Annex H).
- A lack of focus on and process for generating learning from project and field experiences to feed into policy and strategy development both at country and corporate level (5.70).
- A lack of human and physical resources devoted to the peacebuilding programme (4.75), which has also been too Kathmandu-focussed (4.81).

- Poor funding predictability towards the latter part of the review period, where DFID HQ gave greater priority to funding emergencies than to ongoing commitments to development partners and beneficiaries (2.11, 5.43).
- Slow decisions pending reviews and sometimes poor communications reflect poor recognition of the planning and staffing constraints faced by DFID's partners when faced with funding cuts and delays in releases (5.66, Annex I).
- Insufficient mainstreaming of gender, HIV/AIDS and environmental issues (5.71 - 5.76).

## Lessons

### 6.4 Lessons for DFID Nepal include:

- **Choosing interventions / partners for peacebuilding.** Taking risks to try and support the political objective of support to a peace process (as in Rural Access Programme extensions and rapid impact projects) is not inherently wrong; indeed donors are often criticised for being risk averse. However, the window for such opportunities is almost always relatively short. Therefore, programmes that are to be used for this purpose need to be suitable – they need to be quick to start up and produce results, have flexible design and few bureaucratic procedures. Partners with a proven track record should be used.
- The experience in **education** revealed that DFID technical and advisory support needs to be consistent with (i) the importance of addressing a sector where the achievement of MDGs is at risk, and (ii) the size and complexity of its financial outlay for SWAp support (4.74, 5.57).
- For **health**, the Nepal experience demonstrates that moving towards sector support needs to be planned in a series of steps, while selected projects can contribute and continue until integration into the SWAp is possible (5.56). Furthermore, improvement in health indicators can occur through a period of conflict, and well aimed vertical programmes in areas such as reproductive health, polio and TB can make a significant contribution (3.6-3.7, 5.21).
- In order to avoid **overlap and duplication** during implementation when DFID supports a large number of partners with wide geographical coverage, and without suitable local government or other coordination and monitoring mechanisms, closer working relationships with partner organisations are required (4.80).
- Building national **M&E systems** in support of poverty reduction programmes requires long term specialist skills, which DFID was able to supply more effectively than other development partners. If this role is allowed to lapse, there is a danger that limited progress will be made in both national poverty monitoring systems and in DFID's own internal outcome monitoring (3.29).
- Progress in mainstreaming **social inclusion** has been slow and while useful analysis has been done and monitoring systems developed, perhaps more change would have been effected if the findings from studies had been communicated sooner and in plainer language. In addition reflecting inclusion principles more effectively within DFID's own staff (5.54), devoting more resources to inclusion and making mainstreaming mandatory would have enhanced performance on SI.

- The Rural Access Programme was conceived as a major initiative to influence policy in the rural access sector. The fundamental review found that without any demonstrable success in road-building, RAP has little influence in policy debates and was not regarded as an example to follow (Annex H). DFID must be much more realistic in **designing programmes to be influential at policy level**.
- Longer **implementation timeframes** (such as Enabling State Programme, Livelihoods and Forestry Programme), with phased implementation but strong commitment to completion can be particularly relevant to the intermittent nature of open conflict in Nepal. With such an approach, advantage can be taken of ‘peace windows’ to move forward on implementation.

6.5 Lessons of wider application to DFID globally include:

- **Remaining engaged during conflict.** The need to stay engaged by protecting development space in areas affected by conflict is essential for delivering both development programmes and humanitarian relief. This proved crucial in enabling DFID to remain engaged and deliver on its CAP strategies. The Basic Operating Guidelines and the Risk Management Office allowed DFID staff and partners to negotiate at local and district level with the non-state party to the conflict (CPN-M). Without this dialogue, the development space would have considerably narrowed (4.77, 5.4).
- **Monitoring effectiveness during conflict** requires an integrated approach using a combination of tools that include risk analysis, context monitoring and incident monitoring (Figure 3).
- **Adapting a country programme to the dynamic context of armed conflict** is challenging. Senior management and programme staff need to have a good understanding of the political context, in addition to the development priorities. They have to be flexible, open to taking programmatic risks and supporting innovative approaches.
- **Developing country strategies needs to be done quickly in a fragile state setting** as extensive analysis, consultations and internal discussions may prove redundant in a fast changing turbulent political context.
- **Predictability.** Greater appreciation is required by decision makers of the consequences of significant budget cuts on beneficiaries and of the need to sustain involvement and exit more carefully to maximise impact and not cause loss of credibility. Greater predictability is required, both in terms of meeting agreed funding levels and in implementation of key decisions, to reduce uncertainty for partners and maintain DFID’s good reputation as a supportive and reliable donor (5.37-5.43).
- **Global Conflict Prevention Pool funding.** Small-scale peacebuilding projects can have a positive impact, but the reliance by DFID on funding from the GCPP not only puts their continuance at risk, but also questions DFID’s commitment to these types of initiatives (4.72, 5.59). DFID also needs to decide whether it wishes to support peacebuilding initiatives locally or mainly in the centre (in Nepal’s case, just in Kathmandu).
- **Development programmes are relevant to conflict.** In Nepal, DFID demonstrated that development programmes could address the consequences of conflict on poor communities as opposed to large scale humanitarian action. This

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was achieved by the adoption by development programmes (outside of Government structures) of a semi-humanitarian approach, i.e. targeted, quick delivery, and tangible outputs. Given that project-led approaches can be adapted, not only to fragile contexts but also to situations of armed conflict in an effective way, there is good justification for continuing with them if they allow DFID to work effectively in these situations.

- It is possible to work on **sector wide approaches within a fragile conflict** situation, particularly where the Government ministries have technical capacity and a reform agenda is agreed. By taking time to prepare the ground for a SWAp, while funding other critical health interventions directly, DFID in Nepal was able to have an impact while moving towards a Government-led delivery system.
- The establishment of the **conflict advisor** post at a time when Nepal's conflict was escalating was a crucial addition to DFID's ability and capacity to engage in conflict prevention and peacebuilding.
- Building donor **harmonisation** in a fragile state setting is essential: a common understanding of the political context, analysis of conflict and especially joint response strategies to the conflict are necessary preconditions of development effectiveness, influencing the more 'agnostic' conflict-blind international financial institutions and for greater leverage on the parties to the conflict.
- **Prism scores**, focusing on the achievement of the specific outputs and purpose of a project, fail to capture impacts of projects beyond their original objectives (Box 4). Important wider and intended impacts include contribution to shaping country strategy and to cross-project learning. LFP, for example, piloted and contributed to the development of the SEDC and LSI guidelines, which are now being introduced programme wide.
- Despite the generally perceived ineffectiveness of local government systems during the Maoist insurgency, DFID's experience has shown that some **Government line ministries and local government structures can still deliver effectively during conflict**. Indeed, the ability of communities to deal with conflict may be under-estimated and the effect of conflict on some services over-estimated - as many clinics and schools continued to operate.
- Creating **too many pillars and programme teams** is not an effective way of working in a situation where important themes need to be mainstreamed and synergy between programmes and sectors is important (4.18).

## Recommendations

### 6.6 For DFID Nepal:

1. There is a wealth of valuable evidence from DFID's many programmes in different sectors in scattered, rural areas with a range of Civil Society Organisation (CSO), NGO and Government partners on how to deliver relevant aid within conflict-affected communities. DFID needs to do more to **build a body of best practice and relevant lessons** from this experience (5.70). These should be communicated within Nepal at policy fora especially as DFID moves to working more closely with Government. Such knowledge also needs to be more widely disseminated to the region and beyond. Apart from producing documentation, DFID can also **share its**

**expertise** from Nepal with others working in conflict and on achieving poverty targeting and social inclusion.

2. Greater clarity is needed over the suitability of using certain development programmes for peacebuilding aims. Long-term projects requiring significant planning and preparation phases, such as rural roads, are technically not suited for short-term peacebuilding or political influence purposes. **Nepal's experience on the constraints as well as opportunities for development programmes to contribute to peacebuilding should be documented** in order to provide better guidance (5.15, 5.35, Annex H).
3. Specific **sector strategies** need to be developed that give a clearer road map for realisation of the next broad CAP objectives (4.25). These should consider not only programme direction, but terms of engagement with Government, civil society and the private sector.
4. Given the broad coverage and use of different implementing partners for delivery, DFID should seek to find ways to build **greater synergy** between implementing partners in the same districts, and between complementary programmes. Better **standardisation** across programmes and sectors in the choice of financial support mechanisms is important to bring consistency (4.80, 5.24 and 5.66).
5. The **social exclusion analytical framework** needs to move from theory into practice, and be supported to become an intuitive response rather than a counting of numbers (5.74). For this, the Livelihoods and Social Inclusion (LSI) monitoring needs to be strengthened and made mandatory. To support this the LSI and Safe and Effective Development in Conflict guideline should be merged (5.73). The framework needs to check the inclusive/exclusive balance in order not to contribute to a further destabilisation of social cohesion.
6. DFID programme and advisory staff should, subject to security concerns, spend more **time in the field** as well as have **space to reflect** on the downstream implications of policy work and corporate priorities. This means finding ways to spend less time on other administrative work responsibilities and/or working in a more efficient way (5.51, Annex J).
7. Apart from greater personal exposure to field realities, DFID should seek ways to improve its **organisational learning** (5.70). This could mean developing fora for sharing and reflecting on experiences and learning from projects and the field. Particular issues of importance include working arrangements with partners, development of sector approaches and effective ways to address pro-poor and social inclusion objectives.
8. DFID Nepal should move further ahead on the **representation of national staff** in programme and policy development. Also there is a need to continue efforts to build greater **gender, caste and ethnic diversity** in the office (5.52).
9. The apparent impasse in the strengthening of the **HIV/AIDS response** needs to be addressed with DFID as a major stakeholder taking a leading role, for example engaging in the highest possible level of advocacy. Within DFID's own programmes, there are a wide set of opportunities to integrate HIV/AIDS prevention activities; and

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**project logframes should be adapted for HIV/AIDS inclusion** in the framework of the National HIV/AIDS strategy (5.25, 5.75).

10. While Nepal's development challenges make it difficult for one donor to seek to address every concern, nevertheless in a country where pressure continues to grow on land and water resources, and where climate change is a particular threat (as the recent flooding in August 2007 demonstrates), DFID's future strategies and programmes need to make a greater effort to mainstream the environment than has hitherto been possible (5.76).
  11. A long term governance commitment such as the Enabling State Programme, in the absence of a matching long-term strategy of the Government and weak ownership, needs to be revisited. After 7 years and spending almost £10.6 million (out of £27.5 million), **DFID needs to conduct an overall impact assessment of ESP** and in particular the results and relevance of the 'change advocate' concept, in order to design a future strategy relevant to the country's changing post-conflict situation (5.13).
  12. DFIDN should consider setting aside resources and time to **measure and report on the wider impacts of its programmes on such aspects as poverty reduction and the structural dimensions of conflict**, and concentrate less on documenting only the outputs and processes. This should be harmonized around and supportive of the government's own poverty monitoring systems (3.18, 3.25).
  13. In planning the future programme, DFID Nepal needs to take into account the context of political contestation, in particular at the local level, and the potential for the elite/political capture of development space. A return to the *status quo ante* of 2000, i.e. working mainly through Government structures, is both inappropriate and potentially ineffective in the current context. DFID's programme is and should remain large enough to allow both the building up and reform of government systems, while balancing this with continued support to non-government actors (in both remote rural areas and perhaps to the growing urban poor). In Nepal, **DFID needs to avoid an over-enthusiastic alignment agenda**, in a context where legitimate power structures are missing, coalitions are unstable and systems of patronage and weak governance are still in place.
- 6.7 Two broader recommendations for DFID globally are:
14. In order to avoid damaging cuts in country programmes due to sudden emergencies, a better **contingency fund arrangement** is required either at country level or regionally that will cushion the shock and allow ongoing priority commitments to continue.
  15. DFID Nepal employed a range of modalities and developed innovative approaches to enable development to be delivered in conflict affected rural areas. **DFID Nepal programme should be considered a key learning model for DFID's evolving approach to working in fragile states.**

## **7. DFID Nepal Management Response**

DFID Nepal welcomes the Country Programme Evaluation. We have noted that the evaluation draws attention to several strengths in programme design and implementation over the evaluation period and we welcome the observations around areas to strengthen for the future.

The evaluation captures well the great political and social turbulence facing DFID Nepal over the evaluation period. Nepal is now in transition and huge challenges remain if the peace is to be sustained and Nepal is to achieve political stability. We are in the process of finalising an interim CAP for the period 2007 to 2009 and will use the recommendations of the CPE to inform further strategic planning and development of a full CAP during 2007/08. We are grateful for the hard work of the evaluation team and Evaluation Department.

### **Impact**

The review provides general observations on impact but we believe that the CPE could have done more to assess the impact of specific elements of the programme over the period. For example, it would have been useful to assess the attribution of the Safer Motherhood Programme to the positive results of a recent health survey which show maternal mortality halved and a clear potential to meet the MDG target by 2015.

In terms of DFID Nepal efforts to assess impact over the period, the challenges should not be understated. During times of intense conflict, movement outside of district headquarters for both field staff and DFID Kathmandu staff was a major challenge. In addition, the collection of accurate data and information about impact at a household and community level during conflict is particularly difficult. People, understandably, are reluctant to divulge information about income in case they become the target of insurgent extortion. Despite these challenges, we believe that efforts to assess impact at a project level were implemented via monitoring tools such as LSI. However, we acknowledge the need for a greater focus on measuring and communicating impact including support for national systems of data collection. DFID Nepal will put increased emphasis on demonstrating and communicating the impact of our work. Since the ceasefire, we have embarked on a programme of increased field visits and will continue to mainstream Livelihoods and Social inclusion monitoring in all our projects and programme.

### **Supporting the peace process**

We believe that programme design decisions aimed at supporting a sustainable peace were largely successful and believe that the observation that there was an inappropriate response is too narrow and unsupported by evidence. We agree broadly with the comments on RAP but the report gives insufficient recognition to other more positive initiatives such as the Community Support Programme and the implementation of other quick impact programmes put in place to provide tangible benefits to the rural poor and those suffering as a result of conflict. RAP itself was able to adapt its original programme focus by fast tracking some elements within it to take advantage of the peace building window

The FCO in Nepal wishes it to be noted that Sir Jeffrey James was brought in to chair the cross-Whitehall Nepal Group in 2004, with his principal required outcome being to draw the efforts of DFID, MOD and FCO together. In 2005 the King seized power in what was effectively a royal coup, thereby pushing the Maoists and the parties into a common accord against the regim. In the

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new situation of an illegitimate government and an emerging peace process the three Whitehall departments were able to align more closely around peace building.

### **Predictability**

Predictability of aid has been rightly recognised as a key learning point from the CPE. There are lessons to be learnt by DFID Nepal and corporate DFID in this context. DFID needs to do better at budgeting and building in to its resource allocation systems the flexibility needed to respond quickly to the volatility of fragile states. We fully recognise the negative implications of short term financial allocation thinking for Nepal. DFID Nepal will work to ensure predictable flows of funding to programmes run by government and partners despite the fragility of the political process. We are also putting an increased effort in to scenario planning in an attempt to ensure greater flexibility and predictability in our future responses.

### **Risk assessment and management**

We are pleased to note the positive evaluation comments on risk assessment and management systems and the endorsement of decisions taken to remain engaged in sector support within a fragile state environment. We agree that there are lessons to be learned for corporate DFID in these areas. As the recommendations note, DFID Nepal would welcome a study, led by the Fragile States Team, to develop a set of best practices lessons learnt by the Nepal experience. We would be very pleased to contribute to this.

### **Social Inclusion**

Mainstreaming social inclusion and strengthening political will to initiate cultural change is a major challenge. Social Inclusion will remain central to all our strategic decision making and programme design. We are already looking to maximise opportunities for inclusion through efforts to influence government policies and institutions, increase access by the poor and excluded to resources and services as well as supporting their voice and influencing ability. Specific to our work in Nepal will be the further strengthening of Livelihoods and Social Inclusion monitoring and the merger with the Safe and Effective Development in Conflict guidance.

### **Moving forward**

We note the review team's caution to avoid an over - enthusiastic alignment agenda. As the country context is fluid, DFID Nepal will need to be ready to adapt to changing circumstances as required. We plan to continue using a mix of aid instruments, including sector support, parallel funding, and multi donor trust funds to tackle the present demands and fragility of the peace process and look for new innovative instruments where appropriate. The interim CAP states that *if* peace is sustained we will increase the proportion of aid flowing through government systems, and using this to lever better services for poor and excluded groups in particular. Building greater synergy is important. We will aim to promote best practice in post - conflict harmonisation between Government and partners and ensure complementarity whilst implementing programmes.

