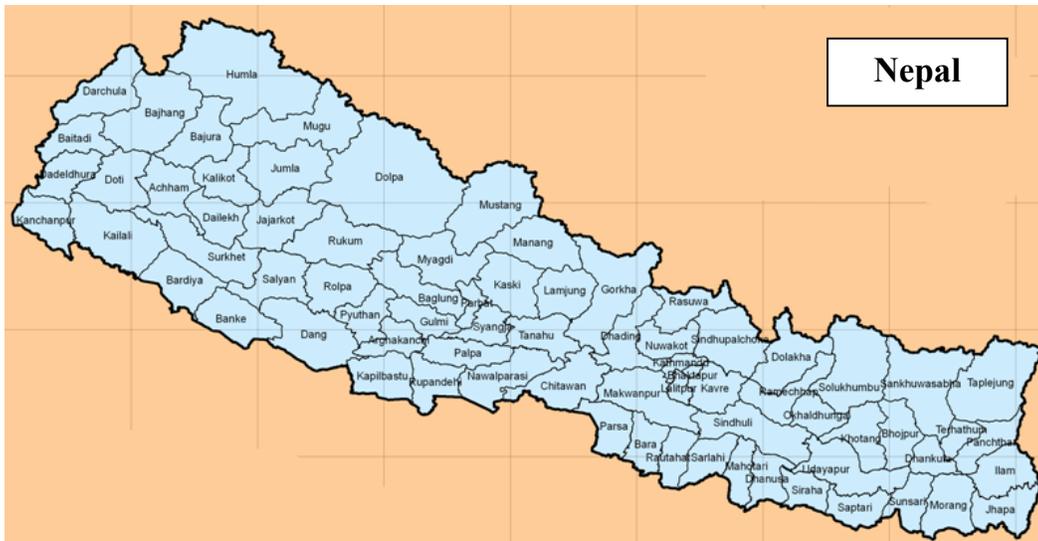




# JOINT EVALUATION OF THE IMPLEMENTATION OF THE PARIS DECLARATION, PHASE II



## *NEPAL COUNTRY EVALUATION*

**Ministry of Finance**  
Singhdurbar, Kathmandu  
**Nepal**  
2010

## **From the Chairman of the National Reference Group**

The Paris Declaration is a collection of ambitious but visionary political commitments made at higher level. It articulates 56 commitments around ownership, alignment, harmonization, managing for results and mutual accountability for effective and efficient management of external aid summarized into 12 indicators with targets for 2010. The targets are designed to be monitored globally and implemented locally. Translating those commitments into real life situation has remained a challenge. Being one of the cosignatories to the Paris Declaration, Nepal, for the first time, volunteered to participate in country evaluation of its implementation. The evaluation was conducted in 21 developing countries and 7 Development Partners Head Quarters. It was a complex exercise and will have two-fold implications. Firstly, in influencing the forthcoming Busan agenda through synthesis report at global level. Secondly and the most importantly, in improving policy and practice through greater use of country report at local level.

The evaluation findings revealed in this report convey that the Paris Declaration continues to be relevant in Nepal, particularly in the context of undergoing political, social and economic development. It has raised the strong orientation towards development results in Nepal. Its contribution to enhance country ownership and alignment of Development Partners with the national development strategy is moderate. However, its contribution to the use of country system, harmonization and mutual accountability is less plausible. Changes observed by the evaluators in terms of intermediate outcomes as well as development outcomes are more influenced by the natural phenomena of change, including strong desire for transformation than by the Paris Declaration. Having said this, the consideration for implementation of the Paris Declaration has plausibly contributed to develop the level of assertiveness and confidence in major development actors in Nepal.

I express my thanks to the National Coordinator and Joint Secretary Mr. Lal Shanker Ghimire and members of National Evaluation Team for their hard work in producing this report. I really appreciate the quality and frankness of the National Evaluation Team in articulating their evidence-based judgments in this report.

The utility of this report largely lies on the readiness of the major actors, including Government, Development Partners and Civil Society through lesson learning and applying them in regular work situations. Besides, the interested researchers in the field of development management can benefit from this piece of work. Ministry of Finance will take needful initiatives to fill out the lacunas identified by the evaluation to the maximum possible extent. I am confident that the Development Partners will continue to cooperate with our future initiatives.

Rameshore Prasad Khanal  
Finance Secretary, and Chairperson,  
National Reference Group  
Paris Declaration Evaluation, Phase-II

# From the National Evaluation Coordinator (Acknowledgment)

The second phase of the evaluation of the implementation of the Paris Declaration in Nepal was led by the Ministry of Finance. A high-level National Reference Group (NRG) chaired by **Mr. Rameshore Prasad Khanal**, Secretary of the Ministry of Finance comprising representatives from Development Partners, Government Agencies and Civil Society Organizations has provided policy and quality guidance throughout the process. Under guidance of the NRG and leadership of the National Evaluation Coordinator, a strong National Evaluation Team (NET) comprising two members from the Ministry of Finance, two national consultants, one international consultant and one data analyst has carried out the core evaluation task and produced this report after validation by the stakeholders and finalization by the National Reference Group.

I would express my sincere thanks to all the members of the National Reference Group for guiding us through the process of evaluation. I thank two of the active members of the NET – **Mr. Tilak Bhandari** and **Dr. Narayan Dhakal** for dedicating themselves to NET by spending time from regular job in the Ministry of Finance. Their dedication proved that the evaluation process was fully led and owned by the Government. Two National Consultants - **Dr. Bal Gopal Baidya** (Education Expert) and **Mr. Kapil Dev Ghimire** (Health Expert), an International Consultant- **Mr. Paul Thornton** (Development Policy Expert), and a Data Analyst -**Mr. Purusottam Manandhar** have actively joined the process and provided their expertise services until the last minute of the report writing. The team worked in a collaborative way throughout the evaluation. All the officials and staffs from Foreign Aid Coordination Division of the Ministry of Finance contributed to the evaluation with their informed knowledge and expertise. My sincere thanks go to them all.

These three consultants were supported by Independent Evaluation Department of the Asian Development Bank. Subsequently, UNDP provided support for a Data Analyst and for the district level activities. These Development Partners never ever tried to influence the findings in their favour. I thank ADB and UNDP for their honest support in the process. Being a global exercise, the evaluation report was expected in a tentative format for ensuring comparability. Advice received from **Mr Julien Gaifer** from Core Evaluation Team in the middle of the work greatly helped to identify whether the work was still in track. I thank him for his visit to advise us all the way from London.

Last but not least, I would thank all the respondents to the structured survey questionnaires, interviewees and the participants of the Focus Group Discussion for their time and responses.

Lal Shanker Ghimire  
Joint Secretary,  
and  
National Evaluation Coordinator  
Paris Declaration Evaluation, Phase II

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## Acronyms

ADB	Asian Development Bank
AOG	Office of Auditor General
BOG	Basic Operating Guidelines
CET	Core Evaluation Team
CIAA	Commission for Investigation for Abuse of Authority
DAC	Development Assistance Committee
DAP	Development Action Plan
DFID	Department for International Development
EC	European Commission
EMG	Evaluation Management Group
EMIS	Education Management Information System
FACD	Foreign Aid Coordination Division
FAP	Foreign Aid Policy
GAAP	Governance and Accountability Action Plan
GESI	Gender Equality and Social Inclusion
GoN	Government of Nepal
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HMIS	Health Management Information System
IATI	International Aid Transparency Initiative
JAR	Joint Annual Review
JFA	Joint Financing Agreement
JICA	Japanese International Cooperation Agency
LGCDP	Local Government and Community Development Programme
MfDR	Management for Development Results
MoE	Ministry of Education
MoF	Ministry of Finance
MoHP	Ministry of Health and Population
NAAP	National Action Plan on Aid Effectiveness
NDF	Nepal Development Forum
NDS	National Development Strategy
NET	National Evaluation Team
NHSP	Nepal Health Sector Programme
NLFS	Nepal Labour Force Survey
NPPR	Nepal Portfolio Performance Review
NPC	National Planning Commission
NRG	National Reference Group
ODA	Official Development Assistance
OECD	Organisation for Economic Development and Cooperation
PAC	Public Accounts Committee
PDE	Paris Declaration Evaluation
PEFA	Public Expenditure and Financial Accountability

PM	Prime Minister
PMAS	Poverty Monitoring and Analysis System
PPA	Public Procurement Act
PPMO	Public Procurement Monitoring Office
SLTHP	Second Long Term Health Plan
SWAp	Sector Wide Approach
ToRs	Terms of Reference
TYIP	Three Year Interim Plan
TYP	Three Year Plan
UNDP	United Nations Development Programme
UNFPA	United National Population Fund
UNICEF	United Nations Children’s Fund
WDI	World Development Indicators
WFP	World Food Programme
WHO	World Health Organisation

# EXECUTIVE SUMMARY

This Nepal Country Evaluation was being undertaken as part of the Phase II Paris Declaration Evaluation (PDE II). PDE II builds on the Phase I Evaluation (PDE I) and country level monitoring surveys. Nepal did not participate in PDE I and has only undertaken one monitoring survey. Thus, PDE II is of particular relevance to Nepal and its timing is significant given the national context and changing aid environment.

## **Purpose and Background**

The purpose of the evaluation is to document, analyze and assess the relevance and effectiveness of the Paris Declaration, its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

The evaluation was undertaken by a team of Ministry of Finance (MoF) staff and consultants, supported by a National Reference Group drawn from DPs, Government of Nepal (GoN) officials, and civil society. The approach was based on a common methodology used by all the country evaluations.

## **Overall Conclusions**

The Paris Declaration and Accra Agenda for Action are clearly evident in the development partnership in Nepal and there has been moderate progress towards improved aid effectiveness over the last decade despite the constrained context. However the evaluation finds that specific implementation of the Paris Declaration principles has been weak.

There are some examples of good practice including the work of the Nepal Portfolio Performance Review, sector wide working in education and health, and emerging programme based approaches in other areas. Overall the leadership of MoF is strengthening as is the coordinated support of DPs. However the evaluation confirms the findings of the 2008 Monitoring Survey which identified weakness in the coordination of technical assistance, low levels of aid through government for a significant group of DPs, and slow progress towards greater predictability. The evaluation also found continued fragmentation with many standalone projects, vertical fundings, and direct implementation, together with moves away from country PFM and procurement systems due to the perceived increases in corruption.

While several DPs are strongly promoting harmonisation and alignment channelling most of their funding through the GoN, some bilateral DPs are adopting both GON and direct modalities and some remain reluctant to adopt government systems fully. The need to demonstrate attribution, a reluctance to align internal bureaucratic processes with those of GoN, and inadequate ownership and interest in the development process from Nepal are the main reasons given.

Aid effectiveness is high on the agenda in Nepal and the report identifies areas for further consolidation and improvement based on the evident basis of partnership that exists.

## **From the Common Evaluation Questions**

### ***Relevance of Paris Declaration:***

- The emphasis on *managing for development results* (MfDR) has contributed to a shift in attention from inputs and process to outcomes and impact.

- The focus on the *leadership of country decision makers* has been particularly relevant at this point in Nepal's development and political transformation. Politicians are expected to take stronger ownership and leadership of the development process.
- The history of fragmented and independent DPs behaviour has been a major handicap to aid effectiveness. However, the *increasing alignment of leading DPs* has built confidence on all sides.
- Since the comprehensive peace agreement in 2006 *expectations have grown*; hopes and aspirations have taken on a new dimension. The risk of disappointment and disenchantment with the political process is a challenge. Country ownership and the alignment of external support are essential to the delivery of the promised transformation.
- *Increasing aid flows without more absorptive capacity has contributed to low impact* - this is the critical impediment to scaling up development and achieving results. Managing implementation with a focus on results requires institutional capacity<sup>1</sup> rather than individual skill.
- The Paris Declaration and the Accra Agenda for Action have built *confidence and assertiveness*. If Nepal is to own and lead its development more is required. Until a fully stable system of governance is in place it is hard for senior civil servants to play their role effectively.

#### ***Implementation of the Paris Declaration Principles:***

The principles of country ownership and alignment have been moderately well observed and implemented at macro level and are more strongly within the health and education sectors. Strategic level alignment is stronger than institutional alignment which needs more attention.

MfDR is the principle that is most strongly observed and implemented in Nepal. Results have come to the fore with an appreciation of the targets and goals of development and the importance of impact.

Harmonisation and mutual accountability were most weakly observed and implemented at macro level with mutual accountability being the weakest. This is where the Paris Declaration has yet to break through. However at sector level the picture is more positive with evidence of effective harmonisation in education (the stronger) and health.

#### ***The main achievements of the Paris Declaration are:***

- the focus on results and the information (clarity over targets and their monitoring) required to ensure and assure the achievement of results;
- the appreciation that Nepal has to plan for reduced aid in the long term; and
- the shift in the definition of aid effectiveness from the relationship of inputs against outputs, to a focus on outcomes and impact.

#### ***The burden of aid management:***

Few of the benefits in terms of transaction cost have yet been realised. Applying the Paris Declaration is perceived as an additional requirement, rather than bringing a change in the ways in which aid is designed and managed.

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<sup>1</sup> Understood as systems, processes and role definition see footnote 7 for a fuller definition.

The proportion of aid that is off budget has remained the same (around 25%) throughout the last ten years though there has been some reduction recently. Support for country systems has also changed little though here there has been some reduction due to DP confidence declining.

If the Paris Declaration is implemented fully there could be a decrease in the number of DPs needing to have a country office presence in Nepal and more collaborative use of the expertise that those remaining provide. There would also be a short-medium term increase in the demand for and delivery of institutional capacity building for GoN.

***The added value of the Paris Declaration:***

Nepal has been facing major challenges as a result of the conflict and, in some ways, even more profound disruption in the post conflict period. These processes have had far more impact on the aid relationship than has the Paris Declaration which has reinforced earlier developments and confirmed a direction of travel but has not yet brought substantial added value. The attitudes and approach of most DPs have been influenced more by their perceptions and reactions to the national context than the wider aid agenda. Indeed Paris and Accra are seen as more relevant by GoN actors than by DPs.

The Paris Declaration has contributed at a deeper psychological level rather than in terms of day to day operations. The confidence and assertiveness discussed above are key indicators of this influence. The Paris Declaration principles echo pre-existing understandings of aid effectiveness and have been applicable during the conflict and the post conflict environment. At the level of ideas and meaning they have challenged and continue to challenge much of the conventional wisdom of development in Nepal.

***Key implications for aid effectiveness in the future:***

- Aid effectiveness is not simply about the efficient and effective institutional dynamics of aid management, it relates to the processes through which policy, strategy and service delivery meet the needs of Nepal's citizens. This requires improved institutional capacity, access to information and voice and participation at all levels.
- Confidence in Nepal's procurement and other fiduciary systems can ultimately only be built by those who implement those systems. The challenge is to the accountants, managers and administrators within GoN and DP agencies to ensure that the systems are operated as designed and that inappropriate actions are challenged and addressed.
- Nepal cannot ignore climate change and must consider how it reframes the development paradigm.
- Social diversity has been given prominence as Nepal seeks to reframe its approach to poverty. Similarly, governance and state building take on new meanings in the post conflict environment. All these cross cutting issues need to be integrated into the aid effectiveness discourse.
- The debate around the structure of the state presents particular challenges in terms of aid effectiveness. Aid effectiveness will need to be reconfigured for the 'new' Nepal as it develops into a different 21<sup>st</sup> century state.
- Aid effectiveness in the future will need to engage with and bring into the wider framework including neighbouring countries who still provide considerable support and assistance.

## **From the Country Specific Evaluation Questions**

### ***Conducive incentives system***

The existing DP systems do not provide enough incentives for DP staff to adopt Paris Declaration Principles. Similarly, there are few incentives for DPs to join sector wide programmes. There are no incentives for local communication or consultation around the Paris Declaration though the Accra Agenda for Action gives priority to great civil society engagement.

### ***Post conflict challenges***

With the confusion of post conflict political change, there has been a lack of transparency and openness regarding the scope of what GoN can achieve in the short term. An important reason for not being able to meet the raised expectations is the challenge of improving governance. The absence of local bodies has adversely affected the implementation of development activities at the local level effectively.

The transitional period has seen a multiplicity of groups pursuing different political agendas, and the politicisation of many aspects of development and service delivery that should be the responsibility of central or local level bureaucracy. This has weakened confidence in the nation. Impunity has increased because of the transitional chaos created by this political instability. In addition, the debate over and delays in state restructuring is creating uncertainty.

### ***The level and perceived impact of corruption***

The level of corruption is perceived to be increasing. This has led to reduced cost effectiveness and efficiency, which has impacted on development results. Internal control systems are not operating.

## **Key Lessons**

### ***For Aid Effectiveness in Nepal***

*The efficiencies and effectiveness developed through taking a programme approach can be replicated in other sectors. The lessons from the sector programmes in education and health are applicable more widely. Shared learning by GoN, DPs, civil society partners and service users and beneficiaries can be of benefit.*

- *A focus on results increases responsiveness.*

MfDR has changed the way in which programmes are designed and delivered making delivery more responsive to beneficiaries and puts the individual, family and community at the forefront.

- *Just by labelling it as a 'Paris Declaration Principle' does not change what is already being practiced.*

Through the evaluation many people discovered that what had become common and expected practice was in fact the application of the Paris Declaration principles.

- *Paris Declaration implementation has enhanced results.*
- *Paris Declaration principles are valid. Though it is too early to identify plausible contributions that relate to the Paris Declaration.*
- *The Paris Declaration is not being adopted because of perverse incentives within Nepal and DP systems.*

- *The services that were maintained during the conflict and post conflict period are those where local participation, local management and local delivery were in place and effective.*

***For other countries – fragile states/post conflict states***

- *The Paris Declaration is relevant and practical even where considerable fragilities are present.*
- *Good practice in aid effectiveness and aid management is relevant in all situations – the context only changes the way in which the principles are applied.*

**Key Recommendations**

**Awareness of Aid Effectiveness**

1. Voice and participation, at all local levels are required to build an effective democratic state. GoN needs to ensure a structure and framework to support these processes. The formal and informal spaces for dialogue around aid effectiveness should include GoN, DPs and civil society representation to broaden and deepen the discourse in line with the Accra Agenda for Action.
2. MoF should take the lead in the wider dissemination about and promotion of aid effectiveness (including the Paris Declaration principles) to parliamentarians/politicians, bureaucrats in sectors/line ministries, officials at district level and amongst the wider public in collaboration with civil society actors.
3. DPs should ensure greater awareness of aid effectiveness at all levels (headquarters and country offices) reviewing their staff development processes to strengthen understanding and implementation.
4. GoN and DPs should link their respective performance evaluation systems with implementation of aid effectiveness and include incentives for their staff to adopt Paris Declaration principles.

**Aid Effectiveness Action Plan**

5. MoF should ensure that the Foreign Aid Policy is revised and updated and approved as a matter of priority taking the findings of PDE II into account.
6. MoF should restructure FACD with sufficient resources to play its role effectively and proactively promoting and monitoring aid effectiveness throughout GoN and implementing effective aid management systems including sound information base.
7. The Draft National Action Plan on Aid Effectiveness should be reviewed by FACD in consultation with DPs and revised with more specific outputs and indicators based on the lessons in the PDE II report with a three year timetable for joint implementation.

**Promotion of Harmonisation and Alignment at Sector Level**

8. GoN and DPs should work together to introduce more sector wide approaches building on the experience in health and education with a joint commitment to focus on at least one sector a year for the next three years.
9. GoN should encourage and capacitate ministries to prepare sector programmes rather than specific projects.
10. MoF and NPC should develop proposals for gradually phasing out the project mode of implementation and increasing the proportion of aid that is channelled through the budget in support of GoN programmes.

### **Paris Declaration at the Local Level**

11. Efforts towards an all party consensus to conduct local elections should be intensified. Meanwhile GoN in consultation with other political parties should come up with a more accountable mechanism for the operation of local bodies until local elections are held. This is a basic for promotion of PD awareness and implementation plan at the local level.

### **Fiduciary Risk, Corruption and Procurement**

12. DPs should appreciate the financial management and procurement systems reforms that are being carried out despite the adverse effect of political transition and support GoN systems wherever possible and not bypass them in ways that will further weaken them.
13. DPs should support the further strengthening of GoN financial and procurement mechanisms with appropriate monitoring to track improvements in operation.
14. GoN should set a framework to further improve fiduciary and procurement systems building on the PEFA, the Procurement Guidelines and other relevant initiatives.
15. DPs and GoN should develop a joint approach to transparency with respect to corruption. GoN should enforce existing laws and reduce irregularity. DPs should continue to raise their voice in response to specific malpractices within the spirit of mutual accountability.
16. GoN should ensure that public officials and institutions are more aware of the Right to Information (RTI) and require them to implement RTI provisions. The role of civil society actors in awareness raising should be supported.

# A.

## INTRODUCTION

This is the report of the Nepal Country Evaluation carried out as part of the Phase II Paris Declaration Evaluation (PDE II). In all, 21 country evaluations and 7 Development Partner (DP) studies are being conducted as part of PDE II. The Nepal country evaluation effort is supported by the Asian Development Bank (ADB) and the United Nations Development Programme (UNDP). The evaluation was undertaken between April and September 2010.

### **The Paris Declaration and Accra Agenda for Action: Engagement of Nepal**

The Government of Nepal (GoN) is an active participant in regional and international forums addressing aid effectiveness. A delegation participated in the 2<sup>nd</sup> High Level Forum on Aid Effectiveness endorsing the Paris Declaration (Annex 1) in March 2005. Nepal also participated in the 3<sup>rd</sup> High Level Forum in Accra in 2008, committing to the Accra Agenda for Action (Annex 2). This is part of a long standing interest in aid effectiveness that predates Paris and Accra and has become stronger since the signing of the peace accord in 2006.

