



Department  
for International  
Development

# **Operational Plan 2011-2016**

## **DFID Nepal**

Updated December 2014



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## Introduction

In 2013 the UK became the first G7 country to meet the United Nations target of spending 0.7% of gross national income on international development. The Department for International Development (DFID) uses that investment to help countries to lift themselves out of poverty and leave poverty behind. Operational plans set out to the public how we plan to deliver results across policy areas and for every country we work in. These plans clearly explain why, and how, DFID is targeting its resources and what we expect to achieve; covering the period up until March 2016.

DFID is focused on spending in the right ways, on the right things, in the right places. The portfolio of our projects is already shifting to deliver a more coherent, focused and ambitious approach to economic development. We are helping to build strong and investable business environments in developing countries and improving access to finance for entrepreneurs.

Improving the prospects for girls and women in developing countries is a priority. Investing in girls and women is the smart thing to do, as well as the right thing to do. By unleashing their potential, we see returns for girls and women themselves, their families and communities, and for their economies and countries. No country can successfully develop if it leaves half its population behind.

Life-saving humanitarian assistance remains one of DFID's most fundamental responsibilities. When disaster strikes or conflict erupts we are first on the ground to support the most vulnerable people. We are also increasing our efforts to help those countries that are at higher risk of natural disasters to become more resilient in the first place.

DFID continues to drive value for money in everything we do on behalf of the British taxpayer. We have improved our procurement and programme management, increased our internal audit oversight and we are ensuring that staff have the skills to deliver the Department's priorities.

On the international stage we are working hard to agree a new set of global development goals to replace the Millennium Development Goals when they expire next year. We are determined to secure a clear and inspiring set of goals for the post 2015 development framework that leave no one behind.

Increasingly we will take new and innovative approaches and we will work with new partners. This will include businesses who are increasingly major development players. During the Secretary of State's time as co-chair of the Global Partnership for Effective Development Cooperation, DFID played a key role in encouraging different development actors to work together and use internationally agreed principles for aid and development effectiveness.

As our operational plans set out, our approach to international development is ambitious and innovative. We are determined to ensure that every pound DFID spends has the biggest possible impact on the ground. Ultimately by investing in developing countries, we can end aid dependency for good and build a better, more prosperous world for us all.

## Context

**Nepal is the second poorest country in Asia (GNI/Capita, 2010). Only Afghanistan is poorer.** 40% of under-fives are stunted and a quarter are underweight and one in 22 children do not survive to their first birthday.

**However, poverty levels have fallen significantly in recent years:** from 41.2% of the population living on less than \$1.25/day in 1995 to 24.8 % by 2010. This is largely due to remittance flows and so is vulnerable to the global economic situation. Almost half of Nepali families rely on incomes from abroad.

As poverty rates have fallen, **regional inequalities have become increasingly stark**, with clear pockets of poverty in the remote Western Hills and Mountains. However, most poor people live in the densely populated plains that border India in the south.

**There has been remarkable progress** in health (on track to meet the MDGs), forestry (reaching 40% cover), and education (increased enrolment) as well as Government financial commitment to social protection.

**This has been possible since the 10 year civil war ended in 2006.** The move towards democratic reforms is slow, but positive. The second Constituent Assembly elections were held in November 2013 and were credible with high turn-out. **A return to full-scale war is unlikely**, but regional and social identities are potential triggers for sub-national conflict.

**The Nepal state is highly centralised, with weak accountability.** The civil service functions – it raises revenues, manages the macro economy, provides basic services; but it lacks capacity, and is politicised and corrupt. State capacity to implement reforms and promote much needed coordination between the different levels of government is undermined by political impasse.

**Nepal has struggled to fulfil its economic growth potential in recent years.** The domestic economy is characterised by low productivity and under investment from the private sector resulting from political instability, corruption, poor infrastructure, and insufficient political attention to economic policy. The lack of domestic opportunities has dramatically increased labour migration.

**Inequality remains a major challenge:** only 6% of women are in formal employment, and only 10% of working women receive payment for their work. Exclusion is not just confined to income poverty: 64% of out-of-school children are from disadvantaged families. The poorest women have less access to health care facilities. Net enrolment rates in secondary school are 57% for the richest but just 8% for the poorest. Which family you are born into matters.

**The poor are also highly vulnerable to climate change and natural hazards.** As monsoon patterns change, 10 million poor farmers are at greater risk from droughts, flooding and food insecurity in the 4th most climate vulnerable country in the world.

**Nepal is highly exposed to earthquakes**, with the capital Kathmandu identified as the world's most at risk city. Vulnerability to a major earthquake is compounded by the country's inaccessibility and the weakness of national response systems.

**Nepal is also important for the wider region**, where it has a critical role to play in trade and wealth creation, as a transit route between India and China. Nepal is also regionally important for responses to climate change and energy security, as the source of rivers that support 700 million people and a potential supplier of clean hydro-power to the region.