DFID Nepal

August 2007

## ANNEX A: TERMS OF REFERENCE

### TERMS OF REFERENCE FOR EVALUATION OF DFID COUNTRY PROGRAMMES - 2006-7<sup>1</sup>

#### 1 Introduction

DFID's performance management system is supported by periodic independent evaluations at project, programme, sector and thematic level. Evaluation Department (EvD) carry out four to five Country Programme Evaluations (CPEs) annually. These terms of reference (ToRs) set out the scope of work for the 2006/7 period.

Countries proposed for evaluation in 2006/7 are Zambia (or Kenya), Nepal, India (West Bengal State), and Indonesia. The Caribbean Regional Programme will also be included in the schedule. The evaluation will use the countries' most recent Country Assistance Plan (CAP)/Regional Assistance Plan (RAP), and related policy documents.

Lessons from earlier CPEs indicate that where they will add the most value is in performing an accountability function in DFID's decentralised country programmes. The primary audience of the evaluation will therefore be the UK government and DFID senior managers including heads of country offices. While the CPEs will also support and facilitate delivery of a lesson learning function, on the whole, this will be the remit of devolved and joint evaluation processes in country offices and among partners.

While country-led approaches are central to the way that DFID works, socio-political and environmental contexts will influence the progress and form of the development process. The CAPs articulate the country offices' plans for operationalising corporate objectives within the country context, and in most cases they will build upon or reflect the national Poverty Reduction Strategy Paper (PRSP). These plans are therefore the logical starting point for the evaluation.

#### 2 Overarching objectives

The main objective of the evaluation is to draw the cause and effect links between:

- Programme direction and the poverty outcomes to which they are linked
- Choice of instruments and objectives
- DFID as a development partner

The CPEs will also assess the country programmes in terms of:

##### DFID Processes

- The relevance of country programme objectives and the logic behind them given domestic policy objectives for poverty reduction, as well as DFID's own corporate level objectives;
- The efficiency with which programme plans are translated into activities, including human resource and office management, collaboration and harmonisation with

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<sup>1</sup> The Annexes referred to in these TOR are not provided in the report except for the Evaluation Framework (or matrix), which is given at Annex D in the customised format used in Nepal.

other stakeholders, policy dialogue and influencing, the use of financial instruments, and the quality of DFID as a development partner;

- The effectiveness of the overall programme in achieving intermediate poverty reduction outcomes and the systems for measuring and monitoring success;
- The success with which the programme had mainstreamed the cross-cutting issues of poverty, gender, HIV/AIDS and environment into all of its activities. What were the variables influencing the process of inclusion? What was the impact on the achievement of wider programme objectives?

To the extent possible, the studies will also assess:

- What can be said about impact and sustainability and at what level this occurs. What changes intended or unintended can be attributed to the interventions.

### 3 Outputs & Timing

The consultants will produce one study report and executive summary for each country. The report shall be approximately 30-40 pages long (excluding annexes).

EvD will carry out the initial data collection, with support from the consultant, which will produce a programme history. DFID will produce an initial context summary which will provide additional background information and outline issues identified by key stakeholders, other donors and DFID country staff. The consultants will work to the evaluation framework for the study (Annex A) as well as addressing country-specific issues raised by the EvD team in the context summary.

The consultant will:

- identify key issues for the evaluation, including understanding the development environment and history of DFID's recent programme
- identify key stakeholders, internal and external to DFID, who they will interview
- set up and plan the main field visit including consulting with local DFID staff and getting their support
- identify and engage a consultant locally as part of the evaluation team

The consultants will work to the strict deadlines set out in Annex B. Any changes to these deliverables must be agreed in advance with EvD. Team composition and timelines will be agreed prior to commencement of each of the country studies. The consultancy should start around June 2006 and outputs will be produced to firm timetable.

On completion of the final report, the consultants will produce an evaluation summary (EvSum), of approximately 4-6 pages, which will include the response from the relevant DFID office/Department.

At the end of each of the CPE yearly cycles, a Synthesis report of approximately 20 pages will be produced by the consultants. The Synthesis Report will be guided by a framework developed in a workshop, scheduled for May 2006, focused on emerging themes and methods.

#### 4 Competence and Expertise Requirements

One consultancy organisation will be appointed to deliver the outputs described above. The team members should have an up to date knowledge of the development issues in the CPE countries, including relevant experience in cross-cutting issues like gender mainstreaming, HIV and AIDS and the environment. The team must also include a strong national/regional component.

A managing consultant with extensive evaluation experience and a track record of managing country/strategic level evaluations will be required to manage the planning and delivery this study. The individual will also be expected to have strong written and oral communications skills as he/she will play a major role in communicating lessons learned both to country programme personnel and to a wider DFID audience.

Each country team will need to be familiar with country programme evaluation, monitoring and performance management issues, including DFID policies, performance, planning and data systems. The team will be made up of a combined skill set covering economics, social and institutional development and human resource management.

The consultancy team will have responsibility for:

- maintaining ethical standards in implementing the evaluation
- the timely production of evidence based conclusions and recommendations to demanding quality standards
- managing logistics in country

#### 5 Reporting

The consultants will report to the Country Programme Evaluation Team Leader or the Deputy Programme Manager in DFID Evaluation Department.

An appropriate dissemination strategy for each country evaluation will be finalised, reflecting audience, potential impact and targeting opportunistically other DFID dissemination events. Reports will be published and distributed, electronically and hard copy, to a wide ranging internal and external audience. The consultants should also be prepared to present their findings in a DFID wide seminar in Palace St. Specific arrangements for each seminar will be determined on completion of each country report.

Evaluation Department February 2006

## ANNEX B: PERSONS CONSULTED

Name	Organisation
<b>Current DFID Nepal Staff</b>	
Bella Bird	Head of Office
Bob Smith	Deputy Head
Alan Whaites	Governance Advisor
Hiramani Ghimire	Governance Advisor
Nick Leader	Governance Advisor
Anjaly Tamang-Bista	Programme Manager
Phanindra Adhikary	Deputy Programme Manager
Martin Sergeant	Livelihoods and Infrastructure Advisor
Susan Clapham	Health Advisor
Purushottam Acharya	Health Advisor
Chandra Shrestha	Infrastructure Advisor
Matthew Greenslade	Economic Advisor
Rebecca Trafford Roberts	Social Development Advisor
Jasmine Rajbhandary	Social Development Advisor
Sangeeta Shrestha	Programme Officer
Kavinda Subba	Programme officer
Shailee Mandandhar	Programme officer
Biswo Ulak	Programme Officer
Shurya	Programme Assistant
<b>Other DFID Staff</b>	
Martin Dinham	Head EMAD
Charlotte Seymour Smith	Head Asia Division
Mark Mallalieu	Former Head of Office
David Wood	Former Head of Office
Alex Harper	Former Deputy Head
Mark Harvey	Former Infrastructure Advisor
Helen Wedgwood	Former Livelihoods Advisor
Sam Bickersteth	Former Livelihoods Advisor
Rebecca Calder	Former Social development Advisor
Frances Winter	Former Social advisor, SD Direct Consulting Co.
Michael O'Dwyer	Former Senior Health and population Advisor
Andrew Hall,	Former Economist (+ Education lead)
Chris Jackson	Former Economist
Stephen Sharples	Former Senior Governance Advisor
Frances Harper	Former Statistics Advisor
Mark Segal	Former Conflict Advisor
Mark Mallalieu	Former Head of Office
David Wood	Former Head of Office
Alex Harper	Former Deputy Head
<b>UK Embassy</b>	
Paul Bute	Deputy Ambassador
Sheba Rosier	Third Secretary
Giles Clapp	Asst. Military Attaché
<b>UNDP</b>	
Gulam Isaczai	Deputy Resident Representative
Sean Deeley	Peace & Dev advisor
Sharad Neupane	Asst. Res Rep.
Lazima Outa Dasep	Social inclusion advisor
Dan Huntington (ex RMO)	UNMIN
John Bevan	Ian Martin office

<b>Name</b>	<b>Organisation</b>
<b>WHO</b> Dr. Mohammad Akhtar	Medical officer, Tuberculosis Programme
<b>UNFPA</b> Dr Peden Pradhan	Programme Officer
<b>UNICEF</b> Hans van Mannen	Dep. Head
<b>Government</b> <u>Ministry of Finance</u> Vidyadhar Malik, Mr. Sushil Prasad Sharma Dr Madav Ghimie Bhuban Karki Rameshore Khanal  <u>NPC</u> Dr. J. C. Pokharel Dr. Shankar Sharma Bhanu Acharya  <u>Ministry of Agriculture</u> Mr. Ganesh Kumar K.C. Madhab Karkee  <u>Ministry of Forestry</u> Tirtha Raj Sharma  <u>Public Service Commission</u> Turtha Man Sakya  <u>Prime Minister's Office</u> Tana Gautam,  <u>Ministry of Health and Population</u> Mr. Ram Chandra Man Singh Dr B. R. Marasini Dr B. K. Subedi Mr. Arjun Kumar Singh  Dr Pushpa Mala Mr. Punya Prasad Neupane  <u>Ministry of Education</u> Mr. Janardan Nepal Lava Dev Awasthi  <u>Ministry of Local Development</u> Ganga Dutta Awasthi Dipendra Nath Sharma  <u>Ministry of Physical Planning and Works</u> Iswori Prasad Paudyal	Secretary (previously head of Peace Secretariat) Financial Comptroller, FCGO Joint Secretary Foreign Aid Coordination Div. Asst. Financial. Controller Acting Secretary, MOF (Rev.)  Vice Chairman, NPC Former VC, NPC Former Secretary, MOF  Secretary Chief Foreign Aid Coordination Division  Secretary  Chief Commissioner  Acting Secretary, Governance Reform Coodinations  Secretary Coordinator Health Sector Reform Unit Chief, Family Health Division Chief, Policy Planning and International Cooperation Division. TB Director Acting Secretary  Director, Department of Education Under Secretary, Donor Coordination  Joint Sec. DG. DOLIDAR  Joint Secretary
<b>Swiss Development Cooperation</b> Jorg Frieden	Head Mission
<b>Norway</b> Kikkan Haugen	Dep. Head of Mission

<b>Name</b>	<b>Organisation</b>
<b>Denmark</b> Stephan Schonemann Dr Jit Gurung Ivan Neilsen	Deputy Head of Mission HUGOU (social inclusion component) HUGOU programme coordinator
<b>GTZ</b> Thomas Labahn Dietrich Feizer, Rural Programme	Country Director Programme Manager
<b>Japanese Embassy</b> Koji Tomita	First Secretary
<b>JICA</b> Yoshio Fukuda	Deputy Head
<b>World Bank</b> Kenichi Ohashi Lyn Bennett Tashi Tenzing Surendra Joshi Roshan Bajracharya Dr. Tirtha Rana,	Country Director Social Advisor W&S Engineer Infrastructure / Transport Economist Health Advisor
<b>IMF</b> Alexander Pitt	Country Representative
<b>ADB</b> Paolo Spantigati Govinda Dhakal Noveron Chand	Officer in charge Programme Officer, Agriculture Infrastructure
<b>Finland</b> Juho Uusihakala	Counsellor Development
<b>USAID</b> Donald Clark Andrew Pryce Naren Chanmugam Anne Peniston Leila Abugheida,	Head of Mission Infrastructure General Development Health Conflict team leader
<b>SNV</b> Peter Huub	Ag. Director, (Forestry)
<b>DFID Projects</b> Jan Morrenhof Bandna Risal Umesh Pandy Cptn Bhakta Bahadur Rai Ram Risal, Adhir Sharma Gobinde Neupane Jay Lal Pukar Ojha Carol Barker Roger Weatherall Vijay Shrestha	APPSP Programme Advisor ESP Manager NEWAH Gurkha Welfare Scheme Helvetas CSP CSP Nepalgunj CSP Care CSP, Dhankula SMMP RAP LFP
Tim Holt	Risk Management Office
<b>Other Actors</b> Dr Om Gurung Chhaya Jha, Director, Kedar Khadka Timothy John Claydon Ollie Smith Durga Sob International Crisis Group Charles Haviland Rita Thapa	Leader of ethnic movement NEFIN HURDEC Project Director, Pro Public Oxfam Water Aid President FEDO, Dalit Movt. Office in Nepal BBC correspondent Nagarik Awaz

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## ANNEX D: EVALUATION MATRIX

EVALUATION CRITERIA	KEY QUESTIONS	Findings and Evidence Base
	<b>(Chapter 1: Introduction and Methods)</b>	
	<i>Context</i> (to form <b>Chapter 2</b> of report: <b>Context: Nepal 2001-2006</b> )	
	<b>Political situation. Key events over period including factors beyond control of development partners, MDG progress (and variation by gender, rural/ urban, ethnic group etc.), Importance of aid to the country and no. of donors active in area. Key strategies/ reviews that influenced DFID's work</b>	
	<b>Relevance</b> (to form <b>Chapter 3</b> of report: <b>To what extent did DFID Nepal's strategic approach allow it remain relevant in a rapidly changing context?</b> )	
Overall strategy and areas/sectors selected for intervention	<ol style="list-style-type: none"> <li>1. Throughout the evaluation period and as the context evolved, did DFID have clear and focussed country/ sector strategies that explained the rationale for interventions supported? (eg options considered, analysis done, choices made and why etc.)</li> <li>2. Over the period, how far were strategies aligned with development needs and policy priorities of the country. (eg aligned with the PRSP where one available? Related to off-track MDGs? etc.)</li> <li>3. How far were strategies based on a realistic analysis of the country situation / PRS?</li> <li>4. To what extent were strategies in line with corporate priorities? (e.g in Nepal, Fragile states policy, Conditionality paper, conflict guidelines, cross-Whitehall working and relevant sector strategies)</li> <li>5. Were changes to strategies appropriate given the context or were there too many/ too few adaptations?</li> <li>6. How systematically did DFID assess the external risks (i.e. political governance, economic and fiduciary) and the internal threats to the country strategy?</li> <li>7. How comprehensive were plans to minimise the identified risks?</li> <li>8. What interventions did DFID support over the evaluation period? (did these fit with the strategic priorities?)</li> </ol>	CAP, Sector Strategies, PRSP, Govt. Strategies, DFID Policy Papers
Risk Management	<ol style="list-style-type: none"> <li>9. What mix of aid instruments was intended and how did this change over the evaluation period? Was there a sufficient balance between use of long term and shorter term instruments?</li> <li>10. To what extent did choices about aid instruments reflect the political economy and governance / conflict context of the country and DFID policy?</li> </ol>	RMO, BOGs etc. evaluations
Portfolio profile		Brief description of interventions
DFID's choice of aid instruments		
DFID's partnership working	<ol style="list-style-type: none"> <li>11. How did DFID approach working with: a) Government (central and local, b) civil society, c) other individual donors? (were there explicit strategies?, what was the basis of any influencing agenda?, was the balance right?)</li> <li>12. To what extent did DFID seek to strengthen harmonisation across the donor community?</li> <li>13. How well did DFID consult with and communicate its aims and objectives to development partners?</li> </ol>	IDP agreements DFIDN consultation process records and Publications
DFID's approach to cross-cutting themes	<ol style="list-style-type: none"> <li>14. Did DFID have a strategy for mainstreaming cross-cutting issues such as gender, social exclusion, HIV/AIDS and environmental protection? (and was this consistent with corporate policy on these issues?)</li> </ol>	Written or unwritten strategies
Level and allocation of	<ol style="list-style-type: none"> <li>15. Were strategies appropriate to the level of resources anticipated?</li> </ol>	CAP Part 3, Staffing levels &

resources	16. How far did planned spending and use of staff time reflect strategic objectives? 17. Was geographic coverage to narrow / wide for resources available?	gaps
Results focus	18. How far were DFID's planned interventions sufficiently results-focused and monitorable? 19. How far were the results of reviews used to reconsider design/ direction of work and resourcing and staff allocation priorities?	PRISM documents
<b>II. Effectiveness and III. in a time of conflict?)</b>	<b>Efficiency (Chapter 4: How successful was DFIDN in terms of engagement in development and delivering results</b>	
Delivering on strategy	20. How far were objectives set out in strategies achieved in practice (CAP performance objectives and other strategic outcomes)? What explains any areas of divergence? 21. How effectively did the country office manage the strategic risks that emerged? To what extent did effective risk analysis allow DFID to remain engaged through the conflict?	Look in particular at period following Feb 2005 and April 2006. Take account of London/ Ministerial input. Discuss impact of RMO/ BOGs
Results	22. How far were the objectives and performance indicators for individual DFID interventions achieved (drawing on data from project reviews and PRISM scores)? 23. How did individual DFID programmes function during the conflict situation? What explains key successes and failures with regard to programme objectives? What was the role of local govt and non govt. actors?	LSA tool & SEDC
Efficiency	24. Was DFID's actual disbursement in line with expectations and plans? Were there any significant changes or delays? 25. How was staff time spent? (influencing/ policy work in Nepal, Project/ programme work, field work, corporate reporting/ activities) 26. Was the skill mix and continuity of staff appropriate to the country context and strategy?	Disbursement record  Consider staff survey and try to look at travel to the field
Aid effectiveness	27. How effective was the mix of aid instruments in achieving objectives? Were the different instruments used sufficiently complementary? 28. How effective has DFID been in pursuing its development agenda (including peace building) with partners including other parts of the UK Government, Nepali Government, Civil Society, NGOs? 29. Has DFID operated in accordance with principles of aid effectiveness? (and emerging principles of aid effectiveness in fragile states?) 30. How well has DFID communicated its results / lessons/ good practice?	To include GCPP Seek views of Maoists? Issue of neutrality during conflict
DFID's delivery on cross-cutting themes	31. How well were issues of gender, social exclusion, HIV/AIDS and environmental protection actually integrated across the programme? 32. To what extent was DFID's peace-building and social inclusion work undertaken as 'pillars' and to what extent through other aspects of the programme?	