GoN volunteered to take part in the 2<sup>nd</sup> Monitoring Survey on the Implementation of the Paris Declaration in 2008. The survey was coordinated by the Ministry of Finance (MoF) with the assistance of UNDP and the United Kingdom Department for International Development (DFID). The findings of the survey have been crucial in informing the emerging baseline scenario of the aid management landscape of Nepal. The process, as well as the findings, facilitated dialogue among primary aid management stakeholders. Encouragingly, GoN, its development partners (DPs) and civil societies have used the results which emerged from the monitoring survey widely in support of applying best practice principles to the aid relationship. This has strengthened and extended the interest in aid effectiveness.

The findings of the monitoring survey from all participating countries influenced the Accra Agenda for Action. The GoN representatives and the Secretariat circulated the Nepal Country Report amongst participants at the 3<sup>rd</sup> High-Level Forum in Accra. A poster was displayed at the "Marketplace of Ideas" session containing three success cases of aid effectiveness in Nepal, (Nepal Peace Trust Fund, the Sector Wide Approach - SWAp - in the education sector, and the SWAp in the health sector). In addition, throughout the conference period, GoN representatives were amongst the first speakers in the Speaker's Corner organised parallel to the roundtables immediately after each plenary session.

After Accra, revision and updating of the existing Foreign Aid Policy (FAP), dating from 2002, was initiated in line with the Paris Declaration Principles and the Accra Agenda for Action. The MoF also prepared a draft National Action Plan on Aid Effectiveness (NAAP) designed to embed the principles of aid effectiveness within the Nepal context. Consultation is currently taking place on both, with the drafts circulated amongst a wide group of stakeholders for comment.

GoN has also been actively participating in the International Aid Transparency Initiative (IATI), initiated by a group of DPs during the Accra High Level Forum. Nepal is represented on the Steering Committee and on the Technical Advisory Group, playing an active role in both. The Finance Secretary participated in, and delivered closing remarks at, the IATI conference held in the Netherlands in October 2009.

In support of its drive for more transparent and accountable aid, GoN is in the process of developing an aid management information system with the prototype already installed in the MoF in collaboration with the Development Gateway Foundation and UNDP. Initially the system is planned to share information amongst key Ministries and DPs. Subsequently it will be rolled out to other relevant agencies and will also be made accessible to the civil society.

GoN's involvement in PDE II is a further indication of its commitment to aid effectiveness and it expects the evaluation to provide recommendations that will strengthen GoN's efforts towards aid effectiveness. In addition to PDE II GoN has decided to participate in the 3<sup>rd</sup> Monitoring Survey scheduled for early 2011.

### **Purpose and Scope of the Phase Two Evaluation**

The Paris Declaration has an integrated monitoring and evaluation mechanism. Altogether three rounds of monitoring survey (2006, 2008 and 2011) and two rounds of evaluation (2007 and 2010) were planned. The first phase of the evaluation (PDE I) was conducted from March 2007 to September 2008 and provided information on the initial implementation process, looking at inputs and early outputs.

PDE I focused on three questions:

1. What important trends or events are emerging in the early implementation of the Paris Declaration?
2. What major influences are affecting the behaviour of countries and their DPs in relation to implementing their Paris commitments? and
3. Is implementation so far leading toward the Declaration's five commitments of ownership, alignment, harmonisation, managing for results and mutual accountability? If so, how and why? If not, why not?

There were a number of significant conclusions, lessons and findings which resulted in ten specific recommendations<sup>2</sup>.

PDE I covered only eight country level evaluations supplemented with 11 bilateral and multilateral development agency studies. Thus, whilst PDE I indicated overall progress, many countries, including Nepal, will only get an assessment through PDE II. Also, Nepal has only undertaken one Paris Declaration monitoring survey which established a sound baseline but did not move on to a comprehensive evaluation. Thus, PDE II is of particular significance to Nepal. In addition, the timing is highly relevant given the current national context and DP environment.

PDE II is being undertaken during 2009/10 and the synthesis report will be presented at the 4<sup>th</sup> High Level Forum in Korea in 2011. The aim is to document, analyze and assess the relevance and effectiveness of the Paris Declaration, its contribution to aid effectiveness and ultimately to development results, including poverty reduction. Objectives include:

- To document the results achieved in Nepal through implementing the Paris Declaration.
- To enable Nepal and DPs/agencies active in Nepal to clarify, improve and strengthen policies and practice consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness.
- To highlight barriers and difficulties that may have limited the effectiveness of the Paris Declaration and its effects and impacts – and ways that these barriers and difficulties may be overcome.

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<sup>2</sup> See Evaluation of the Implementation of the Paris Declaration • Synthesis Report • July 2008

- To enable sharing and exchange of experience among stakeholders, countries and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

The three core questions for PDE II are:

1. What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?
2. To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?
3. Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results? How?

The overall process is coordinated by an Evaluation Management Group (EMG) with its own secretariat. The EMG has appointed a Core Evaluation Team (CET) that is responsible for overall design and facilitating coherence among the country evaluations and DP HQ studies. The CET was responsible for producing the generic terms of reference (ToRs) including a draft outline for the evaluation report, an Operational Matrix, addressing the core questions and identifying sub questions, and Guidance Notes on methodology. Each country evaluation, though pursued independently, has had the benefit of support from the CET.

### **Approach, Methodology and Limitations**

Nepal was represented at the Regional Workshops to prepare PDE II and has also participated in all meetings of the International Reference Group. MoF took the lead in convening a National Reference Group (NRG) comprising representatives from a wide range of DPs and senior GoN representatives and chaired by the Finance Secretary. MoF also coordinated the support from ADB and UNDP. A National Evaluation Team (NET), led by the National Evaluation Coordinator, Mr. Lal Shanker Ghimire, Joint Secretary, Foreign Aid Coordination Division (FACD) MoF, has been responsible for undertaking the Nepal Country Evaluation under the guidance of the NRG. The NET comprises four officials from FACD, four DP focal points, a civil society representative, and the three consultants and data analyst (Annex 8). The main work has been carried out by the two national consultants, the data analyst, two FACD members and the international consultant/team leader.

During the inception phase the NET developed the approach and methodology for the Nepal evaluation based on the Operational Matrix. The three Core Questions and suggested Sub Questions were discussed at a national multi-stakeholder workshop held on 7<sup>th</sup> April 2010. Most were found relevant to the Nepal context with some minor amendments. The workshop also identified four Nepal specific questions related to:

- conducive incentives systems that facilitate or hinder Paris Declaration implementation;
- post conflict challenges;
- transitional chaos created by political instability and state restructuring; and
- the level and perceived impact of corruption.

To answer the core evaluation questions and the Nepal specific questions a wide range of quantitative and qualitative data was collated. To put the period since the Paris Declaration in its wider political and development context the evaluation reviewed policy, financial and operational features during the period 2000 to 2010 (i.e. the five years prior to, as well as the five years since, the Paris Declaration).

As suggested by CET, the health sector was taken as a specific focus study. Given the importance of the SWAp modality the education sector was taken as the second specific

sector in order to compare and contrast with health and also focus on two sectors where Paris Principles appeared to have been given priority. In addition, a general survey of the Paris Declaration implementation in other development sectors of Nepal was conducted.

The quantitative data was drawn from secondary sources, mainly the published and unpublished records of GoN and its DPs. These enabled levels of aid, fund flow, relationships between aid and budget and operational factors to be assessed. In addition, policy and strategic trends and decisions during the period were reviewed, as well as an assessment of results, again drawing on published material triangulated across a number of sources. The main data sources used were:

- MoF published Economic Surveys, budget and expenditure data for the period, including records from the Financial Comptroller General Office (FCGO);
- Publications of the Central Bureau of Statistics (CBS), the National Planning Commission (NPC), the Ministry of Health and Population (MoHP) and the Ministry of Education (MoE);
- World Bank studies and publications including World Development Indicators;
- Asian Development Bank, UNDP and relevant publications from other DPs; and
- Key civil society and research publications.

The documentary data was supplemented with qualitative information based on a structured questionnaire, semi structured interviews and Focus Group Discussions (FGDs). Annex 4 lists all those who were interviewed or participated in the FGDs. The questionnaire was sent to 17 secretaries and heads of government agencies and 27 DP heads. Completed questionnaires were received from 13 government agencies and 19 DPs. The questionnaire covered all five principles of the Paris Declaration and sought an assessment of change (substantial, some, little or no change) on various aspects of the Paris Declaration from the respondents. Semi structured interviews were held with 60 government officials and 43 DP staff. The interviews enabled key issues to be explored in greater depth and agency/Ministry specific aspects of the evaluation questions to be covered. All but two of the interviews were conducted face to face with at least two members of the team present. After the interviews evaluation team members discussed the notes to ensure respondents' responses were recorded correctly and in a comprehensive manner.

FGDs were conducted in Kathmandu with groups of MoF officials, academics and civil society, and in two Districts in Mid-western and Far-western Development Regions (Banke and Dadeldhura) with groups of district level government officials, civil society and NGO representatives, and district level DP officials. The FGDs enabled wider views on the Paris Declaration and on aspects of the evaluation questions to be explored, and allowed triangulation with interview based and documentary evidence.

The team has spent considerable time analysing the interview notes and other data. The Operational Matrix was used to frame conclusions and draw together evidence in a structured way. Whilst the findings related to education and health sectors are reflected in the main report, the specific sector level evidence is summarised in Annexes 5 and 6 respectively. Similarly, the findings from the district visits is summarised in Annex 7. As this is a multi-country exercise the NET has tried, as much as possible, to follow the CET's guidelines and the operational matrix. This will help ease the task of inter country comparison.

Despite this thorough methodology, the evaluation team would like to note a number of limitations. Firstly, it was not possible to undertake primary data collection in an extensive way and the quantitative assessment was dependent on the secondary data available. This was not always comprehensive, especially for the earlier period under review. Data from DPs was also limited due to the time constraints and differences in reporting format, timeframes etc.

Secondly, the time available restricted the number and depth of interviews and discussions and the depth of sector coverage. Finally, given the period under review, the analysis has had to take into account the impact of a particularly complex period in Nepal's political history. Numerous other factors have influenced development and aid in addition to the endorsement of the Paris Declaration. Identifying the plausible contribution of the Paris Declaration principles has therefore not been easy and some of the evaluation judgements need to be seen in this context.

### **Report**

This report follows the draft outline proposed in the ToR. After this introduction (A) the main section (B) sets out the Findings on the Common Evaluation Questions. This is followed by the Key Lessons and Recommendations around these questions (C) and then the Findings on the Nepal Specific Questions (D) and the related Lessons and Recommendations (E). The final section (F) addresses possible implications beyond the planned term of the Paris Declaration. Background and supplementary material is provided in the 8 annexes.

### **Next Steps**

The draft report was circulated widely amongst stakeholders in Nepal and with the Core Team for comment. All comments received by 12 November 2010 were taken into account in revising the draft before it was presented at a national workshop on 17 November 2010. The Nepal report was also presented and discussed in the 3<sup>rd</sup> meeting of International Reference Group held in December 2010 in Bali, Indonesia. After final editing to incorporate comments, the report was endorsed by the NRG on 16 December 2010.. The report was formally submitted to the CET at the end of December 2010, and findings from the Nepal evaluation will be incorporated in the PDE II Synthesis Report to be presented at Seoul in 2011.

## **B.**

# **FINDINGS ON THE COMMON EVALUATION QUESTIONS**

In this main section of the report we present the evaluation findings in response to the three core evaluation questions:

1. What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results? (The Paris Declaration in Context)
2. To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships? (Process and Intermediate Outcomes)
3. Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results? How? (Development Outcomes)

### **B.1 The Paris Declaration in Context**

Here we review the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results in Nepal.

First, we summarise the key characteristics of Nepal relevant to the Paris Declaration and the changes over the period from 2000 to 2010 – poverty and human development, growth and economy, governance and the instability, national development strategies, the organisation of government with respect to aid and development, and the pattern of external and internal resource mobilisation.

Secondly, the political trajectory over the period, identifying important national and international events affecting Nepal's implementation of the Paris Declaration, is discussed.

Thirdly, we assess the place of aid subject to the Paris Declaration principles and the trends in overall development, finance and resources, looking back to 1990.

Fourthly, decision making with respect to aid in Nepal is reviewed, identifying the key actors and the influence of the Paris Declaration and the Accra Agenda for Action. Finally, we assess the extent to which the Paris Declaration principles have been implemented.

#### **1a) Key Characteristics of Nepal relevant to Paris Declaration**

The period since the Paris Declaration coincided with Nepal's emergence from ten years of armed struggle (1996-2006) and the subsequent uncertainty and political turbulence of the peace process and the transition towards greater democracy. Framing the New Constitution, addressing competing aspirations and expectations, is a herculean task which at times appears to be progressing very slowly. Simply forming a government and arresting the decline in law and order is a major challenge, yet service delivery is being maintained and outcomes are improving. A history of aid dependence and fragmented external support has characterised the DP relationship with Nepal. In this context, the Paris Declaration was highly relevant but the atmosphere was less conducive to its application.

### ***Poverty, Equity and Human Development***

Nepal is a low income country, with per capita Gross Domestic Product (GDP) of US\$467 in 2008/09 (MoF 2010), facing tremendous economic, social and political challenges. It has the lowest per capita GDP in the South Asia Region which itself is one of the poorest. Since 2000 the rate of economic growth has slowed, first due to the armed conflict and subsequently political instability. Although Nepal has been able to improve its social development indicators, they are still amongst the lowest in South Asia. Another challenging aspect of human development is social exclusion. Many groups (e.g. indigenous ethnic groups, minority religious groups, women, and Dalits) were found to be discriminated and Nepal is now trying to rectify these injustices.

In terms of overall human development, Nepal has moved from being a 'low human development' country with Human Development Index (HDI) less than 0.5 in the 1990s to a 'medium human development country' (HDI between 0.5 and 0.8). However, amongst this group Nepal ranks in the bottom quartile (UNHDR, 2009). Nevertheless, between 1980 and 2007, Nepal maintained an average annual HDI growth rate of 2.16%, the highest in the world (UNHDR 2009), despite all the challenges it faced during that period. Table 1 gives the changes during the evaluation period of key human development indicators.

**Table 1: Key Human Development Indicators 2000, 2005, 2010**

Indicators	Nepal			South Asia
	2000	2005	Latest	
<b>Poverty</b>				
Population below national poverty line	38	31	25.4	
Population below \$1	n/a	24.1	n/a	
<b>Economic</b>				
Per Capita GDP (US\$)	259	350	367 (2007)	
Per Capita GDP (US\$ PPP)			29.5 (2007)	
Gini Coefficient (based on consumption)		47.3 (2003/04)		
<b>Health</b>				
Life Expectancy at Birth (Yrs)		63.69 (2006)		
Male		61.92 (2006)	66 (2008)	63 (2008)
Female		65.71 (2006)	67 (2008)	65 (2008)
Under 5 mortality rate	91	61	51 (2008)	76 (2008)
Infant Mortality rate	64	48	41 (2008)	58 (2008)
Maternal Mortality Ratio	415	281	229 (2009)	
<b>Drinking Water and Sanitation</b>				
Access to improved drinking water	73	81	89 (2006)	87 (2006)
Access to toilet	30	39	27 (2006)	33 (2006)
<b>Education</b>				
Primary NER (%)	81	86.8	93.7 (2009)	86 (2008)
Boys			94.7 (2009)	
Girls			92.6 (2009)	
Primary Completion Rate (%)			76 (2008)	79 (2008)
Boys			79 (2008)	82 (2008)
Girls			72 (2008)	76 (2008)
Adult Literacy Rate (%)		52.42 (2006)		

Male		69.67 (2006)	71 (2008)	73 (2008)
Female		38.44 (2006)	45 (2008)	50 (2008)
Human Development Index	0.471 ('01)	0.509 (2006)	0.553 (2007)	0.612 (2007)
Gender Related Development Index		0.499 (2006)	0.545 (2007)	

Sources: black – Central Bureau of Statistics; blue – MDG Progress Report UNDP 2010; red – World Development Indicators, World Bank; green – HDI UNDP 2009.

### ***Growth and the Economy***

The per capita GDP in Nepal grew at a very slow rate between 2000/01 and 2008/09 (1.5% per annum) due to the slow GDP growth rate (3.5%) and relatively high population growth rate (about 2% per annum). Another feature of Nepal's growth is its erratic nature, changes being highly dependent on seasonal factors, notably the strength and length of the monsoon and the fluctuating internal political stability.

Agriculture contributes around 33% of GDP but employs about 74% of those who are working (CBS, 2009). The non-agricultural sector, on the other hand, employs only about 26% and contributes more than two-thirds of GDP. The productivity of the agriculture sector is thus much lower than the non-agriculture sector. As a result, poverty is more rampant among those employed in the agriculture sector. According to the Nepal Living Standard Survey (NLSS) in 2003/04, 78% of the poor in Nepal were employed (or self-employed) in agriculture (CBS, 2005)

Given the income disparities and economic differences, the high levels of inflation, largely due to food prices, (over 3% per annum between 2000 and 2005 escalating since 2006 to 13% in 2009) impact disproportionately on the poor and those living in remote rural areas.

More generally, the economy is dependent on external factors, aid, tourism and remittances from Nepalese working abroad; all effected by the conflict and post conflict disruption. In recent years, remittances have played a vital role in Nepal's balance of payment. Due to the global recession, Nepal has experienced a slowdown in the remittance growth rate (47% growth in 2008/09 and only 7% in 2009/10), which has had a negative impact on balance of payments. For the first time since 2001/02, Nepal had a negative balance of payments in 2009/10. In the first eight months there was a deficit of Rs. 23.5 billion whereas in the corresponding period of 2008/09 Nepal recorded a surplus of Rs. 34.8 billion (MoF, 2010).

### ***Governance and Instability (Fragility)***

Whilst Nepal does not formally meet the definition of a fragile state<sup>3</sup> and is not included in the listing of fragile states used by the World Bank or Organisation for Economic Cooperation and Development (OECD) it has many of the characteristics of fragility. Although the government is legitimate and recognized, its effectiveness in the rural areas is much diminished. During the conflict GoN was unable to deliver services consistently in many parts of the country and basic functions are only just becoming fully restored. Most government respondents took the view that Nepal no longer met the criteria of 'fragility' whereas some of the DPs interviewed said that in their view Nepal continues to have aspects of 'fragility' due to the continuing political, economic and developmental transitions.

This turbulence at the centre has affected budget formulation and, as a consequence, service planning and implementation as well as aspects of peace and security. There is a perception of increasing politicization within the bureaucracy, which has eroded the merit system in

<sup>3</sup> "Fragile states are countries where the government cannot or will not deliver its basic functions to the majority of its people, including the poor." Definition used by OECD, World Bank and DFID.

many aspects in the civil service. The law and order situation remains weak with many areas where armed groups are extorting money from businesses and households. The incidence of kidnappings for ransom is on the rise, especially in the southern plain areas.

In rural areas the situation is not better either. During the conflict there was severe disruption and GoN was unable to function normally in many districts. There have been no local elections since 2002 and the all party political committees that function in lieu of locally elected bodies, especially for the allocation of development resources, are less accountable to local people. During the focus group discussions at the district level, many participants considered these committees as merely working group for their own benefits' (see Annex 7)

According to the World Bank's Country Policy and Institutional Assessment (CPIA) Nepal has fallen into the third quintile fairly consistently, suggesting a stable level of aid effectiveness and governance. The average score for both 2008 and 2009 was 3.3, which is above the threshold of fragile states. However, there are aspects of the CPIA where Nepal has deteriorated and others improved. For instance the macro management score and debt policy management score declined. However, general equality, equity of public resource use, and policies and institutional environment sustainability scores improved.

### ***National Development Strategy (NDS)***

Nepal has a long tradition of setting out clear national development strategies (NDS). The earlier pattern of five year plans suggested strong planning capacity but this did not always translate into effective implementation; sector level performance was variable and dependent, in some cases, on project based external support. In recent years national development strategies have become more focussed on poverty reduction and implementation has been better aligned. The 10<sup>th</sup> plan (2002-2007) was also tagged as Nepal's first Poverty Reduction Strategy Paper (PRSP) and was accepted as such amongst DPs. There were four strategic pillars - broad based economic growth, social development, governance improvement and targeted programmes for marginalized and socially excluded groups. Progress against all four, though disrupted by the conflict and political turbulence, was nonetheless significant.

In consideration of the political transition GoN decided to prepare a three year periodic plan in 2007 replacing the traditional five year plans. The Three Year Interim Plan (TYIP) 2007-2010 continued the strategies and priorities adopted in the 10<sup>th</sup> plan. The TYIP, however, gave much more focus to social inclusion and equity, issues of concern in contemporary Nepal. GoN has recently approved the new Three Year Plan (TYP) 2010-2013 around the core theme of 'employment-centric inclusive development'.

### ***Organisation of Government: aid management, decentralisation***

Modern Nepal emerged in 1990 with the establishment of a democratic government. However, the role of the king continued to be significant and elite dominance and central control continued. The moves towards decentralisation in 1999 did not progress and at present Nepal has a unitary government with a commitment to move to a federal structure, together with a return to decentralisation. Whilst the principle of federal government has been agreed upon the mode of implementation is still uncertain. The hotly debated issue is whether the federal states should be formed on the basis of ethnicity or other criteria.

During the conflict and transition the authority of the bureaucracy was strengthened and a stronger lead has been evident, particularly through the ministries. This has also been evident in some sectors where strong partnerships with DPs have emerged. The current political situation, however, is weakening this authority and leading to frustration and a lack of clarity in policy development.