**The UK's support to Nepal** recognises the need to support improved stability and government capacity if progress on poverty, vulnerability reduction and economic development is to be achieved. We also need to deliver tangible changes and economic opportunities for the poor, vulnerable and excluded to reduce the likelihood of a return to conflict.

**The three UK departments in Nepal - DFID, the Ministry of Defence (MoD) and the Foreign and Commonwealth Office (FCO)** work very closely to ensure a coherent approach through implementation of a joint HMG Business Plan. Plans to make the UK's work more efficient by sharing services and co-locating are underway.

# Vision

## Overview

UK development support to Nepal has the single goal of reducing poverty.

DFID currently supports the government and people of Nepal across a broad range of areas. A number of multi-year programmes will continue as part of this Operational Plan including in justice and security; strengthening government capacity; social protection; job creation and private sector-led growth; access to financial services; and rural infrastructure.

Following analysis undertaken by DFID Nepal in 2013/14, we will scale-up support to accelerating economic growth and our focus on marginalised groups. Our work will cut across three broad areas:

- i) **Harnessing opportunities for transformational change** by: a) **unblocking barriers to growth** in key sectors like hydro-power, infrastructure, agriculture and the stability of the banking sector; b) **strengthening public sector governance** through improvements in financial management and statistical capacity, and also by supporting improved management in economic policy, transportation planning, climate change, forestry and local governance.
- ii) **Delivering immediate benefits for poor people** by: a) **Providing Jobs** and other economic opportunities for poor people by focusing on strengthening access to financial services and products, market development, and job-based skills training; b) **strengthening quality service delivery** by strengthening local governance, delivering improved health outcomes and improving security and access to justice, including combating violence against women and girls.
- iii) **Safeguarding Nepal's future from future shocks and stresses** by helping to strengthen the policy and implementation of climate change adaptation approaches at the local level and supporting disaster risk reduction and strengthening local disaster management capacity.

Sectoral programmes will be underpinned by support to strengthening the evidence base, improving monitoring capacity, continuing to support the transition to peace and focusing on women and girls.

This Operational Plan seeks to use available evidence and experience from past programme implementation to ensure we are targeting the poorest and most vulnerable and addressing barriers constraining pro-poor development and wealth creation. Our approach is informed by internationally agreed aid effectiveness principles and risk-management approaches. This ensures that we can respond flexibly to rapidly developing political events and still deliver development outcomes for the poorest. DFID Nepal will demonstrate results and value for money for the UK taxpayers and the people of Nepal.

## Alignment to DFID and wider UK Government priorities

The UK is seen as a trusted partner and a long-standing friend of Nepal. During this Operational Plan period the UK and Nepal will celebrate 200 years of partnership. We work closely with the UK Embassy in Kathmandu on many issues, making best use of our complementary roles and capacity. We will lead on development issues for the UK providing leadership and technical expertise in key sectors, working closely with the government and other development partners to support political stability and reduce poverty. The Operational Plan fully supports the UK Government's Structural Reform Plan priorities. Specifically, it will increase our focus on governance and security, supporting health (maternal and child mortality), inclusive wealth creation, the UK Prosperity agenda and measures to address climate change and increase disaster resilience. Our work has a strong focus on delivering tangible improvements for girls and women, for example prioritising women in our private sector development work and tackling gender based violence.

## What we will stop doing

This Operational Plan reflects Nepal's needs and the UK Government's areas of strength. We will be responsibly withdrawing from the formal education sector as current commitments run out in 2015 and other donors move in.

## Results 2011/12-2015/16

**Headline results** (those with a \* directly attributable to DFID. In all other cases, DFID is contributing to the results)

Pillar/Strategic	Indicator	Baseline	Progress towards results (all results up to and including 2013/14 unless otherwise stated)	Expected (by March 2015)	Expected (by March 2016)
Economic Development (including wealth creation) Girls and Women	<b>Number of direct jobs created with DFID's support*</b>	0	180,000 jobs (of which 80,000 women)	<b>230,000 by 2015</b> (115,000 for women & 115,000 for men)	60,000
Economic Development (including wealth creation) Girls and Women	<b>Length of roads built, upgraded, maintained or rehabilitated with DFID support*</b>	0	4,200km	<b>4232 kilometres by 2015</b>	600 kilometres
Climate Change/Disaster Risk Reduction Girls and Women	<b>Number of people with increased climate and disaster resilience*</b>	0	3.3m people (of which 1.7m women)	<b>4 million by 2015</b> (2.19 million women & 1.81 million men)	665,000 people
Climate Change/Wealth Creation Girls and Women	<b>Number of poor and excluded people with improved livelihoods through DFID's forestry work*</b>	0	490,000 people (of which 250,000 women)	<b>570,000 by 2015</b> (313,500 women & 256,500 men)	TBC
Governance & Security Girls and Women	<b>Number of people who vote in elections supported by DFID</b>	0	9.7m people (of which 4.9m women)	<b>7 million by 2015</b> (3.57 million women & 3.43 million men)	N/A
Governance & Security	<b>Percentage of local government projects for which public audits conducted</b>	<b>78% in 2009</b>	70%	<b>80% by 2015</b>	85%
Health Girls and Women	<b>Additional number of unwanted pregnancies averted through DFID funding*</b>	0	80,000 unwanted pregnancies averted	<b>400,000 by 2015</b>	TBC
Water and Sanitation Girls and Women	<b>Additional number of people who benefit from safe latrines*</b>	0	360,000 people (of which 180,000 women)	<b>250,000 by 2015</b> (127,500 women & 122,500 men)	40,000 people