Impact and Sustainability <b>Chapter 5: What impacts has DFIDN helped to achieve?</b>	
Outcomes and sustainability	<p>33. What is the evidence to support the view that DFIDN helped contribute to the peace building process in Nepal? ... and to what extent has the policy and Governance environment (eg accountability, action on corruption) been strengthened?</p> <p>34. What is the evidence to show that DFID has helped contribute to specific development outcomes and PRSP achievements? (PSA/ DDP/ direct project/ programme impacts and 'indirect' benefits around policy dialogue)</p> <p>35. Are the development changes or reforms supported by DFID's country programme likely to be sustained/ difficult to reverse? (to what extent has local capacity been built?)</p> <p>36. Has DFID added value through gains in aid effectiveness? Eg contributing analysis/ tools/ support on harmonisation?</p>
What lessons can DFID draw from the evaluation for informing future country, regional or corporate planning and operations?	
<b>Chapter 6: Lessons and recommendations</b>	
Strengths and weaknesses of DFID	<p>37. What are the key strengths demonstrated by the DFID office?</p> <p>38. What are the key weaknesses demonstrated by DFID?</p>
Lessons	<p>39. What lessons (from positive and negative findings) can be drawn for DFID's future work in Nepal?</p> <p>40. What lessons can be drawn more widely for DFID?</p>
Recommendations	<p>41. What recommendations can be made based on the evaluation findings</p>

## ANNEX E: TIMELINE OF MAJOR EVENTS AND DFID STAFFING IN NEPAL

### TIMELINE OF MAJOR EVENTS

Year	2001	2002	2003	2004	2005	2006	2007
<b>DFID events</b>							
<b>DFID Nepal</b>	Sept New Head DFIDN	June London conference Review of 98-02 CSP (June-Oct)	Draft CAP 2003-07	CAP published Aid framework: 2003/4 £26m 2004/5 £35m 2005/6 £47m	DFID Fragile States Paper (Jan) Programme Review Jan New Head DFIDC	3 <sup>rd</sup> White Paper on Governance Interim CAP August New Head DFIDN	March London Conference
<b>Nepal</b>	Maoists announce Prachanda Path doctrine June Royal Massacre July Maoists abduct 96 police July Ceasefire, Deuba PM Aug Peace talks - 2 rounds to Nov Nov Ceasefire ends, State of Emergency	Violence at highest levels May King dissolves Parliament July Local Govt. elections dissolved August Interpol issue red notice against Maoist leaders October PM Deuba sacked, King assumes executive power, Chand made PM	January Second Ceasefire April Peace talks May Peace talks round 2 June King appoints New PM Thapa June Violence increases August Peace talks resume September Peace talks end, Ceasefire over	June, new PM appointed	Feb, Royal Coup Nov, CA endorsed by SPA	Feb. municipality elections March/April peoples movement Apr King relinquishes power May HoR removed Kings powers, & established HoR as supreme June 8 pt agmt reached, ICDC formed Nov.	Jan Interim Constitution promulgated (2yrs duration) Mar 8 party Coalition govt formed incl. Maoists A New Ministry (Peace and Rehab) formed Minimum common programme of the government announced June Elections

**Annex E: Timeline of major events and DFID staffing in Nepal**

						Comprehensive Peace Agreement	<del>the</del> postponed
<b>Other</b>		<p>Foreign Aid Policy 2002 introduced                      April First Nepal Dev Forum held                      Country Financial Accountability Assessment (CFAA) published                      Nov RMO estab.</p>	<p>BOGs established PRSP 02-07 (May)                      WB/IMF Joint Staff Assessment approves PRSP</p>	<p>May 2<sup>nd</sup> NDF held                      August - SEDC introduced                      December Asia Tsunami</p>	<p>DAC Evaluation                      June - SEDC reviewed                      October Pakistan earthquake</p>	<p>Comprehensive Peace Agreement</p>	<p>Jan UNMIN set up                      Jan. Terai movement calling for autonomous region                      Feb. New Procurement Act enacted                      Indigenous peoples movement begins                      Mar WB makes Interim Strategy Notes Public</p>

STAFF TIMELINE: DFID NEPAL

	2000	2001	2002	2003	2004	2005	2006
<b>Directors - Asia</b>							
Martin Dinham		X X X	X X X	X X X	X X X	X X X	X X X
Charlotte Seymour-Smith							
<b>Heads –DFID Nepal</b>							
Sue Wardell	X X X	X X X	X X X	X X X	X X X	X X X	X X X
David Wood		X	X X X	X X X	X X X	X X X	X X X
Mark Mallalieu							
Bella Bird							X X
<b>Corporate Management</b>							
Alex Harper (Deputy Head)		X X X	X X X	X X X	X X X	X X X	X X X
Bob Smith (Deputy Head)		X X X	X X X	X X X	X X X	X X X	X X X
Donald Couper (Deputy Head)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Jackie Creighton (Office Mgt)							X X
David Collingwood (Finance)				X X	X X	X X	X X
Jim Black (HR and office services)	X X	X X	X X	X X	X X	X X	X X
Mick McGill (Finance)	X X	X X	X X	X X	X X	X X	X X
Nita Pachhai (Office services)	X X	X X	X X	X X	X X	X X	X X
Alan Reid (Finance)							X X
Sangeeta Shrestha (Programme Officer)	X X	X X	X X	X X	X X	X X	X X
Pratima Ranjit (HR)	X X	X X	X X	X X	X X	X X	X X
Sue McGill (Finance, Programme)	X X	X X	X X	X X	X X	X X	X X
<b>Advisers /Programme Staff</b>							
Anjaly Tamang Bista (Senior Deputy Programme Manager)	X X	X X	X X	X X	X X	X X	X X
Phanindra Adhikary (Deputy Programme Manager)							X X

**Annex E: Timeline of major events and DFID staffing in Nepal**

	2000	2001	2002	2003	2004	2005	2006
Jan Morrenhof (APPSP Programme Adviser)							
Kavinda Subba (Programme officer)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
<b>Livelihoods and Infrastructure</b>							
Sam Bickersteth (Livelihoods Adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Bettina Demby (Infrastructure adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Mark Harvey (Infrastructure adviser)		X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Helen Wedgwood (Livelihoods adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
Martin Sergeant (Livelihoods and Infrastructure Adviser)						X X X X	X X X X
Chandra Bdr Shrestha (Assistant Infrastructure Adviser)				X X X X	X X X X	X X X X	X X X X
Peter Neil (Livelihoods)		X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Pradeep Tulachan (Livelihoods)							
Shailendra Thakali (Livelihoods)				X X X X	X X X X	X X X X	X X X X
Shailee Mandandhar (Programme officer)				X X X X	X X X X	X X X X	X X X X
<b>Social Development</b>							
Rebecca Calder				X X X X	X X X X	X X X X	X X X X
Jasmine RajBhandari					X X X X	X X X X	X X X X
Rebecca Trafford-Roberts					X X X X	X X X X	X X X X
Frances Winter			X X X X				
<b>Health</b>							
Michael O'Dwyer (Senior Health and Population Adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Susan Clapham (Health Adviser)				X X X X	X X X X	X X X X	X X X X
Purushottam Acharya (Health Adviser)							X X X X
<b>Education</b>							
Kevin Lillis	X X X X	X X X X					
<b>Economics</b>							
Andrew Hall				X X X X	X X X X	X X X X	X X X X
Matthew Greenslade							X X X X

*Annex E: Timeline of major events and DFID staffing in Nepal*

	2000	2001	2002	2003	2004	2005	2006
Nick Highton	X	X	X	X	X		
Chris Jackson	X	X	X	X	X		
<b>Governance</b>							
Stephen Sharples		X	X	X	X	X	X
Alan Whaites					X	X	X
Hirimani Ghirime					X	X	X
Biswo Ulak	X	X	X	X	X	X	X
Ian McKendry	X	X	X	X	X	X	X
Michael Lowe	X	X	X	X	X		
<b>Statistics</b>							
Frances Harper			X	X	X		
<b>Conflict</b>							
Mark Segal			X	X	X	X	X
Simon Arthy			X	X	X		
<b>Risk Management Office</b>							
Dan Huntington			X	X	X	X	X
Tim Holt							X
<b>Secondees</b>							
Lynn Bennett (World Bank)		X	X	X	X	X	X
Mark Waltham (Senior Education Adviser in Ministry)			X	X	X	X	X

## ANNEX F: MDG STATUS FOR NEPAL

**Table 1. UNDP estimate of MDG progress 2005**

**Matrix 1: Nepal's Progress towards the MDGs: Status at a Glance**

GOALS	WILL DEVELOPMENT GOAL BE REACHED				STATUS OF SUPPORTIVE ENVIRONMENT			
<b>1 A. Extreme Poverty</b> Halve the proportion of people living below the national poverty line by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>1 B. Hunger</b> Halve the proportion of people who suffer from hunger between 1990 and 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>2. Universal Primary Education</b> Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>3. Gender and Equality</b> Achieve equal access for boys and girls to primary and secondary education by 2005 and to all levels of education no later than 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>4. Child Mortality</b> Reduce under-five mortality by two-thirds by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>5. Maternal Health</b> Reduce maternal mortality ratio by three-quarters by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 A. HIV/AIDS</b> Halt and reverse the spread of HIV/AIDS by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 B. Malaria and Other Major Diseases</b> Halt and reverse the incidence of malaria and other diseases by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 C. Tuberculosis</b> Halt and reverse the incidence of tuberculosis by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>7 A. Environmental Sustainability</b> Reverse loss of environmental resources	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>7 B. Access to Safe Drinking Water</b> Halve the proportion of people without access to safe drinking water	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak

Table 2. Estimated MDG Progress in 2006

Millennium Development Goal	Nepal's current position	Prospects and issues
Halve, between 1990 and 2015, the proportion of people living in extreme poverty.	As of 2003-04 the poverty headcount rate was 31 percent, down from 42 percent in 1995-96. Some progress occurred in reducing malnutrition, with the prevalence of stunting among children under three dropping 11 percent between 1996 and 2001.	Nepal needs to improve the developmental impact of remittances and jumpstart improvements in agriculture. The prevalence of stunting is still extremely high (42.7 percent). The prevalence of underweight (45-55 percent), and wasting (10-15 percent) has not fallen.
Achieve universal primary education by 2015.	The net enrollment rate of primary school-age children rose from 57 percent in 1995-96 to 72 percent in 2003-04. Youth literacy also rose, from 56 percent to 73 percent. Completion rates for primary school have risen only marginally since 1995-96.	The quality of primary education remains a concern. The system is characterized by high repetition rates, high dropout rates, and low completion rates. If current trends continue, universal education will not be attained. Although equity in education has improved, wide disparities remain across socioeconomic groups.
Make progress toward gender equity and empowering women.	The gender parity index for net enrollment (the ratio of net enrollment of girls to net enrollment of boys) increased from 70 in 1995-96 to 86 in 2003-04. Girls and women have been the biggest beneficiaries of the increase in literacy rates.	Growth in completion rates by girls has outpaced that for boys. If the trend continues, gender parity in primary education will be reached by 2010.
Reduce infant and child mortality rates by two-thirds between 1990 and 2015.	Child mortality fell 5 percent a year, falling from 118 deaths per 1,000 live births to 91, due mainly to greater coverage in immunization, and disease prevention and treatment. The infant mortality rate has been declining at a slower rate of 3.7 percent a year since the mid-1980s, dropping from 79 deaths per 1,000 live births in 1995-96 to 64 in 2001-02.	Given current trends, Nepal is likely to meet the child mortality target. Faster progress in reducing infant mortality will be needed to meet the MDG. Progress in reducing child mortality and infant mortality in the Eastern and Far-western regions has been slow and will not meet the target.
Reduce the maternal mortality rate by three-quarters between 1990 and 2015.	The maternal mortality rate remains high (539 per 100,000 live births in 1996). More than 6 out of every 10 deliveries are not assisted by skilled attendants.	The maternal mortality rate is the highest in the region. Prospects for achieving the maternal mortality MDG are unclear due to lack of comparable time series data.
Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources.	Environmental sustainability remains a problem, but drinking water and forestry initiatives indicate progress. A national sustainable development strategy is being prepared.	Deforestation remains a serious local problem in many mountain and hill areas. There are also increasing commercial pressures on biodiversity resources. Community forestry has been successful, with limited impact on fuelwood extraction.

Sources: "Nepal Living Standards Survey 2003/04," Volumes I and II, Central Bureau of Statistics, "Nepal Demographic and Health Survey 2001" and "Family Health Survey 1996," Ministry of Health, New Era, ORC Macro; Draft MDG Progress Report, National Planning Commission

## ANNEX G: OUTREACH ASSESSMENT

### Introduction

Ten of DFID Nepal's implementing partners (IPs) were asked to provide evidence of outreach. The IPs were asked: What proportion of user groups / villages supported are more than 3-4 hours walk beyond the road head or journey from district HQ? Is this proportion in line with the actual number of people living in such remote areas in the districts where you work?

In summary, the responses indicate a good level of outreach, with estimates ranging from 40% to 95%. Most claim their outreach is on a par with the proportion of the population living in remoter areas.

#### 1. Agricultural Perspective Plan Support Programme

APPSP has established a District Agriculture Development Fund (DADF) in 20 remote districts of Nepal. 3,921 small local level projects have been and are being supported through this fund. For geographical monitoring, the Village Development Committees (VDCs) in each district are being divided in three categories: A = in/near District Head Quarters, B = District Head Quarters (DHQ) surrounding VDCs, and C = Remote VDCs. The distribution of all projects was as follows:

In/near District Head Quarters	DHQ surrounding VDCs	Remote VDCs	Total
1055	946	1920	3921
27%	24%	49%	100%

#### 2. Community Support Programme (East)

Around 75% of the total projects supported by CSPr East are over 3-4 hours walking distance from the road head and most are 1 to 2 days travel from the district headquarters. The programme so far has reached 60 % of the total Village Development Committees in each programme district. Whilst we were not able to assess the exact figure, initial findings suggest that the percentage of district population reached is in proportion to the total percentage of activities in that district.

#### 3. Community Support Programme DFID.

The proportion of CSPr support projects in head quarters and remote areas in CSPr districts of Mid and Far West Nepal and its population proportion (Population ref 2001 census).

Districts	Total Population	Total initiatives funded	No. of initiatives funded in HQ and peripheral VDCs	No. of initiatives supported in remote VDCs	Proportion of projects in HQ and remote area	Population of HQ and periphery VDCs (within 3 hrs walk)	Population of remote VDCs	Proportion population in HQ, periphery and remote areas
Baitadi	234,418	54	0	54	100%	18,345	216,000	92%
Kailali	616,697	91	3	88	97%	67,447	549,250	88%
Surkhet	288,527	123	30	93	76%	56,961	231,566	75%
Dailekh	225,201	49	0	49	100%	19,446	205,755	91%
Jajarkot	134,868	36	3	33	92%	9,804	125,064	92%
Rukum	188,434	78	6	72	92%	16,304	172,130	91%
Jumla	89,427	71	7	64	90%	10,344	79,083	87%
Mugu	43,937	63	16	47	75%	5,861	38,076	85%

Note:

The average proportion of projects supported in remote VDCs is **88%**, while the average proportion of population residing remote VDCs is **87%**

#### 4. Enabling State Programme (ESP)

Out of 14 governance projects implemented under ESP, five of them are community based. It is estimated that about 55% of the community based programme have reached remote areas which are more than 3-4 hours walking distance from the road head or journey from district HQ.