The development process in Nepal is mainly driven by the government. The role of civil society and the private sector has increased in recent years with the adoption of liberal and market oriented policies after 1990 but structures for collaboration and consultation remain weak. DP support for NGOs strengthened their role in service delivery and this was extended during the conflict when non state services were given more support. As a consequence advocacy and accountability is still emerging as a civil society function.

Some responsibility for development was devolved to local government at district level but, given the absence of local elections, this was not sustained and power is currently being exercised by civil servants working at local level who are managed from the centre. The de facto-centralization of power remains one of the most serious political issues to be resolved and this is reflected in terms of planning and finance and at sector level.

Some aid management issues, notably the focus on 'development results', were highlighted in the 10<sup>th</sup> plan as a result of the influence of the Rome Declaration, 2003, building on the first attempt to structure aid management through the Foreign Aid Policy, 2002. This policy was drafted following the Nepal Development Forum (NDF) held in Paris in April 2000 when there was considerable discussion about the mixed record of aid effectiveness in Nepal. The 2007 TYIP set aid management policy in the context of the Paris Declaration principles.

Civil society actors felt that their place within development discourse was limited by the emphasis given to ownership by government in the Paris Declaration. However, in Nepal, national policies and plans continued to provide greater space to civil society. The role of civil society was enhanced in the Accra Agenda for Action with the focus on the concept of 'inclusive/democratic ownership'. The stronger voices from civil society, as important actors in national development process, were evident and well articulated during the FGDs in Kathmandu and at District level.

### ***External and domestic resource mobilisation patterns***

Nepal has been receiving foreign aid as a source of financing socio-economic development since the mid-fifties, when Nepal embarked on the process of planned development with the launching of the First Five Year Development Plan. Through to the end of the 1990's foreign assistance remained around 5-6% of GDP, financing about 25-30% of total government expenditure and about 60% of the development budget. In terms of sectoral distribution of foreign aid, agriculture, forestry and fisheries received the largest share, followed by energy, transport, health, social development, and human resource development. (MoF, 2002; and World Development Indicators, accessed on 22/10/10)

Of the total foreign aid received in 1999, capital assistance accounted for only half, and technical assistance for around 40% (this had reduced to 34% at the time of the 2008 Paris Declaration Monitoring Survey), with the residual 10% being balance of payments support and emergency and relief assistance. The share of technical assistance had increased rapidly during the 1990's, which was of concern to GoN, and has continued to be a key issue in the composition of external support (MoF, 2002).

The resourcing of public expenditure during the period under review is shown in table 2. Whilst expenditure has increased nearly threefold the revenue to GDP ratio increased from 11% in the period 2000-2005 to about 15% in 2010. Revenues have thus outpaced spending and reduced overall dependency on foreign aid from 24% to 17%.

**Table 2: Public Expenditure and Financing Sources**

(Rs. in Billions and % of annual total)

Nepal Fiscal Year	2000/ 01	2001/ 02	2002/ 03	2003/ 04	2004/ 05	2005/ 06	2006/ 07	2007/ 08	2008/ 09
<b>Total Government Revenue</b>	<b>48.89</b>	<b>50.45</b>	<b>56.23</b>	<b>62.33</b>	<b>70.12</b>	<b>72.28</b>	<b>87.71</b>	<b>107.62</b>	<b>143.47</b>
	<i>61%</i>	<i>63%</i>	<i>67%</i>	<i>70%</i>	<i>68%</i>	<i>65%</i>	<i>66%</i>	<i>67%</i>	<i>65%</i>
Tax Revenue	38.87	39.33	40.90	48.17	54.10	57.43	71.13	85.16	117.05
	<i>49%</i>	<i>49%</i>	<i>49%</i>	<i>54%</i>	<i>53%</i>	<i>52%</i>	<i>53%</i>	<i>53%</i>	<i>53%</i>
Non-Tax Revenue	10.03	11.12	13.64	14.16	16.02	14.85	16.59	22.47	26.42
	<i>13%</i>	<i>14%</i>	<i>16%</i>	<i>16%</i>	<i>16%</i>	<i>13%</i>	<i>12%</i>	<i>14%</i>	<i>12%</i>
<b>Total Foreign Aid</b>	<b>18.80</b>	<b>14.38</b>	<b>15.89</b>	<b>18.91</b>	<b>23.66</b>	<b>22.04</b>	<b>25.85</b>	<b>29.30</b>	<b>36.35</b>
	<i>24%</i>	<i>18%</i>	<i>19%</i>	<i>21%</i>	<i>23%</i>	<i>20%</i>	<i>19%</i>	<i>18%</i>	<i>17%</i>
Foreign Loan	12.04	7.70	4.55	7.63	9.27	8.21	10.05	8.98	9.97
	<i>15%</i>	<i>10%</i>	<i>5%</i>	<i>9%</i>	<i>9%</i>	<i>7%</i>	<i>8%</i>	<i>6%</i>	<i>5%</i>
Foreign Grants	6.75	6.69	11.34	11.28	14.39	13.83	15.80	20.32	26.38
	<i>8%</i>	<i>8%</i>	<i>13%</i>	<i>13%</i>	<i>14%</i>	<i>12%</i>	<i>12%</i>	<i>13%</i>	<i>12%</i>
<b>Internal Loan &amp; Cash Balances</b>	<b>12.14</b>	<b>15.24</b>	<b>11.89</b>	<b>8.20</b>	<b>8.78</b>	<b>16.56</b>	<b>20.04</b>	<b>24.43</b>	<b>39.84</b>
	<i>15%</i>	<i>19%</i>	<i>14%</i>	<i>9%</i>	<i>9%</i>	<i>15%</i>	<i>15%</i>	<i>15%</i>	<i>18%</i>
<b>Total Public Expenditure</b>	<b>79.84</b>	<b>80.07</b>	<b>84.01</b>	<b>89.44</b>	<b>102.56</b>	<b>110.90</b>	<b>133.60</b>	<b>161.35</b>	<b>219.66</b>
	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

Source: Economic Survey, 2009/10, MoF

The reduction in dependency (the proportion of aid to the total budget) has coincided with an increase in foreign aid disbursement especially from the top ten DPs. There are now some 50 bilateral and multilateral DPs and over 100 INGOs. Whilst the 2008 Paris Declaration Monitoring Survey indicated that only 74% of aid was disbursed through the government system the trend is slowly increasing. However, whilst domestic revenues are increasing as a proportion of public expenditure, the dominance of aid as a share of the development budget, and even more so as a proportion of overall development expenditure (state and non state), continues to be significant.

The one trend in external support that is of particular interest within the context of this evaluation is the role of DPs including those who are not signatories of the Paris Declaration, in particular China and India. Data is not available for China but, as shown in tables 3 and 4, India is a significant DP for Nepal and is now one of the top five. Tables 5 and 6 do not include the share of aid by country channelled through the pooled arrangements of the education and health SWAs since GoN does not disaggregate this data. The effect is to reduce the amount of aid shown against some DPs and in the top five, ADB, World Bank, Denmark and DFID in particular, as they fund either or both sectors through the pooled arrangements. This does not affect the composition of the top five DPs. The two development banks have dominated aid throughout the decade. Amongst the bilaterals, DFID and India have grown in significance, whilst Japan level of aid decreased if not stagnated.

**Table 3: Aid Disbursement Through Government System by Major Development Partners (DPs)**

Rupees in billions

Development Partners	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
World Bank	4.16	3.20	1.67	3.80	5.29	4.51	4.16	5.34	8.74	8.33
ADB	7.30	4.06	1.63	3.36	2.88	3.32	5.32	6.00	6.91	6.97
Japan	3.28	3.03	3.75	4.23	3.50	3.59	2.63	2.55	2.79	1.57
UK	0.05	0.13	0.22	0.52	0.57	0.43	1.10	1.75	1.18	1.45
India	0.03	0.00	0.82	0.07	0.49	0.12	2.60	1.21	1.82	1.12
Korea	0.02	0.04	0.00	0.00	0.00	0.00	0.00	0.00	0.28	0.96
Germany	1.43	0.70	2.93	2.84	4.10	2.76	0.59	2.11	0.80	0.74
UNDP	0.01	0.00	0.00	0.01	0.72	0.56	0.55	0.45	0.26	0.72
Denmark	0.28	0.81	1.24	1.16	0.80	0.49	0.43	1.33	0.61	0.66
IFAD	0.14	0.11	0.14	0.11	0.14	0.11	0.14	0.24	0.36	0.46
Others	2.41	2.40	3.48	2.80	5.14	6.30	8.44	8.56	13.34	18.20
<b>Total</b>	<b>19.13</b>	<b>14.49</b>	<b>15.88</b>	<b>18.90</b>	<b>23.66</b>	<b>22.20</b>	<b>25.97</b>	<b>29.54</b>	<b>37.09</b>	<b>41.17</b>

Source: MOF, 2010a and FCGO

Note: Others includes the joint disbursements through sector programmes notably, health and education, that are not disaggregated by individual DP.

**Table 4: Top Five DPs Supporting through the Budget**

Rupees in ten millions

2000/01			2004/05			2009/10		
DP	Amount	%	DP	Amount	%	DP	Amount	%
ADB	730	44.3%	World Bank	529	31.9%	World Bank	833	42.9%
World Bank	416	25.3%	Germany	410	24.7%	ADB	696	35.8%
Japan	328	19.9%	Japan	350	21.1%	Japan	157	8.1%
Germany	143	8.7%	ADB	288	17.4%	UK	145	7.5%
Denmark	28	1.7%	Denmark	80	4.8%	India	112	5.8%
<b>Total for Top 5</b>	<b>1646</b>	<b>100%</b>		<b>1658</b>	<b>100%</b>		<b>1943</b>	<b>100%</b>

Source: MOF, 2010a

## 1b) Important events affecting Nepal's implementation of the Paris Declaration

The period since the Paris Declaration has coincided with a time of *very significant change* in Nepal in which democracy was reinstated, legitimacy of the government restored and the peace process started. The five years prior to Paris also saw considerable political turbulence during the later stages of the conflict including the assassination of the royal family in 2001, growing violence, states of emergency and changes of government, the king assuming power, and finally the peace settlement (see Figure 1).

The uncertainty and political transformation that has dominated the period has been *very significant and far more influential on the development trajectory and aid effectiveness than the Paris, Accra or any other international drivers*. During the conflict GoN was unable to deliver services in many parts of the country and many DPs adopted a humanitarian approach codified in the Basic Operating Guidelines (BOG) framed in 2003. This resulted in an increase in direct and NGO funded activity though the major sector support to GoN continued. Since 2006 aid through GoN has increased more dramatically, reflecting the expectations in the peace process and the return to democracy.

**Figure 1: Chronology of major national and international events, 2000–2010**

Date	National Events	International Events
2000	Girija Prasad Koirala returns as Prime Minister (PM), heading the ninth government in ten years.	UN Millennium Summit, New York
2001 1 June	King Birendra, Queen Aishwarya and close relatives killed.	
2001 4 June	Prince Gyanendra crowned king of Nepal after Dipendra dies	
2001 July	Maoist rebels step up campaign of violence. PM Girija Prasad Koirala resigns over the violence; succeeded by Sher Bahadur Deuba.	
2001 November	Maoists end 4 month truce, declare peace talks failed, and launch coordinated attacks on army and police.	
2001 November	State of emergency declared after more than 100 people are killed in 4 days of violence. King Gyanendra orders army to crush the Maoist rebels. Hundreds are killed in rebel and government operations in the following months.	
2002 May	Parliament dissolved, new elections called amid political confrontation over extending the state of emergency. Sher Bahadur Deuba heads interim government, renews emergency.	March International Conference on Financing for Development, Monterrey, Mexico
2002 October	King Gyanendra dismisses Sher Bahadur Deuba and puts off indefinitely elections set for November. Lokendra Bahadur Chand appointed as PM.	June 1 <sup>st</sup> International Roundtable on Development Results, Washington D. C.
2003 Jan.	Rebels and government declare ceasefire.	

Date	National Events	International Events
2003 May-June	Lokendra Bahadur Chand resigns as PM; king Gyanendra appoints his own nominee, Surya Bahadur Thapa, as new premier.	2003 Feb 1st High Level Forum on Aid Effectiveness, Rome, Italy
2003 August	Rebels pull out of peace talks with government and end seven-month truce. The following months see resurgence of violence and frequent clashes between students/activists and police.	
2004 April	Nepal joins the World Trade Organisation (WTO).	2004 Feb 2 <sup>nd</sup> International Round Table on Development Results, Marrakech
2004 May	Royalist PM Surya Bahadur Thapa resigns after weeks of street protests by opposition groups.	
2004 June	King Gyanendra reappoints Sher Bahadur Deuba as PM with the task of holding elections.	
2005 1 February	King Gyanendra dismisses PM Sher Bahadur Deuba, declares a state of emergency and assumes direct power, citing the need to defeat Maoist rebels.	March 2 <sup>nd</sup> High Level Forum on Aid Effectiveness, Paris
2005 30 April	King Gyanendra lifts the state of emergency amid international pressure.	
2005 November	Maoist rebels and main opposition parties agree on a programme intended to restore democracy.	
2006 24 April	King Gyanendra agrees to reinstate parliament following a 19-day Jana Andolan with violent strikes and protests against direct royal rule. Girija Prasad Koirala is appointed as PM. Maoist rebels call a 3 month ceasefire.	
2006 May	Parliament votes unanimously to curtail the king's political powers. The government and Maoist rebels begin peace talks, the first in nearly three years.	
2006 16 June	Rebel leader Prachanda and PM Girija Prasad Koirala hold talks—the first such meeting between the two sides—and agree that the Maoists should be brought into an interim government.	
2006 21 November	The government and Maoists sign a peace accord, declaring a formal end to a ten year rebel insurgency. The rebels agree to join a transitional government and place their weapons under United Nations supervision.	
2007 January	Maoist leaders enter parliament under the terms of a temporary constitution. Violent ethnic protests erupt in the southeast demanding autonomy for the region.	
2007 April	Former Maoist rebels join interim government, a move that takes them into the political mainstream.	
2007 May	Elections for a constituent assembly pushed back to November.	

Date	National Events	International Events
2007 September	Three bombs hit Kathmandu in the first attack in the capital since the end of the Maoist insurgency. Maoists quit interim government to press demand for monarchy to be scrapped. This forces the postponement of November's constituent assembly election.	
2007 October	UN Secretary-General Ban Ki-moon urges Nepal's parties to sink their differences to save the peace process.	
2007 December	Parliament approves abolition of monarchy as part of peace deal with Maoists, who agree to re-join government.	
2008 January	Elections for constituent assembly set for 10 April. A series of bomb blasts kill and injure dozens in the southern Tarai plains. Groups there have been demanding regional autonomy.	
2008 8 February	Three Madhesi political parties—the Madhesi People's Right Forum, Nepal Sadbhawana Party (SP-Mahato), and Tarai- Madhes Loktantrik Party—unite to form a United Democratic Madhesi Front (UDMF), a technical alliance to negotiate collectively with the Seven-Party Alliance government and to engage in protest action in the Tarai.	
2008 13 February	The UDMF starts an indefinite strike in the Tarai that leads to the closure of government offices, disruption of public services, declaration of curfews in certain districts and clashes between protestors and the security forces resulting in the death of at least 50 people.	
2008 28 February	The Nepal Government and the agitating UDMF signs an eight-point agreement, which brings to an end the 16-day long indefinite strike in the Tarai.	
2008 10 April	Constitutional assembly election is held all over the country.	
2008 August	Maoist led coalition government formed. Nepali Congress did not join the government.	2008 Sept. 3 <sup>rd</sup> High Level Forum on Aid Effectiveness, Accra
2009 May	Maoist led government resigned. UML led coalition government under the leadership of Madhav Kumar Nepal formed. UCPN -Maoist did not join the government.	2009 Follow-up International Conference on Financing for Development, Doha
2010 May	Constituent Assembly fails to complete the tasks of writing new constitution. After three party three point agreement, the tenure of CA extended until May 2011	
2010 June	UML led government resigns. Up to several rounds of election for PM fails to elect PM.	
2010 Dec.	Caretaker government led by UML continues.	

Sources: Nepal Human Development Report 2009, UNDP; Ministry of Finance and evaluation team's own synthesis from a range of sources.

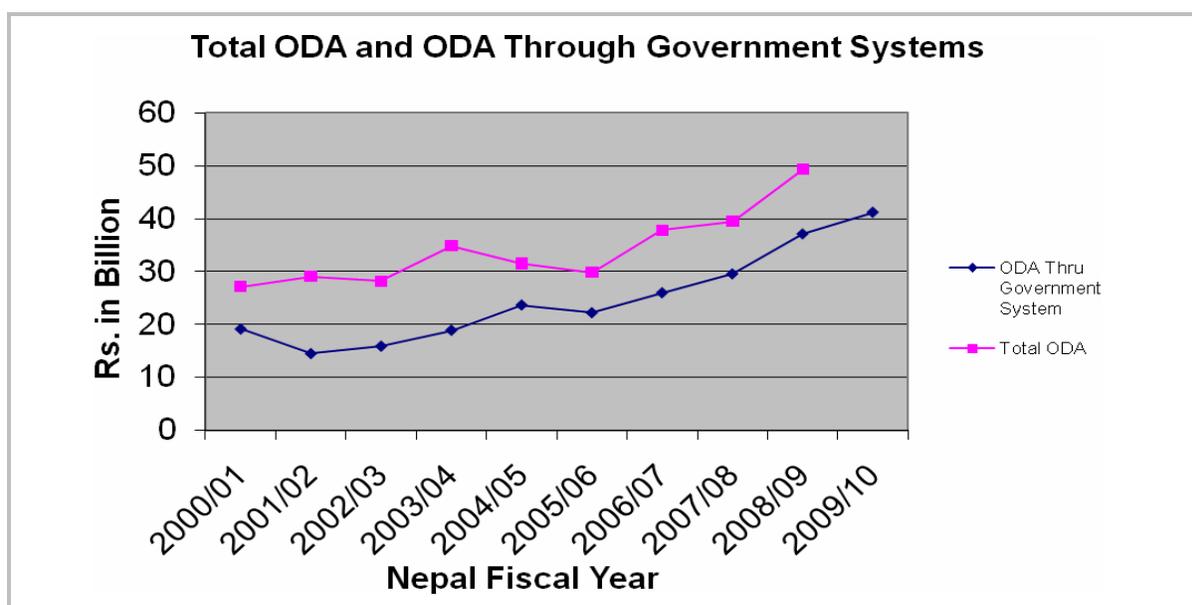
The faltering steps towards finalising the constitution and establishing stable government have renewed the feelings of uncertainty and dampened some of the public optimism. This is currently a *quite significant* factor that could affect change negatively if a resolution is delayed much longer. Amongst bureaucrats the frequent changes of political leadership have caused frustration and concern over direction. However, in many areas, especially around the planning and financing of development, there has been an underlying consistency and signs of progress that have also been *quite significant*. The improvements in planning, the poverty focus, the introduction of a Medium Term Expenditure Framework (MTEF) approach and its restoration in 2009 have resulted in increased expenditures in key social sectors that are policy led and have gained the confidence of DPs. Thus, despite the political turbulence, looking over the full ten year period there is evidence of gradual movement in aid effectiveness which amounts to quite *significant change*.

### 1c) Place of Aid Subject to Paris Declaration Principles

#### *Pre and post Paris Declaration trends in Official Development Assistance (ODA)*

Reviewing the trend in ODA through government systems during the ten year period (figure 2), the two dips coincided with the disruption following the heightened conflict in 2001/02 and the crisis following the king taking power in 2005. On both occasions a loss of confidence on the part of DPs is suggested. Since the peace settlement ODA through government has steadily increased. The pattern of overall ODA is more complex. When aid through government dropped in 2001 total ODA increased, suggesting that DPs were channelling more aid through non state modalities. In 2004, total ODA increased at a faster rate than aid through government indicating a similar trend following the adoption of the BOGs. Total ODA subsequently reduced with the reduction in aid by some DPs and the withdrawal of others as the crisis reached a peak. Since 2006 total ODA has increased but the trend is more erratic, possibly due to the use of non state modalities which are less predictable. Despite the conflict there has been a *significant increase*, with a doubling of total ODA over eight years and the trend shows a slight increase in the proportion of ODA channelled through GoN.

**Figure 2: Total Aid Disbursement**



Source: OECD Website and MOF, 2010

Note: In February 2005, the then king took over the absolute power. GoN had a problem of legitimacy. Several DPs suspended their programmes or opted to use more non-state actors.

The evidence for individual DPs is mixed. The 2008 Monitoring Survey shows that the multilateral financial institutions and some bilateral DPs were channelling all or most of their support through the GoN budget. At that time there were other bilateral DPs who channelled very little support through government systems preferring direct implementation, contracting and support through INGOs. Interviews confirmed that this bifurcation continues and has in fact been the prevalent situation throughout the period of the evaluation. The increase in ODA through government systems is it seems largely due to the increase in multilateral support and support from select DPs particularly but not exclusively through sector programmes.

Table 5 gives the breakdown of ODA disbursed through the government by sector. The interesting points to note are the increases in proportionate aid to health, education and overall social services with the resulting decline in agriculture, irrigation and forestry, and transport, power and communications. This indicates a major investment by DPs in human development, notably through the two sector programmes in health and education. Table 6 records the breakdown of total public expenditure by sector.

Together, the two tables show a **significant decline** in ODA (through government) from 23% to 17% (similar to the figures on p25 based on table 4) between 2000 and 2008. Taking total ODA as a proportion of the national budget, the comparable figures show a slightly higher rate of reduction, and also a **significant decline** from 33% to 11%. OECD data confirms the MoF figures which suggest that there has also been a **significant decline** in the proportion of ODA to GDP, falling from an average of 10% in 2000 (a level that had been more or less stable throughout the 1980's and 90's) to 6% by 2007.

