



Development Assistance Committee (DAC)
DAC Network on Governance (GOVNET)
Governance Assessments Conference

OECD DAC GOVNET Conference on Governance Assessments and Aid Effectiveness

London, 20-21 February 2008

Governance Assessments in Practice – Case Studies

4A NEPAL

Theme: How helpful are assessments in conflict and crises?

This case study has been prepared by **Mark Segal** (m-segal@dfid.gov.uk), Governance advisor DFID.

1. The Story

In August 2002 DFID Nepal commissioned a Strategic Conflict Assessment (SCA) and an accompanying *Programme Level Conflict Assessment (PLCA)*¹. The aim was to update the conflict analysis following the breakdown of peace talks between the Government of Nepal (GON) and the Maoist insurgents, and a sharp escalation of conflict in late 2001.

Prior to the SCA DFID had commissioned a series of analyses examining different aspects of the conflict, including a study of the Maoist movement, examinations of the ethnic and gender dimensions of the conflict, and a study of conflict economics looking at greed and grievance issues. These studies highlighted significant grievances underpinning the conflict – particularly around social, political and economic exclusion of low castes, ethnic groups and women – but none had examined in depth the relation between aid and conflict. The SCA was intended to remedy this lacuna, and to provide additional analysis ahead of the preparation of a new Country Assistance Plan (CAP) setting out DFID's four year strategy. The focus was to identify intervention strategies and activities for DFID, and potentially other donors and GON, in the light of on-going preparations for the PRSP.

The SCA was carried out by a mixed team of international and national consultants, whose analysis was based on observations from a series of field missions. It was a DFID-only exercise, without the involvement of other UK departments, other donors or GON. At the time this was the normal practice, but there may also have been concerns that involving GON and other donors would have been difficult given the likely critical content of the report². Not involving other parts of the UK Government, notably Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD), proved to be a significant weakness (see below). By contrast, there was involvement of civil society, particularly through the influence of the local consultants, who were both women, active in human rights and development.

The key findings of the SCA (and in more detail in the PLCA) were that whilst poverty and social exclusion were critically tied up with the causes of conflict, the actions and behaviour of the elite-dominated Government, bureaucracy and aid donors were intrinsically part of the problem. The root of the conflict lay in the unwillingness of elite groups (which dominated all levels of administration and parts of the aid community – including development NGOs) to share power or wealth with other groups. Critically, donor aid, according to the report, was based on a false premise, stipulating that:

- i) the persistence of poverty was due to a lack of capacity within the administration and,
- ii) the way to address this was by building state capacity to deliver basic services and meet human needs, and by stimulating demand among poorer populations.

However, this approach failed to recognise that the Government and administration fundamentally lacked *the will* to deliver, and that by allowing aid to be captured by elites donor actions reinforced their dominance.

Due to the critical nature of the report it was circulated only to a very limited number of like-minded donors and was not shared with GON. The findings, nonetheless, had a significant influence on the subsequent CAP, which located conflict at the heart of the DFID's strategy, stressed delivery of direct benefits to the poor rather than building government capacity, and led to a much sharper focus on the poorest and most conflict affected areas of the country. This was probably the first explicitly "conflict sensitive" donor strategy in Nepal and, over time, became influential in shaping the response of the other donors.

¹ This PLCA examined the conflict sensitivity of the DFID programmes, individually and collectively.

² The PLCA was particularly critical of some DFID programmes

2. Tensions, dilemmas and issues

One of the dilemmas highlighted in the report was the impact of large-scale donor aid on the “social contract” between the population and the Government. By assuming responsibility for the role of government through a myriad of development activities donors were weakening the chain of accountability between citizens and the state. But at the same time, by focusing on capacity building and demand, and allowing misuse of development aid (through active corruption and what the report identifies as the “workshop” and “Pajero cultures”) donors were failing to deliver tangible benefits to the population or to address the grievances underpinning the conflict. There was a clear tension emerging between the need to deliver and the need not to further undermine a weak government system.

DFID sought to resolve the tension by devising a hybrid strategy, involving working with government where it had some will and capacity (notably in health and education sectors, where the Maoists were willing to allow services to continue and there were no serious parallel delivery options) and supporting parallel mechanisms where government could not operate, such as micro-level community development. Road building – which was generally popular (and a significant source of income for rural populations) – continued with a mix of government oversight and donor delivery.