Tentatively **60%** of the total district population in the project district live in such remote areas. The projects together with an indication of percentage reach are:

- SDPPP (Self Reliant Development of the poor , by the poor):80%
- CMEP (Community Mediation and Extension Project):60%
- CSACP(Civil Society Anti Corruption Project):60%
- DEIP (*Dalit* Empowerment and Inclusion Project):40%
- JEP (*Janajati* Empowerment Project) 40%

#### 5. Gurkha Welfare Scheme

For Projects from 1999 – 2006 to it is estimated that **80%** or 61,923 beneficiaries out of 77,598, are 3-4 hours beyond the roadhead.

#### 6. Helevetas

One of the working strategies of Helevetas Nepal is to reach out to communities beyond 1.5 hrs walking distance from the district headquarters and seasonal motorable road heads. This strategy has been implemented in the conflict situation since 1995 because development initiatives were increasingly being concentrated in the district headquarters, and the neighbouring areas, which were highly contested by parties in conflict, in particular the insurgents, were relatively neglected.

In 2006, 90% of 267 user groups (community bridges, small farmer managed irrigation systems, drinking water schemes) supported by Helvetas Nepal Country Programme (HNCP) were in areas more than 1.5 hour walking distance; while **75%** were from 3-4 hrs walking distance beyond the road heads and district HQs. Likewise, **65%** of 3,900 self help groups (SHGs) supported by HNCP for improved livelihood and income are over 3-4 hours walking distance beyond the road heads and district HQs.

The outreach of HNCP in remote areas can also be gleaned from the fact that 60% of 128 working VDCs of the six focal districts (e.g. Doti, Dailekh, Jajarkot, Achham, Kalilali and Kanchanpur) fall beyond 3-4 hours walking distance from the road head or journey from district HQ. The percentage coverage of working VDCs and the proportion of users groups and Self Help Groups (SHGs) are fully compatible.

#### 7. Livelihoods and Forestry Programme (LFP)

LFP does not implement field activities and interventions directly but works in partnership with various district level organisations mainly District Forest Offices (DFOs) and Non-Government Organisations (NGOs). From DFO, LFP's support reaches to all forest user groups in the districts through Range Posts and forest technicians. LFP also delivers direct and tangible support to user groups through partnership with NGOs. One of the main criteria for NGO selection has been their willingness and ability to work with remote and inaccessible communities. The following table shows the geographical reach of LFP with direct and tangible support in 15 working districts.

LFP's working areas	Percentage of user groups situated more than 3-4 hours walk from the road head by district		Percentage of user groups with LFP's direct (intensive) support through social mobilisation (in remote areas)	
	Range	Average	Range	Average
1) Seven hill districts (Koshi and Dhaulagiri)	42 – 90	<b>67</b>	60 – 100	<b>89</b>
1) Five mid-west districts (Rapti)	70-90 (Except Dang which is accessible throughout)	<b>82</b>	60-65	<b>63</b>
2) Three Terai districts (Lumbini)	All user groups are accessible except Nawalparasi in which around 25% of user groups are situated in 3-4 hours walking distance. In the Terai component, LFP's direct support is concentrated in the Terai belt and thus all user groups supported are situated in less than 3-4 hours walking distance.			

In the 12 hill districts in Koshi and Dhaulagiri areas, which are more inaccessible in terms of roads and infrastructure, LFP has reached 89 percent of all households through partner NGOs. On the other hand, in the Terai, which is relatively more accessible, only about 21 percent of district's households have been reached.

**8. Micro Enterprise Development Programme**

MEDEP has promoted 20,032 micro-entrepreneurs (as of the end of March 2007) representing 2,506 Micro-Entrepreneurs Groups (MEGs) from the socially excluded, poor and women (women, Dalits, Indigenous Nationalities, and Unemployed Youths). Among these MEGs, 1,077 MEGs (**43%**) are located more than 3-4 hours walk beyond the road head or trail.

**9. Nepal Water for Health (NEWAH)**

In the hills, over 95% of the projects are located more than 3-4 hours walk from the district headquarters or the nearest road head. This is the same in all hilly districts in the mid and far west regions where NEWAH is working through DFID support.

**10. Support to the Safe Motherhood Programme (SSMP)**

In total the equity and access programme is working in about 140 VDCs and seven municipalities. More of the hill area target communities are geographically remote than in the Terai. About **60%** of the target groups in the hills are at a distance of 3-4 hours or more from the district headquarters and/or road head, whereas in the Terai only about 25% of the target communities are located in such remote areas. These VDCs have been purposively selected to ensure SSMP targets remote communities and therefore the proportion with this level of physical inaccessibility is higher than average in the selected districts.

## **ANNEX H: RURAL ACCESS PROGRAMME CASE STUDY**

**Case Study of RAP; changes made to the original design of the project, subsequent implementation and impact on client group and staff (2000 to 2006, extended to 2008).  
Prepared by Liz Kiff, Livelihoods CPE Team Member**

The Rural Access Programme (RAP) is a pro-poor road construction and livelihoods programme originally approved by DFID in November 2000 with a budget of £33.45 million. Its purpose is to improve poor peoples' access to goods, markets and services that they value in targeted hill areas. This contributes to a goal of more secure and sustainable rural livelihoods for poor and disadvantaged in the hill areas of Nepal.

Physical infrastructure is built using an environmentally cautious 'Green Road Concept' which adopts a phased approach that uses labour-based methods to gradually integrate the road into sensitive and fragile hill terrains. Construction is achieved through community contracting by Road Building Groups (RBGs) whose members are chosen from the poorest and most socially excluded. This injection of cash into the community, directly to the poorest members, is complemented with support to formation of self-help groups, which encourage productive use of new financial resources through investment in income generating activities and formation of savings and credit groups.

During the second and third years of operation, two separate additions to the programme were made, responding to opportunities created by early cease-fires and in the second case to strengthen the position of a peace negotiator, to meet expectations of a 'peace dividend'. These expansions were initiated prior to securing their funding. Slow progress and the consequent under spend in budget led managers to delay submission for the additional funds, though they had been noted as pending by DFID UK (RAP files 2002-2003).

The additional commitments comprised:

- September 2002 Additional Impact Component (AIC) comprised two district roads, additional to those originally planned and agreed, for Achham and Khotang. The AIC was financed (for quick mobilisation) from the TA consultancy budget – 'borrowing' the fees and expenses budget from future years (4, 5, 6) for the current years (1, 2). The justification for this approach was speed (RAP HO notes, 2005).
- In December 2002 Support to the Ministry of Physical Planning and Works (SMPPW) project, introduced RAP to an additional 4 districts (Pyuthan and Terhathum, Rolpa and Rukum) and committed to upgrade 2 additional Feeder Roads in Pyuthan and Terhathum Districts. This commitment was made at a meeting between senior DFID staff and the then Minister of Physical Planning and Works (PPW) who asked DFID-Nepal for assistance to his Ministry in bringing about some immediate development activities. The request was seen as strategically important because the minister was chief negotiator in the peace talks at the time. Due to the complexity of juggling of funds within the existing RAP and delays introduced by procurement procedures, it was only in February 2004 that agreement was reached on revised funding to take forward SMPPW. Activities had been started prior to this (before the need for tendering had been clarified), again using resources 'borrowed' from the on-going RAP project. Revised

funding modalities including a Managed Technical Co-operation Fund (MTCF) for direct funding on significant parts of the Feeder Roads component, as well as the AIC and the SMPPW. By this time the 'window of opportunity' offered by the cease fire had closed as the cease fire ended after 8 months.

The mid-term review (MTOPR) of 2005 warned that the project was seriously off target for delivery, both in terms of time frame (extension for two years required) and budget (an additional £25 million required to meet new commitments, overspend on original activities and TA support). The MTOPR specifically recommended reversing the decision to support work in Rolpa and Rukum (areas severely affected by the conflict). Findings triggered a fundamental review in November 2005, when the programme was refocused and management reorganised. The refocused programme is scheduled to be completed by June 2008 and has three distinct components.

- A programme managed by WSP International for DFID, working in four districts in the East (Khotang, Bhojpur, Sankhuwasabha and Terhathum). RAP is currently working on 8 District Roads (240km total) and four Feeder Roads (275km total). By March 2007 RBGs consisted of 10,414 members (RAP, 2007).
- A GTZ managed programme in the Western districts of Achham, Doti & Dailekh is funded by a mixture of DFID cash payments and rice from the World Food Programme. A total of 270 km of district roads will be completed and 20,000 rural poor and food deficit households will benefit.
- A financial contribution of £4.5 million is also included towards the cost of the Basantapur to Khandbari feeder road in eastern Nepal being built under the ADB supported Road Network Development Programme.

Refocusing has resulted in a cut of more than 50% in road length to be constructed from 1249 to 619 km (RAP, 2006) and an estimated reduction in RBG of 715, involving 13,660 households. An independent assessment of likely impact on affected households (Ferrie et al., 2006) identified the following:

- Further exploitation by money lenders
- Increased levels of migration
- Negative impact on individual earnings
- Probability of the savings and credit scheme collapsing
- Loss of opportunity for skill development
- Reduced labour market could be exploited by the Maoists
- Reduced potential to enhance local development services

Staff involved in communicating the likely curtailment of the project reported high levels of frustration and disappointment in areas where work had been stopped and some scepticism as to the relevance of the approach taken by DFID to construction. There is a growing realisation that the green roads approach is appropriate for rural roads, but that the higher specification of and urgency for feeder roads makes traditional contraction procedures more relevant for their construction (DFID and GTZ engineers).

A further staff safety assessment of the impact of curtailment of road construction identified potential risks for:

- Staff of RAP, ADB and other DFID programmes. Risk of detention is most probable – the withdrawal of some Helvetas staff demonstrated that many stakeholders (local NGO staff, RBG members, local Government officers) are willing to stop staff leaving the district, saying ‘You can’t leave unless you bring work on the roads’.
- Risk to LRCC members - mostly from irate land owners who have donated land whose productivity is now compromised.
- Risk to local NGO staff. Local NGO staff have been at the forefront of making commitments to local people and Maoists in order to run the programme. They are now at risk both from local people and Maoists for ‘breaking their commitments’.
- Legal risk. Threats have been made to RMO and the impact assessment team. It is being suggested that RAP, DDC and DFID may face legal action from those who feel they have lost money.
- Threat from Maoists. Maoists have made a clear threat that, if road-building is stopped, they will stop all DFID development in their districts, and have also stated that other donor work would also be affected.

‘In common with other development agencies, DFID relies largely on a strategy of ‘acceptance’ to work safely in Nepal. Staff and programmes are accepted and trusted by local people who mediate with Maoists and others, thereby ensuring staff safety. The proposed withdrawal is likely to break this ‘bond of trust’ between DFID development staff and communities, and our staff could not remain in the field under those circumstances’. (Huntington, D, 2006)

### **Wider impacts of the reduction by 50% of road construction under RAP.**

The impact of the findings of the fundamental review of RAP were felt in 2006/7, unfortunately coinciding with the reduction in the Aid Framework introduced by DFID London, which reduced proposed expenditure from £32 million to £30 million in 2006/7 and from £32 million to £27 million in 2007/8. If applied across the whole country programme this reduction would have been experienced as a 25% cut in proposed budget. However, talking with individual project managers in the health, water, infrastructure and livelihoods sectors it would appear that cuts were closer to 30-40% of that proposed. While every effort was made to reduce the negative impacts of these cuts (a subject covered elsewhere), it would appear that RAP did not take its ‘fair share’ of these cuts, because it was already having to deal with a huge reduction in planned activities due to the ‘funding hole’ created by additional commitments for which funds were never secured. **Effectively the issue of expanding RAP without secured funding was now impacting across all Nepal country projects and programmes.**

‘The resources needed to complete the exit strategy from RAP in 06/7 and 07/8 will far exceed current forecast expenditure. The annual allocations will need to be closer to £8m / yr, (the current allocations are £5m in 06/7 and £3m in 07/8)’ Minute from Bob Smith to Mark Mallalieu 2/3/06.

**In fact in 2006/07 RAP expenditure was £6.7m**

### **Key Lessons from the RAP experience and suggestions for the future**

1. The MPPW was not a suitable ministry to ‘bring about some immediate development activities’ in rural areas for the benefit of poor people. MPPW covers Departments of Roads,

Housing and Urban Development and Water Supply and Sewerage<sup>2</sup> – none of them suitable vehicles for quick impact projects in conflict affected areas.

2. Careful selection of interventions and implementation through existing implementers can bring improved services and more immediate development activities, as demonstrated by the expansion of RCIW and CSP.

3. Road and infrastructure development, particularly roads, are long-term investments that have long lead in times and high start-up costs. Cost of early withdrawal is also high, particularly for communities and individuals who have lost land to the development, but not seen any benefit in terms of improved connectivity from the sacrifice. Consequently, roads should be planned for implementation over a longer time frame, with phased implementation but strong commitment to completion. Flexibility can be introduced through rate of implementation. This is particularly relevant to the intermittent nature of open conflict in Nepal at present. With such a structure, advantage can be taken of ‘peace windows’, for increasing work intensity. Activity can then be reduced at other times.

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<sup>2</sup> MPPW oversee little pro-poor infrastructure. Even though they cover water supply and sanitation through DWSS, the department is known to be less than effective and their mandate is larger settlements, complex schemes and small towns. DFID has never been close to working with them, preferring to support RWSSFDB, an autonomous body that reports to MPPW.

## ANNEX I : EFFECT OF FUNDING CUTS ON DFID PROGRAMMES

### Introduction

Eleven of DFID Nepal's implementing partners were asked to provide evidence to the CPE mission of the effects of programme funding cuts experienced in 2005-7. The respondents were asked: 'What were the reductions in funding experienced in 2005-6 (or earlier) - actual amounts received versus agreed earlier, and what was the consequence in terms of number of groups or beneficiaries?'

#### 1. Agricultural Perspective Plan Support Programme

Year	Original Budget (£)		Expenditure (£)	
	FA	TC	FA	TC
2005-2006	1,805,000	818,000	1,449,094	699,236
2006-2007	1,805,000	818,000	1,224,918	773,277

#### 2. Community Support Programme East

No serious setback reported.

#### 3. Community Support Programme West

Year	Original Budget (£)		Expenditure (£)	
	FA	TC	FA	TC
2005-2006	30% cut			
2006-2007	950,920		639,560	

DFID informed CSPr in April 2006. The planning process of every district starts in Feb - March for the coming fiscal year in the government system. Some of the effects were:

- CSPr was not able to address community demands as the budget was reduced
- During the peace process communities from remote areas had been able to demand support but with the budget limitation CSPr was not in a position to support as expected.
- Some communities blamed CSP, saying that during the Kings regime CSPr was fully supportive but questioning why, once peace started, CSPr was not increasing support.

#### 4. Enabling State Programme

ESP projects	Consequences
SDPPP Amount committed for FY 2006/07 -£700,000 Actual amount received - £130,000	Project staffing was reduced by 60% and the project structure both at the centre and at field level was reviewed. No programme budget. Programme support limited to only sustain the project outputs and help to reach logical conclusion of on going activities.
CSACP Amount committed FY 2006/07- £360,000 Actual amount received -	The progress of the project was affected due to a cut of more than 50% in the budget and associated programme activities, Restructuring of the project was carried out to adjust the

**Annex I : Effect of Funding Cuts on DFID Programmes**

£250,000	budget which had an impact on the smooth operation of the advocacy campaign and on effective monitoring of the project activities.
JEP Amount Committed - £650,000 Amount Received - £300,000	All new activities including the livelihoods and education programmes for highly marginalised ethnic groups were put on hold. The only exceptions were the urgent political awareness programmes, which were prioritised by ethnic groups in the changed political context.

**5. Helvetas**

The originally agreed resource allocation under the Strategic Partnership Agreement (SPA) (which took a year to prepare) between DFID and Helvetas Nepal was £7.5 million for three years (2006-2008) at the rate of 2.5 million per year. The actual allocation under the SPA has been only £5.4 million for three years. The breakdown is shown in the Table below. The reduction in allocation is significant in 2007 and 2008.

Year	Original Budget	Revised Actual
2005-2006	£2.5m	2.0m
2006-2007	£2.5m	1.7m
2007-2008	£2.5m	1.7m

The consequences were/are:

- Reduction in number of supported Drinking Water Schemes from 50 to 40 per year; i.e. a reduction of beneficiaries served, by 500 households per year.
- Outreach of households through agriculture extension support services reduced from 33,000 to 23,000 per year.
- Reduction in number of people trained and employed by 5,000 per year and number of micro enterprises developed by 500 per year.
- Reduction in number of community bridges supported from 200 to 150 per year; i.e. 6,000 additional people per year will not have increased access.
- Closing of Terathum Programme in 2006. Closing of Water Resources Management Programme in Western Region in March 2007. Closing of Local Initiative Support Programme in Palpa by December 2007. Scaling down of programme components (e.g. promotion, sustainable harvesting and marketing of non timber forest products) and expansion of outreach in Linking Local Initiative to New Know How programme districts

**6. Micro Enterprise Development Programme**

No impact reported – programme coming to an end.