Whilst the sector categories are not identical the increased commitment in aid to the social sectors is reflected in the overall expenditure pattern. However, the share of total social service spending dependent on aid increased from 24.5% in 2000 to 30% in 2009 with education increasing from 17.5% to 24.5% and health from 18% to 40%. The contribution from ODA can be related directly to the SWAp since in 2004, the year the health SWAp began, the ODA share was 23% rising to 33% the following year.

Thus, during this period of conflict and post conflict uncertainty, public expenditure on health, education and overall social services increased in proportion to the total spending, by approximately 50% in the case of health and education and 27% for all social services. This increase was due to the major increases in aid to these sectors and, in particular, to the commitments to the education and health SWAPs. In the education sector, where almost all the DP support is through the SWAp pool, the contribution is clear. In the case of health only 48% of DP support is through the pool. However, data analysed by this evaluation shows that the contribution from the pooled and non pooled support has made an impact and also leveraged the increase in government spending. What is less clear is the role played by the non SWAp expenditure outside government systems from the global programmes.

**Table 5: ODA Through GoN by Sector**

Amt = Amount in Rupees Billions

Year	2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09	
Sectors	Amt.	%																
Agriculture, Irrigation and Forestry	3.77	20%	3.29	23%	2.18	14%	2.43	13%	2.60	11%	2.40	11%	3.72	14%	3.86	13%	2.29	6%
Transport, Power and Communication	9.24	49%	5.91	41%	7.77	49%	7.57	40%	9.86	42%	7.14	32%	6.66	26%	6.71	23%	6.30	17%
Industry and Commerce	0.02	0%	0.37	3%	0.40	3%	0.15	1%	0.12	1%	0.11	0%	0.12	0%	0.08	0%	0.16	0%
All Social Services	5.76	31%	4.69	33%	5.32	33%	8.73	46%	10.75	45%	11.16	51%	15.18	59%	18.19	62%	24.70	68%
Of which: Education	1.93	10%	1.88	13%	2.03	13%	2.43	13%	4.66	20%	4.62	21%	5.05	20%	6.89	24%	8.75	24%
and: Health	0.64	3%	0.38	3%	0.65	4%	0.52	3%	1.10	5%	1.95	9%	3.28	13%	4.34	15%	5.36	15%
Others	0.01	0%	0.14	1%	0.21	1%	0.04	0%	0.33	1%	1.30	6%	0.17	1%	0.46	2%	2.91	8%
<b>Total</b>	<b>18.80</b>	<b>100%</b>	<b>14.38</b>	<b>100%</b>	<b>15.89</b>	<b>100%</b>	<b>18.91</b>	<b>100%</b>	<b>23.66</b>	<b>100%</b>	<b>22.10</b>	<b>100%</b>	<b>25.85</b>	<b>100%</b>	<b>29.30</b>	<b>100%</b>	<b>36.35</b>	<b>100%</b>

Source: MOF, 2010a

**Table 6: Public Expenditure by Sector**

Amt = Amount in Rupees Billions

Year	2000/01		2001/02		2002/03		2003/04		2004/05		2005/06		2006/07		2007/08		2008/09	
Sectors	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%	Amt	%
Constitutional Organs and Administration	8.8	11%	10.4	12%	10.7	13%	10.7	12%	12.4	12%	14.1	12%	20.1	15%	21.0	13%	24.2	11%
Defence	3.8	5%	5.3	6%	7.4	9%	8.5	9%	11.0	10%	11.3	10%	11.1	8%	11.4	7%	14.5	7%
All Social Services	23.8	29%	28.5	32%	25.9	31%	27.9	30%	31.1	30%	35.5	31%	45.0	34%	55.4	34%	81.5	37%
Of which: Education	11.0	14%	14.7	16%	13.2	16%	14.4	16%	17.2	16%	19.3	17%	21.6	16%	27.1	17%	35.7	16%
and: Health	3.5	4%	4.8	5%	3.7	4%	4.0	4%	4.7	4%	5.8	5%	7.4	6%	9.9	6%	13.2	6%
Economic Services	22.7	28%	23.2	26%	17.6	21%	18.6	20%	22.6	21%	22.3	20%	26.3	20%	31.3	19%	44.1	20%
Loan Repayment & Interest	10.4	13%	12.0	13%	16.2	19%	17.4	19%	19.8	19%	21.9	19%	22.9	17%	29.7	18%	27.9	13%
Miscellaneous	11.9	15%	10.7	12%	6.6	8%	9.0	10%	8.3	8%	8.6	8%	8.1	6%	12.6	8%	27.5	13%
<b>Total</b>	<b>81.4</b>	<b>100%</b>	<b>90.0</b>	<b>100%</b>	<b>84.4</b>	<b>100%</b>	<b>92.2</b>	<b>100%</b>	<b>105.1</b>	<b>100%</b>	<b>113.9</b>	<b>100%</b>	<b>133.6</b>	<b>100%</b>	<b>161.4</b>	<b>100%</b>	<b>219.7</b>	<b>100%</b>

Source: MOF, 2010a

We have commented earlier on the impact of remittances on the economy and the low levels of private sector investment during the period under review. In addition, the conflict and political uncertainty affected tourism which is also a major revenue source. With these pressures on income the level of resource mobilisation is even more commendable. On the expenditure side the introduction of the MTEF in 2002 impacted on both the composition of expenditure and on its efficiency. Though suspended from 2007-2008, the MTEF approach continued to be reflected at both sector and macro level in budget planning and expenditure.

### ***Changes in GoN/DP landscape and relationships***

Until the late 1990's Nepal was relatively content to relate to DPs on an individual basis. In part this reflected the fragmented nature of development support targeted on individual districts, projects and high levels of directly implemented TA. As noted above, in 2000 the NDF brought both GoN and DPs' concerns about this to the fore. The preparations for the NDF and the commitments made set a new direction and were strongly echoed in the 2002 FAP. Indeed the policy raised many of the concerns later to be aired at Rome, Paris and Accra – the level of loans compared to grant aid, the preponderance of TA that was not coordinated, the large number of projects, often off budget and disconnected. Further, the guiding principles articulated in the policy anticipated the Paris Declaration principles with a focus on five themes together with four objectives. The themes were:

- alignment with the national goal of poverty reduction;
- moving from individual projects to harmonised (sector wide) support;
- foreign aid as integral to the mobilisation of resources for development;
- transparency in the supply and utilisation of ODA within and outside the government system; and
- the long term aim of self-reliance by enhancing domestic resource mobilization.

The objectives were:

- To ensure the compatibility and convergence between foreign-aided projects and national priorities, with aid-supported activities becoming an integral part of the overall development process.
- To improve the quality, effectiveness and efficiency of foreign aid operations.
- To enhance the contribution to poverty reduction through enabling higher rates of economic growth while ensuring distributional equity through improved linkages with civil society organizations and the private sector.
- To facilitate the transition to a more equal partnership between Nepal and donor institutions transferring the spirit of development partnership emerging at the global level to the country level dialogue and operations.<sup>4</sup>

Subsequently, a variety of mechanisms were put in place – some operating at the national or cross-sectoral level, and others at sector level - building an emergent infrastructure for aid and development dialogue. The NDF provided for high level dialogue between GoN and DPs. Meetings of its predecessor, the Nepal Aid Group, had been less frequent and comprehensive whereas the NDF was held every two years. It focused on reviewing national policies, required investments, and reform action plans to underpin aid quality. The NDF was intended to be complemented by consultation meetings. However, political instability meant that the NDF was not held regularly after 2004, with the last one planned for 2009 being significantly

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<sup>4</sup> Chapter 4 Guiding Principles and Objectives pp 13-16 Foreign Aid Policy 2002, MoF

delayed. Also, the effectiveness of such high-level forums hinges on thorough preparation and effective follow-up of points agreed, especially at sector level. The NPC also coordinates with DPs but this engagement has tended to be on an individual basis linked to specific areas of support.

The MoF hosts Local Donor Meetings to provide a forum for regular dialogue and coordination between DPs and GoN. The MoF recognizes the importance of strengthening this coordination mechanism but the frequency of meetings has been erratic. Engagement at sector level, where coordination is the responsibility of the concerned ministry, has also been erratic at times. In health and education coordination has been well established since 2000 whereas in other sectors the pattern is more mixed. The education and health SWAp have a well established pattern of meetings.

Consultation and dialogue with DPs has increased since 2005 due to the increase in the number of active DPs and the volume of ODA. There has also been increased interest given the changing political context, with GoN wanting to brief DPs at each change and DPs seeking information. However, mechanisms for these processes have not been changed.

### ***Organisation of Delivery of Aid***

The MoF is designated by the GoN (Allocation of Business) Rules, 2007 to lead aid coordination and management, with the Foreign Aid Coordination Division (FACD) of the MoF entrusted to look after all matters relating to external resources. FACD acts as the focal point for all DPs on matters of external assistance and for line ministries for their foreign assisted projects. FACD is involved in all stages of development projects/programmes, preparation, negotiation, approval and implementation. Formal agreements are signed by MoF on behalf of GoN. Some agreements are also signed by the line ministries with prior approval of Ministry of Finance.

Line ministries are expected to design and implement programmes to contribute to and achieve the MDGs and PRSP/TYIP targets. FACD receives project/programme proposals for foreign aid support from line ministries with a copy of the endorsement letter from the NPC. Often, project proposals are at a preliminary stage of preparation and need to be developed financially and technically with support or TA from DPs. There is significant scope for capacity development to reduce the dependence on DPs for project preparation and ensure that line ministries and other parts of GoN are able to provide the quality inputs required.

Aid management processes have not changed since 2005 (in effect they are the same as in 2000). FACD manages the increased volume of aid with the same structure and functions as before though the aid management cycle was spelt out in the Standard Operating Procedures of FACD developed in 2004.

### **1d) Key actors who take major decisions on aid**

#### ***Major decisions affecting level and nature of ODA***

The summary following figure 2 on page 29 sets out the key decisions and changes since 2000 and specifically since 2005. Whilst ODA has steadily increased, with GoN and key DPs working for greater coordination and coherence, there have been fluctuations, largely due to internal conflict and political changes, rather than external events like the Paris Declaration. Dips in overall ODA were linked to DP responses to the conflict and dips in ODA through GoN to the level of confidence in government control. The gap between the two grew when DPs adopted a humanitarian approach, with direct implementation through non state actors, during the conflict. Despite the continued uncertainty, DP commitment, since the peace settlement, has been reflected in growing ODA, with a range of modalities, reflecting concerns over GoN capacity and a growing concern over corruption.

### ***Key decision makers***

Prior to 2000, most decisions related to aid were made unilaterally by individual DPs. The situation changed following the NDF (2000) and the FAP (2002) with key DPs attempting greater harmonisation and alignment and GoN taking a stronger role in leadership and coordination. Whilst the Paris Declaration language was not used the principles date from that time. The shift was evident in the moves in education that led to the broad based SWAp and subsequently the smaller health SWAp. On the DP side practical steps to harmonisation have been less evident but collaboration around the BOG and by the Utstein Group<sup>5</sup>, and more recently, of a wider grouping, coordinated by the UN Resident Coordinator, has strengthened coordination. The World Bank and the ADB have also contributed to coordination through advocating more harmonised approaches, including joint analysis and consultation for their recent country strategies, shared with DFID.

For GoN, the role of the FACD of MoF is central to aid management and coordination. The NPC is the other key central GoN agency. Together they have provided consistent leadership despite the political turbulence. The establishment of a PRSP and MTEF set a framework for development that has been sustained despite some setbacks. MoF has built on this and has become the champion within GoN on aid effectiveness.

Line Ministries play the key role in the formulation of sectoral policies and programmes through their planning divisions, and in managing and monitoring the implementation of aid-financed programs and projects in coordination with DPs.

In late 2004, line ministries and MoF developed the Joint Financial Agreement (JFA) to provide a mechanism by which government and DPs could provide financing behind a common programme. The JFA has been seen by the government and DPs as a successful mechanism for coordination, with DPs complementing the government on its openness to suggestions and inputs from DPs, while still leading the overall process. In addition, sectoral strategies for the SWAps in the health and education sectors are approved by the cabinet.

There is less consistency in aid management across other line ministries. Sector level coordination mechanisms are weak with a continued preponderance of projects that are not always well coordinated and with financing decisions and DP relationships developed in an ad hoc manner. GoN is keen to replicate the perceived benefits of sector wide working - greater coherence between government and DPs, sector level policy and improved coordination in implementation - in other sectors including: agriculture, rural water, rural roads, local development, and alternative energy.

Civil society and the private sector are less involved in aid management decision making. Civil society has traditionally been involved in service provision and a more active voice and accountability function is only slowly emerging. The private sector remains relatively weak and disconnected from aid policy. Efforts have been made through the health and education SWAps to broaden the base of policy engagement but even here progress is slow.

### ***Level of decentralisation***

The legal and policy environment for decentralization in Nepal has undergone a substantial shift in the last decade. The Local Self-Governance Act, 1999, continues to serve as the fundamental legal basis for local governance in the country and also as the primary institutional foundation for decentralization. However, elected local government was effectively suspended in 2002 and has yet to be re-established. Nevertheless, a degree of fiscal deconcentration continued under the Local Bodies Fiscal Commission (LBFC), created in 2002, which plays a central institutional role with respect to inter-governmental fiscal transfer

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<sup>5</sup> Initially Germany, the Netherlands, Norway and the United Kingdom but expanded in Nepal as the Utstein ++

matters related to local bodies at district, municipality, and village levels. However, the conflict disrupted the functioning of many local bodies and local service delivery.

The 2007 Interim Constitution specifies that decentralization will be the cornerstone of national development. It also says that a conducive environment will be created to promote people's participation at the grassroots level. The enabling legislation is in place with the Local Body (Financial Administration) Regulations, 2007, and the Governance (Management and Operation) Act, 2008, which focuses on good governance principles and norms (including fiscal discipline), aligns civic rights to good governance, and delineates the functions and responsibilities of officials at different levels of government.

However, Nepal has yet to make the transformation from the highly centralized state to the federal, decentralized model currently advocated.

### ***DP range, spread and trends in aid over the 2000-2010 period***

The changing nature of the DP landscape with the levels of aid and trends has been discussed (pp24-25 and tables 2-4) with the impact of aid overall and at sector level also explored (pp29-31, figure 2 and tables 5-6).

In terms of the Paris Declaration, the dominant presence of the World Bank and the ADB and their commitment to the core principles and the role of key bilateral DPs, notably DFID, has strengthened DP support with strong alignment in the social sectors and around aspects of governance and poverty reduction. However, there remains a degree of fragmentation in terms of harmonisation with a split between those DPs who are working together and aligning with government programmes and systems and those who continue to fund mainly through project modalities with less funding through GoN.

### ***Mechanisms for parliamentary, public and civil society oversight***

The Interim Constitution requires MoF to submit a detailed comparison of the financial results and budgets of all ministries to Parliament at the end of each fiscal year. The summer session of parliament focuses its discussions on the Program and Budget for the next fiscal year. Parliament's Public Accounts Committee (PAC) has become a stronger voice in aid management, increasing the level of scrutiny. PAC meetings are open and receive full coverage in the media and it has already challenged a number of decisions and actions.

Whilst there is provision for participatory consultation forums organised by the NPC and MoF around the National Development Strategies, and regional consultations with stakeholders were organised for the preparation of the TYP (2010/11 – 2012/13), wide public debate and scrutiny of the budget and aid allocations is limited. The media has grown and is relatively open with strong debate on budget and aid related matters but the impact seems to be limited to those directly involved or prominent within the Kathmandu Valley middle class.

### **1e) Implementation of Paris Declaration Principles**

We have discussed above the implementation of Paris Declaration Principles by GoN and in terms of overall aid management. Here we review the commitments and actions of key DPs, based on their stated policy stances, and self reporting of actions and results in Nepal. Based on the action plans on harmonisation and aid effectiveness submitted by DP HQs to the high-level forums, the major DPs working in Nepal seem to be strongly in favour of the Paris Declaration. They largely commit to respect development processes driven and owned by partner countries, aligning with the country system. They focus on results to achieve development effectiveness, two-way accountability, transparency and streamlining of their operations to reduce transaction costs. However, their performance on the ground does not fully match with what they committed to in Paris and Accra.

## *Interpretation and Implementation of the Paris Declaration Principles*

Based on concerns raised during interviews with DPs regarding their perceptions and ability to implement their stated policy positions and views expressed by GoN officials and in the FGDs, we summarise here our assessment of how the Paris Declaration Principles are being interpreted and implemented in Nepal. Whilst some DPs show strong commitment across all principles, in practice, others endorse their commitment but see the principles as difficult to implement. GoN officials expressed strong commitment in practice but were often less conversant with the language of Paris and Accra. Views amongst other stakeholders were less strong and more general in nature.

Perceptions of **ownership** are mixed. During the conflict it was clearly difficult for political ownership to be expressed and demonstrated with any degree of confidence. More recently, whilst all interviewees acknowledge GoN's statements of commitment to ownership, many point to the current political instability as grounds for uncertainty. "Each new political leader states ownership in different terms", "policy changes as political actors change so commitments are less robust" and "ownership varies between politicians and senior bureaucrats", were amongst the comments made. Some DPs interpret the strength of ownership in terms of actions taken directly by GoN at both political and bureaucratic levels and see the use of consultants for diagnostic and analytical work as a lack of ownership, especially where such inputs are funded by other DPs. The apparent low priority given to the development and economic agenda weakens the sense of ownership, as does any reticence in taking the lead in development. GoN informants interpret reluctance by DPs as resistance and expressed their own frustrations with the current level of political uncertainty but did not see this as muting the expressed level of ownership of the development process. Interestingly, since Accra, other stakeholders are asserting the concept of country ownership for development effectiveness rather than government ownership. The perspective has gradually increased since Paris and also seems linked to the more positive interpretation of the notion of 'new' Nepal.

**Alignment** seems to be hard to implement as DPs have their own policy priorities and interests. The increased profile of aid has made it a domestic political issue for many bilaterals so that the views of their own citizens and constituency have become significant. The focus on results is also, at times, in conflict with alignment when ensuring attribution for targeted results leads to differing priorities and modalities that are not always aligned with GoN. Some DPs take weak capacity and high fiduciary risk as the explanation for moving away from alignment with country systems. This contrasts with a more assertive stance from GoN who are beginning to insist on the use of GoN systems, arguing that this is expected given the commitment to Paris and Accra.

**Harmonization** is another difficult principle for most of the bilateral DPs as they have different structures, systems and cultures for procurement, TA, and supporting implementation. Even apparently trivial factors related to accounting (different fiscal years and processes for fund transfer) are seen as creating or justifying blocks to more harmonised processes. There have been some significant moves towards partial, if not complete, harmonization, particularly in health and education sectors. Some DPs are using shared analysis, evaluation, and reviews; even joint missions in rare cases. However, setting up joint arrangements, and a reluctance at times to make them more participative and representative, increases costs, which is itself against the principle of harmonization. Government agencies were generally of the opinion that increased harmonization will offset such initial costs in the long run.

**Management for Development Results (MfDR)** was the most strongly articulated principle for all DPs. However, the emphasis for many was on achieving results, in particular

attributable results, rather than identifying shared management strategies that would lead to improved results. The MDGs and other poverty reduction targets have increased interest in results and this in turn has increased interest in monitoring. Monitoring poverty impact and other results is not new but over the last five years it has increased, as has the demand for published data on results that can be reported. There has also been a shift in focus from output level to outcome and even impact level in development discourse in Nepal. Performance-based pay in front line service delivery, results chains introduced in budgeting, and the development of outcome monitoring indicators, were all identified as implications of the Paris Declaration in Nepal. However, the focus on attribution of results weakens the emphasis on common reporting systems and seems to conflict with the other principles. Some DPs require reporting against their own frameworks and pressure for DP HQs has introduced a range of reporting schedules and processes rather than reinforcing a single GoN owned system. Attribution to one or other DP runs counter to the principles of alignment and ownership and is at odds with the SWAp model.

**Mutual Accountability** is one of the principles that appear to have progressed least. The field level FGDs revealed that downward accountability is weak and bottom-up planning is being neglected. Accountability towards Parliamentarians is not encouraging mainly due to the political instability. However, the participation of interested and pro-active Parliamentarians in aid effectiveness discussions at regional and international levels, if not much at national level, suggests that there may be scope for development in the future. Following Paris, Accra and other international experience there is growing interest in mutual accountability within civil society. Action is very limited to date but public hearings, public/social audits, ‘meet the press’ and other accountability related actions were mentioned as examples of these voices. Mutual accountability between DPs and GoN is still contested. The low level of use of government systems, uncoordinated TA and lack of openness from some DPs was commented on by GoN informants. Similarly DPs referenced the incidence of corruption within government systems, late and poor reporting, and other examples where they felt transparency was weak. Confidence and trust are clearly precursors to mutual accountability and here more work is required on all sides.

### ***National PD Implementation Strategy***

The leadership from MoF is based on the FAP. Previously there had been no guiding policy and aid management was more fragmented. The FAP set a clear direction pre-empting, as noted above, the principles of alignment, harmonisation and national leadership. Strategies to implement the policy covered planning, management and capacity development.

