

Evaluation of DFID Country Programmes: Nepal, 2001-2006

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Introduction

1 This Country Programme Evaluation (CPE) of DFID’s programme in Nepal assesses the relevance and effectiveness of DFID’s aid budget over the period 2001-06. This evaluation is the first CPE to look at development performance within the context of a fragile state experiencing a major conflict.

Context

2 Nepal has experienced a traumatic period of conflict and political turmoil since 1996, driven by the struggle between the Nepalese Government and a Maoist rebel movement. Underlying the conflict are deep-seated poverty, uneven development, poor governance and intransigent power structures allied with discrimination and patronage. Despite failing state institutions, Nepal has nevertheless seen a decline in poverty incidence from 42% to 31% and steady progress towards achieving most of the MDGs in the past 10 years. Urbanisation, remittances and rising wages have contributed to this trend, as have consistent support for basic services by the donor community, of which DFID is a leading player.

3 60% of Nepal’s development budget is donor-financed, and much of the aid is in the form of projects. DFID provided approximately £140 million from 2001-05 (12% of all assistance). This has been mainly through financial aid and technical cooperation; budget support represents only 9% of total DFID expenditure. Much of DFID’s assistance has been sole-funded and channelled through a range of Government and non-government implementing partners.

DFID’s Impact

4 The CPE team judges that DFID’s contribution to Nepal’s progress can be recognised in two areas: contributing to the peacebuilding process, and delivering development outcomes. For peacebuilding, DFID firstly has been influential in keeping Nepal’s conflict on the international agenda, through supporting conferences and sharing analysis to improve the International Community’s understanding and response. DFID has been instrumental in evolving conflict-sensitive approaches to allow development work to continue in conflict-affected areas, and the guidelines that it helped to produce have been widely adopted. DFID’s monitoring of risk has

been good, but it has been less effective in assessing how well development responses have addressed structural dimensions of conflict.

5 In terms of development impact, DFID and its implementing partners have achieved a wide level of outreach and delivery of benefits despite the difficult security situation. In areas such as livelihoods, forestry, rural roads, water and sanitation, health and education, services have reached rural populations in 74 of the 75 districts in Nepal, over half of whom live in remote locations, over 3 hours from the nearest road. While outputs and beneficiary reach are captured routinely by implementing partners, the contribution of these improvements to living conditions and incomes are less well measured, and it is hard to link DFID's programme directly with the positive development changes that have occurred in Nepal. It is likely though that DFID's evident contribution to sustaining local services and empowering communities to manage their development have had a positive effect on the observed growth trajectory.

Relevance

6 The DFID programme, in adjusting to a politically volatile and insecure environment, has been characterized by frequent changes in strategy, a highly projectised approach and largely bilateral and stand alone funding. This picture may be out of line with corporate priorities, but was an effective response given the difficult circumstances that DFID Nepal faced over the period. DFID's country strategy and spending plans in 2002 were ambitious given the uncertain environment and an expected reduction in staffing. Subsequent reviews and emergency needs in the region reduced funding unexpectedly, and led to 25% cuts in 2005-6. 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.

Effectiveness

7 Overall delivery has been good, with 58% of rated interventions achieving most

of their objectives. Vertical programmes with established delivery mechanisms, as well as quick impact interventions, performed relatively well in a fragile state environment. More ambitious sector reforms in health and education evolved slowly where Government leadership was weak and services affected by conflict, but nevertheless important progress has been made.

8 DFID's ambitions to address the critical underlying causes of poverty have proved less tractable, particularly in improving governance and reducing social exclusion. While DFID has helped to increase understanding, these issues require longer term transformation that reaches to the heart of Nepal's social and political fabric. Conflict-sensitive approaches have emerged, and are widely recognised as groundbreaking. Efforts to address peacebuilding have not always been appropriate, although there were exceptions such as in the decision to expand road construction in 2002-03 when capacity constraints were known to exist and funding was unapproved.

9 DFID's efforts to improve harmonisation have been constrained in a donor environment that was generally disjointed, where conflict has caused differences of approach and disrupted ongoing coordination, and where the Government has not taken a sufficiently strong lead. The wide geographical coverage of the programme has been impressive and justified by the absence of effective Government services, but coordination has been difficult because of DFID's many partners, its vertical programming and lack of staff field exposure.