**7. Nepal Water for Health**

NEWAH had proposed around £1 million to DFID for the fiscal year 2005/06 but only £650,000 had been approved thereby reducing the number of beneficiaries by nearly 10,000. This was further reduced to £600,000 in 2006/07.

**Annex I : Effect of Funding Cuts on DFID Programmes**

**8. Support to the Safe Motherhood Programme**

In 2005/06 £1.8 million was planned, but only £1.1 million released, as a result of capping. As it was released very late, at the end of the spending period, it was only possible to spend 75% of the £1.1 million, making the loss even greater. For TC, £1.6 million was proposed for implementation, but only £727,000 released.

**9. Rural Access Programme**

The following information is supplied by the RAP programme manager but covers the eastern zone only, as GTZ manages the western zone.

Information on closed/downsized/approach changed corridors after fundamental review

Corridor	RBGs	Members	Saving at closure	Status at closure	Remarks
<b>1. Cut down projects</b>					
<b>1.1 Groups formed, construction and EPIs administered'</b>					
Bhojur-Ghodetar	94	1833	1350077	Construction started, EPIs administered	14 RBGs working in Bhojpur-Airport section (excluding 94)
Hile Bhanjyanbg Dingla	75	1457	851380	Construction started, EPIs administered	
Chainpur- Barabise	54	1010	867209	Construction started, EPIs administered	
Bhalubang-Pyuthan district road	68	1258	1651568	Construction started, EPIs administered	
<b>sub-total</b>	<b>291</b>	<b>5558</b>	<b>4720234</b>		
<b>1.2 Groups formed; no construction and other activities under EPIs</b>					
Diktel-Khotang bazaar	112	2208		RBG formed, No other activities under EPIS	
Lamidanda Aiselukharka	85	1616		RBG formed, No other activities under EPIS	
<b>sub-total</b>	<b>197</b>	<b>3824</b>	<b>0</b>		
<b>2. Downsized projects</b>					
Basantapur-Mayanglung Feeder road	52	988	739201	Project downsized 50% to spot improvements only; RBG's work reduced significantly	
Myanglung Sankranttee district road	104	1953		RBG formed, construction not started; Project downsized to 2 m track opening; work for RBGs significantly reduced	42 RBGs yet to be formed to open the newly designed part of this road.
<b>sub-total</b>	<b>156</b>	<b>2941</b>	<b>739201</b>		
<b>3. Approach changed (Contractors introduced)</b>					
Basantapur-Khandbari Feeder road	71	1337	358532	Construction started (26 RBGs worked), EPIs administered; Contractors introduced; no work for RBG	Partly funded by RAP, managed by ADB
<b>sub-total</b>	<b>71</b>	<b>1337</b>	<b>358532</b>		
<b>Total</b>	<b>715</b>	<b>13660</b>	<b>5817967</b>		

**10. Gurkha Welfare Scheme**

**Rural Water & Sanitation Programme**

The budget was reduced from £1.19 million in 2005 to £0.9 million in 2006, which affected the number of schemes undertaken and the number of beneficiaries reached. It also impacted on the organisation, particularly on planning and staffing. Community perceptions of the project have become less positive since the project has had to renege on original commitments.

**11. Livelihoods and Forestry Programme (LFP)**

LFP experienced budget cuts in 2005-2006. The earlier planned budget was around £2.3 million and actual amount received was about £1.9 million. LFP faced a number of challenges that affected its effectiveness in reaching and benefiting the communities.

One of the major challenges was re-prioritisation of activities that were already committed to the communities and partners. Because of the political change and Comprehensive Peace Agreement (CPA) in April 2006, rural communities had high levels of expectation and the demand for services and support was at a peak. The improved security situation meant that

### ***Annex I : Effect of Funding Cuts on DFID Programmes***

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LFP and partners (basically DOF) were in position to reach the geographically isolated and more conflict hit communities. Budget cuts, resulting in the reprioritisation of field level activities, meant LFP could not respond to the increasing expectations and demands of communities and partners. This had negative implications for effectively reaching and benefiting the poor and excluded. In addition, the budget cuts resulted in LFP being unable to meet their commitments which led to misunderstandings and resulted in a reduction in the partners' trust.

## ANNEX J : RESULTS FROM ONLINE DFID STAFF SURVEY

Results from an online survey of DFID Advisors and Programme Staff conducted by the CPE team in the week of 7-11<sup>th</sup> May 2007. The response rate was 11 out of 23 advisor and programme staff, or around 50%. The results should therefore be treated with caution. The personal information presented in Tables 1-5 is not necessarily representative of the whole office, but allows the later responses to be placed in context.

Table 1. Are you UK- based or SAIC? If SAIC from what Region in Nepal are you from?

		Response Percent	Response Total
UK-based		27.3%	3
SAIC - Far West		0%	0
SAIC - Mid West		0%	0
SAIC - West		0%	0
<b>SAIC - Central</b>		<b>45.5%</b>	<b>5</b>
SAIC - Eastern		27.3%	3
<b>Total Respondents</b>			<b>11</b>

Table 2. Gender

		Response Percent	Response Total
<b>Male</b>		<b>72.7%</b>	<b>8</b>
Female		27.3%	3
<b>Total Respondents</b>			<b>11</b>

Table 3. What is your grade?

		Response Percent	Response Total
A1		27.3%	3
A2		18.2%	2
A3		0%	0
B1		18.2%	2
<b>B2</b>		<b>36.4%</b>	<b>4</b>

*Annex J : Results from Online DFID Staff Survey*

B3		0%	0
Other (please specify)		0%	0
<b>Total Respondents</b>			<b>11</b>

Table 4. For UK-based staff, how is your working knowledge of Nepali?

	<b>Fluent</b>	<b>Reasonable working knowledge</b>	<b>Basic</b>	<b>Response Average</b>
Nepali fluency	33% (1)	0% (0)	<b>67% (2)</b>	<b>2.33</b>
<b>Total Respondents</b>				<b>3</b>

Table 5. For Nepali staff, what is your ethnic and caste affiliation?

	<b>Response Percent</b>	<b>Response Total</b>
<b>Brahmin / Chetri</b>	<b>37.5%</b>	<b>3</b>
Madhesi	0%	0
<b>Newar</b>	<b>37.5%</b>	<b>3</b>
Janajati	25%	2
Muslim	0%	0
Dalit	0%	0
Other	0%	0
<b>Total Respondents</b>		<b>8</b>

**Analysis of Use of Working Time**

Table 6. What % of your time is spent over the last year in each the following locations? (Your total must add to 100)

	<b>Response Total</b>	<b>Response Average</b>
Kathmandu	<b>948</b>	<b>86.18</b>
Rest of Nepal	88	8.00
Abroad	64	8.00
<b>Total Respondents</b>		<b>11</b>

Table 7. What % of your working time over the past year has been spent on the following ten activities? (Your total must add to 100)

		Response Total	Response Average
1. Policy / Strategy analysis		93	13.29
2. Programme mgt / reporting		194	21.56
3. Routine administration		<b>270</b>	<b>27.00</b>
4. Internal Office Meetings		160	16.00
5. Training		43	4.30
6. Meetings with Donors		56	5.60
7. Meetings with Govt		63	6.30
8. Meetings with NGOs, CSOs		70	7.00
9. Field trips		38	4.75
10. Work trips abroad		13	2.17
		<b>Total Respondents</b>	<b>10</b>

Table 8. Do you have enough time in your work to...

	Adequate time	Not enough time	Response Total
Analyse and discuss programme strategy / policy	40% (4)	<b>60% (6)</b>	<b>10</b>
Visit the field	9% (1)	<b>91% (10)</b>	<b>11</b>
Prepare reports of good quality	45% (5)	<b>55% (6)</b>	<b>11</b>
Understand DFID's policies and corporate rules	<b>64% (7)</b>	36% (4)	<b>11</b>
Follow staff safety / security rules correctly	<b>64% (7)</b>	36% (4)	<b>11</b>
Maintain a balance between work and family	<b>55% (6)</b>	45% (5)	<b>11</b>
		<b>Total Respondents</b>	<b>11</b>

Table 9. To what extent would you agree or disagree with the following statements about DFID Nepal :

	Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree	Response Average
Staff knowledge of conflict and post conflict issues is adequate	9% (1)	<b>64% (7)</b>	9% (1)	9% (1)	9% (1)	<b>2.45</b>
The strategy to strengthen skills of SAIC staff is effective	0% (0)	18% (2)	18% (2)	<b>55% (6)</b>	9% (1)	<b>3.55</b>
SEDC has been an effective tool for working in conflict	9% (1)	<b>64% (7)</b>	27% (3)	0% (0)	0% (0)	<b>2.18</b>
DFID is seen as a predictable development partner	0% (0)	9% (1)	18% (2)	<b>55% (6)</b>	18% (2)	<b>3.82</b>
Social inclusion is adequately mainstreamed into DFID's programme	0% (0)	18% (2)	<b>55% (6)</b>	27% (3)	0% (0)	<b>3.09</b>
HIV/AIDS is adequately addressed in DFID's programme	9% (1)	27% (3)	<b>36% (4)</b>	27% (3)	0% (0)	<b>2.82</b>
It is safe to speak up and challenge the way things are done in DFID	0% (0)	<b>36% (4)</b>	9% (1)	<b>36% (4)</b>	18% (2)	<b>3.36</b>
The pressure of work is acceptable and does not induce unnecessary stress	0% (0)	<b>40% (4)</b>	10% (1)	30% (3)	20% (2)	<b>3.30</b>
<b>Total Respondents</b>						<b>11</b>

Table 10. Do you have any general comments about the way the CPE work has been conducted, and how it could be improved in future?

<b>1.</b>	No
<b>2.</b>	The work was conducted well with the team being flexible and sensitive of the staff's time requirements.
<b>3.</b>	Time is too short. Five year evaluation within three weeks is not supposed to give quality result
<b>4.</b>	This is the first time I have experienced CPE. However the way this has been approached seems good. I find that CPE is doing a lot of interviewing rather than looking more for hard evidence. I mean this could be made more proportionate. the good thing about CPE is about lesson learning, and I am sure people will be as open as possible.
<b>5.</b>	would have been good to have more interaction and engagement, to have the team float some of their thinking and get feedback and comments.
<b>6.</b>	No
<b>7.</b>	I have not been interviewed by CPE team but to see the way are conducting consultative meetings seems an excellent team and know what they are doing and the outcome should be a fair, constructive and transparent. And hope this will give a clear direction to the DFID where it should head to and both positive and negative impact on programme. Long Live DFID !!



## ANNEX B: PERSONS CONSULTED

Name	Organisation
<b>Current DFID Nepal Staff</b>	
Bella Bird	Head of Office
Bob Smith	Deputy Head
Alan Whaites	Governance Advisor
Hiramani Ghimire	Governance Advisor
Nick Leader	Governance Advisor
Anjaly Tamang-Bista	Programme Manager
Phanindra Adhikary	Deputy Programme Manager
Martin Sergeant	Livelihoods and Infrastructure Advisor
Susan Clapham	Health Advisor
Purushottam Acharya	Health Advisor
Chandra Shrestha	Infrastructure Advisor
Matthew Greenslade	Economic Advisor
Rebecca Trafford Roberts	Social Development Advisor
Jasmine Rajbhandary	Social Development Advisor
Sangeeta Shrestha	Programme Officer
Kavinda Subba	Programme officer
Shailee Mandandhar	Programme officer
Biswo Ulak	Programme Officer
Shurya	Programme Assistant
<b>Other DFID Staff</b>	
Martin Dinham	Head EMAD
Charlotte Seymour Smith	Head Asia Division
Mark Mallalieu	Former Head of Office
David Wood	Former Head of Office
Alex Harper	Former Deputy Head
Mark Harvey	Former Infrastructure Advisor
Helen Wedgwood	Former Livelihoods Advisor
Sam Bickersteth	Former Livelihoods Advisor
Rebecca Calder	Former Social development Advisor
Frances Winter	Former Social advisor, SD Direct Consulting Co.
Michael O'Dwyer	Former Senior Health and population Advisor
Andrew Hall,	Former Economist (+ Education lead)
Chris Jackson	Former Economist
Stephen Sharples	Former Senior Governance Advisor
Frances Harper	Former Statistics Advisor
Mark Segal	Former Conflict Advisor
Mark Mallalieu	Former Head of Office
David Wood	Former Head of Office
Alex Harper	Former Deputy Head
<b>UK Embassy</b>	
Paul Bute	Deputy Ambassador
Sheba Rosier	Third Secretary
Giles Clapp	Asst. Military Attaché
<b>UNDP</b>	
Gulam Isaczai	Deputy Resident Representative
Sean Deeley	Peace & Dev advisor
Sharad Neupane	Asst. Res Rep.
Lazima Outa Dasep	Social inclusion advisor
Dan Huntington (ex RMO)	UNMIN
John Bevan	Ian Martin office

<b>Name</b>	<b>Organisation</b>
<b>WHO</b> Dr. Mohammad Akhtar	Medical officer, Tuberculosis Programme
<b>UNFPA</b> Dr Peden Pradhan	Programme Officer
<b>UNICEF</b> Hans van Mannen	Dep. Head
<b>Government</b> <u>Ministry of Finance</u> Vidyadhar Malik, Mr. Sushil Prasad Sharma Dr Madav Ghimie Bhuban Karki Rameshore Khanal  <u>NPC</u> Dr. J. C. Pokharel Dr. Shankar Sharma Bhanu Acharya  <u>Ministry of Agriculture</u> Mr. Ganesh Kumar K.C. Madhab Karkee  <u>Ministry of Forestry</u> Tirtha Raj Sharma  <u>Public Service Commission</u> Turtha Man Sakya  <u>Prime Minister's Office</u> Tana Gautam,  <u>Ministry of Health and Population</u> Mr. Ram Chandra Man Singh Dr B. R. Marasini Dr B. K. Subedi Mr. Arjun Kumar Singh  Dr Pushpa Mala Mr. Punya Prasad Neupane  <u>Ministry of Education</u> Mr. Janardan Nepal Lava Dev Awasthi  <u>Ministry of Local Development</u> Ganga Dutta Awasthi Dipendra Nath Sharma  <u>Ministry of Physical Planning and Works</u> Iswori Prasad Paudyal	Secretary (previously head of Peace Secretariat) Financial Comptroller, FCGO Joint Secretary Foreign Aid Coordination Div. Asst. Financial. Controller Acting Secretary, MOF (Rev.)  Vice Chairman, NPC Former VC, NPC Former Secretary, MOF  Secretary Chief Foreign Aid Coordination Division  Secretary  Chief Commissioner  Acting Secretary, Governance Reform Coodinations  Secretary Coordinator Health Sector Reform Unit Chief, Family Health Division Chief, Policy Planning and International Cooperation Division. TB Director Acting Secretary  Director, Department of Education Under Secretary, Donor Coordination  Joint Sec. DG. DOLIDAR  Joint Secretary
<b>Swiss Development Cooperation</b> Jorg Frieden	Head Mission
<b>Norway</b> Kikkan Haugen	Dep. Head of Mission

<b>Name</b>	<b>Organisation</b>
<b>Denmark</b> Stephan Schonemann Dr Jit Gurung Ivan Neilsen	Deputy Head of Mission HUGOU (social inclusion component) HUGOU programme coordinator
<b>GTZ</b> Thomas Labahn Dietrich Feizer, Rural Programme	Country Director Programme Manager
<b>Japanese Embassy</b> Koji Tomita	First Secretary
<b>JICA</b> Yoshio Fukuda	Deputy Head
<b>World Bank</b> Kenichi Ohashi Lyn Bennett Tashi Tenzing Surendra Joshi Roshan Bajracharya Dr. Tirtha Rana,	Country Director Social Advisor W&S Engineer Infrastructure / Transport Economist Health Advisor
<b>IMF</b> Alexander Pitt	Country Representative
<b>ADB</b> Paolo Spantigati Govinda Dhakal Noveron Chand	Officer in charge Programme Officer, Agriculture Infrastructure
<b>Finland</b> Juho Uusihakala	Counsellor Development
<b>USAID</b> Donald Clark Andrew Pryce Naren Chanmugam Anne Peniston Leila Abugheida,	Head of Mission Infrastructure General Development Health Conflict team leader
<b>SNV</b> Peter Huub	Ag. Director, (Forestry)
<b>DFID Projects</b> Jan Morrenhof Bandna Risal Umesh Pandy Cptn Bhakta Bahadur Rai Ram Risal, Adhir Sharma Gobinde Neupane Jay Lal Pukar Ojha Carol Barker Roger Weatherall Vijay Shrestha	APPSP Programme Advisor ESP Manager NEWAH Gurkha Welfare Scheme Helvetas CSP CSP Nepalgunj CSP Care CSP, Dhankula SMMP RAP LFP
Tim Holt	Risk Management Office
<b>Other Actors</b> Dr Om Gurung Chhaya Jha, Director, Kedar Khadka Timothy John Claydon Ollie Smith Durga Sob International Crisis Group Charles Haviland Rita Thapa	Leader of ethnic movement NEFIN HURDEC Project Director, Pro Public Oxfam Water Aid President FEDO, Dalit Movt. Office in Nepal BBC correspondent Nagarik Awaz