Much of the subsequent progress can be tracked back to the adoption of the FAP and to interest amongst key DPs. However the policy lacked practical application. For some it was seen simply as a national document, mainly guided by international principles of harmonization articulated in the Monterrey Consensus (2002), rather than a genuine GoN endorsement of a new direction. Encouraging sector and operational level action in support of the policy has been limited and many DPs have continued to present the weaknesses of Nepal as reasons for their inability to comply with the policy (see for example the NDF 2004)

### **New Foreign Aid Policy and National Action Plan**

MoF senior level informants identified lessons from the Millennium Summit in 2000, the Financing for Development Conferences from Monterrey to Doha, and the High-Level Fora on Aid Effectiveness from Rome through Paris to Accra as bringing innovative ideas on aid management and also reinforcing their own thinking. The impact of international and regional endorsement and stimulus has been seen as significant in encouraging innovation in Nepal. Informed and given confidence from these sources and drawing on experience in Nepal, GoN

has drafted in 2008 a new FAP to revise and update FAP of 2002 and the NAAP as an implementation plan.

The objectives envisaged by the latest available draft, clearly based on the Paris Principles and the Accra Agenda for Action, include a focus on development results; encouragement for private investment and trade; bringing the DPs within the framework of the Paris Declaration; scaling-up aid in priority sectors targeting economic growth, infrastructure development and transformation of agriculture and industry; and national capacity development through increased transparent use of the country's system. The draft proposes implementation of these objectives that cover a range of reforms in aid management, operational practices and specific targets, including a threshold for aid investment.

### ***2008 Monitoring Survey on the Paris Declaration***

MoF led the 2008 survey in Nepal with the assistance of the UNDP and DFID. Table 7 gives the results for the main indicators. Based on the overall results the main conclusions were:

- DPs' disbursements were considerably lower than the annual amounts pledged.
- A large amount of ODA does not flow through the government financial system and a substantial part is outside the government's planning and budgetary processes. This limits the effectiveness of fiscal and monetary policies and the implementation of development.
- There were a significant number of separate project implementation units, however, there was a growing tendency among large DPs to align their budget formulation processes, and monitoring and reporting systems with the government, mainly where sector wide approaches had been adopted.
- A number of measures to improve the PFM system had been introduced by GoN including the Procurement Act and Regulations, the Financial Management Information and Reporting system, the Public Expenditure and Financial Accountability guidelines. The implementation of these measures needs to be made more effective.
- The proportion of TA to total aid was still very high in almost all sectors.

**Table 7: Key Findings of the Aid Effectiveness Survey, 2008**

<b>Indicators</b>	<b>Results</b>
Aid on budget	74%
Coordinated technical assistance	14%
Use of country public financial management (PFM) system	68%
Use of country procurement system	59%
In-year predictability of aid	47%
Program based approach (budget and other support)	32%
Program based approach (budget support)	20%
Joint missions	36%
Joint country analytic work	37%
Parallel Project Implementation Units (in number)	106

The main recommendations suggested on the basis of the survey findings included:

- incentives for DPs to channel aid through country systems and processes;
- performance based funding for government line agencies and local bodies;
- E-bidding to make the procurement process more competitive and fair;
- effective implementation of the public expenditure and financial accountability action plan;

- DP country offices being more empowered to avoid delays and gap between scheduled and actual disbursement of aid;
- better DP coordination to carry out analytical work; and
- all major DPs taking part in the annual Nepal Portfolio Performance Review.

## 1f) Conclusions on Paris Declaration in Context

### *Status and relevance of aid effectiveness agenda*

Aid effectiveness is widely articulated by DPs and amongst the GoN bureaucracy especially within MoF and NPC. The turbulence at political level has diverted attention and, aside from a consistent message from successive Finance Ministers, political engagement has been limited. Thus whilst there is evidence of continued interest and engagement in the aid effectiveness agenda, formal political engagement within Nepal is unlikely until more stability is established.

Whilst there is strong endorsement at DP HQ level, policy priorities do not always enable significant take-up locally. However, strong leadership of country offices has led to significant take-up in some key cases. For other DPs, concerns over corruption, the attribution of results to their own investment, and the level of Nepali capacity has weakened political engagement at both HQ and country level. Progress has thus been mixed, with some DPs and some sectors showing strong application but others hardly changing since prior to 2005.

We therefore conclude that whilst take-up and application varies between DP HQ and country offices, between DPs, and between politicians and senior bureaucrats in Nepal there has been *limited take-up and application overall though in some areas this has been quite significant, especially when viewed across the decade since 2000.*

Similarly the level of continued interest and engagement is also mixed but *amongst all key stakeholders there is some interest and engagement and amongst particular DPs and within MoF, NPC and some line ministries the interest and engagement is substantial.*

### *Main influences during 2005-2010 that have affected the way aid has worked*

The overwhelming influence on the way aid has worked since 2005 has understandably been the national context. The ending of the conflict and the peace agreement brought more confidence on all sides and saw increases in aid flows overall and through GoN systems. However the shift away from an aligned approach and a focus on humanitarian responses during the latter period of the conflict reinforced more fragmented and project based approaches. The inevitable heightening of confusion, as Nepal struggles to establish a stable post conflict political settlement, and with continued disruption of services, has resulted in the continued use of non state actors, vertical operations, and direct implementation, so the level of ODA channelled outside GoN systems has not declined significantly.

The dominant influence of the national context has been evident since 2000 with fluctuations in ODA and the use of non state modalities, and the level of harmonisation and alignment reflecting transitions in the political process. The national context has, in turn, informed international reactions and attitudes, with political imperatives driving development decisions and the overall policy stance towards Nepal. The level of concern during the conflict and the increased level of ODA throughout the period reflect this international political perspective as much as development concerns within Nepal.

Despite this extremely disruptive period in Nepal's history there has been another story with respect to aid management. Across the decade the senior bureaucracy within MoF. has been taking a quiet but significant lead in responding to and applying the approaches to aid

management and development planning influenced by Paris, Accra and other international policy trends. This has gradually changed the aid environment within Nepal putting the aid effectiveness agenda centre stage even during the worst of the conflict.

### ***Extent of adoption and implementation of the Paris Declaration Principles***

Whilst aid effectiveness has become the accepted language and has taken centre stage as the conventional wisdom the extent of adoption of the Paris Declaration Principles remains low. Again the political context has been the most significant factor. During the conflict it was not feasible to increase the level of alignment and the harmonisation evident was focused on humanitarian responses and peace related engagement. Since the peace agreement some DPs have reinforced their support to GoN whilst others have continued to follow more unilateral approaches, despite articulating commitment to Paris and Accra. All DPs are concerned at the perceived growth of corruption and political interference which has in turn fed anxieties about greater use of government systems, especially in relation to procurement.

The significant outliers in terms of alternative approaches are the global funds which seem to be moving towards a more aligned and harmonised approach, and India who stridently define themselves as 'not a donor' and follow an individual approach. Despite India's growing aid commitment, this approach does not seem to influence other DPs.

## **B.2 Process and Intermediate Outcomes**

Here we review to what extent and how the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships in Nepal. The structure of this chapter is based on the Accra Agenda for Action with headings covering Ownership, Participation and Development Results.

### **Country Ownership Over Development**

#### **i. Stronger national strategies and operational frameworks**

##### ***Government Leadership in DP Coordination***

Slightly over half (54%) of the government respondents felt government was leading the DP coordination. Whereas, only 26% of DP respondents perceived that the government is providing leadership. 68% of the DPs felt government was providing only partial leadership<sup>6</sup>.

Whilst experience is mixed, with more confidence on the part of GoN, much of the DP concern related to the political context and uncertainty over political leadership. In this environment the level of leadership ascribed to GoN is encouraging. It is also of note that the reason for only partial responsiveness by DPs is seen as weak leadership by GoN coupled with failure to internalise the principles. This suggests that once a stable government is in place both GoN confidence and DP responsiveness may improve. In addition a stronger appreciation of the principles will create a more positive atmosphere in both sides.

Our assessment is that ***leadership is reasonably good given the context*** but a more assertive approach by GoN would be effective. Comparing the situation with the results of the 2008 survey and taking account of interviewees' comments our judgement is that there has been ***some progress since 2005*** which has built on similar progress since 2000 but that GoN is capable of giving a stronger lead which would reinforce confidence all round.

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<sup>6</sup> Percentage figures here and in the following sections is based on the questionnaire circulated by the evaluation team. The narrative elaboration is drawn on the semi-structured interviews with DP representatives and senior GoN officials.

### ***Quality of Development Strategies***

The history of the NDS process since the earlier five year plans has been discussed earlier (p22). Compared to the process prior to the 10<sup>th</sup> plan the adoption of a PRSP framework (2002) linked to an MTEF was a major improvement. The more recent TYPs have consolidated this approach and, after being suspended for a period, the MTEF has been reintroduced in 2009 restoring the link between the NDS and this annual and multi-annual budgeting process.

With the restoration of the MTEF and a more consultative process, our judgement is that there has been ***some progress since 2005***, building on the earlier progress with a more prioritised and poverty focused process since the 10<sup>th</sup> plan. However the NDS is still not strongly results oriented and the MTEF, whilst supporting a degree of prioritisation, is not yet driving the planning and budgeting process in a strong strategic direction.

### ***Monitoring and scrutiny through parliamentary processes***

As noted above (p35) the level of parliamentary scrutiny is limited. However under the Interim Constitution the current PAC is taking a more robust approach to its task and beginning to hold fiscal decisions and operations to account. However the process is only just beginning to take effect and our judgement is that there has only been ***little progress since 2005*** within a system that has never been fully open to scrutiny.

### ***Consultation in development plan, sector plan and annual plan development***

55% of GoN respondents and 42% of DPs felt that the process of planning is consultative.

Consultation with lower tiers of government has been limited during the conflict period and has yet to be established. Consultation with civil society and the private sector has only been seriously pursued at sector level, notably as a result of DP encouragement in the health sector. Even here consultation has mainly focused on shared implementation rather than more openness to demand side consultation for users and community groups. Because of this inadequate consultation process, ownership of development programmes by civil society is weak.

However there have been some important developments. Civil society has created a separate working group to focus more on results (MfDR) and, since Accra, the notion of country ownership has promoted more civil society interest. The Paris Declaration itself has encouraged moves towards dialogue with a large number of stakeholders and consultative processes have now been adopted by the NPC, MOF, line ministries and local bodies in planning and monitoring. As a consequence civil society is now raising its voice in ownership and there is an increased sense of ownership among a wider range of stakeholders.

DPs have also gained experience of the benefits and challenges of community level consultation and ownership through direct implementation and working through non state actors during the conflict. This has, however, had unintended consequences where local bodies have been bypassed, with direct grants being given to communities for services for which the local bodies are then expected to take responsibility. A further challenge is the fact that political leaders at central and district level still take a traditional approach to engagement with 'their electorate' and find it hard to accept information from more open consultation processes and use it in decision making.

Our judgement is that whilst there are a number of encouraging signs of change there has in fact been ***little progress*** towards fully consultative processes since 2005 and virtually no progress in the previous five years when the conflict pre-occupied attention and provided excuses/reasons to limit consultation. Indeed, many actors are only just beginning to

appreciate the value of, and the issues involved in, more open approaches to consultation that involves all levels and all stakeholder perspectives.

***NDS and sector strategies respond to international commitments on gender equality, human rights, disability and environmental sustainability***

Gender equity has been incorporated in Nepal's NDS since the 9<sup>th</sup> plan (1997-2002) and Gender Equality and Social Inclusion (GESI) strategies and action plans have been included since the 10<sup>th</sup> plan (2002-2007). They have also been more thoroughly internalised and implemented in the more recent TYPs. These moves have been reflected at sector level, especially in the two SWAps. However, here DPs' pressure has also been a feature and may have been essential to ensure a higher profile to gender equity. Analysis in relation to gender, disability, and human rights has not been developed extensively. The Interim Constitution puts greater emphasis on these issues as well as regional, district and community disparities so this may result in improved levels of both analysis and information. Environmental sustainability has been more prominent and is gaining more attention with the focus on climate change, but here again DPs' interest is a key driver.

The evaluation was unable to look in depth at changes in the level of analysis in planning or the level and quality of information that is drawn on. Our impression is that there has in fact been ***little if any change over the last five years*** with more evidence of change during the transition from the 9<sup>th</sup> to the 10<sup>th</sup> plan when the NPC first identified the need to prioritise these issues. We therefore conclude that there has been ***very little progress*** since 2005.

**ii. Increased alignment of aid with Nepal's priorities, systems and procedures**

***Changes in Alignment of DPs nationally and at sector level since 2000***

An analysis of the country assistance strategies of major DPs over the period reveals evidence of a general alignment of DPs assistance with the NDS and its priorities. DPs also expressed the view that Nepal's NDS and priorities and those in sector level strategies do reflect the country's needs.

During the period DPs undertook considerable analysis, often sharing and adopting the practice of much wider consultation with GoN and other stakeholders, while formulating their country strategies. This has further reinforced better alignment of their support activities with national priorities and has demonstrated the synergies between country needs, national strategies and DP perspectives.

Our assessment is that this has been an ***area of substantial progress over the ten years*** (not just since 2005). More transparency and participation in the preparation of NDS and DP country strategies and shared analytic work between DPs and with GoN has resulted in strong alignment at the strategic level by most DPs. The subsequent implementation is however less well aligned and review processes other than in the two SWAps remains less collaborative.

***Increased use of country systems and procedures***

The 2008 monitoring report set a low benchmark - 74% of aid on budget and of that only 12% said to be programme support and a further 20% budget support; 68% use of country PFM systems and 59% use of country procurement systems; only 14% of TA coordinated and much of that outside GoN procedures; and 106 project implementation units. If anything, the confidence in GoN systems has reduced further since 2008 with growing concern over corruption having a broader negative impact.

Since 2008 there has been little change with increases in programme support by those DPs already engaged and the engagement of some new participants. Overall however the DPs who have consistently been reluctant to channel resources through the budget and support sector programmes have maintained this position. There has also been some movement away from

country PFM and procurement systems as DPs have raised concerns over performance in response to the perception of growing corruption.

One indicator of the level of confidence in country systems is the perception of conditionality as a vehicle for setting benchmarks for system performance or imposing external procedures. 54% of GoN respondents felt that aid conditionality has been developed transparently with adequate consultation. Whereas, 56% of the DPs interviewed felt there was inadequate consultation with the government on aid conditionality. Multilateral financial institutions were the outliers, taking the view that aid conditionality is fully transparent and agreed upon in a consultative process. 62% of both the GoN and DP respondents perceived there has been some improvement in the process of conditionality setting. The latter figure suggests improvements are taking place but overall the picture is mixed

Our assessment is that there has been *no progress in the use of country systems since 2005*. Whilst the level of use of country systems appears to have increased in real terms this is due to the increased levels of ODA from committed DPs. Proportionately all the key indicators remain unchanged and some may have deteriorated.

#### ***Movement towards a single framework or set of indicators for monitoring***

As noted earlier many DPs have increased the level of reporting against targets set by their own HQs and this has further weakened interest in working towards a single monitoring system. Monitoring in education does adopt a common approach and the Joint Annual Review (JAR) reports are based on a single set of monitoring data. With the large number of parallel projects and vertical programmes the health sector is less coherent. The NPC has received TA to improve its MfDR but, with the continued levels of disruption in many parts of the country, data collection remains problematic and there has been therefore *no evidence of progress in this respect since 2005*.

#### ***Support for capacity building of country systems since 2000***

There is general consensus (69% of GoN respondents and 63% of DPs respondents) that there has been increased DP support in building capacity of country systems in the last two years. All DP support now consistently includes capacity development components as part of the project/programme. The 2008 monitoring survey found that 34% of total aid flow in 2007 went to technical cooperation that is generally meant for capacity building. This is still relatively high, in line with the view amongst DPs that the level of capacity in government institutions is weak. This perception is often used by DPs to justify their hesitancy to fully align with country systems. However given the levels of such support that date back over 30-40 years the continued perception of low capacity and apparent need for continued support is difficult to appreciate. In the view of the evaluators much capacity building is still targeted on individuals through training and international exposure. This skill development is in our view quite different to institutional capacity building<sup>7</sup>. Firstly it is not sustainable as it often dissipates, if not as soon as the training ends then as soon as the individual moves. Secondly, skill development does not address the institutional weaknesses related to policy coherence, robust systems and procedures, and continuity and consistency that need to be addressed if institutional capacity is to be built effectively.

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<sup>7</sup> Capacity building is defined as the "process of developing and strengthening the skills, instincts, abilities, processes and resources that organizations and communities need to survive, adapt, and thrive in the fast-changing world." Within Nepal most capacity building support has focused on skill development of individuals through training with some broader support through technical assistance. Institutional capacity takes a broader view including the systems, processes, role definition and overall institutional relationships and ways of working. Institutional capacity building should address the whole system and support performance, understanding and processes at that level. The evaluation found less focus on institutional analysis and support for institutional capacity building of GoN actors and agencies – too much TA with more doing for and less doing with.

Our assessment is therefore somewhat contentious on this point. Despite the perception of capacity building increasing our judgement is that there has been *little progress here since 2000*. Some support is being better designed and more focused but overall most TA is still delivered through external expertise that focuses on technical outputs through training based interventions and not institutional capacity building.

### **iii. Defined measures and standards of performance and accountability of financial management and related systems**

#### ***Progress with strengthening of PFM since 2000***

PFM has been a major issue for effective management of aid in Nepal throughout the period. The divergence between the views of the GoN respondents and those of the DPs is greater here than in any other area. About 60% of the GoN respondents perceived improvement in capacity and increased trust in PFM. 79% of the DPs perceived no improvement and 10% of the DPs thought there was regression in PFM capacity. A similar proportion (80% of DPs) did not observe much trust with 20% feeling there was some increase in trust in PFM. During the interviews, it was frequently mentioned that there are systemic delays at all levels, from budget approval, release, implementation, reimbursement, to reporting and auditing.

There appears to be a decline in trust on the part of DPs and this is supported by a perception of declining capacity. This evidence contradicts the assessment in the 2008 PEFA which took the view that there was positive performance in terms of ‘fiscal discipline’ and the ‘strategic allocation of resources’ with improvements in the ‘efficiency of delivering services’ and the transparent and accountable management of public finances’. Whilst the scores were not high (averaging around a ‘C’) the assessment was quite positive and the overall view was that the system was ‘well designed but unevenly implemented’. This may explain the concerns over capacity. Given the division between DPs who utilise GoN systems and those who do not, there is a possible issue over knowledge, with some DPs basing their views on impressions rather than direct experience. The restoration of the MTEF and the improved budget discipline suggests that there has been some progress over the last 10 years and also since 2005, although this may be limited in some areas. Our judgement is that there has been *a little progress* and the divergence in views between GoN and DP respondents indicates a lack of confidence rather than being strong evidence of declining PFM capacity. Nevertheless more attention is required in this critical area.

#### ***Progress in Alignment with Procurement System***

The perception of progress in procurement systems is similar to that of PFM. 62% of GoN respondents thought there was an improvement in national procurement capacity in recent years whilst 21% of the DPs saw some improvement and 79% saw no improvement at all.

GoN respondents thought that systems had improved up to international standards with the enforcement of the Public Procurement Act (PPA) and Regulations, establishment of the Public Procurement Monitoring Office (PPMO), preparation of the three year strategic plan by the PPMO with defined outcome indicators, preparation and implementation of standard bidding documents, including their monitoring and follow-up, and the initiation of e-bidding processes cited as examples. DPs observed weaknesses in public procurement because of the absence of timely procurement planning, collusion, intimidation, extortion and insecurity; corrupt practices further increased due to rare prosecutions and convictions.

DP and GoN interviewees and respondents were in agreement that there was no increase in DP trust in the procurement system. There appear to be two factors, firstly, the moves identified by GoN respondents were not identified by many DPs. It seems again that experience is mixed with few DPs using the GoN system and so confidence has not developed. Secondly, cases of intermediation and corruption have increased and there is

evidence of political interference and mismanagement. This evidence of bad practice was cited by DPs interviewed. There has been a distinct movement away from using the Nepal system for procurement (e.g. the contracting of a procurement agent for the health SWAp) and this has reduced experience even more. The level of ODA procurement through international competitive systems and the number of joint reviews/assessments for procurement suggests that the level of documented information is low. Nevertheless some DPs agree with the EC reporting that “Reforms recommended by a recent PFM mission, such as an Integrated Financial Management Information System (IFMIS), capacity development of the Public Accounts Committee, the Office of the Auditor General, and the Financial Comptroller General's Office are being pursued by the GON”.

Our judgement is that there has been *some progress in the strengthening of national procurement systems* whilst actually procurement performance has clearly regressed.

#### ***Use of mutually agreed fiduciary standards***

The World Bank support in preparation of the PPA, and in undertaking the PEFA, the agreement of Governance and Accountability Action Plans (GAAP) in the health and education SWAps, and the overall financing agreements in those sectors, are examples of the increased use of mutually agreed fiduciary standards. Both the ADB and World Bank identified their overall satisfaction with the fiduciary systems related to their lending. Overall our judgement is of progress in this area, though with limited evidence and limited use of country fiduciary systems by many DPs, we are only able to say that there has been **some progress**.

#### ***Use of mutually agreed processes on diagnostics, fiduciary reforms etc.***

There have been a number of PFM assessments by key DPs over the evaluation period in addition to the reviews noted above. In each case joint work on fiduciary standards was included or was undertaken as a follow up. The Development Action Plan agreed as part of the PEFA and the Nepal Portfolio Performance Review (NPPR) also include agreements on financial systems and standards. Documentary evidence and GoN interviews suggest progress has been made but the extent of DP awareness indicates that in terms of wide agreement there has only been *little progress* since 2005.

### **Building More Inclusive and Effective Partnerships for Development**

#### **iv. Less duplication of effort and rationalised more cost effective DP activity**

##### ***DP comparative advantage led by Government***

There is very little evidence of use of DP comparative advantage at programme level and where it is found it is the result of DP initiatives not GoN leadership. GoN does not seem to be vocal enough to direct DP support at programme or sector level based on comparative advantage or other factors. 77% of GoN respondents and 63% of DP respondents felt that the government was not steering DPs in the use of their particular strengths.