Lessons and Recommendations

10 The evaluation has noted several **strengths** of DFID's work in Nepal: its early alignment with national processes and then its leadership in addressing conflict, its consistency in pursuing sector wide funding and its innovative approaches particularly in risk management, maternal health and

community empowerment. In terms of **weaknesses**, there was a lack of focus on learning from project and field experiences to feed into policy and strategy development, and poor aid predictability towards the latter part of the review period.

11 Major lessons drawn from the Nepal experience are:

- The window for **supporting peace processes** is almost always short, so DFID's actions need to produce results quickly and with few bureaucratic procedures. DFID should avoid more complex development approaches and inefficient partners when taking advantage of peacebuilding windows. All risks need to be assessed in terms of the potential harm to poor communities and the use of the 'do no harm' principle.
- 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. Yet it is also important to ensure that the vulnerable are protected and key MDGs met through a balanced strategy that allows critical interventions to be delivered through directly funded, vertical channels.
- **Development programmes** can address the consequences of conflict on poor communities by the adoption of a semi-humanitarian approach – with targeted, quick delivery and tangible outputs. Project approaches provide a flexible and innovative way to operate not only in fragile contexts but also in situations of armed conflict.
- DFID management should appreciate 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.
- 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 is one that others working in a conflict setting can usefully draw on.

12 Recommendations for DFID include the following:

- DFID Nepal employed a range of modalities and developed innovative approaches to enable development to be safely delivered in conflict-affected areas. The programme should be considered a key **learning model** for DFID's evolving approach to working in fragile states. DFID's valuable experience should be built into a **set of best practice lessons** and communicated within Nepal at policy fora as well as disseminated more widely to the region and beyond through relevant channels within DFID and with other donors.
- In order to provide better guidance around constraints as well as opportunities, **Nepal's experience in using development programmes to contribute towards peacebuilding** should also be documented and disseminated further.
- 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.
- In planning the future Nepal programme, care should be taken to avoid an **over-enthusiastic alignment agenda** in a context where legitimate power structures are missing and systems of patronage and weak governance are still in place. DFID's programme needs to balance 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 further **mainstreaming social inclusion** DFID should build further on the context-specific strategies proposed in the Social Inclusion Action Plan. For this, Livelihoods and Social Inclusion monitoring should be strengthened and made mandatory, and merged with the Safe and Effective Development in Conflict guidance.

- Given the broad coverage and use of different implementing partners for delivery, DFID Nepal should find ways to **build greater synergy** between implementing partners in the same districts, and between complementary programmes.
- DFID Nepal should move further ahead on the **representation of national staff** in programme and policy development and continue efforts to **build diversity**.

Management Response

DFID Nepal welcomes this evaluation which captures well the political and social turbulence faced over the evaluation period. Nepal is now in transition and huge challenges remain if peace is to be sustained and political stability achieved. We will use the CPE recommendations to inform further strategic planning and note the review team's caution to avoid an over-enthusiastic alignment agenda. We plan to continue using a mix of aid instruments, including sector support, parallel funding, and multi donor trust funds. The interim CAP states that if peace is sustained we will increase the proportion of aid flowing through government systems, using this to lever better services for poor and excluded groups.

Predictability of aid has been rightly recognised as a key learning point. DFID needs to improve budgeting and build in to its resource allocation systems the ability to respond quickly to the volatility of fragile states. We are pleased to note the positive comments on risk assessment and management systems and the endorsement of our decisions to remain engaged in sector support within a fragile state environment.

We believe programme design decisions aimed at supporting a sustainable peace were largely successful and the observation that there was an inappropriate response is too narrow. We agree broadly with the comments on the Rural Access Programme but feel there is insufficient recognition of more positive initiatives e.g the Community Support Programme and other quick impact programmes.

DFID Nepal will put increased emphasis on demonstrating and communicating the impact of our work. We are disappointed the CPE did not do more to assess the impact of specific elements of the programme, for example, assessing the attribution of recent data showing maternal mortality has halved to the Safer Motherhood Programme.

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