## Headline Results

### Governance and Service Delivery

Through our Local Governance Support programme, we will ensure local governments are more capable to deliver public services, with direct benefits to millions of families over the programme's lifetime. These improved public services at the local level will include: giving citizenship certificates and paying pensions; delivering local infrastructure; monitoring performance in delivering primary health and education services; mediating local conflict and providing relief and rescue support during disasters.

We will continue to directly fund government health services not only to achieve better health coverage but to enable DFID to engage in areas of government reform (like better budget management and procurement), to ensure the government delivers quality services for all and broker partnerships with private sector and civil society to deliver services where the government is unable. The health system is a fundamental part of the response to violence against girls and women, since the small proportion of women who access formal services in response to violence start with the health system.

Through our Security and Justice for the Poor programme, we will provide support so that men and women in Nepal are better protected from violence and are better able to access fair and equitable justice. By April 2016, we will have improved the relationship between police and the public in eight districts by making facilities and police personnel more welcoming to local communities. People will also be made more aware of laws and justice services, and will benefit from local mediation mechanisms for problems that are not criminal. In a further 20 districts, we will have enhanced the prevention of, and response to, gender based violence through investment in the government's Women's Development Programme.

Through our Public Financial Management and Accountability Programme, we will work to enhance efficiency, transparency, and integrity of public finances at the national, sectoral and sub-national level in Nepal. This will be achieved through strengthening sub-national financial management, enhancing public procurement through the introduction of e-procurement, and strengthening oversight and accountability institutions.

### Economic Development

Our Accelerating Investment and Infrastructure in Nepal (AIIN) Programme will seek to support the signing of one large scale hydropower power development agreement (PDA) between the Investment Board of Nepal and a private developer, possibly a foreign investor. Five priority interventions to improve the business climate will be identified, with some also being implemented in 2015/16. We will seek to develop an approach that will deliver qualitative improvements in the government's economic policy making process, with this approach piloted in with the Investment Board of Nepal in getting best value for the government of Nepal from the private sector investment. We will also help ensure that all priority actions under World Bank's Development Policy Credit Programme 2 have been completed, which will contribute to reducing risk in the Nepalese financial sector. To improve Access to Finance, we will complete our comprehensive financial survey and address three key constraints in the areas of capital market/equity investment. In the agriculture sector, we will help implement the Agriculture Development Strategy (ADS), with 3 priority areas under the ADS identified and supported.

### Climate Change

Through our Climate Change Support Programme, we will support the National Adaptation Plan of Action on climate change which will help millions of poor and vulnerable people adapt to climate change impacts in agriculture, water management and disaster risk reduction. We will work with other donors in the forestry sector to support a nationally harmonised, but decentralised, approach in forestry that benefits the poor and socially excluded groups, reverses deforestation and tackles climate change impacts. The forestry programme will bring thousands of hectares of forest area under improved management by community user groups and will create thousands of jobs in rural areas for poor and socially excluded people. We will ensure DFID Nepal is climate change aware and all programmes are as climate resilient and low carbon as possible.

Through our Disaster Resilience Programme, we will strengthen national systems and capacity for disaster risk management and response, increase community based readiness and improve preparedness for national and international emergency responses. Using International Climate Fund (ICF) funding we will further the integration of disaster resilience into national and local planning systems and processes. In addition, we will also establish humanitarian staging areas in strategic locations in the Kathmandu Valley to facilitate post disaster relief operations and begin construction to earthquake proof at least two of Nepal's major hospitals.



## Evidence supporting results

Given the range and scale of proposed interventions, the quality of the evidence to support the headline results is variable. This is partly as a result of Nepal's recent conflict history, which had made the collection of good impact data difficult. So the portfolio contains a mixture of:

- i) proven interventions that are being scaled up, and where evidence is good; and
- ii) new innovative programming which can potentially lift large numbers out of poverty, or reduce vulnerability to shocks such as natural disasters or climate change, but where the evidence is less robust.