However, in the sectors where a SWAp has been adopted, there is evidence of some degree of roles related to comparative strengths. For example, in education, evaluation is supported by Denmark while procurement and financial management are supported by the World Bank. Similarly, in health, procurement has been contracted by DFID and financial management by the World Bank. But as noted these seem to be DP initiatives. There has also been very limited delegation from one DP to another for execution (EC acting for DFID in the education sector is the only concrete example we found). Overall we find *little progress*.

### ***Increased use of 'division of labour'***

Similarly most DP respondents (92%) and most GoN respondents (94%) reported virtually no leadership by GoN in promoting any division of labour. There have been mapping exercises amongst DPs but this has not extended to any formal division of labour.

There are a few examples of reprogramming to avoid duplication and reduce transaction costs. One of the rare examples of such practices was the merger of Danish and German support in the Revenue administration sector, which has phased out now. More generally, joint working has increased, particularly under the two SWAp, with the examples cited of some division of labour due to comparative advantage. However, even in the two SWAp joint reviews and other harmonised approaches have not extended to division of labour with most DPs participating in most arrangements. Thus whilst transaction costs for GoN have reduced, those of the DPs have not. Again we find ***little progress***.

### ***Increased delegation to lead DPs for execution of programmes***

The concept of lead donor is generally not practiced in Nepal. External Development Partner (EDP) forums function for the two SWAp and the chairperson of the EDP forum is rotated periodically and communicates with the GoN/MoHP on behalf of the EDPs supporting the SWAp. Effectively, the chairing institution plays the role of lead DP during their tenure but this does not extend to execution.

New lead roles have emerged in terms of shared approaches to analytic work and policy discussions but less so with respect to execution. The one area where there has been such shared execution is the Peace Fund for Nepal where UNDP acts for all UN agencies and several bilateral DPs, complementing GoN's own Peace Trust Fund. Overall we find ***little progress*** in terms of formal delegation for execution by another DP.

### ***Changes in fragmentation of aid***

The distribution of contributions amongst DPs in Nepal has always been skewed, with a concentration amongst the top ten, especially the top five and even more so, the top two, the development banks. It is difficult to find precise figures given that SWAp disbursements are not disaggregated but it is clear that since 2000, and even more since 2005, there has been a further concentration. However, there has been no reduction in the total number of DPs and an increase in the presence of international NGOs and the global funds. As a consequence small and very small providers, who tend to be those who do not follow alignment and harmonisation principles as strongly, dominate. Fragmentation remains an issue given the number of DPs and there has been ***little progress*** since 2005.

### ***Reduced fragmentation within sectors***

There is however a more positive story at sector level. The number of projects has decreased in the health and education sectors because of the adoption of a programmatic approach (SWAp). Both SWAp have been consolidated with two pool partners in health in 2005 increasing to four in 2010 and five in education in 2005 increasing to nine. The same is true in the area of local governance where the Local Government and Community Development Programme (LGCDP) brought together a large group of DPs in 2008 in support of GoN support to local government. This replaced a variety of earlier programmes and has brought more coordination, though the continued funding of non state interventions at district level and below continues fragmentation at local level. Similar sector wide thinking is being considered in other sectors and this will lead to greater harmonisation and alignment.

Common analysis is becoming more frequent at sector level. In addition to the joint strategic planning in the health and education SWAp and in local development (LGCDP), there has been joint analysis by DPs and with GoN in respect of roads, rural infrastructure and, as noted

earlier, DPs have come together for joint analysis across sectors. At a sectoral level there has been *some progress* in a gradually increasing number of sectors.

### ***Untying of aid***

Since 2000, GoN and civil society voices have highlighted the need to untie aid. The 2008 monitoring survey suggested that much bilateral aid is tied to procurement of DP's goods and services. Currently, tied aid seems more prevalent in the few large infrastructure projects supported by bilateral DPs. The perception of GoN officials is that the tendency to tie aid has reduced since 2005. Even where formally aid is untied it can be restricted through technical specifications. Nevertheless, Export-Import Bank loans have remained tied, including, Korean aid to hydroelectricity, Indian, Chinese and Japanese aid to roads.

It appears that the situation in Nepal has improved in line with the overall assessment in the 'Untying Aid Report'<sup>8</sup>. Progress may have been less effective given the level of individually supported project, direct implementation, and the level of DP sourced TA. Our judgement is that there has been *some progress*.

## **v. Reformed and simplified DP policies and procedures**

### ***Reforms and simplification by individual DPs***

GoN respondents felt that the operating style of local DP offices had changed with more appreciation of the local situation and constraints. Less change was perceived at HQ level; it was considered to have a more conservative approach which had not fully internalised the Paris principles. The evaluation found no substantive changes in DP's own operations or systems. Some DPs reported increased pressure from their HQ for attribution of results and increased interest in aid. This was providing additional work which sometimes conflicted with a country led approach. Overall there is *no progress*.

### ***Harmonised arrangements amongst DPs***

Harmonisation with sector wide working (the two SWAps, and local development), and through some of the conflict and peace response programmes, has been referenced above as has the joint analytic work amongst DPs. Our judgement is that there has been *substantial progress amongst some DPs* but this is not comprehensive and, when viewed *overall, there is only some progress*.

### ***Incentives for harmonisation, alignment and results orientation***

Since the Rome Declaration on Harmonisation 2003, Nepal sought to develop harmonised NDPs with endorsement from DPs. The intention was that this would be through the NDF but, due to the conflict, meetings lapsed and collective DP support was less easy to achieve.

Immediately before Accra the draft National Action Plan on Aid Effectiveness (NAAP) was prepared and shared among DPs and government agencies for their inputs. However, it is taking a long time for the NAAP to be finalised.

NPPR was launched in 2000 with ADB, the World Bank and Japan participating. In 2006 GoN took the lead role and DFID joined. Since 2006, GON has begun the process of integrating portfolio management and now Norway, Finland and Denmark are taking part as observers. The Development Action Plan (DAP), annexed to the PEFA, also acts as an incentive for DPs, but its implementation is not reinforced.

The 2008 Monitoring Survey recommended that GoN needs to create more incentives for DPs to channel more of their aid through country systems but to date there has been little action. For individual DPs there are incentives for taking a results based approach but less so for

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<sup>8</sup> Clay et al 2009.

harmonisation and alignment. Overall our assessment is that there has been ***no progress in strengthening incentives*** for harmonisation, alignment or results orientation beyond the statements of commitment and international agreements.

#### **vi. Predictable, multi-year commitments on aid flows**

##### ***Increase/changes in use of multi-year frameworks at sector level and overall***

There were multi-year commitments from some DPs before 2005. These related to sector level project/programme commitments which depended on performance and so were not predictable. Such commitments have increased with the sector programmes in health, education and local development. At country programme level there are again multi-year indicative levels of support in country strategies, which, though formally agreed, are not seen as binding commitments. However, disbursement according to these commitments is generally forthcoming. The 2008 Monitoring Survey found the overall level of in-year predictability to be 47% with individual DP performance ranging from 0% to 85%. DPs often cite weak absorption capacity of GoN as the main reason for the gap between commitment and actual disbursement. However, there are also DP factors that have reduced disbursement and this has increased with the global fiscal crisis.

One positive change has been the adoption of multi-year programme budgeting by GoN through the MTEF and the corresponding commitment of DPs. This has increased predictability. Overall there has clearly been ***some progress*** in the timeliness and predictability of disbursements since 2005 and the overall fund flow arrangements seem to have become more efficient.

##### ***Mutually agreed conditions joint agreements and assessments***

Joint reviews (JARs) are well established for the two SWApS and are carried out twice a year. However, joint assessments and reviews are more ad hoc in other sectors. Again for the SWAp the JARs relate to mutually agreed conditions which are becoming more focused. These are set out in the respective Joint Financing Agreements (JFA) signed by pooled DPs which can be taken as mutually agreed conditions. JFA type agreements, beyond project level agreements, have not been introduced more widely.

Overall there has been ***little progress in formal and limited mutually agreed conditions*** beyond project level and ***some progress in joint assessments*** which now also cover cross cutting issues (e.g. governance and PFM).

#### **vii. Delegation of authority to DP field staff**

##### ***Changes in level of delegation to country offices***

The number of technical staff in the multilateral DPs, that have substantially increased their volume of aid in last five years, has substantially increased – for instance, World Bank had 38 staff three years ago and will have 85 by the end of 2010. For bilateral, staffing has not increased to the same degree and, in some cases (e.g. DFID), staffing levels have decreased despite increased aid flows due to increased efficiency and shifts in modalities.

Among major DPs some increased delegation of authority has been observed. During interviews GoN respondents stated that DP HQ still exercise substantial control over financial approval and reallocation of resources at the country level. Our assessment is that there has been ***little change*** in the level of delegation of authority to field level staff.

##### ***Capacity of staff in country offices to manage increased levels of delegation***

Both GoN and DP respondents indicated that DP staff have been able to partly adapt to the new ways of managing aid (government 77% and DPs 83%). The rotation of international staff has remained about the same, with few staff remaining in post beyond three years. Nepali

staff have less responsibility, especially in bilateral DP offices. High DP staff turnover was not perceived as a problem by both GoN and DP respondents. Only 16% of the respondents from both side stated there was insufficient continuity of DP staff. Overall, there has been *little progress* in increased capacity.

#### ***DP incentives for changed behaviour in line with aid effectiveness principles***

No DPs informed the evaluation during interviews of explicit incentives within their performance frameworks related to aid effectiveness. If commitments to the Paris Declaration and Accra Agenda for Action have led to incentives at individual level awareness is limited. Institutionally, commitments to aid effectiveness are strongly endorsed in country strategies, indicating corporate support, and are reinforced in evaluations and reviews, but it is unclear how far this reinforcement extends to formal incentives. The Nepal evaluation findings would need to be compared with the HQ studies to assess the extent of progress at the level of corporate policy and practice. Indications are that there has been **some progress** but that the extent of formal and overt incentives is unclear.

#### **viii. Integration of global programmes into country systems**

77% of GoN officials and 61% of DP respondents felt that the global programmes, e.g. Global Fund and GAVI, were not working hard enough to strengthen Nepal's policies and institutions. However, at the district level, the mechanisms created by global programmes, such as District Aids Coordination Committee (DACC), were helping coordination at the local level. Global programmes participate in joint SWAp processes (notably the Global Fund and GAVI in the health SWAp) and GAVI are going to become a pool funder, signing the JFA, for their capacity building contribution. This indicates that there is a willingness and commitment to join country systems and support joint processes. However, in other respects the global programmes have continued to maintain their own processes and systems. The collective evidence suggests that there has only been *little progress* in the global programmes working to proactively strengthen Nepal's policy environment and institutions.

#### **ix. Stronger Nepal capacity to plan, manage and implement results driven NDS**

##### ***Results oriented reporting and assessment frameworks***

Both DPs and GoN respondents agree that there has been a greater focus, in recent years, on the preparation of results frameworks and results based reporting. Some major DPs are providing support to sharpen results based frameworks and reporting systems, notably the ADB, who have been supporting the mainstreaming of MfDR since 2005.

However, both GoN and DP respondents indicated that the leadership provided by GoN towards a greater focus on results is less than adequate. 77% of GoN respondents said that GoN is only partly leading this process and 89% of DP respondents felt that GoN was only partly leading or not leading at all. Although work is on-going focused on improving monitoring frameworks, 68% of DP and 69% of GoN respondents felt there is little improvement or no improvement at all in the GoN monitoring frameworks.

Turning to DP practice, 92% of GoN respondents and 79% of DPs respondent themselves, felt that DPs were only partly working or not working at all to strengthen and use Nepal's own monitoring framework.

There is a greater tendency towards collecting and reporting disaggregated data showing the changes among gender and socially excluded groups, i.e. since 2006 increased collection and reporting on GESI data through, for example, the Health and Education Management Information Systems (HMIS, EMIS) and Census Reports.

The Poverty Monitoring and Analysis System (PMAS) nationally, and the District Poverty Monitoring and Analysis System have, since 2003, improved performance assessment and

expenditure tracking. PMAS tried to shift from an input to an outcome focus, especially in primary education and health, but after 2006, the PMAS gradually weakened. Currently, there is an effort to revive it.

Technical working groups within NPC and a few line ministries are working on results. The NPC has adopted results frameworks within periodic plans but there remains a missing link between MfDR and PMAS. Nevertheless, there has clearly been *substantial progress* in the use of results oriented approaches since 2005, building on progress since 2003.

#### ***DP programming linked to national level/sector level results***

Assessment of DP country strategies clearly demonstrates an increasing trend in linking plans and budgets to national level plans though not explicitly results. Similarly, at sector level, there is strong planning and budgeting congruence in the two SWAs. Even in other sectors there are increasing efforts to link DP support to GoN sector planning. However, there is little evidence of this linking to national and sector results. Overall there has been *some progress*.

#### ***Joint work on capacity development for results***

The 2008 Monitoring Survey found that only 14% of TA, generally meant for capacity development, was coordinated with GoN. However, there is no record of how much of this TA related to capacity building for results. During interviews, most respondents stated that there is not much joint work for capacity development for results. We conclude that whilst there is a strong and growing focus on results, especially in the SWAp sectors, capacity building is more fragmented. As a consequence we find there has been *little progress*.

### **Delivering and Accounting for Development Results**

#### **x. Accountability to citizens and parliament**

##### ***Changes in parliamentary role in NDS and budgets***

After the restoration of multiparty democracy in 1990, parliamentary oversight of NDS and budgets significantly and qualitatively increased. However, from the dissolution of parliament in 2002 through to 2006 oversight was absent. This covered the period up to and following the Paris Declaration. Following the People's Movement in 2006 parliament was restored and subsequently its role in NDS and budget approval has not only been restored but has formally been strengthened with more accountability written into the Interim Constitution including a stronger role for the PAC. Whilst as noted above the PAC has been more active parliamentary accountability remains weak in practice pending a more stable government being in place.

The Auditor General's Office audits the use of aid flowing through the government budgetary system and these reports are publicly available and utilised. However the national audit system does not cover aid directly executed by DPs.

Overall whilst the commitment to parliamentary accountability has increased *no changes* have been observed since the Paris Declaration.

##### ***Information on aid flows publicly available***

The dissemination of budget information, including aid flows, through publicly accessible websites started after 2005. However, it is difficult for ordinary citizens to get information about DPs' aid flows in an easily comprehensible manner. DP annual reports are published but not widely accessed and again it is difficult for lay audiences to understand the data.

Most GoN and DP respondents said that information on aid flows was available from GoN sources and to a certain extent from DPs themselves. However, only 31% of GoN and 22% of DP respondents believed that the publicly available information was adequate.

The MoF has recently initiated a web-based harmonized aid management platform that should improve the quantity and quality of available data. This move and the system design have been influenced by the Accra Agenda for Action and reaffirm the Paris Declaration.

Overall there has been *some progress* though access to comprehensive information remains limited.

### ***Changes in public accountability and transparency for development results***

The SWAp JARs and annual reviews of other large projects/programmes, Mid Term and Final Reviews are all regularly conducted and often published in some form. As noted above these reviews, the NPPR and the periodic planning process have all focused increasingly on results since 2005. It is also now common practice to put all major reports, plans and budget documents onto relevant websites.

Nevertheless the level of public awareness and attention is limited. There has been some media interest in reports from the PAC but wider public discussion of aid, development and, in particular, development results, does not take place. There is media coverage of the place of aid within development but this is at the level of commentary and provides little evidence or results based reporting on which citizens can draw conclusions.

Nepal passed its Right to Information Act in 2008 and, whilst this is a further welcome step in the level of openness and transparency, there seems to have been little impact on information with respect to aid and development.

### ***Strengthening international accountability mechanisms***

As noted in the introduction Nepal subscribes to the International Aid Transparency Initiative (IATI) established during the Accra High Level Forum in order to promote the accessibility of aid information to the public.

However domestically and internationally there has been relatively *little progress* in accountability to citizens or to the Nepal parliament to date.

## **xi. Corruption and transparency**

### ***Greater transparency in PFM***

There is full and open disclosure of revenues, budgets, expenditures and audits by GoN and also a high degree of transparency in aid disbursements where these are through government and country systems. There is less transparency with respect to DPs own directly implemented programmes and TA. Overall, the level of transparency with respect to PFM has increased considerably. The concerns with the PFM systems are to a degree a result of this openness. This extends to procurement and audits where timely publication and full disclosure have become well established.

### ***Increased measures to address corruption***

Most GoN and DP respondents reported that increased measures are being taken to tackle corruption. Only 15% of GoN respondents saw no change in corruption measures whereas 33% of DP respondents saw either no change or regression.

On the perception of corruption, 31% of GoN respondents and 68% of DP respondents said the level of corruption has increased despite the various measures to strengthen PFM and increase transparency. As noted above there is evidence of increased political influence and intermediation in procurement which is a high profile area in terms of corruption. A number of interviewees also commented on the environment of impunity that has arisen during the period of political transition. One significant case in which a minister had to resign because of alleged corruption as a result of DP pressure does, however, demonstrate that impunity is not

universal. The evaluation found little evidence of an increase in institutional corruption within GoN and it seems that the perceived increase relates to procurement practices and political activities.

Our assessment is that there has in fact been *some progress* in measures to address corruption by GoN and as a result of independent DP action (e.g. the decision to recommend independent procurement in the health sector). Unfortunately, this progress is, in part, the result of actual and perceived increases in corruption.

## **Conclusions on the Effects of Paris Declaration Implementation**

### ***Three Dimensions of Aid Effectiveness***

#### **Improvements in the efficiency of aid delivery**

The Nepal Evaluation found *little* evidence of a reduction in duplication of effort. There is only limited use of DP comparative advantage and division of labour in the SWAp sectors and, similarly, a reduction in the numbers of projects is only evident in these sectors. There is no ‘lead donor’ practice in Nepal and full delegation to another DP does not take place. However, in the SWAps there is a practice of a DP ‘focal point’, a rotating responsibility to be the key contact for the DPs. Whilst the amount of aid accounted for by the five major DPs is increasing the overall number of DPs present and active in Nepal is not decreasing and, even in the SWAp sectors, all DPs tend to play a role in policy dialogue, irrespective of the level of support. Tying of aid has reduced but is still evident in large infrastructure projects supported by some bilateral DPs.

There is *little* evidence of increased collaboration at the operational level outside of the SWAp sectors other than in some of the peace related activities. Overall DP operational practices remain unchanged, guided by more conservative approaches from head offices. There has been some change in joint policy and some joint technical work e.g. the joint country strategy analytic studies done by ADB, the World Bank and DFID, but subsequently they “went their own way”. There is clearly scope for more joint implementation, monitoring and reporting. However, the pressure for attribution of results, particularly by bilateral DPs is reinforcing the tendency to engage in separate monitoring and reporting.

#### **Improvements in the management and use of aid; extent of change, contributing factors and validity**

The Nepal evaluation found *substantial* evidence of alignment at the strategic level with both sector strategies (notably in health and education), and with NDS since the introduction of the PRSP. However this pre-dates the Paris Declaration and there has been little change since 2005. Due to the political situation the MTEF was discontinued from 2007-2008 removing one focus of increased alignment.

However there was *little* evidence of alignment at the systems level with limited improved use of country systems and no single framework for monitoring. There continues to be a significant group of bilateral DPs who remain unwilling or unable to channel support through the budget with change at the macro level due to increases in ODA from those DPs who do put their support on-budget. There has been regression with respect to procurement in health where, to address a weakening situation, DPs have established an independent procurement system. The investment in capacity building has reaped some benefits, with evidence pointing to a greater focus on country systems as opposed to individual capacity enhanced (training) and standalone studies.

There is evidence of *some* integration of global programmes into broader development agendas, with GoN formally applying for GAVI and other global support based on their strategies. However global programmes have not effectively aligned at the institutional and

operational level though GAVI is going to channel its capacity building resources through the SWAp pooled account.

There is also evidence of some strengthening of national strategies at sector level in the SWAp sectors but less so in other sectors. The MTEF was suspended in 2007 and only reintroduced in 2009 so deepening of overall national strategies has not taken place. The frequency of political change has influenced the approval and implementation of strategies.

The evaluation found that some increase in SWAp sector capacity is evident in the annual plans and implementation. Overall planning capacity (NPC) appears to have weakened with increased frequency of staff turnover whereas capacity in the MoF appears to have increased. Overall there is evidence of increased frustration by bureaucrats given the increased level of political influence.

There has been regression with respect to corruption which has increased and has been perceived to have increased. Impunity and intermediation are big concerns. Paradoxically there appears to be some more transparency as more information is available and undue influences on procurement, for example, are less hidden.

The evaluation finds no significant improvement in PFM, procurement and fiduciary standards. The legislation (PPA) and operational arrangements (PPMO) are adequate (see PEFA Report) but practice has deteriorated. Systems are good but implementation is weak e.g. as well as the above the Nepal Public Sector Accounting Standards (NPSAS) and Single Treasury Account (TSA) have been established. However systems are not reinforced by DPs who take independent remedial action.

### **Better (more inclusive and effective) partnerships**

The evaluation finds some improvement in parliamentary accountability through the PAC but political turbulence limits its wider application. There is little citizen-accountability because of the lack of downward accountability resulting from political appointees at local level (District level committees) and the dominance of ‘horse trading’ between parties as negotiations around the constitution and formation of a consensus government continue. Again, political impunity and intermediation are growing concerns.

There is also some evidence of more predictable commitments from multilaterals, though less from bilateral with no change or a decline since the 2008 monitoring report.

In terms of the delegation of authority to DP country offices, the evaluation found substantial evidence of delegation in the case of multilaterals with strong country directors making independent and effective decisions. There is some evidence of regression in the case of some bilaterals with increased domestic political attention to aid (level of budgets, corruption reporting etc.) and a stronger results focus by senior management leading to more reporting and decision making appearing to revert to HQ.