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## **ANNEX D: EVALUATION MATRIX**

**Annex D: Evaluation Matrix**

EVALUATION CRITERIA	KEY QUESTIONS	Findings and Evidence Base
<b>(Chapter 1: Introduction and Methods)</b>		
<i>Context</i> (to form Chapter 2 of report: Context: Nepal 2001-2006)		
<i>Political situation. Key events over period including factors beyond control of development partners, MDG progress (and variation by gender, rural/ urban, ethnic group etc.), Importance of aid to the country and no. of donors active in area. Key strategies/ reviews that influenced DFID's work</i>		
<i>Relevance</i> (to form Chapter 3 of report: <b>To what extent did DFID Nepal's strategic approach allow it remain relevant in a rapidly changing context?</b> )		
Overall strategy and areas/sectors selected for intervention	<ol style="list-style-type: none"> <li>1. Throughout the evaluation period and as the context evolved, did DFID have clear and focussed country/ sector strategies that explained the rationale for interventions supported? (eg options considered, analysis done, choices made and why etc.)</li> <li>2. Over the period, how far were strategies aligned with development needs and policy priorities of the country, (eg aligned with the PRSP where one available? Related to off-track MDGs? etc.)</li> <li>3. How far were strategies based on a realistic analysis of the country situation / PRS?</li> <li>4. To what extent were strategies in line with corporate priorities? (e.g in Nepal, Fragile states policy, Conditionality paper, conflict guidelines, cross-Whitehall working and relevant sector strategies)</li> <li>5. Were changes to strategies appropriate given the context or were there too many/ too few adaptations?</li> <li>6. How systematically did DFID assess the external risks (i.e. political governance, economic and fiduciary) and the internal threats to the country strategy?</li> <li>7. How comprehensive were plans to minimise the identified risks?</li> <li>8. What interventions did DFID support over the evaluation period? (did these fit with the strategic priorities?)</li> </ol>	CAP, Sector Strategies, PRSP, Govt. Strategies, DFID Policy Papers
Risk Management	<ol style="list-style-type: none"> <li>9. What mix of aid instruments was intended and how did this change over the evaluation period? Was there a sufficient balance between use of long term and shorter term instruments?</li> <li>10. To what extent did choices about aid instruments reflect the political economy and governance / conflict context of the country and DFID policy?</li> </ol>	RMO, BOGs etc. evaluations
Portfolio profile		Brief description of interventions
DFID's choice of aid instruments	<ol style="list-style-type: none"> <li>11. How did DFID approach working with: a) Government (central and local, b) civil society, c) other individual donors? (were there explicit strategies?, what was the basis of any influencing agenda?, was the balance right?)</li> <li>12. To what extent did DFID seek to strengthen harmonisation across the donor community?</li> <li>13. How well did DFID consult with and communicate its aims and objectives to development partners?</li> </ol>	IDP agreements
DFID's partnership working	<ol style="list-style-type: none"> <li>14. Did DFID have a strategy for mainstreaming cross-cutting issues such as gender, social exclusion, HIV/AIDS and environmental protection? (and was this consistent with corporate policy on these issues?)</li> </ol>	DFIDN consultation process records and Publications
DFID's approach to cross-cutting themes		Written or unwritten strategies
Level and allocation of	15. Were strategies appropriate to the level of resources anticipated?	CAP Part 3, Staffing levels &

**Annex D: Evaluation Matrix**

resources	16. How far did planned spending and use of staff time reflect strategic objectives? 17. Was geographic coverage to narrow / wide for resources available?	gaps
Results focus	18. How far were DFID's planned interventions sufficiently results-focused and monitorable? 19. How far were the results of reviews used to reconsider design/ direction of work and resourcing and staff allocation priorities?	PRISM documents
<b>II. Effectiveness and III. in a time of conflict?)</b>	<b>Efficiency (Chapter 4: How successful was DFIDN in terms of engagement in development and delivering results</b>	
Delivering on strategy	20. How far were objectives set out in strategies achieved in practice (CAP performance objectives and other strategic outcomes)? What explains any areas of divergence? 21. How effectively did the country office manage the strategic risks that emerged? To what extent did effective risk analysis allow DFID to remain engaged through the conflict?	Look in particular at period following Feb 2005 and April 2006. Take account of London/ Ministerial input. Discuss impact of RMO/ BOGs
Results	22. How far were the objectives and performance indicators for individual DFID interventions achieved (drawing on data from project reviews and PRISM scores)? 23. How did individual DFID programmes function during the conflict situation? What explains key successes and failures with regard to programme objectives? What was the role of local govt and non govt. actors?	LSA tool & SEDC
Efficiency	24. Was DFID's actual disbursement in line with expectations and plans? Were there any significant changes or delays? 25. How was staff time spent? (influencing/ policy work in Nepal, Project/ programme work, field work, corporate reporting/ activities) 26. Was the skill mix and continuity of staff appropriate to the country context and strategy?	Disbursement record  Consider staff survey and try to look at travel to the field
Aid effectiveness	27. How effective was the mix of aid instruments in achieving objectives? Were the different instruments used sufficiently complementary? 28. How effective has DFID been in pursuing its development agenda (including peace building) with partners including other parts of the UK Government, Nepali Government, Civil Society, NGOs? 29. Has DFID operated in accordance with principles of aid effectiveness? (and emerging principles of aid effectiveness in fragile states?) 30. How well has DFID communicated its results / lessons/ good practice?	To include GCPP Seek views of Maoists? Issue of neutrality during conflict
DFID's delivery on cross-cutting themes	31. How well were issues of gender, social exclusion, HIV/AIDS and environmental protection actually integrated across the programme? 32. To what extent was DFID's peace-building and social inclusion work undertaken as 'pillars' and to what extent through other aspects of the programme?	

Impact and Sustainability <b>Chapter 5: What impacts has DFIDN helped to achieve?</b>	
Outcomes and sustainability	<p>33. What is the evidence to support the view that DFIDN helped contribute to the peace building process in Nepal? ...and to what extent has the policy and Governance environment (eg accountability, action on corruption) been strengthened?</p> <p>34. What is the evidence to show that DFID has helped contribute to specific development outcomes and PRSP achievements? (PSA/ DDP/ direct project/ programme impacts and 'indirect' benefits around policy dialogue)</p> <p>35. Are the development changes or reforms supported by DFID's country programme likely to be sustained/ difficult to reverse? (to what extent has local capacity been built?)</p> <p>36. Has DFID added value through gains in aid effectiveness? Eg contributing analysis/ tools/ support on harmonisation?</p>
What lessons can DFID draw from the evaluation for informing future country, regional or corporate planning and operations?	
<b>Chapter 6: Lessons and recommendations</b>	
Strengths and weaknesses of DFID	<p>37. What are the key strengths demonstrated by the DFID office?</p> <p>38. What are the key weaknesses demonstrated by DFID?</p>
Lessons	<p>39. What lessons (from positive and negative findings) can be drawn for DFID's future work in Nepal?</p> <p>40. What lessons can be drawn more widely for DFID?</p>
Recommendations	<p>41. What recommendations can be made based on the evaluation findings</p>

## ANNEX E: TIMELINE OF MAJOR EVENTS AND DFID STAFFING IN NEPAL

### TIMELINE OF MAJOR EVENTS

Year	2001	2002	2003	2004	2005	2006	2007
<b>DFID events</b>							
<b>DFID Nepal</b>	Sept New Head DFIDN	June London conference Review of 98-02 CSP (June-Oct)	Draft CAP 2003-07	CAP published Aid framework: 2003/4 £26m 2004/5 £35m 2005/6 £47m	DFID Fragile States Paper (Jan) Programme Review Jan New Head DFIDC	3 <sup>rd</sup> White Paper on Governance Interim CAP August New Head DFIDN	March London Conference
<b>Nepal</b>	Maoists announce Prachanda Path doctrine June Royal Massacre July Maoists abduct 96 police July Ceasefire, Deuba PM Aug Peace talks - 2 rounds to Nov Nov Ceasefire ends, State of Emergency	Violence at highest levels May King dissolves Parliament July Local Govt. elections dissolved August Interpol issue red notice against Maoist leaders October PM Deuba sacked, King assumes executive power, Chand made PM	January Second Ceasefire April Peace talks May Peace talks round 2 June King appoints New PM Thapa June Violence increases August Peace talks resume September Peace talks end, Ceasefire over	June, new PM appointed	Feb, Royal Coup Nov, CA endorsed by SPA	Feb. municipality elections March/April peoples movement Apr King relinquishes power May HoR removed Kings powers, & established HoR as supreme June 8 pt agmt reached, ICDC formed Nov.	Jan Interim Constitution promulgated (2yrs duration) Mar 8 party Coalition govt formed incl. Maoists A New Ministry (Peace and Rehab) formed Minimum common programme of the government announced June Elections

**Annex E: Timeline of major events and DFID staffing in Nepal**

						Comprehensive Peace Agreement	<del>the</del> postponed
<b>Other</b>		<p>Foreign Aid Policy 2002 introduced                      April First Nepal Dev Forum held                      Country Financial Accountability Assessment (CFAA) published                      Nov RMO estab.</p>	<p>BOGs established PRSP 02-07 (May)                      WB/IMF Joint Staff Assessment approves PRSP</p>	<p>May 2<sup>nd</sup> NDF held                      August - SEDC introduced                      December Asia Tsunami</p>	<p>DAC Evaluation                      June - SEDC reviewed                      October Pakistan earthquake</p>	<p>Comprehensive Peace Agreement</p>	<p>Jan UNMIN set up                      Jan. Terai movement calling for autonomous region                      Feb. New Procurement Act enacted                      Indigenous peoples movement begins                      Mar WB makes Interim Strategy Notes Public</p>

STAFF TIMELINE: DFID NEPAL

	2000	2001	2002	2003	2004	2005	2006
<b>Directors - Asia</b>							
Martin Dinham		X X X	X X X	X X X	X X X	X X X	X X X
Charlotte Seymour-Smith							
<b>Heads –DFID Nepal</b>							
Sue Wardell	X X X	X X X	X X X	X X X	X X X	X X X	X X X
David Wood		X	X X X	X X X	X X X	X X X	X X X
Mark Mallalieu							
Bella Bird							X X
<b>Corporate Management</b>							
Alex Harper (Deputy Head)		X X X	X X X	X X X	X X X	X X X	X X X
Bob Smith (Deputy Head)		X X X	X X X	X X X	X X X	X X X	X X X
Donald Couper (Deputy Head)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Jackie Creighton (Office Mgt)							X X
David Collingwood (Finance)				X X	X X X	X X X	X X X
Jim Black (HR and office services)	X X X	X X X	X X X	X X	X X X	X X X	X X X
Mick McGill (Finance)	X X X	X X X	X X X	X X	X X X	X X X	X X X
Nita Pachhai (Office services)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Alan Reid (Finance)							X X
Sangeeta Shrestha (Programme Officer)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Pratima Ranjit (HR)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Sue McGill (Finance, Programme)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
<b>Advisers /Programme Staff</b>							
Anjaly Tamang Bista (Senior Deputy Programme Manager)	X X X	X X X	X X X	X X X	X X X	X X X	X X X
Phanindra Adhikary (Deputy Programme Manager)							X X X

**Annex E: Timeline of major events and DFID staffing in Nepal**

	2000	2001	2002	2003	2004	2005	2006
Jan Morrenhof (APPSP Programme Adviser)							
Kavinda Subba (Programme officer)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
<b>Livelihoods and Infrastructure</b>							
Sam Bickersteth (Livelihoods Adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Bettina Demby (Infrastructure adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Mark Harvey (Infrastructure adviser)		X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Helen Wedgwood (Livelihoods adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
Martin Sergeant (Livelihoods and Infrastructure Adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
Chandra Bdr Shrestha (Assistant Infrastructure Adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
Peter Neil (Livelihoods)		X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Pradeep Tulachan (Livelihoods)			X X X X	X X X X	X X X X	X X X X	X X X X
Shailendra Thakali (Livelihoods)			X X X X	X X X X	X X X X	X X X X	X X X X
Shailee Mandandhar (Programme officer)			X X X X	X X X X	X X X X	X X X X	X X X X
<b>Social Development</b>							
Rebecca Calder			X X X X	X X X X	X X X X	X X X X	X X X X
Jasmine RajBhandari			X X X X	X X X X	X X X X	X X X X	X X X X
Rebecca Trafford-Roberts			X X X X	X X X X	X X X X	X X X X	X X X X
Frances Winter			X X X X	X X X X	X X X X	X X X X	X X X X
<b>Health</b>							
Michael O'Dwyer (Senior Health and Population Adviser)	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
Susan Clapham (Health Adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
Purushottam Acharya (Health Adviser)			X X X X	X X X X	X X X X	X X X X	X X X X
<b>Education</b>							
Kevin Lillis	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X	X X X X
<b>Economics</b>							
Andrew Hall			X X X X	X X X X	X X X X	X X X X	X X X X
Matthew Greenslade							X X X X

*Annex E: Timeline of major events and DFID staffing in Nepal*

	2000	2001	2002	2003	2004	2005	2006
Nick Highton	X	X					
Chris Jackson	X	X	X	X			
<b>Governance</b>							
Stephen Sharples		X	X	X	X	X	X
Alan Whaites					X	X	X
Hirimani Ghirime					X	X	X
Biswo Ulak	X	X	X	X	X	X	X
Ian McKendry	X	X	X	X	X	X	X
Michael Lowe	X	X	X	X	X		
<b>Statistics</b>							
Frances Harper			X	X	X		
<b>Conflict</b>							
Mark Segal			X	X	X	X	X
Simon Arthy			X	X	X		
<b>Risk Management Office</b>							
Dan Huntington			X	X	X	X	X
Tim Holt							X
<b>Secondees</b>							
Lynn Bennett (World Bank)		X	X	X	X	X	X
Mark Waltham (Senior Education Adviser in Ministry)			X	X	X	X	X

## ANNEX F: MDG STATUS FOR NEPAL

**Table 1. UNDP estimate of MDG progress 2005**

**Matrix 1: Nepal's Progress towards the MDGs: Status at a Glance**

GOALS	WILL DEVELOPMENT GOAL BE REACHED				STATUS OF SUPPORTIVE ENVIRONMENT			
<b>1 A. Extreme Poverty</b> Halve the proportion of people living below the national poverty line by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>1 B. Hunger</b> Halve the proportion of people who suffer from hunger between 1990 and 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>2. Universal Primary Education</b> Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>3. Gender and Equality</b> Achieve equal access for boys and girls to primary and secondary education by 2005 and to all levels of education no later than 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>4. Child Mortality</b> Reduce under-five mortality by two-thirds by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>5. Maternal Health</b> Reduce maternal mortality ratio by three-quarters by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 A. HIV/AIDS</b> Halt and reverse the spread of HIV/AIDS by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 B. Malaria and Other Major Diseases</b> Halt and reverse the incidence of malaria and other diseases by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>6 C. Tuberculosis</b> Halt and reverse the incidence of tuberculosis by 2015	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>7 A. Environmental Sustainability</b> Reverse loss of environmental resources	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak
<b>7 B. Access to Safe Drinking Water</b> Halve the proportion of people without access to safe drinking water	Likely	Potentially	Unlikely	Lack of data	Strong	Fair	Weak but improving	Weak

Table 2. Estimated MDG Progress in 2006

Millennium Development Goal	Nepal's current position	Prospects and issues
Halve, between 1990 and 2015, the proportion of people living in extreme poverty.	As of 2003-04 the poverty headcount rate was 31 percent, down from 42 percent in 1995-96. Some progress occurred in reducing malnutrition, with the prevalence of stunting among children under three dropping 11 percent between 1996 and 2001.	Nepal needs to improve the developmental impact of remittances and jumpstart improvements in agriculture. The prevalence of stunting is still extremely high (42.7 percent). The prevalence of underweight (45-55 percent), and wasting (10-15 percent) has not fallen.
Achieve universal primary education by 2015.	The net enrollment rate of primary school-age children rose from 57 percent in 1995-96 to 72 percent in 2003-04. Youth literacy also rose, from 56 percent to 73 percent. Completion rates for primary school have risen only marginally since 1995-96.	The quality of primary education remains a concern. The system is characterized by high repetition rates, high dropout rates, and low completion rates. If current trends continue, universal education will not be attained. Although equity in education has improved, wide disparities remain across socioeconomic groups.
Make progress toward gender equity and empowering women.	The gender parity index for net enrollment (the ratio of net enrollment of girls to net enrollment of boys) increased from 70 in 1995-96 to 86 in 2003-04. Girls and women have been the biggest beneficiaries of the increase in literacy rates.	Growth in completion rates by girls has outpaced that for boys. If the trend continues, gender parity in primary education will be reached by 2010.
Reduce infant and child mortality rates by two-thirds between 1990 and 2015.	Child mortality fell 5 percent a year, falling from 118 deaths per 1,000 live births to 91, due mainly to greater coverage in immunization, and disease prevention and treatment. The infant mortality rate has been declining at a slower rate of 3.7 percent a year since the mid-1980s, dropping from 79 deaths per 1,000 live births in 1995-96 to 64 in 2001-02.	Given current trends, Nepal is likely to meet the child mortality target. Faster progress in reducing infant mortality will be needed to meet the MDG. Progress in reducing child mortality and infant mortality in the Eastern and Far-western regions has been slow and will not meet the target.
Reduce the maternal mortality rate by three-quarters between 1990 and 2015.	The maternal mortality rate remains high (539 per 100,000 live births in 1996). More than 6 out of every 10 deliveries are not assisted by skilled attendants.	The maternal mortality rate is the highest in the region. Prospects for achieving the maternal mortality MDG are unclear due to lack of comparable time series data.
Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources.	Environmental sustainability remains a problem, but drinking water and forestry initiatives indicate progress. A national sustainable development strategy is being prepared.	Deforestation remains a serious local problem in many mountain and hill areas. There are also increasing commercial pressures on biodiversity resources. Community forestry has been successful, with limited impact on fuelwood extraction.