In relation to our scale-up of Economic Development work, there is strong evidence of the impact of previous interventions on direct beneficiaries in the areas of (i) skills training and (ii) job creation through rural road construction. As part of the scale up of these programmes, further investments are being made in the monitoring of indirect impact and sustainable impact of DFID Nepal's rural infrastructure programme, and follow up analysis of longer term impact of skills training. The international evidence on the impact of providing access to finance is also increasing, but the evidence base is less strong in the Nepal context. There is an impact evaluation planned as part of DFID Nepal engagement in this sector. There is more limited evidence of the impact of private sector development programmes on job creation and poverty reduction. Implementation of the Nepal Market Development Programme has included a monitoring component that is adding to evidence in this sector, and the future programme will include more detailed assessment of different approaches. There is limited evidence around the impact of high level economic and investment climate reforms as the impacts are less direct and will be felt by a wider range of people over a longer time period than more direct interventions. As part of the new Accelerating Investment and Infrastructure in Nepal programme, implementation will be closely linked to monitoring the progress of policy reforms activities on growth and poverty reduction, which in turn will shape programming priorities.

In parts of our **Governance and Security** work the strength of the evidence base is poor and, collectively, the proposed interventions, such as security and justice, and strengthening accountability are relatively high risk. While it is difficult as an external international development partner to drive progress in these areas (e.g. the peace process), global evidence strongly indicates that without progress on governance and security, instability will continue and development and wealth creation will be undermined. To address evidence gaps in this area DFID Nepal will expand the range of evidence in the security and justice sector in Nepal. This will include the procurement of a fully independent organisation to provide monitoring, evaluation and learning services over the course of our security and justice programme, and undertake a number of thematic studies in specific areas of interest.

In **Climate Change** the evidence of impact is mixed. There is good data on climate change impact in mountains but not in the plains and hills. For adaptation and forestry programmes, there is clear evidence of impact at the community level. It is clear that failure to reduce the impact of shocks deepens poverty and that development gains will be at risk unless safeguards are put in place. For disaster risk reduction, there is strong evidence of impact at both the community and scientific levels.

On our work that directly links to the **MDGs** in health, education, and water and sanitation the evidence base is strong. There are well developed approaches and an evidence base to support our interventions in these areas.

### VFM rationale

The portfolio of DFID interventions represents good value for money in the context of Nepal's unstable environment, where good programmes that reach the poor are hard to deliver. In this context we need a variety of programmes and projects to enable us to respond flexibly. This is inherently more expensive than working in more stable countries where fewer programmes are required. Safeguarding these investments is critical. Programmes that address exclusion to reduce the probability of a return to widespread violent conflict, as well as those that create an enabling environment for economic development and those that address weak governance and support the peace process, are therefore critical. Working in these areas has high delivery risks and cost, but high potential returns. We will continue this work if the risks can be effectively reduced through careful programme design, monitoring progress, and with appropriate funding mechanisms designed to minimise the risks of corruption and misuse of UK taxpayer's money and maximise the benefits for the poor of Nepal.

## Delivery and Resources

### Instruments of delivery

DFID's investments in Nepal are all designed in partnership with the government of Nepal. Programme funds are channelled through different aid mechanisms, including: government of Nepal systems, private contractors, multilaterals and NGOs. In a challenging country context, this range of mechanisms enables us to balance risk across our portfolio. DFID can draw on a wide range of technical expertise and, although we have a long track record in Nepal, we are increasingly looking to develop new and innovative ways of working. Throughout this Operational Plan we have taken longstanding and proven programme approaches (for example in health and rural livelihoods and infrastructure) and taken these to a larger scale. At the same time, we have introduced innovations to established programmes and begun to develop entirely new, and potentially transformative, programmes in areas like economic policy reform and private sector development. This Operational Plan therefore balances new, and potentially transformative, programmes (e.g. economic policy reform, private sector development and interventions on gender based violence) with scaled up proven approaches (for example in health services and rural infrastructure).

Working through government of Nepal systems is essential to ensuring sustainable approaches to poverty reduction over the longer term. It also means that we can achieve results at a national scale for comparatively lower costs. We have gradually increased the amount of funding provided through government systems over the Operational Plan period. At the same time, we have provided increasing amounts of support to improve public financial management and also to ensure that specific measures are put in place to mitigate the risk to UK funds. Where the risks to our funds are too great, we will provide direct delivery while also ensuring that this is aligned with government priorities.

Where we provide direct project delivery, we are ensuring that commercial thinking is not just applied to working with private contractors. Selection of project partners, whether multilateral, NGO or private sector, requires careful consideration of value for money and ability to deliver. We have also ensured that all new partners are subject to due diligence assessments and appropriate spot checking during delivery.

Over the remainder of the Operational Plan period we will work more with the private sector including: substantial new investments in the agriculture and transport sectors; the promotion of small businesses and poor people's access to money to boost investment and job opportunities; and helping change Nepal's economic and investment policies and laws so that it is easier to do business.

We are also working closely with other UK Departments to deliver in areas where they have comparative advantage, for example working more closely with the FCO on political analysis, and funding the Gurkha Welfare Scheme to provide water and sanitation through the MoD.