### ***Evidence of the Accra Agenda for Action triggering an acceleration of the aid effectiveness agenda***

The Accra Agenda for Action was only mentioned by the MoF. Most within Government and amongst DPs are only beginning to become conversant with the Paris Declaration and its implications – Accra has not had time to permeate at country level.

### ***Unintended consequences of the Paris Declaration for aid effectiveness***

There is no evidence or examples cited by any informants of significant unintended consequences of the Paris Declaration per se. The move to programme-based approaches, notably the SWAps, has, according to some, led to minor issues having major impact and failure in one component having broader impact. Also, some concern that programme

approaches may exclude NGO service providers and civil society voice unless they are specifically taken into account.

### *Alternative ways of achieving more effective aid*

DPs who are not signatories of the Paris Declaration and/or the Accra Agenda for Action are less aligned and adopt individual approaches, often at odds with Government approaches. Large scale infrastructure investments may benefit in terms of effectiveness but programme investments are weakened by multiple small scale or unaligned projects.

## **B.3 Development Outcomes**

This section presents the evaluation findings on whether, and how, the implementation of Paris Declaration strengthened the contribution of aid to sustainable development results.

### **Sector Level**

For more detail on the evaluation findings with respect to the education and health sectors see Annexes 5 and 6 respectively.

#### *Education Sector*

Results in the education sector have been significantly enhanced through the application of the Paris Declaration Principles. This is evident not only since 2005 but from the early 1990's when a programme approach was first adopted in the sector and a degree of alignment and harmonisation was already being practiced.

With respect to **intended development results** the recent MDG review indicated that Nepal has made good progress in education related MDGs (MDG 2: Achieve Universal Primary Education and MDG 3: Promote Gender Equality and Empower Women). On all indicators of MDG 2 (and the education related goal of MDG 3), Nepal's progress is significant. In terms of the literacy rate for 15-24 year olds and gender parity Nepal is already on track. Nepal is slightly behind on indicators related to net enrolment at the primary level and primary completion rates. Whilst the current trend suggests Nepal may fall slightly short of the target for 2015 the review indicated that MDG 2 is potentially achievable with additional efforts.

This progress towards the targets set in 2000 is but one indicator of effective, efficient and sustained progress towards established goals for the sector over the last twenty years. Influenced by the international vision set at Jomtien in 1990 Nepal embraced 'Education for All' (EFA) as a vision that has guided the direction of the sector in subsequent years. More recently the concept of 'Universal Primary Education' enshrined in the MDGs has set the targets that have been owned by GoN prior to, during, and subsequent to the conflict and political disruption. Education is again given prominence in the Interim Constitution, 2007.

Since 2005 the intended development results have been linked even more closely to the MDG targets and disaggregated to district level. Whilst the overall direction was set well before Paris this has been consolidated with **further progress** since 2004.

At the level of **interim development results** education sector strategies and priorities have been well developed and date back to the Basic and Primary Education Master Plan of 1992. A programme approach was adopted in 1999 with the Basic and Primary Education Programme phase II (BPEPII) replacing BPEPI which had a less coordinated project based, parallel implementation unit approach. BPEPII ran until 2003 when, with the formulation of the EFA (2004-2009) programme, education was the first sector to adopt sector wide approach. This first SWAp was followed by the current School Sector Reform (SSR) Programme (2009-2015). There is evidence of sequential progress through these successive

sector strategies and plans through the regular reviews. The integrity of the sector and the transition from basic education, through a primary model to a school sector model, shows progress at an institutional level. With strong MoE leadership and early endorsement of a decentralised approach the governance framework for education was also reinforced from the outset. Here there has been **substantial progress** since, under the EFA SWAp, with a stronger sector strategy being institutionalised and yielding significant results.

Education is a priority sector for GoN and has seen increasing budget commitment from about 9% (1.8% of GDP) in 1990/91 to about 17% (4.1% GDP) in 2008/09. The **contribution of aid to the sector** has played a catalytic role in reinforcing the increases and, whilst almost 80% of the sector budget is financed from government revenues, the fact that the rest comes from DPs has had both a leveraging impact and has provided the basis for sustained and productive policy dialogue. The first sector programme (BPEPII) was widely supported and when the first formal SWAp (EFA) began in 2004 all the major DPs supporting the sector except Japan (JICA) provided their funding through the programme and signed the JFA. Since 2005, additional DPs have joined the SWAp and there are now nine pooling partners. The five non-pooling partners participate in a fully coordinated manner with their combined contributions comprising less than 10% of total DP support to the sector.

Thus the bulk of financial support falls under the SWAp umbrella and this reinforces the policy dialogue which has grown in strength. It also reinforces financial discipline with the PFM system, including procurement being jointly agreed upon by all DPs, thus avoiding separate financial reporting and procurement requirements. Indeed, the level of collaborative financial engagement was a factor in exposing and addressing the recent major corruption case. To further enhance mutual accountability, government and the DPs agreed to implement the GAAP in the sector. Again, in terms of the contribution of aid, there has been **substantial progress** since 2004 with a successful first SWAp leading to increased support and deeper dialogue under the recently initiated second SWAp.

The harmonized approach in the sector has been strengthened with a progressive JFA, code of conduct, JARs, joint periodic monitoring and evaluation, and joint missions. Other **effects of the Paris Declaration on aid relationships** include the use of comparative advantage and division of labour among DPs. The education sector was foremost in developing and institutionalising an MTEF at sector level. The education sector is demonstrating most of the hallmarks of a successful post Paris sector wide programme. There is movement towards an overall sector approach, firmly led by GoN (MoE) with aligned and harmonised support that is beginning to move to silent partnerships with some DPs simply committing funds and allowing others to represent them in the policy discourse. Here we also record **substantial progress** since 2004.

As we have described, the education sector needs to be viewed over a much longer period in order to assess its development completely. During this 20 year trajectory international discussions and agreements have made critical contributions and catalysed progress. Nevertheless the major drivers have been the leadership of GoN which has been consistent despite the political transitions, the equally consistent level of implementation, and the harmonised and comprehensive support of a key group of DPs. Our **overall aggregate judgement** is that there has been steady and cumulative progress throughout the 20 year period. Within that process the period since 1999 has seen **substantial progress** with a SWAp being established and growing steadily. Whilst the second phase of the SWAp has seen further improvements it is difficult to say that there has been a major acceleration, it is more a continuation of a very good level of progress. Further it is **difficult to say that the Paris Declaration made a direct contribution to the pace of change**. Certainly, the endorsement of the Paris Principles reinforced practice in this sector but it is difficult to assert the counterfactual that without Paris change would necessarily have slowed down. The education

sector has had a commitment to the principles that were articulated in Paris for a long time. It has demonstrated the benefits of GoN leadership, DP alignment and harmonisation and the use of national systems. There is also strong evidence of a growing focus on results at outcome level rather than the earlier focus on processes and outputs.

### ***Health Sector***

Results in the health sector have also been enhanced by the application of the Paris Declaration Principles though to a lesser degree and over a shorter period than is the case for education. The level of harmonisation and alignment has been less though progress towards key results has been impressive. Health in Nepal starts from a low base in terms of indicators, service delivery with a lack of financial and policy coordination. From this low base the progress since 2004 is impressive but there is much more to be achieved.

In terms of the **intended development results** the performance is even more impressive than for education, particularly when MDG progress is reviewed. Three of the eight MDGs (MDG Goal 4: Reduce Child Mortality, MDG 5: Improved Maternal Health and MDG 6: Combat HIV AIDS, Malaria and other diseases) specifically relate to health sector outcomes. Another of the targets (Nutrition Status) under MDG 1 (Eradicate Extreme Poverty and Hunger) is also closely related with the health sector. A recent MDG progress review indicates that Nepal is more or less on track to achieve all these MDGs though only partially with respect to MDG 1.

GoN's long term development goals for health were less well articulated than for education. There has traditionally been a lower level of service provision in rural areas with a focus on hospital level services at district level and above. There has also been long standing provision of services by DPs, and INGOs in particular, alongside state services so that, though complementary, the level of GoN leadership in the sector has been weaker. Formal articulation of comprehensive health policies in Nepal can be traced back to the Second Long Term Health Plan (SLTHP) 1997-2017, and the 10<sup>th</sup> National Development Plan or PRSP 2002-2007. SLTHP was an all embracing vision statement that needed a stronger focus. To address this need the MoHP formulated the 2004-2009 Health Sector Strategy: An Agenda for Reform in 2003, and this became the basis for the Nepal Health Sector Programme (NHSP) supported by DPs and initiated in 2004. The second phase of this SWAp (Nepal Health Sector Programme II, 2010-15) has recently begun with an even clearer vision and with stronger strategic direction and more of an outcome focus.

Our judgement on progress in health is quite different from education in terms of intended development results. Here we see a much stronger shift since 2004 (though its origins do go back to 2003/04) and, as we will discuss below, a stronger direct role for key DPs in facilitating the emergence of achievable and sustainable long term goals. We therefore conclude that the evidence suggests much ***more substantial progress*** since 2004 with the proximity of Paris being a more plausible contributing factor.

A similar analysis applies to **interim development results** in the health sector. The health sector strategy was the first effective strategy on which a robust programme could be built. With support from DFID and the World Bank, and wider DP involvement, a programme to deliver the policies and strategic direction was developed with the NHSP Implementation Plan (IP), a SWAp whose first phase ran from 2004/05 to 2010. Though there were only two pool DPs this programme-based approach had wide endorsement and began to bring coherence to the sector. Progress towards clear sector level strategies has been evident though there has also been continued parallel support from existing DPs and from the global programmes which has resulted in less institutional integration. The pattern of JARs is effective but joint monitoring has been less effective than in education, though joint reporting, based on the

HMIS, is being used and the pool fund is well established. In addition, there is DP coordination at district level through the DACC. Nevertheless, issues of sector governance, excessive TA and weak capacity remain.

The second phase of the SWAp, NHSP II, has just been implemented but early indications are of a stronger strategic direction and clearer monitoring framework with, what has been seen as, a more inclusive process resulting from the wider stakeholder participation in annual planning and review exercises. Most significantly, the policies that underpinned NHSP I have been endorsed politically since the peace agreement so a consistent continued strategic direction is assured. Our assessment is that there has been clear and, looking back at the previous five years, *substantial progress since 2004* when NHSP I commenced. However, there are areas of concern, notably with respect to the weaker governance and institutional mechanisms. Again, our judgement differs from that in the education sector since here it seems that Paris and the stronger imperatives on key DPs did play a more catalytic role.

In health the **contribution of aid to the sector** has always been significant. In the five years prior to 2005 public expenditure on health remained static at 4% of the total and has only risen to 6% subsequently. Under the SWAp the contribution of DP support to this increase is very evident. Health commitment as a proportion of ODA through government rose from 3% to 5% between 2000 and 2005 whereas since NHSP I commenced there has been a threefold increase to 15%. This is demonstrated in the fact that 40% of the GoN health budget is reliant on DP support. However, as only half of the DP support was channelled through the pool the impact of the SWAp in fiscal terms has been weaker.

For NHSP II a third DP is joining the pool and GAVI are going to channel their capacity building support through the SWAp. With four rather than two signatories to the JFA and this small but critical increase in the proportion of aid to health sector flowing through the national budgetary system, the SWAp will be more robust financially.

There have been governance confusions with the presence of global funds and the International Health Partnership that need to be addressed if MoHP is to take stronger ownership and leadership in the sector. Overall, this diversity amongst health sector DPs creates a healthy tension though at times it does seem to present mixed messages.

Our judgement is that there has been *some progress* since 2005 in strengthening both the alignment and harmonisation of aid to the health sector. However MoHP still needs to take a strong lead and DPs need to be more strategic and collaborative in responding.

We find more evidence of the **effects of the Paris Declaration on aid relationships** in the health sector. The large number of DPs present seems to have made it more difficult to build a strong degree of harmonisation and alignment. The messages from Paris and the endorsement of headquarters have reinforced commitments at country level. The leadership of DFID and the World Bank in support of a sector programme has been reinforced by other DPs, based as much on Paris commitments as sector level endorsement. Paradoxically, the weak stance of MoHP, itself counter to Paris principles, has been complemented by a stronger Paris orientation from DPs and MoF. We therefore find *more substantial progress* in the effect of the Paris Declaration on the health sector than we found for education.

The health sector is more complex and challenging operationally and in terms of the range of actors involved. Our **overall aggregate judgement** is that there has clearly been a *substantial acceleration* in progress towards development outcomes since 2000 and this has *increased markedly since 2005*. We also think there is sufficient plausible evidence to show that the contribution of the Paris Declaration implementation to this acceleration has been *substantial in the health sector*. The sector remains less responsive to Paris principles than it could be and further work is required to strengthen and consolidate the achievements since 2005.

### ***Other Sector Experience***

The progress on MDG 1 (eradication of extreme poverty and hunger) depends on developmental results of a number of different sectors, including the agriculture sector, together with general economic performance and social protection measures. In terms of poverty indicators such as the proportion of population below US\$ 1 (PPP value) per day and the proportion of population below national poverty line, the MDG progress review observed reasonable improvements. However, one half of the improvements were attributed to increased flow of remittances from nearly two million workers working abroad rather than economic performance of the national economy. Nepal's economic growth rate has significantly slowed down compared to the 1990s and is very erratic. Similarly, agriculture sector performance is very dependent on unpredictable monsoons. During good monsoons there is good agriculture sector growth and in drought years the growth rate declines.

Although DP support for poverty reduction and in the agriculture sector is generally aligned with the country's development strategies, there is little evidence of harmonized DP support in these areas. For instance, there are a number of DPs supporting targeted livelihood programmes/projects but, by and large, they remain isolated supports rather than streamlined efforts for poverty reduction.

In the water and sanitation sector key concerns relate to access to improved drinking water and sanitation (one of the indicators of MDG 7). Progress in terms of providing sustainable access to improved drinking water in the population is quite good with the MDG target on-track. However, Nepal is unlikely to meet the target on providing access to improved sanitation.

A number of DPs, including INGOs, support the water and sanitation sector. However, harmonization of DP support in this sector leaves much to be desired and there is no specific mechanism for coordinating DP support. Local bodies are supposed to provide local level coordination to avoid duplication of efforts and modality of funding and implementation. However, these efforts are diffused and as a result, progress is slow.

The experience in sectors reviewed above indicates that progress and development results are quite visible in the sectors where the Paris Declaration principles have largely been implemented. On the other hand, development results are less noticeable in those sectors where aid has been mobilized in traditional ways and less in accordance with the Paris Declaration principles.

### **Macro Level**

***Needs of the poorest - Did the implementation of the Paris Declaration help Nepal to improve the prioritisation of the needs [beyond income poverty] of the poorest people, including women and girls?***

Prioritization of the poorest people, including women and girls, has ***substantially progressed*** in Nepal and this progress can be attributed to the political changes that have been taking place over the last decade. There was little evidence of the contribution of the Paris Declaration to this area, in part due to the late entry of inclusion and cross cutting issues in the purview of the Paris Declaration. Commitment by GoN has been catalysed by DP interest and encouragement including funding support but again this seems to be due to long stranding DP commitment to poverty reduction rather than to any Paris Declaration related factors.

In 2006, the landmark report on Gender and Social Inclusion (GESI) supported by DFID and the World Bank was published. The well-researched findings of the report, along with the political epochal political change in the country, led to increased focus on the prioritization of the needs of the poorest, marginalized and socially excluded groups. At the same time, there

are some initiatives that are making substantial efforts to link aid effectiveness with the gender issues. For example, UNIFEM has conducted some interactions and awareness programmes on 'gender and aid effectiveness'.

After 2005, Nepal started to formulate and implement 'gender responsive budgeting' with a view to drawing policy makers' attentions to equitable resource allocation. Similarly, the MoF started the practice of analyzing and publishing the budget allocation in terms of its orientation towards the poorest (pro-poor budgeting).

Our *overall aggregate judgement* is that there has been *substantial improvement* in the prioritisation of the needs of the poorest by GoN since 2005 compared to the previous five years. There is sufficient evidence that this progress has been largely due to the shift in political commitment. There has been *some progress* in the contribution from aid through DP policy emphasis and financial support and this, together with action from GoN, has resulted in *some progress* in interim development results. However, due to the disruption in service delivery, it is difficult to make an assessment of the extent of progress in the intended development results that flow from this prioritisation. Further, it is too early for the consequent policy changes to impact on the lives of the poorest. In our judgement there has been *little contribution* from Paris Declaration implementation to these improvements other than through the contribution at sector level.

***Institutional capacity - Has Paris Declaration implementation led to sustainable increases in institutional capacities and social capital at all levels to respond to development challenges? Why, how and where, and what are the effects?***

Since the Paris Declaration encourages partner countries to own and lead the development process and, at the same time, expects DPs to respect the partner countries' leads, several GoN officials interviewed indicated that the Paris Declaration had strengthened their self-confidence in general, and in particular, in negotiation with the DPs. They indicated that now they are in a stronger position to demand DP alignment with the national development strategies and priorities. In a similar way, the Paris Declaration has encouraged DPs to work more closely with greater trust in Nepal's leadership and systems. However, this contribution is at the level of expected commitments rather than practice action on the ground.

For GoN there are a number of areas where improvements in administrative capacity have benefited from the contribution of aid, either through DP encouragement, support and advocacy, or through financing and technical support. Examples that the evaluation identified include:

- The Public Procurement Act and Rules that have been developed and enacted in line with international standards (capacity to design and implement effective regulation).
- The PFM reform strategies selected from the PEFA and implemented with DP support (capacity for financial management and reporting).
- The development of PEFA benchmarking, assessed in 2007 and again planning to be assessed in 2011 (capacity for financial monitoring and reporting).
- The introduction of the Treasury Single Account (TSA) which has been piloted in the Kathmandu valley and rolled out to four other district treasury offices (capacity for financial administration including decentralisation)
- Development and approval by MoF of Nepal Public Sector Accounting Standards<sup>9</sup>.

There has also been capacity building support to NPC in the development of MfDR (TA from ADB) and to MoF in Developing Capacities for Effective Aid Management and Coordination

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<sup>9</sup> See World Bank 2007 and GoN 2008

(DCEAMC), a UNDP funded project. Both these are examples of specific Paris Declaration capacity building related to aid effectiveness.

Institutional capacity has also been developed in the SWAp sectors, i.e. education and health (e.g. implementation, project cycle management, documentation) and in decentralisation planning through the LGCDP.

In terms of social capital and institutional development amongst civil society organisations, there is less evidence of structured support, other than through support for service delivery by NGOs. This wider sense of institutional capacity does not seem to be well recognised and, even in the examples given above, capacity development is often focused on individuals rather than at an institutional level.

The evaluation thus found evidence of *some progress* in the contribution of aid to capacity development. However, it was difficult to find any coherent and comprehensive assessment of capacity development needs on which a strategic approach was being developed. There does not seem to be any over arching statement of the interim development results and hence a planned approach to the identification of areas for development and the contribution of aid. Support seems to depend on DP identification and the priorities of individual agencies, notably within GoN. We therefore conclude that there has been *little progress* in terms of interim development results and *little progress* towards increased institutional capacity at all levels.

Our *overall aggregate judgement* is that increases in institutional capacity and social capacity are somewhat piecemeal and uncoordinated. Despite the frequent comments from DPs about perceived low capacity, this is, as was found in the 2008 Monitoring Survey, only being addressed through rather traditional TA support that is uncoordinated and not focused on issues of aid effectiveness in a planned way. Institutional capacity therefore remains weak. Where it is developing this seems to be a function of Ministry or agency specific initiatives. There has been *little increase since 2005* compared to the previous five years and *little contribution from PD implementation* aside from specific cases where individual DPs have provided support linked to their commitment to the Paris Declaration.

***Aid modalities - How and why has the mix of aid modalities (including general or sector-specific budget support) evolved and what has been learnt on the development results?***

GoN has a preference for budget support as an aid modality, either delivered as general budget support or focused on specific sector programmes (FAP, 2002; draft FAP 2008; interviews with senior MoF and NPC officials). They see this approach as more in line with aid effective principles and support for poverty reduction. This clear intended development result is congruent with the Paris Declaration principles yet does not have the formal support of many DPs. There has been *some progress* since 2005, mainly due to the strengthening of the health and education sector programmes, but also the LGCDP taking a programme approach to support for local development through the Ministry of Local Development, and the Nepal Peace Trust Fund. This progress with sector programme support has to be balanced against the absence of any general budget support particularly since the suspension of the World Bank's Poverty Reduction Support Credit in 2005.

This evaluation has reported the overall positive assessment of both the education and health sector programmes. The former has grown steadily and now involves almost all DP support to the sector. The latter is developing more slowly and still only accounts for about 50% of DP support. Many DPs still raise concerns (evaluation interviews) over absorptive capacity but we have found little documented evidence. The 2008 Monitoring Survey found 74% of aid was channelled through GoN systems, though some shown as going through GoN systems seems to be subject to different disbursement criteria. This proportion remains at the same

level two years later. However, the proportion of aid through programme based approaches has increased from 32% to about 40%. This is largely due to the growth in the SWAps and the Nepal Peace Trust Fund and LGCDP. We therefore see that there has also been *some progress* with respect to the interim development results of assessments and proportion of aid through appropriate systems.

Though there is a large proportion of aid through appropriate systems there is no consensus on this and many of the smaller DPs either formally take a contrary view or in practice find it difficult to comply. Whilst the average level of support through programme based approaches and country fiduciary systems has increased the diversity between DPs remains as wide, with improvement relying on the increased support from those who are strongly committed. We therefore assess that there has been *little progress* in the improvement in the contribution of aid.