Sources: "Nepal Living Standards Survey 2003/04," Volumes I and II, Central Bureau of Statistics, "Nepal Demographic and Health Survey 2001" and "Family Health Survey 1996," Ministry of Health, New Era, ORC Macro; Draft MDG Progress Report, National Planning Commission

## ANNEX G: OUTREACH ASSESSMENT

### Introduction

Ten of DFID Nepal's implementing partners (IPs) were asked to provide evidence of outreach. The IPs were asked: What proportion of user groups / villages supported are more than 3-4 hours walk beyond the road head or journey from district HQ? Is this proportion in line with the actual number of people living in such remote areas in the districts where you work?

In summary, the responses indicate a good level of outreach, with estimates ranging from 40% to 95%. Most claim their outreach is on a par with the proportion of the population living in remoter areas.

#### 1. Agricultural Perspective Plan Support Programme

APPSP has established a District Agriculture Development Fund (DADF) in 20 remote districts of Nepal. 3,921 small local level projects have been and are being supported through this fund. For geographical monitoring, the Village Development Committees (VDCs) in each district are being divided in three categories: A = in/near District Head Quarters, B = District Head Quarters (DHQ) surrounding VDCs, and C = Remote VDCs. The distribution of all projects was as follows:

In/near District Head Quarters	DHQ surrounding VDCs	Remote VDCs	Total
1055	946	1920	3921
27%	24%	49%	100%

#### 2. Community Support Programme (East)

Around 75% of the total projects supported by CSPr East are over 3-4 hours walking distance from the road head and most are 1 to 2 days travel from the district headquarters. The programme so far has reached 60 % of the total Village Development Committees in each programme district. Whilst we were not able to assess the exact figure, initial findings suggest that the percentage of district population reached is in proportion to the total percentage of activities in that district.

#### 3. Community Support Programme DFID.

The proportion of CSPr support projects in head quarters and remote areas in CSPr districts of Mid and Far West Nepal and its population proportion (Population ref 2001 census).

Districts	Total Population	Total initiatives funded	No. of initiatives funded in HQ and peripheral VDCs	No. of initiatives supported in remote VDCs	Proportion of projects in HQ and remote area	Population of HQ and periphery VDCs (within 3 hrs walk)	Population of remote VDCs	Proportion population in HQ, periphery and remote areas
Baitadi	234,418	54	0	54	100%	18,345	216,000	92%
Kailali	616,697	91	3	88	97%	67,447	549,250	88%
Surkhet	288,527	123	30	93	76%	56,961	231,566	75%
Dailekh	225,201	49	0	49	100%	19,446	205,755	91%
Jajarkot	134,868	36	3	33	92%	9,804	125,064	92%
Rukum	188,434	78	6	72	92%	16,304	172,130	91%
Jumla	89,427	71	7	64	90%	10,344	79,083	87%
Mugu	43,937	63	16	47	75%	5,861	38,076	85%

Note:

The average proportion of projects supported in remote VDCs is **88%**, while the average proportion of population residing remote VDCs is **87%**

#### 4. Enabling State Programme (ESP)

Out of 14 governance projects implemented under ESP, five of them are community based. It is estimated that about 55% of the community based programme have reached remote areas which are more than 3-4 hours walking distance from the road head or journey from district HQ.

Tentatively **60%** of the total district population in the project district live in such remote areas. The projects together with an indication of percentage reach are:

- SDPPP (Self Reliant Development of the poor , by the poor):80%
- CMEP (Community Mediation and Extension Project):60%
- CSACP(Civil Society Anti Corruption Project):60%
- DEIP (*Dalit* Empowerment and Inclusion Project):40%
- JEP (*Janajati* Empowerment Project) 40%

#### 5. Gurkha Welfare Scheme

For Projects from 1999 – 2006 to it is estimated that **80%** or 61,923 beneficiaries out of 77,598, are 3-4 hours beyond the roadhead.

#### 6. Helevetas

One of the working strategies of Helevetas Nepal is to reach out to communities beyond 1.5 hrs walking distance from the district headquarters and seasonal motorable road heads. This strategy has been implemented in the conflict situation since 1995 because development initiatives were increasingly being concentrated in the district headquarters, and the neighbouring areas, which were highly contested by parties in conflict, in particular the insurgents, were relatively neglected.

In 2006, 90% of 267 user groups (community bridges, small farmer managed irrigation systems, drinking water schemes) supported by Helvetas Nepal Country Programme (HNCP) were in areas more than 1.5 hour walking distance; while **75%** were from 3-4 hrs walking distance beyond the road heads and district HQs. Likewise, **65%** of 3,900 self help groups (SHGs) supported by HNCP for improved livelihood and income are over 3-4 hours walking distance beyond the road heads and district HQs.

The outreach of HNCP in remote areas can also be gleaned from the fact that 60% of 128 working VDCs of the six focal districts (e.g. Doti, Dailekh, Jajarkot, Achham, Kalilali and Kanchanpur) fall beyond 3-4 hours walking distance from the road head or journey from district HQ. The percentage coverage of working VDCs and the proportion of users groups and Self Help Groups (SHGs) are fully compatible.

#### 7. Livelihoods and Forestry Programme (LFP)

LFP does not implement field activities and interventions directly but works in partnership with various district level organisations mainly District Forest Offices (DFOs) and Non-Government Organisations (NGOs). From DFO, LFP's support reaches to all forest user groups in the districts through Range Posts and forest technicians. LFP also delivers direct and tangible support to user groups through partnership with NGOs. One of the main criteria for NGO selection has been their willingness and ability to work with remote and inaccessible communities. The following table shows the geographical reach of LFP with direct and tangible support in 15 working districts.

LFP's working areas	Percentage of user groups situated more than 3-4 hours walk from the road head by district		Percentage of user groups with LFP's direct (intensive) support through social mobilisation (in remote areas)	
	Range	Average	Range	Average
1) Seven hill districts (Koshi and Dhaulagiri)	42 – 90	<b>67</b>	60 – 100	<b>89</b>
1) Five mid-west districts (Rapti)	70-90 (Except Dang which is accessible throughout)	<b>82</b>	60-65	<b>63</b>
2) Three Terai districts (Lumbini)	All user groups are accessible except Nawalparasi in which around 25% of user groups are situated in 3-4 hours walking distance. In the Terai component, LFP's direct support is concentrated in the Terai belt and thus all user groups supported are situated in less than 3-4 hours walking distance.			

In the 12 hill districts in Koshi and Dhaulagiri areas, which are more inaccessible in terms of roads and infrastructure, LFP has reached 89 percent of all households through partner NGOs. On the other hand, in the Terai, which is relatively more accessible, only about 21 percent of district's households have been reached.

#### 8. Micro Enterprise Development Programme

MEDEP has promoted 20,032 micro-entrepreneurs (as of the end of March 2007) representing 2,506 Micro-Entrepreneurs Groups (MEGs) from the socially excluded, poor and women (women, Dalits, Indigenous Nationalities, and Unemployed Youths). Among these MEGs, 1,077 MEGs (**43%**) are located more than 3-4 hours walk beyond the road head or trail.

#### 9. Nepal Water for Health (NEWAH)

In the hills, over 95% of the projects are located more than 3-4 hours walk from the district headquarters or the nearest road head. This is the same in all hilly districts in the mid and far west regions where NEWAH is working through DFID support.

#### 10. Support to the Safe Motherhood Programme (SSMP)

In total the equity and access programme is working in about 140 VDCs and seven municipalities. More of the hill area target communities are geographically remote than in the Terai. About **60%** of the target groups in the hills are at a distance of 3-4 hours or more from the district headquarters and/or road head, whereas in the Terai only about 25% of the target communities are located in such remote areas. These VDCs have been purposively selected to ensure SSMP targets remote communities and therefore the proportion with this level of physical inaccessibility is higher than average in the selected districts.

## **ANNEX H: RURAL ACCESS PROGRAMME CASE STUDY**

**Case Study of RAP; changes made to the original design of the project, subsequent implementation and impact on client group and staff (2000 to 2006, extended to 2008).  
Prepared by Liz Kiff, Livelihoods CPE Team Member**

The Rural Access Programme (RAP) is a pro-poor road construction and livelihoods programme originally approved by DFID in November 2000 with a budget of £33.45 million. Its purpose is to improve poor peoples' access to goods, markets and services that they value in targeted hill areas. This contributes to a goal of more secure and sustainable rural livelihoods for poor and disadvantaged in the hill areas of Nepal.

Physical infrastructure is built using an environmentally cautious 'Green Road Concept' which adopts a phased approach that uses labour-based methods to gradually integrate the road into sensitive and fragile hill terrains. Construction is achieved through community contracting by Road Building Groups (RBGs) whose members are chosen from the poorest and most socially excluded. This injection of cash into the community, directly to the poorest members, is complemented with support to formation of self-help groups, which encourage productive use of new financial resources through investment in income generating activities and formation of savings and credit groups.

During the second and third years of operation, two separate additions to the programme were made, responding to opportunities created by early cease-fires and in the second case to strengthen the position of a peace negotiator, to meet expectations of a 'peace dividend'. These expansions were initiated prior to securing their funding. Slow progress and the consequent under spend in budget led managers to delay submission for the additional funds, though they had been noted as pending by DFID UK (RAP files 2002-2003).

The additional commitments comprised:

- September 2002 Additional Impact Component (AIC) comprised two district roads, additional to those originally planned and agreed, for Achham and Khotang. The AIC was financed (for quick mobilisation) from the TA consultancy budget – 'borrowing' the fees and expenses budget from future years (4, 5, 6) for the current years (1, 2). The justification for this approach was speed (RAP HO notes, 2005).
- In December 2002 Support to the Ministry of Physical Planning and Works (SMPPW) project, introduced RAP to an additional 4 districts (Pyuthan and Terhathum, Rolpa and Rukum) and committed to upgrade 2 additional Feeder Roads in Pyuthan and Terhathum Districts. This commitment was made at a meeting between senior DFID staff and the then Minister of Physical Planning and Works (PPW) who asked DFID-Nepal for assistance to his Ministry in bringing about some immediate development activities. The request was seen as strategically important because the minister was chief negotiator in the peace talks at the time. Due to the complexity of juggling of funds within the existing RAP and delays introduced by procurement procedures, it was only in February 2004 that agreement was reached on revised funding to take forward SMPPW. Activities had been started prior to this (before the need for tendering had been clarified), again using resources 'borrowed' from the on-going RAP project. Revised

funding modalities including a Managed Technical Co-operation Fund (MTCF) for direct funding on significant parts of the Feeder Roads component, as well as the AIC and the SMPPW. By this time the 'window of opportunity' offered by the cease fire had closed as the cease fire ended after 8 months.

The mid-term review (MTOPR) of 2005 warned that the project was seriously off target for delivery, both in terms of time frame (extension for two years required) and budget (an additional £25 million required to meet new commitments, overspend on original activities and TA support). The MTOPR specifically recommended reversing the decision to support work in Rolpa and Rukum (areas severely affected by the conflict). Findings triggered a fundamental review in November 2005, when the programme was refocused and management reorganised. The refocused programme is scheduled to be completed by June 2008 and has three distinct components.

- A programme managed by WSP International for DFID, working in four districts in the East (Khotang, Bhojpur, Sankhuwasabha and Terhathum). RAP is currently working on 8 District Roads (240km total) and four Feeder Roads (275km total). By March 2007 RBGs consisted of 10,414 members (RAP, 2007).
- A GTZ managed programme in the Western districts of Achham, Doti & Dailekh is funded by a mixture of DFID cash payments and rice from the World Food Programme. A total of 270 km of district roads will be completed and 20,000 rural poor and food deficit households will benefit.
- A financial contribution of £4.5 million is also included towards the cost of the Basantapur to Khandbari feeder road in eastern Nepal being built under the ADB supported Road Network Development Programme.

Refocusing has resulted in a cut of more than 50% in road length to be constructed from 1249 to 619 km (RAP, 2006) and an estimated reduction in RBG of 715, involving 13,660 households. An independent assessment of likely impact on affected households (Ferrie et al., 2006) identified the following:

- Further exploitation by money lenders
- Increased levels of migration
- Negative impact on individual earnings
- Probability of the savings and credit scheme collapsing
- Loss of opportunity for skill development
- Reduced labour market could be exploited by the Maoists
- Reduced potential to enhance local development services

Staff involved in communicating the likely curtailment of the project reported high levels of frustration and disappointment in areas where work had been stopped and some scepticism as to the relevance of the approach taken by DFID to construction. There is a growing realisation that the green roads approach is appropriate for rural roads, but that the higher specification of and urgency for feeder roads makes traditional contraction procedures more relevant for their construction (DFID and GTZ engineers).

A further staff safety assessment of the impact of curtailment of road construction identified potential risks for:

- Staff of RAP, ADB and other DFID programmes. Risk of detention is most probable – the withdrawal of some Helvetas staff demonstrated that many stakeholders (local NGO staff, RBG members, local Government officers) are willing to stop staff leaving the district, saying ‘You can’t leave unless you bring work on the roads’.
- Risk to LRCC members - mostly from irate land owners who have donated land whose productivity is now compromised.
- Risk to local NGO staff. Local NGO staff have been at the forefront of making commitments to local people and Maoists in order to run the programme. They are now at risk both from local people and Maoists for ‘breaking their commitments’.
- Legal risk. Threats have been made to RMO and the impact assessment team. It is being suggested that RAP, DDC and DFID may face legal action from those who feel they have lost money.
- Threat from Maoists. Maoists have made a clear threat that, if road-building is stopped, they will stop all DFID development in their districts, and have also stated that other donor work would also be affected.