The fact that this was an exclusively DFID assessment had benefits and drawbacks. As an uncirculated report it could be openly critical of DFID, other donors and GON, and was able to identify what the authors believed to be the core issues. If the report had been negotiated between various donors, or particularly with the Government, it is unlikely it would have been so hard-hitting. The rhetoric of GON at the time (nine months on from 9/11) was focused, opportunistically, on the *war on terror* and it would not have been receptive to many of the key messages. And yet, as the report identified, as a conflict party and as a development actor, it also had to be part of the solution. This required the Government to accept key elements of the analysis – a task made harder by its exclusion from the assessment process.

In fact, in spite of a lack of direct involvement in the process, the SCA’s influence did affect GON’s 10th Plan/PRSP. DFID was able to feed into the consultation process of the PRSP/10th Plan and subsequently to use its leverage with the World Bank to push a conflict sensitive agenda within the four PRSP pillars³, even if GON’s failings were not as explicitly recognised as might have been hoped.

The report’s message about the need to improve standards in aid also hit home. There was a growing recognition among donors that development programmes were being undermined (and in some cases stopped by the Maoists) as a result of inappropriate staff behaviour or the poor use of development resources, either through corruption or incompetence. The report eventually led to the development of the *Basic Operating Guidelines* (BOGs)⁴. These guidelines contained a set of principles for donor operations and minimum standards (for staff and third parties) which donors required of their own operations, and sought to demand from the Government and the Maoists. The BOGs were written in a way which made them difficult to reject, and they fairly quickly received tacit, and eventually formal, acceptance by both GON and the Maoists. These principles are credited with providing a surprising degree

³ The four pillars covered i) broad based economic growth (focusing on rural areas where conflict was most intense), ii) improving basic services (targeting excluded groups on the basis of disaggregated data), iii) targeted programmes for excluded groups and women, and iv) good governance (focused on corruption as well as financial sector management).

⁴ For more information on the BOGs see the European Commission’s website at: http://www.ecdelegationnepal.org/en/eu_and_nepal/bogs/bogs.htm

of defence against interference by conflict parties in development activities, and with helping to ensure that development activities were able to continue through the war.

3. Lessons and forward looking implications

A key strength of the SCA's analysis was its independence from DFID and GON⁵. The report did not pull its punches, there was no attempt to fit the analysis to the current programming – as some in-house governance assessments are inclined to do; nor to tone down the criticism directed at DFID, other donors or the Government. The analysis was able to target and challenge the existing development orthodoxy, without censorship. The identification of the flawed model of donor engagement, and the degree to which donors' own practices were perpetuating elite domination and therefore conflict, were spelled out with force and clarity. If DFID had been obliged to make the report public it is unlikely that the clarity of the criticism would have survived.

A second strength was the credibility afforded to the analysis by its field based observations. Whilst the earlier analysis, such as the economic study into greed and grievance, had drawn heavily on quantitative data to identify the relationship between horizontal inequality (social exclusion) and conflict, the SCA verified the same conclusions through field observations. This provided credibility, as well as case materials to illustrate the observations (contained in the PLCA and its annexes).

At the same time, the failure to actively involve others was also a key weakness of the assessment process. A joint analysis with other donors might have sparked increased donor collaboration and concerted action to address aid failings at a much earlier stage. Substantive donor cooperation, which linked development and political action, only really emerged after the King seized all instruments of executive power in the royal coup of February 2005. But even before then, the process of formulating and adopting the BOGs (an outcome of the report), as well as work on the PRSP, helped stimulate joint donor working.

More important than the lack of other donor involvement, however, was the failure to involve other UK Government departments in this assessment, and in DFID's other conflict related analysis before the royal coup. A lack of common analysis led to sharply different policy approaches epitomised by an internal disagreement over the provision of equipment to the Nepali Army. The FCO/MOD analysis focused on the need to prevent the collapse of the Government's forces and a Maoist takeover by force. The DFID analysis regarded military collapse as unlikely, and focused on the need to prevent military escalation and to address the grievances behind the conflict. Thus FCO/MOD regarded the provision of helicopters and other military equipment as essential; DFID regarded it as a dangerous diversion. The divisions between branches of the UK Government were clearly visible to GON and other international actors working in Nepal at the time and undoubtedly reduced the UK government's ability to implement a coherent strategy. This rift was only finally resolved following the royal coup, at which point policy coalesced around the need to re-establish democratic governance as part of a broader peace process.

Overall, despite its failings, it does appear that the Nepal SCA was useful and influential. In these circumstances – i.e. where the government and the donors were so clearly part of the problem – a more harmonised approach might well have been less effective, if it had led to a significant watering down of the criticisms and recommendations. This might be useful to bear in mind in such circumstances in the future.

⁵ So whilst DFID had drawn up the TOR and commissioned the analysis, it did not seek to influence the findings or censor the report, although it did control the circulation.