### Prioritisation

DFID Nepal has driven down the number of project lines in our budget from 32 in 2012 to around 20 in 2014/15. At the same time our budget has almost doubled from £60 million to £103 million. Our average annual spend per line has risen from around £1.65 million to closer to £4 million. This indicates a much greater efficiency in programming. We have achieved this by scaling up strongly performing programmes and closing down marginal or less effective programme lines. At £70 million, our local governance programme, approved in December 2013, is our largest ever.

### Maximising the impact of our people

#### Workforce Requirements

- By the end of 2016 we anticipate having 43 posts, a decrease of 14 from our base headcount (57 in 2010). In addition, DFID's Conflict, Humanitarian and Security Department will provide a secondment to the UN on disaster risk reduction until mid-2015.
- The Operational Plan will require 20 in house advisers, including an increase in private sector and infrastructure adviser capacity to deliver the economic development scale-up. This is a reduction of 3 on the number of advisers estimated as a requirement to deliver the first Operational Plan in 2010 (23).

- For all programme staff we are arranging skills training to strengthen capacity in programme management, including on DFID's SMART Rules and the senior responsible officer role, monitoring, evaluation, anti-corruption and public financial management. For new staff we will also expand our induction process to provide early training in general DFID ways of working.
- The UK-based programme manager will mentor the new programme managers within each team and the finance manager, and gradually handover responsibilities to these individuals. We will phase-out the UK-based post in 2015.
- One objective running through our workforce plan is to maintain and increase opportunity for progression and movement of local staff. Recent promotions to programme manager posts will create knock-on opportunities for other staff.
- We will seek to provide opportunities for advisers from other offices to support project design and review activities in preference to the use of consultants. This will assist us in managing during periods of high activities (for example in the scale-up of economic development work). It will also keep learning within the organisation and be cost-effective.

## Planned Programme Spend

Pillar/Strategic	2011/12		2012/13		2013/14		2014/15		2015/16 (provisional*)
	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Total Resource and Capital £000
Climate Change	7,008		8,723	750	16,819	828	19,414	732	
Education	5,416		4,843		6,987		2901		
Global partnerships	1,119		1,482		1,511		745		
Governance and security	16,324		17,397		25,533		13385	3060	
Poverty, hunger and vulnerability	687		672		2,624	954	5069	1901	
Water and Sanitation	1,401	882	1,466	1,000	1,753	1,000	339	1326	
Wealth Creation	9,498	8,598	9,322	6,895	9,565	13,874	8794	5579	
Health	11,491	98	3,377		23,259	17	23178*	3400	
Totals	52,944	9,578	47,282	8,645	88,051	16,673	73,825	15,998	312,996

\*\*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements.”

## Planned Operating Costs

	2011/12	2012/13	2013/14	2014/15	2015/16 (provisional*)
	£'000	£'000	£'000	£'000	£'000
Frontline Delivery Costs - Pay	1,499	1,731	1,788	1,806	
Frontline Delivery Costs - Non Pay	562	769	863	825	1
Administrative Costs - Pay	174	301	291	208	8
Administrative Costs - Non Pay	111	163	193	225	
	2,346	2,964	3,135	3,064	9

\*\*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements.”

## Efficiency savings

We have appointed a commercial adviser and strengthened programme teams to ensure we get best value for money from our procurement and programme designs. DFID Nepal now has a practical value for money (VFM) action plan which has enabled to generation of efficiency savings of £4.9m (2012-2014). We have reduced the number of programme budget lines, allowing more attention to be focused on fewer but high impact programmes. On the corporate side, we are increasingly sharing services with the FCO, and will be collocating to the embassy compound in 2016 to enable further efficiency savings. We will be reducing the number of vehicles we own and run in 2014 in the run up to the consolidation of services with the FCO. We have reviewed the residential properties we use and have not renewed the leases on the largest and most expensive houses, including the house that was previously occupied by the Head of Office.

## Delivering Value for Money

### Overview

DFID Nepal has a strong track record of delivering interventions in the fragile context of Nepal's peace process. To ensure we maximise the impact of our development programme, we will continue to take action to better understand the results we set out to achieve and the costs of delivering these results. While value for money is not just about cutting costs, unit delivery costs in Nepal are often higher than those of countries with a more stable political environment and easier topography. The weakness of government of Nepal systems limits our choice of aid instruments. Given this context, we will be clear about the results we will achieve – short-term tangible results as well as long-term, sustainable benefits - and how these justify the costs involved. DFID Nepal will improve accountability and delivery from all our partnerships through strengthened considerations of results, evidence, commercial factors, and financial and programme management issues. DFID Nepal has a team - which now includes full time results and evaluation adviser, a commercial adviser and a senior programme manager - and a strategy and action plan to drive forward our VFM agenda. To date we have been able to secure good value for money in many areas by adopting a flexible risk management approach to programme design and selecting high quality delivery partners. We have increased our commercial capability, piloting innovative and creative contracting and promoting payment by results approaches. We will deliver strong financial management performance, ensuring programmes are managed effectively and delivered within budget, and will continue to set stretching targets in this regard.