‘In common with other development agencies, DFID relies largely on a strategy of ‘acceptance’ to work safely in Nepal. Staff and programmes are accepted and trusted by local people who mediate with Maoists and others, thereby ensuring staff safety. The proposed withdrawal is likely to break this ‘bond of trust’ between DFID development staff and communities, and our staff could not remain in the field under those circumstances’. (Huntington, D, 2006)

### **Wider impacts of the reduction by 50% of road construction under RAP.**

The impact of the findings of the fundamental review of RAP were felt in 2006/7, unfortunately coinciding with the reduction in the Aid Framework introduced by DFID London, which reduced proposed expenditure from £32 million to £30 million in 2006/7 and from £32 million to £27 million in 2007/8. If applied across the whole country programme this reduction would have been experienced as a 25% cut in proposed budget. However, talking with individual project managers in the health, water, infrastructure and livelihoods sectors it would appear that cuts were closer to 30-40% of that proposed. While every effort was made to reduce the negative impacts of these cuts (a subject covered elsewhere), it would appear that RAP did not take its ‘fair share’ of these cuts, because it was already having to deal with a huge reduction in planned activities due to the ‘funding hole’ created by additional commitments for which funds were never secured. **Effectively the issue of expanding RAP without secured funding was now impacting across all Nepal country projects and programmes.**

‘The resources needed to complete the exit strategy from RAP in 06/7 and 07/8 will far exceed current forecast expenditure. The annual allocations will need to be closer to £8m / yr, (the current allocations are £5m in 06/7 and £3m in 07/8)’ Minute from Bob Smith to Mark Mallalieu 2/3/06.

**In fact in 2006/07 RAP expenditure was £6.7m**

### **Key Lessons from the RAP experience and suggestions for the future**

1. The MPPW was not a suitable ministry to ‘bring about some immediate development activities’ in rural areas for the benefit of poor people. MPPW covers Departments of Roads,

Housing and Urban Development and Water Supply and Sewerage<sup>2</sup> – none of them suitable vehicles for quick impact projects in conflict affected areas.

2. Careful selection of interventions and implementation through existing implementers can bring improved services and more immediate development activities, as demonstrated by the expansion of RCIW and CSP.

3. Road and infrastructure development, particularly roads, are long-term investments that have long lead in times and high start-up costs. Cost of early withdrawal is also high, particularly for communities and individuals who have lost land to the development, but not seen any benefit in terms of improved connectivity from the sacrifice. Consequently, roads should be planned for implementation over a longer time frame, with phased implementation but strong commitment to completion. Flexibility can be introduced through rate of implementation. This is particularly relevant to the intermittent nature of open conflict in Nepal at present. With such a structure, advantage can be taken of ‘peace windows’, for increasing work intensity. Activity can then be reduced at other times.

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<sup>2</sup> MPPW oversee little pro-poor infrastructure. Even though they cover water supply and sanitation through DWSS, the department is known to be less than effective and their mandate is larger settlements, complex schemes and small towns. DFID has never been close to working with them, preferring to support RWSSFDB, an autonomous body that reports to MPPW.

## ANNEX I : EFFECT OF FUNDING CUTS ON DFID PROGRAMMES

### Introduction

Eleven of DFID Nepal's implementing partners were asked to provide evidence to the CPE mission of the effects of programme funding cuts experienced in 2005-7. The respondents were asked: 'What were the reductions in funding experienced in 2005-6 (or earlier) - actual amounts received versus agreed earlier, and what was the consequence in terms of number of groups or beneficiaries?'

#### 1. Agricultural Perspective Plan Support Programme

Year	Original Budget (£)		Expenditure (£)	
	FA	TC	FA	TC
2005-2006	1,805,000	818,000	1,449,094	699,236
2006-2007	1,805,000	818,000	1,224,918	773,277

#### 2. Community Support Programme East

No serious setback reported.

#### 3. Community Support Programme West

Year	Original Budget (£)		Expenditure (£)	
	FA	TC	FA	TC
2005-2006	30% cut			
2006-2007	950,920		639,560	

DFID informed CSPr in April 2006. The planning process of every district starts in Feb - March for the coming fiscal year in the government system. Some of the effects were:

- CSPr was not able to address community demands as the budget was reduced
- During the peace process communities from remote areas had been able to demand support but with the budget limitation CSPr was not in a position to support as expected.
- Some communities blamed CSP, saying that during the Kings regime CSPr was fully supportive but questioning why, once peace started, CSPr was not increasing support.

#### 4. Enabling State Programme

ESP projects	Consequences
SDPPP Amount committed for FY 2006/07 -£700,000 Actual amount received - £130,000	Project staffing was reduced by 60% and the project structure both at the centre and at field level was reviewed. No programme budget. Programme support limited to only sustain the project outputs and help to reach logical conclusion of on going activities.
CSACP Amount committed FY 2006/07- £360,000 Actual amount received -	The progress of the project was affected due to a cut of more than 50% in the budget and associated programme activities, Restructuring of the project was carried out to adjust the

**Annex I : Effect of Funding Cuts on DFID Programmes**

£250,000	budget which had an impact on the smooth operation of the advocacy campaign and on effective monitoring of the project activities.
JEP Amount Committed - £650,000 Amount Received - £300,000	All new activities including the livelihoods and education programmes for highly marginalised ethnic groups were put on hold. The only exceptions were the urgent political awareness programmes, which were prioritised by ethnic groups in the changed political context.

**5. Helvetas**

The originally agreed resource allocation under the Strategic Partnership Agreement (SPA) (which took a year to prepare) between DFID and Helvetas Nepal was £7.5 million for three years (2006-2008) at the rate of 2.5 million per year. The actual allocation under the SPA has been only £5.4 million for three years. The breakdown is shown in the Table below. The reduction in allocation is significant in 2007 and 2008.

Year	Original Budget	Revised Actual
2005-2006	£2.5m	2.0m
2006-2007	£2.5m	1.7m
2007-2008	£2.5m	1.7m

The consequences were/are:

- Reduction in number of supported Drinking Water Schemes from 50 to 40 per year; i.e. a reduction of beneficiaries served, by 500 households per year.
- Outreach of households through agriculture extension support services reduced from 33,000 to 23,000 per year.
- Reduction in number of people trained and employed by 5,000 per year and number of micro enterprises developed by 500 per year.
- Reduction in number of community bridges supported from 200 to 150 per year; i.e. 6,000 additional people per year will not have increased access.
- Closing of Terathum Programme in 2006. Closing of Water Resources Management Programme in Western Region in March 2007. Closing of Local Initiative Support Programme in Palpa by December 2007. Scaling down of programme components (e.g. promotion, sustainable harvesting and marketing of non timber forest products) and expansion of outreach in Linking Local Initiative to New Know How programme districts

**6. Micro Enterprise Development Programme**

No impact reported – programme coming to an end.

**7. Nepal Water for Health**

NEWAH had proposed around £1 million to DFID for the fiscal year 2005/06 but only £650,000 had been approved thereby reducing the number of beneficiaries by nearly 10,000. This was further reduced to £600,000 in 2006/07.

**8. Support to the Safe Motherhood Programme**

In 2005/06 £1.8 million was planned, but only £1.1 million released, as a result of capping. As it was released very late, at the end of the spending period, it was only possible to spend 75% of the £1.1 million, making the loss even greater. For TC, £1.6 million was proposed for implementation, but only £727,000 released.

**9. Rural Access Programme**

The following information is supplied by the RAP programme manager but covers the eastern zone only, as GTZ manages the western zone.

Information on closed/downsized/approach changed corridors after fundamental review

Corridor	RBGs	Members	Saving at closure	Status at closure	Remarks
<b>1. Cut down projects</b>					
<b>1.1 Groups formed, construction and EPIs administered'</b>					
Bhojur-Ghodetar	94	1833	1350077	Construction started, EPIs administered	14 RBGs working in Bhojpur-Airport section (excluding 94)
Hile Bhanjyanbg Dingla	75	1457	851380	Construction started, EPIs administered	
Chainpur- Barabise	54	1010	867209	Construction started, EPIs administered	
Bhalubang-Pyuthan district road	68	1258	1651568	Construction started, EPIs administered	
<b>sub-total</b>	<b>291</b>	<b>5558</b>	<b>4720234</b>		
<b>1.2 Groups formed; no construction and other activities under EPIs</b>					
Diktel-Khotang bazaar	112	2208		RBG formed, No other activities under EPIS	
Lamidanda Aiselukharka	85	1616		RBG formed, No other activities under EPIS	
<b>sub-total</b>	<b>197</b>	<b>3824</b>	<b>0</b>		
<b>2. Downsized projects</b>					
Basantapur-Mayanglung Feeder road	52	988	739201	Project downsized 50% to spot improvements only; RBG's work reduced significantly	
Myanglung Sankranttee district road	104	1953		RBG formed, construction not started; Project downsized to 2 m track opening; work for RBGs significantly reduced	42 RBGs yet to be formed to open the newly designed part of this road.
<b>sub-total</b>	<b>156</b>	<b>2941</b>	<b>739201</b>		
<b>3. Approach changed (Contractors introduced)</b>					
Basantapur-Khandbari Feeder road	71	1337	358532	Construction started (26 RBGs worked), EPIs administered; Contractors introduced; no work for RBG	Partly funded by RAP, managed by ADB
<b>sub-total</b>	<b>71</b>	<b>1337</b>	<b>358532</b>		
<b>Total</b>	<b>715</b>	<b>13660</b>	<b>5817967</b>		

**10. Gurkha Welfare Scheme**

**Rural Water & Sanitation Programme**

The budget was reduced from £1.19 million in 2005 to £0.9 million in 2006, which affected the number of schemes undertaken and the number of beneficiaries reached. It also impacted on the organisation, particularly on planning and staffing. Community perceptions of the project have become less positive since the project has had to renege on original commitments.

**11. Livelihoods and Forestry Programme (LFP)**

LFP experienced budget cuts in 2005-2006. The earlier planned budget was around £2.3 million and actual amount received was about £1.9 million. LFP faced a number of challenges that affected its effectiveness in reaching and benefiting the communities.

One of the major challenges was re-prioritisation of activities that were already committed to the communities and partners. Because of the political change and Comprehensive Peace Agreement (CPA) in April 2006, rural communities had high levels of expectation and the demand for services and support was at a peak. The improved security situation meant that

### ***Annex I : Effect of Funding Cuts on DFID Programmes***

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LFP and partners (basically DOF) were in position to reach the geographically isolated and more conflict hit communities. Budget cuts, resulting in the reprioritisation of field level activities, meant LFP could not respond to the increasing expectations and demands of communities and partners. This had negative implications for effectively reaching and benefiting the poor and excluded. In addition, the budget cuts resulted in LFP being unable to meet their commitments which led to misunderstandings and resulted in a reduction in the partners' trust.

## ANNEX J : RESULTS FROM ONLINE DFID STAFF SURVEY

Results from an online survey of DFID Advisors and Programme Staff conducted by the CPE team in the week of 7-11<sup>th</sup> May 2007. The response rate was 11 out of 23 advisor and programme staff, or around 50%. The results should therefore be treated with caution. The personal information presented in Tables 1-5 is not necessarily representative of the whole office, but allows the later responses to be placed in context.

Table 1. Are you UK- based or SAIC? If SAIC from what Region in Nepal are you from?

		Response Percent	Response Total
UK-based		27.3%	3
SAIC - Far West		0%	0
SAIC - Mid West		0%	0
SAIC - West		0%	0
<b>SAIC - Central</b>		<b>45.5%</b>	<b>5</b>
SAIC - Eastern		27.3%	3
<b>Total Respondents</b>			<b>11</b>

Table 2. Gender

		Response Percent	Response Total
<b>Male</b>		<b>72.7%</b>	<b>8</b>
Female		27.3%	3
<b>Total Respondents</b>			<b>11</b>

Table 3. What is your grade?

		Response Percent	Response Total
A1		27.3%	3
A2		18.2%	2
A3		0%	0
B1		18.2%	2
<b>B2</b>		<b>36.4%</b>	<b>4</b>

*Annex J : Results from Online DFID Staff Survey*

B3		0%	0
Other (please specify)		0%	0
<b>Total Respondents</b>			<b>11</b>

Table 4. For UK-based staff, how is your working knowledge of Nepali?

	<b>Fluent</b>	<b>Reasonable working knowledge</b>	<b>Basic</b>	<b>Response Average</b>
Nepali fluency	33% (1)	0% (0)	<b>67% (2)</b>	<b>2.33</b>
<b>Total Respondents</b>				<b>3</b>

Table 5. For Nepali staff, what is your ethnic and caste affiliation?

	<b>Response Percent</b>	<b>Response Total</b>
<b>Brahmin / Chetri</b>	<b>37.5%</b>	<b>3</b>
Madhesi	0%	0
<b>Newar</b>	<b>37.5%</b>	<b>3</b>
Janajati	25%	2
Muslim	0%	0
Dalit	0%	0
Other	0%	0
<b>Total Respondents</b>		<b>8</b>

**Analysis of Use of Working Time**

Table 6. What % of your time is spent over the last year in each the following locations? (Your total must add to 100)

	<b>Response Total</b>	<b>Response Average</b>
Kathmandu	<b>948</b>	<b>86.18</b>
Rest of Nepal	88	8.00
Abroad	64	8.00
<b>Total Respondents</b>		<b>11</b>

Table 7. What % of your working time over the past year has been spent on the following ten activities? (Your total must add to 100)

		Response Total	Response Average
1. Policy / Strategy analysis		93	13.29
2. Programme mgt / reporting		194	21.56
3. Routine administration		<b>270</b>	<b>27.00</b>
4. Internal Office Meetings		160	16.00
5. Training		43	4.30
6. Meetings with Donors		56	5.60
7. Meetings with Govt		63	6.30
8. Meetings with NGOs, CSOs		70	7.00
9. Field trips		38	4.75
10. Work trips abroad		13	2.17
<b>Total Respondents</b>		<b>10</b>	

Table 8. Do you have enough time in your work to...

	Adequate time	Not enough time	Response Total
Analyse and discuss programme strategy / policy	40% (4)	<b>60% (6)</b>	<b>10</b>
Visit the field	9% (1)	<b>91% (10)</b>	<b>11</b>
Prepare reports of good quality	45% (5)	<b>55% (6)</b>	<b>11</b>
Understand DFID's policies and corporate rules	<b>64% (7)</b>	36% (4)	<b>11</b>
Follow staff safety / security rules correctly	<b>64% (7)</b>	36% (4)	<b>11</b>
Maintain a balance between work and family	<b>55% (6)</b>	45% (5)	<b>11</b>
<b>Total Respondents</b>			<b>11</b>

Table 9. To what extent would you agree or disagree with the following statements about DFID Nepal :

	Strongly Agree	Agree	Neither agree or disagree	Disagree	Strongly Disagree	Response Average
Staff knowledge of conflict and post conflict issues is adequate	9% (1)	<b>64% (7)</b>	9% (1)	9% (1)	9% (1)	<b>2.45</b>
The strategy to strengthen skills of SAIC staff is effective	0% (0)	18% (2)	18% (2)	<b>55% (6)</b>	9% (1)	<b>3.55</b>
SEDC has been an effective tool for working in conflict	9% (1)	<b>64% (7)</b>	27% (3)	0% (0)	0% (0)	<b>2.18</b>
DFID is seen as a predictable development partner	0% (0)	9% (1)	18% (2)	<b>55% (6)</b>	18% (2)	<b>3.82</b>
Social inclusion is adequately mainstreamed into DFID's programme	0% (0)	18% (2)	<b>55% (6)</b>	27% (3)	0% (0)	<b>3.09</b>
HIV/AIDS is adequately addressed in DFID's programme	9% (1)	27% (3)	<b>36% (4)</b>	27% (3)	0% (0)	<b>2.82</b>
It is safe to speak up and challenge the way things are done in DFID	0% (0)	<b>36% (4)</b>	9% (1)	<b>36% (4)</b>	18% (2)	<b>3.36</b>
The pressure of work is acceptable and does not induce unnecessary stress	0% (0)	<b>40% (4)</b>	10% (1)	30% (3)	20% (2)	<b>3.30</b>
<b>Total Respondents</b>						<b>11</b>

Table 10. Do you have any general comments about the way the CPE work has been conducted, and how it could be improved in future?

<b>1.</b>	No
<b>2.</b>	The work was conducted well with the team being flexible and sensitive of the staff's time requirements.
<b>3.</b>	Time is too short. Five year evaluation within three weeks is not supposed to give quality result
<b>4.</b>	This is the first time I have experienced CPE. However the way this has been approached seems good. I find that CPE is doing a lot of interviewing rather than looking more for hard evidence. I mean this could be made more proportionate. the good thing about CPE is about lesson learning, and I am sure people will be as open as possible.
<b>5.</b>	would have been good to have more interaction and engagement, to have the team float some of their thinking and get feedback and comments.
<b>6.</b>	No
<b>7.</b>	I have not been interviewed by CPE team but to see the way are conducting consultative meetings seems an excellent team and know what they are doing and the outcome should be a fair, constructive and transparent. And hope this will give a clear direction to the DFID where it should head to and both positive and negative impact on programme. Long Live DFID !!





## DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

DFID, the Department for International Development: leading the British Government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution and diseases such as HIV and AIDS – are caused or made worse by poverty.

DFID supports long-term programmes to help tackle the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV & AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of some £5.3 billion in 2006/07. Its headquarters are in London and East Kilbride, near Glasgow.

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