### Challenges (2011-16)

Ensuring effective risk mitigation and management in **governance and security** programming is essential to achieve VFM especially in high risk areas such as police reform, supporting the peace process, and development of effective local governance. In **economic development (including wealth creation)** work further development of delivery approaches and the evidence base is necessary. We will work to attribute DFID's contribution to job creation and poverty reduction - through policy reform work focused on inclusive growth and investment climate reform - so that we can better measure VFM and use incentives to stimulate innovation in the private sector. Our work on **climate change and disaster risk reduction** will involve developing indicators to track impact and value for money. In **human development/basic services** we will work to reduce unit delivery costs through more effective use of national delivery systems while managing fiduciary risks.

### Actions

In order to respond to these challenges we are implementing a VFM Action Plan. We will continue to focus on:

- Increasing office capacity on VFM issues through training and mentoring;
- Greater commercial awareness, including embedding a key supplier management (KSM) approach; monitoring our use of consultants; implementing actions from our commercial capability review (CCR); and driving substantive improvements in VFM performance through all implementing partners;
- Ensuring all our programmes have good monitoring systems so they can be effectively managed based on performance against expected results; maintaining our results-based management system; routinely considering the evidence base and need for evaluation at the design stage, to ensure evidence gaps are addressed;
- Assessing and monitoring the value for money of our entire country programme to inform programming choices and respond to the ever changing political and security context;
- Maintaining a high level of forecasting accuracy and improving spending performance in a very challenging delivery environment, ensuring forecasting remains within agreed variance;
- Cross team lesson learning to improve results through dedicated “learning from failure and evidence” workshops led by the DFID Nepal VFM delivery hub; and
- Ensuring compliance with the agreement between the governments of Nepal and the UK that enshrines the UK's four partnership principles for UK overseas development assistance.

## Monitoring and Evaluation

### Monitoring

How – All programmes within the DFID Nepal portfolio are underpinned by monitoring frameworks that track progress against expected outcomes and outputs. Logframes are developed as part of the programme design and early implementation phases. This ensures that the logframe fully captures the results to be achieved as set out in the business case, whilst the setting of baselines and realistic milestones and targets allows effective monitoring of progress. Where baselines are missing, early programme activities are required to establish these, with the results based approach to programme management within DFID Nepal ensuring that there is 100% compliance in this respect. All programmes are subject to standardised monitoring on an annual basis through mandatory annual and project completion reviews. These reviews place strong emphasis on the comparison of results achieved against those forecast, allowing a more objective assessment of performance. In addition, DFID Nepal has developed its own management information oversight system, which captures key programme information, such as results, finance, risk and overall programme performance. This has strengthened oversight across the entire portfolio. To increase data availability, DFID supports surveys and data collection in areas of need, including relating to climate change, job creation, access to justice, and access to finance.

Who – Primary responsibility for monitoring falls to the DFID adviser responsible for each programme, however, arrangements vary depending on the programme. In the health and education sectors, monitoring is the responsibility of the government of Nepal through sector wide arrangements, with additional safeguards to mitigate fiduciary risks being implemented by DFID. In other areas primary responsibility resides with multilateral partners (for example in disaster risk reduction) or contractors appointed by DFID (for example in market development and inclusive growth). In all cases DFID is directly engaged in the various programme monitoring arrangements to ensure the efficiency and effectiveness of its investments.

When – Monitoring at programme level is continuous and DFID Nepal has a regular reporting schedule with programme partners (generally quarterly). The DFID Nepal Results Framework is updated regularly, while the results management system generates information that is presented to the DFID Nepal leadership team on a monthly basis. A balanced scorecard has been developed to monitor performance across a number of programme and corporate areas, which is also reviewed by the leadership team on a monthly basis.

What – DFID Nepal and programme partners use a mix of methods to measure progress, which can be quantitative and qualitative in nature. These include specific data collections and surveys on the quantitative side, as well as participatory approaches on the qualitative side. These help ensure that the beneficiaries of our programmes have the opportunity to provide feedback on their impact.

### Evaluation

DFID Nepal is committed to scaling up evaluation work across all programming areas and driving this forward with our implementing partners, with a clear emphasis on quality and proportionality. As part of our recently revised evaluation strategy we do not propose a significant increase in the number of evaluations we directly manage. We propose identifying a select number of strategic evaluations, for example in areas where there is smaller evidence base, ensuring that they adopt robust methods and approaches that lead to high-quality analysis and findings. Our evaluation strategy sets the criteria for evaluation, with the objective of ensuring we can fully demonstrate the impact of our work, as well as learn lessons for the future. It is important that our evaluation strategy addresses gaps in the availability and quality of evidence; we therefore pay careful consideration to the strength of existing evidence and whether evaluation can increase the evidence base. Where evaluation is planned, key evaluation questions are identified early with related indicators - and associated baselines, milestones and targets - included in the monitoring and evaluation framework to facilitate effective evaluation. We are also committed to driving this agenda forward with our implementing partners and are making greater use of public expenditure reviews (and related public expenditure tracking surveys) with the Nepali government.

### Building capacity of partners

National data systems are weak and DFID Nepal is developing a programme of support to the national statistical and planning system to allow more effective national monitoring and transparency. This support will strengthen national data, monitoring and evaluation in conjunction with other partners, in particular the World Bank, the Asian Development Bank and United Nations Development Programme. DFID will also work to develop the capacity of implementing partners so that they can effectively monitor the programmes we fund.

## Transparency

DFID Nepal regards transparency as fundamental to improving its accountability to both UK and Nepali citizens. We are fully committed to being transparent about UK aid spent in Nepal, and will support the government of Nepal and other partners to become more transparent and accountable to the public.

### Publication of information

We will support DFID's transparency commitments by

- **Publishing high quality documentation on DFID programmes in plain English.** Programme management and oversight capacity has been strengthened, with a particular emphasis on ensuring that publically available information is high quality, clear and easily understandable. We have routinely published programme documents, logframes, annual reviews, programme commitments and spend for all new programmes since January 2011. We have also published "Annual DFID Nepal Portfolio Reviews" since 2011 both in English and Nepali and will continue to do so in future years.
- **Allocating dedicated staff time** to ensure timely and accurate input of all relevant documentation and data to central DFID systems, thus ensuring such information is made publically available. DFID Nepal will respond to all public enquiries on published data within ten working days by having a designated contact point for enquiries about all DFID Nepal work. We will continue to undertake regular audits of all information available on the DFID website to ensure accuracy.
- **Publishing a 500 word summary of all new programmes in Nepali.** Translations of summary programme information for all new programmes have been published, ensuring wide dissemination to the public in both the UK and Nepal. We will continue this practice in the future.

### Supporting transparency in our work

- **We have supported the government of Nepal to launch a public Aid Information Management Platform (AMP).** DFID is a primary partner in the AMP core team led by the government of Nepal. We will continue to influence other development partners to contribute data to AMP, and advocate for its use, thus ensuring that the AMP is as effective as possible.
- **Encourage Civil Society and NGO transparency.** We will continue to encourage all non-government organisations, media, businesses and academic institutions who receive DFID funding to adhere to the same transparency standards. We will stipulate compliance with this as part of all new contracts.
- **Support and advocate for implementation of the Nepal pilot of the International Aid Transparency Initiative (IATI).** We will continue to encourage multilateral agencies, particularly the UN, to lead the initiative in Nepal, and the World Bank and Asian Development Bank to sign up for the pilot.
- **Promote government-citizen accountability:** Our public financial management reform programme will continue to support national NGOs to understand and contribute to fair and transparent government budgeting; carry out independent analysis and communication of government budgets to make them more accessible by citizens; track expenditure to make sure resources go where they are intended; hold public officials to account for mismanagement and corruption; monitor government services to ensure quality and fairness; and scrutinise public procurements for corruption. Additionally, we are actively pursuing opportunities that will increase the accessibility and use of data in Nepal, particularly through open data initiatives. Such initiatives have the potential to increase scrutiny of government decision-making and drive up accountability.



## Annex A: Changes to Operational Plan

Page Number	Change made to operational Plan	Reason for change
4	We have rewritten most of the content	To reflect the current context
5	We have rewritten most of the content	To reflect the current context and changes in the DFID Nepal programme since 2010.
6	We have included other pillars/strategic priorities against headline results indicators, to reflect their contribution to more than one pillar	FCPD OP refresh guidance makes clear this is now possible
6	Headline results indicators now marked with a * based on those that are either (a) attributable to DFID programming or (b) to which DFID makes a contribution.	Requirement in guidance.
6	One indicator has revised wording. From <b>'Number of poor and excluded people lifted out of poverty by DFID's Forestry work'</b> to <b>'Number of poor and excluded people <u>with improved livelihoods through</u> DFID's Forestry work'</b>	More accurately reflects the measurement approach of DFID's implementing partner on the Forestry programme. This methodology has been used to date by the implementing partner and therefore does not constitute a change of methodology, rather a change to the indicator wording to more accurately reflect what is being measured.
6	Amended pillar from 'Wealth Creation' to 'Economic Development (including wealth creation)'	As per guidance document
6	One indicator has a revised target. The target percentage for the number of projects with a public audit has been revised down from 93% to 80%.	The revised target aligns with the new Government of Nepal target for public audits, as included within our new local governance programme. The previous target was based on an earlier GoN target, therefore DFID has made this change to maintain alignment with GoN.
6	Expected results by March 2016 have now been included.	Reflects the extension to the Operational Planning period to indicate results to be achieved in 2015/16. Forecasts are not yet known for the livelihoods and pregnancies indicators.
9	We have rewritten most of the content	To reflect the current context and changes in the programme and its management and resourcing.

# Annex B: Human Rights Assessment

The UK recognises that the realisation of all human rights underpins sustainable development. Through its development programmes, the UK aims to support civil society and governments to build open economies and open societies in which citizens have freedom, dignity, choice and control over their lives, and institutions are accountable, inclusive and responsive.

## Human rights context

- Economic and social rights: Between 1980 and 2014 Nepal's Human Development Index (HDI) improved from 0.234 to 0.540. Its rank increased from 157<sup>th</sup> last year to 145<sup>th</sup> this year, out of 187 countries. This is positive progress, with an HDI value now higher than Afghanistan and Pakistan. Nepal's Multi-dimensional Poverty Index (MPI) is now below that of India, Pakistan or Bangladesh. There are, however, significant variations based on geography, gender, caste & ethnicity. MPI is highest in Mid and Far-West Hills, while poverty intensity is also high in the Central Terai.
- Non-discrimination: Some progress has been made on gender equality and social inclusion, with Nepal's global rank increasing to 98<sup>th</sup> from 102<sup>nd</sup> in the past year. Millennium Development Goal (MDG) progress reporting indicates, however, that Nepal is unlikely to meet the goal on gender equality and empowerment of women. Nepal is on track to meet the maternal mortality MDG although almost 40 women continue to die in childbirth each week. Discrimination, inequality and insecurity persist for many population groups. The most recent National Demographic and Health Survey indicates that one third of women have experienced some kind of violence. Human trafficking and gender based violence remain major concerns, particularly the non-reporting by survivors. Lesbian, gay, bisexual, transgender and intersex (LGBTI) people also face discrimination, despite a reasonably good legal framework.
- Civil and political rights: Nepal's citizens are able to exercise their civil rights and political rights more freely than a decade ago. Political participation in the November 2013 constituency assembly elections was very high (78%). However, this has not yet translated into a deepening of transparent democratic practices and robust accountability. Nepal has not held local elections since 1997. Freedom House continue to rate Nepal as 'partly free', with scores of 4 for political rights and 4 for civil rights (the same as in 2013).
- The Universal Periodic Review (UPR) reported in June 2011. Implementation of 135 recommendations will be reviewed at the next UPR process in 2015. The current and fourth National Human Rights Action Plan of Nepal (NHRAP) 2014-2018 outlines a detailed plan of action to be carried out to improve the overall human rights situation in the country. Gaps remain in effective implementation, as well as in the laws on rape and torture.
- Migrant labourers: Over 400,000 Nepalis travel abroad for work every year, with India and the Gulf countries being the main destination. Many of them face human rights abuses including exploitation, physical abuse and sexual violence. Female migrants are in a particularly vulnerable position.

## Direction of travel

- Social and economic rights have largely been on a positive trend. All but three areas of Nepal have made major gains on the multi-dimensional poverty index.
- There is evidence that inequalities are reducing through the opportunities arising from very high levels of migration. However, LGBTI rights and rules on obtaining citizenship are being watched closely for risks of regression in the upcoming new constitution. Reporting of GBV, including rape, is increasing but it is unclear if this reflects higher incidence or greater confidence to approach police.
- On civil and political rights, the picture is also mixed. After a worrying gap, new commissioners have been recommended to the NHRC, although not yet confirmed. Rates of torture and abuse of detainees appear to be falling. However, there are persistent problems of impunity in criminal justice, and the distance between Nepal's politically agreed modalities of transitional justice and international standards remains a serious concern. The Truth and Reconciliation Act is currently *sub judice* in the Supreme Court over the scope for ordering amnesties against the wishes of victims and their families. There are also concerns that weak checks on the powers of Commission for the Investigation of the Abuse of Authority (CIAA) and a proposed bill on Contempt of Court may increase risks to human rights in Nepal.

## UK approach and focus

- The UK will continue to support social and economic rights, particularly for the poorest people and more difficult areas.
- We will continue also to raise concerns about civil and political rights, and particularly issues relating to proposed Transitional Justice mechanisms with the Government of Nepal. We are already providing support to tackle violence against women and girls and will step up this work, sustaining our focus on their security and access to justice, while enhancing our work on their economic empowerment.

- Strengthening voice and accountability will remain a primary objective of DFID. We will deliver programmes that give people greater control over their own development and hold decision makers to account, while working also to improve the quality of institutions.

*Strengthening voice and accountability will remain a primary objective of DFID. We will deliver programmes that give people greater control over their own development and hold decision makers to account, while working also to improve the quality of institutions.*

UK approach and focus: Focus on work to support positive trends. Include strategies to e.g.:

- Support positive trends on social and economic rights
- Work to address inequalities and , in particular, rights of women and girls
- Uphold civil and political rights particularly key issues highlighted in context analysis
- Build more inclusive and accountable institutions including parliamentary and electoral systems and judicial institutions
- Empower citizens to claim their rights for example through strengthened voice and accountability in service delivery.



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