The effect of joint dialogue, alignment, harmonisation and mutual accountability has been quite limited. The reactions of DPs to the current instability due to the political transformation, has reduced openness to a move towards more aid effective modalities and has increased concerns. We discern *little progress* in the effect of the Paris Declaration on the aid relationship. DPs assessment of the political situation is far more critical.

Our overall judgement is that there has been *some progress* in the mix of aid modalities since 2005 compared to the previous five years, but this has been quite limited in scale and depth and has been more a consolidation of earlier commitments than a result of the Paris Declaration implementation which we see as having *little contribution*.

### **Conclusions on the influence of improved aid effectiveness on development outcomes**

#### ***A. Has the Paris Declaration enhanced ODA's impact on achieving the goals of the national development strategy [and the MDGs]? What factors have facilitated this change?***

The Paris Declaration has reinforced the increasing focus on results. Whilst this was emerging prior to 2005 and has been influenced by other factors (e.g. MDGs, DP domestic policy), the Paris Declaration articulated MfDR in a clear and concise way. The emphasis on the National Strategy has also been adopted by most DPs and reflected in their country level strategies. Programmes may not always deliver this commitment but it has set a trend and is particularly evident in the policy congruence achieved in the two SWAps. DP and GoN interviewees commented on the increased policy congruence and on the results focus.

The net effect has been to enhance GoN programmes (again the SWAps are the best examples) and drive them towards a stronger results focus. This has been reinforced by the impetus given to results based targets by the MDGs.

Overall the Paris Declaration has made a clear contribution to the impact that ODA has had on achieving national development goals. It has brought a greater coherence to DP efforts and driven greater alignment whilst also pushing the national development goals towards more of a results orientation.

#### ***B. What (plausible) contribution has the Declaration made in terms of its own statement of intended effects, to increase the impact of aid in:***

##### ***1. Reducing poverty***

The evaluation found some plausible contributions of the Paris Declaration in improving the results focus around non consumption poverty, most notably in the health and education sectors.

## **2. Reducing inequality**

The evaluation did not find much evidence of any plausible contribution from the Paris Declaration. Attention to inequality has been driven more by the changing political priorities and we cannot discern any linkages to the Paris Declaration.

## **3. Increasing growth**

Again the evaluation found little if any evidence of any plausible contribution from the Paris Declaration. Growth is primarily addressed through livelihood interventions and most of these are not open to Paris Declaration influence.

## **4. Building capacity**

There is some plausible contribution from the Paris Declaration evidenced through the enhancement of capacity building components in projects and programmes and through the empowerment of government staff to express their capacity needs. However the weak understanding of the need for institutional capacity development and the lack of effective coordination and alignment of capacity building limits the effect.

## **5. Accelerating achievement of MDGs**

Since NDS takes MDG goals as targets the results focus noted in A above applies here. Similarly the same factors as applied to non consumption poverty (B.1) relate to the MDGs. Thus the results focus of the Paris Declaration suggests a plausible contribution to the increased MDG achievement.

### **C. *Has the implementation of the Paris Declaration had unintended consequences for development results, negative or positive?***

The pressure on many DPs to show attribution of results to their own investments has skewed the impact of the focus on development results. A focus on direct implementation and other situations where attribution is easier has weakened the attraction of harmonised support for the sector programmes and led to the unintentional promotion of the DPs contribution rather than GoN's achievement.

### **D. *Is there evidence of different ways to make aid contribute more towards development results?***

Evidence from this evaluation includes:

- The attention given to shared approaches to portfolio performance reviews as shown in the increased participation in the NPPR. The process has improved from 2000 when only the ADB, the World Bank, and Japan participated; through 2006 when GoN took the lead and DFID joined; to the present where other DPs are observing and considering becoming involved. Since 2006, GoN has introduced the process of integrating portfolio management and review processes into its aid integration process and MTEF. Also during 2006, GoN invited the bilateral DPs that are supporting the SWAp in the education and health sectors as observers; this included DFID, DANIDA, Finland and Norway.
- The pooling of TA in the Nepal Peace Trust Fund (the idea of TA pooling is now being discussed in the health and education sectors)
- The increased frequency of Local DP Meetings convened by MoF and the focus of the agendas on the Paris Declaration principles.

- Civil society pressure in support of the Paris Declaration - which has increased after AAA, especially around the notion of ownership with a shift from Government Ownership to National Ownership – has focused, in particular, on results and aspects of results that are often missed in other discussions.
- The shift in the discourse from Aid Effectiveness to Development Effectiveness has given a sharper results dimension.

## B.4 Overall Conclusions on Common Evaluation Questions

### i. What has been the relevance of the Paris Declaration and the ways it has been implemented to the challenges of aid effectiveness?

The Nepal evaluation has found the Paris Declaration and the ways it has been implemented to be relevant to the challenges of aid effectiveness in six key areas:

1. The emphasis on MfDR has contributed to a strong *movement towards results* that has influenced the setting and monitoring of indicators with a greater focus on outcome levels. In turn, this has contributed to a shift in attention in Nepal from development process to development impact and this has changed the understanding of GoN at both central agency and sector levels. Whilst the MDGs and other drivers have also pushed the results agenda, the particular contribution of the Paris Declaration has been to set results in the context of the management framework and also within the overall aid effectiveness context as presented by the other principles.
2. The Paris Declaration focus on the *leadership of country decision makers* has been particularly relevant to Nepal at this stage in its development trajectory and at this point in its political transformation. Nepal's politicians need to take stronger ownership and thus lead the development process. This has been a weakness in the past. It is now on the political agenda but raising its profile within the Paris Declaration sends a strong message to the politicians; Nepal's bureaucratic and technocratic leadership within the civil service and within GoN agencies; civil society; and to DPs who have become used to working without an effective political leadership.
3. The *increasing alignment by DPs* is the third area of relevance. Nepal's history of fragmented and independent DP behaviour has been a major handicap to aid effectiveness. As a significant group of DPs have taken a more aligned approach this has built the confidence of, and confidence in, Nepal's leadership. This is a slow and long term process and patience is easily tried. Nevertheless, as alignment has improved, particularly in the education and health sectors, the benefits have been recognised by DPs who have in the past been less inclined to support alignment.
4. Since the *Peoples Movement expectations have grown*; people's hopes and aspirations have taken on a new dimension. The risk of disappointment and consequent disenchantment with the perception of democracy is a challenge but the relevance of the Paris Declaration in this context is significant. Country ownership and the alignment of external support behind national strategies are essential to the delivery of the promised transformation. There is much within the 'new' Nepal that resonates with the Paris Declaration and can contribute to its realisation.
5. **Increasing aid flows without more absorptive capacity has contributed to low aid impact** - this is the critical impediment to scaling up development effort and achieving enhanced development results. The Paris Declaration, with its focus on MfDR and mutual accountability, promotes an approach to management that takes results as its goal. Managing the implementation process in this way puts the emphasis on

institutional capacity that is capable of building the absorptive capacity rather than individual skill that often only contributes to the further erosion of absorptive capacity.

6. Frequently during GoN interviews and in the FGDs the evaluators were told of how the Paris Declaration and the Accra Agenda for Action had built **confidence and assertiveness**. If Nepal is being challenged and expected to own and lead its development process then more confidence and assertiveness is required. It is equally of note that many DP interviewees commented on the lack of leadership and assertiveness. Until a stable government is in place it is hard for senior civil servants to speak with confidence and politicians have yet to accept the full import of the challenge to them. However the fact that the challenge of ownership and leadership demands confidence and assertiveness is a significant implication of Paris and Accra.

**ii. To what extent has each of the five principles of the Paris Declaration been observed and implemented, and the Accra Agenda priorities reflected? Why? Have there been conflicts or trade-offs between them?**

The principle of country ownership has been **moderately well observed and implemented at macro level**. At present the manifestation and articulation of ownership remains with senior civil servants and both the MoF and NPC have accepted the challenge. The evaluation found that this was also acknowledged and welcomed by many DPs, though there is a frustration at the lack of political endorsement and ownership. Ownership is **more strongly observed and implemented within the two sectors** on which the evaluation focused. In education, in particular, the ownership that has developed over many years was acknowledged by DPs, civil society and other informants that were interviewed or participated in FGDs. The appreciation of ownership in the health sector is almost as strong though the extent of implementation perceived is less.

Strategic alignment is **strongly observed and implemented at macro level and also at sector level** with education being the strongest. Institutional alignment is **weaker particularly at macro level and in the health sector**. This is a particularly significant distinction since it demonstrates that strategic direction is insufficient for aid effectiveness. Institutional capacity is also required and the alignment here is not as strong.

MfDR is the principle that is **most strongly observed and implemented**. Results have come to the fore since the Paris Declaration and this is not only an appreciation of the targets and goals of development but also of the importance of impact as opposed to process. Amongst the most interesting discussions during the evaluation were those in which GoN informants explored the shift that they see taking place as process has given way to impact in Nepal. Again the level of observation and implementation at sector level is stronger than at macro level but the gap is relatively small.

Harmonisation was one of the two principles that was **most weakly observed and implemented at macro level**. This is where the Paris Declaration has yet to break through in Nepal. However at sector level the picture is much more positive with relatively high levels of observation and implementation for both education (the stronger) and health.

Mutual accountability is the weakest of the five principles; it is **weakly observed and implemented at macro and sector level**. This seems due to the concept of mutual accountability being the least well understood. For some DPs accountability implies a return to conditionality whilst for some Nepalese it conflicts with a sense of ownership, which they see as translating into a degree of independence rather than mutual engagement.

The only trade off that was identified was between MfDR and ownership where the desire from some DPs to attribute ‘ownership’ of their contribution to results conflicts with ownership within Nepal and also with harmonisation in which individual attribution is not

acknowledged. However one other area of conflict did emerge. This is the conflict between the increasing concerns with fiduciary risk which is seen to undermine harmonisation.

**iii. What has the Paris Declaration achieved for aid effectiveness and development results? How significant are these contributions? How sustainable? Is there evidence of better ways to make aid more effective and contribute more to development results?**

The main achievements of the Paris Declaration from the perspective of this evaluation are:

- the focus on results and the information (clarity over targets and their monitoring) required to ensure and assure the achievement of results;
- the appreciation that Nepal has to plan for its exit from development dependency; and
- the shift in the definition of aid effectiveness from the relationship of inputs against outputs, to a focus on outcomes and impact.

All three are significant contributions. Less significant but still notable achievements are:

- the increased demand for information and its sharing;
- increased coordination;
- prioritisation;
- the importance of relationships with institutional actors;
- the trend towards alignment;
- the tendency towards harmonisation;
- GoN starting to focus on trade and investment rather than aid; and
- the awareness and understanding of the structure of aid that it has brought

Of all these achievements it is the results focus that will be sustainable and has already made the greatest impact.

**iv. What effects has the implementation of the Declaration had on the respective burdens of aid management falling on partner countries and DPs, relative to the changing volumes and quality of aid and of the aid partnership itself? Are these effects likely to be transitional or long term?**

The evaluation found a strong sense amongst GoN informants that application of the Paris Declaration principles would reduce transaction costs in terms of engagement with DPs and the processes of aid management. The view that full adoption of the Paris Declaration and the Accra Agenda for Action would result in an improvement in the quality of aid was also expressed. However, there was a more cautious and mixed view over whether this would require substantial increases in the volume of aid, with some identifying the continued growth of domestic revenues as being an indicator of success and a replacement for additional aid. However, whilst transaction costs in relation to aid management would decline the challenges to GoN in managing the development process more effectively were seen as considerable; pressures and demands would increase as would the need to increase institutional capacity.

DPs were more ambivalent about the burdens of aid management. Many saw increased transaction costs, at least in the short term, with increased volumes of aid to manage and additional challenges in steering strategy and results based management. Many DPs did not seem to see increased harmonisation and progress on other principles leading to reductions through divisions of labour, silent partnerships and utilising each other's comparative advantages.

This ambivalence seemed to be based on the experience of the SWAps where no significant reduction in transaction costs had yet been seen. Many DP representatives also saw the increased demands for reporting, accounting and informing their headquarters as a new and indeterminate transaction cost. The most surprising feature was that DPs seemed unable to see how tasks and responsibilities could transfer to GoN as part of ownership and leadership.

The evaluation concludes that few of the transaction cost benefits of the Paris Declaration have yet been realised. We also find that the institutional implications, in terms of the design and operation of aid management, have been considered so that applying the Paris Declaration is still perceived as an additional requirement rather than provoking a change in the ways in which the processes of aid are pursued.

If the Paris Declaration is implemented fully in Nepal the evaluation would expect to see a reduction in the presence of DPs and more collaborative use of the expertise that the remaining DPs provide. Taking the education sector as an example, more responsibility can be expected to shift to GoN for implementation, monitoring and reporting such that any increase in transaction costs would be short term. There would be a short to medium term increase in the demand for and delivery of institutional capacity building requiring more sophisticated and nuanced delivery than present training based TA, but this should be a transitional arrangement.

**v. What has been the added value of Paris Declaration-style development cooperation compared with the pre-Paris Declaration situation, and seen alongside other drivers of development in the country, other sources of development finance and development cooperation partners beyond those so far endorsing the Declaration?**

Nepal has been facing major challenges as a result of the conflict and, in some ways, even more profound disruption in the post conflict period of political transformation. These processes have had far more impact on the aid relationship than has the Paris Declaration which has been significant in reinforcing earlier developments and confirming a direction of travel but not in bringing a marked shift in terms of added value, style or substance. The attitudes and approach of most DPs have been influenced more by their perceptions and reactions to these more immediate fragilities than the wider international aid agenda. Indeed Paris and Accra are seen as more relevant by some key GoN actors than by most DPs.

Nevertheless, the Paris Declaration has brought an added value, though at a deeper psychological level rather than in terms of day to day operations. The confidence and assertiveness discussed above are particularly significant indicators of this influence. The Paris Declaration principles have been found to echo pre-existing understandings of aid effectiveness. They have also been found to be applicable and appropriate even during the conflict and the traumatic post conflict environment. At the level of ideas and meaning they have challenged and continue to challenge much of the conventional wisdom of development in Nepal. Thus the value addition is less tangible and observable than it may be in other contexts, but it has clearly had an impact and has the potential to make a more substantial impact, if it is allowed to do so.

**vi. What are the key messages for a) national stakeholders, and b) DP countries and agencies?**

a) The key messages for Nepalese stakeholders are:

1. Define indicators more clearly and be vocal in articulating the respective stakeholders' role and contribution.
2. Take leadership and ownership of development; don't wait for it to be imposed.
3. Introduce performance based incentives at all levels.

4. Remember “We can’t always live by begging bowl” There is an imperative to:
    - improve quality of aid
    - identify and adopt best practices
    - understand how aid works and its costs and benefits
  5. Aid should be in reducing in the long term
  6. If you really believe it you should practice it.
- b) The key messages for DP countries and agencies are:
1. Just follow.....
    - respect ownership
    - respect leadership
    - build capacity focus
  2. Attitudes have not changed in HQ. Give more power and authority to local offices. Trust local offices and partner capacity.
  3. Do not make cuts in development support.
  4. If you bypass systems because of a perceived lack of capacity you undermine them and capacity never develops.
  5. Take risks in fiduciary areas.
- vii. **What are the key implications for aid effectiveness in the future, taking account of new challenges and opportunities (e.g. climate change) and new actors and relationships?**

In this evaluation we have considered *impunity* in relation to corruption. However within the contested and crowded political space of the emergent democratic ‘new’ Nepal impunity applies in a broader context. Political patronage extends into many aspects of the development process. Aid effectiveness is not simply about the efficient and effective institutional dynamics of aid management, it relates to the forms and processes within which policy, strategy and service delivery meets the requirements of all of Nepal’s citizens. Holding politicians, bureaucrats, contractors, and those involved in delivering services at all levels to account is part of ensuring country ownership of the wider development process. This presents a challenge to those elected to parliament, to district and village representation as well as to service users, communities and citizens. It requires improved institutional capacity, access to information and voice at all levels.

The perceived weaknesses in the PFM systems within Nepal and the gaps that have opened up in procurement processes have raised additional concerns related to *fiduciary risk*. The PEFA suggests that Nepal has ‘a system that is well designed but unevenly implemented<sup>10</sup>’. However unless there is sufficient confidence in that system the concern over fiduciary risk will present grounds for duplicating, bypassing or avoiding it. Confidence in Nepal’s PFM, procurement and other fiduciary systems can ultimately only be built by those who implement those systems, demonstrating that they can be implemented effectively. The challenge is to the accountants, managers and administrators to ensure that the systems are operated as designed and that inappropriate actions are challenged and addressed.

For Nepal the new challenge of *climate change* is particularly acute since it undermines many aspects of development effort. The impact on agriculture, forestry and energy supply is

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<sup>10</sup> PEFA. GoN 2008 p vii

considerable. Climate for Nepal impacts on individual livelihoods and national growth and so influences all aspects of development. It is therefore not an addition to the aid effectiveness agenda but potentially changes the nature of the whole development process. Nepal not only cannot afford to ignore climate change but will have to consider how it reframes the basis of its development paradigm.

Development processes are also open to new interpretations arising from re-defined and *new cross cutting issues*. Gender, ethnicity, regional status, and other aspects of diversity have been given prominence as Nepal seeks to reframe its approach to poverty. Similarly, governance and state building takes on new meanings in the post conflict environment.

One particular dimension that presents particular challenges in terms of aid effectiveness for Nepal is the debate and definition of the very *structure of the state*. The peace settlement is based on agreements addressing these questions, and the Interim Constitution, and debates within the Constitutional Assembly, have begun that process. Aid effectiveness will need to be reconfigured for the 'new' Nepal as it develops into a different 21<sup>st</sup> century state.

Finally aid effectiveness in the future will need to *mainstream and bring within the Paris Declaration framework* Nepal's partners who have traditionally not defined themselves as 'development partners' – India and China as neighbours who provide considerable support but through alternative approaches, and other new investors.

# C.

## KEY LESSONS

### Lessons Learnt for Aid Effectiveness in Nepal

- *The efficiencies and effectiveness developed through taking a programme approach can be replicated in other sectors.*

In particular the lessons from the experience in developing and implementing sector programmes in education and health are applicable more widely. They address common institutional and strategic challenges and capacity deficits that are not sector specific. Shared learning for GoN, DPs, civil society partners and service users can be of general benefit.

- *A focus on results increases responsiveness.*

Managing for Development Results has changed the way in which programmes are designed and delivered. Focusing on outcomes and impact rather than inputs and processes makes delivery more responsive to those the services are intended to benefit. This shift puts the individual, family and community at the forefront and focuses all aspects of the service in a responsive and client centred context.

- *Just by labelling it as a ‘Paris Declaration principle’ does not change what is already being practiced.*

Much conventional wisdom was found to already be in line with the principles. Through the evaluation process many people discovered that what had become common and expected practice was in fact the application of the Paris Declaration principles.

- *Paris Declaration implementation has enhanced results.*

Changing the ‘rules of the game’ – the institutional processes and ways of engaging – is not just about improved systems and style but has the potential to enhance the results that are achieved.

- *Paris Declaration principles are valid.*

Whilst the evaluation cannot always identify plausible contributions that relate to the Paris Declaration because there has been insufficient time for change in what are much longer term processes, it has found strong evidence of the validity of the principles.

- *The Paris Declaration is not being adopted because of perverse incentives within Nepal and DP systems.*

- *The services that were maintained during the conflict and post conflict period are those where local participation, local management and local delivery were in place and effective.*

### Lessons for other countries – fragile states/post conflict states

- *The Paris Declaration is relevant and practical even where considerable fragilities are present.*
- *Good practice in aid effectiveness and aid management is relevant in all situations – the context only changes the way in which the principles are applied.*

## D.

# FINDINGS ON NEPAL-SPECIFIC EVALUATION QUESTIONS

The Nepal national multi stakeholder workshop and the National Reference Group identified four specific issues that were considered of particular relevance to Nepal. These were:

- conducive incentives systems,
- post conflict challenges,
- transitional chaos created by political instability and state restructuring, and
- the level and perceived impact of corruption.

These four issues were addressed during the evaluation and the findings are given here. The conclusions, lessons and recommendations are given in the following chapter.

### **Conducive incentives system**

Elinor Ostrom, et al (2002) analyze the problem of incentive systems, particularly where relationships are entangled, through designing appropriate incentive systems for collective results. How to generate appropriate incentives for channelling the time, skill, knowledge, and genuine effort of multiple individuals for producing jointly valued outcomes should be the concern of effective management of aid and development.

In Nepal, the entangled relationships amongst multi-level stakeholders further complicate the implementation of the Paris Declaration and sustainability of the development programme. However, social sectors, like health and education have started to deal with such complications through the programme-based approaches. Since adoption of the Paris Declaration in 2005, awareness of the following aspects has substantially increased:

- Entangled Aid relationships among multi-level stakeholders,
- Expected best practice from those stakeholders
- The need for blending self-reliance and interdependence
- Efficient aid management to have better value for money
- Result orientation
- Transparency and accountability

Interviews with DP agencies reveal that they are definitely accountable, first to their own constituency and then to the Nepali government. However, seeking to attribute direct results to their own taxpayers' money rather than accepting their contribution to aligned and harmonised programmes can conflict with the Paris Declaration principles.

***No difference between programme and project mode*** - Currently there is no specific incentive for the DPs to join the programme-based approaches, i.e. SWAp and budgetary support. For instance, the threshold for DPs joining the programmatic mode could be reduced while the threshold for aid investment under project mode could substantially be raised so that more and more DPs would have incentives to adopt programmatic mode.

***Incentive system in DP agencies and staff*** – DP agencies do not use rewards for honest implementation of the Paris Declaration. Operations of both projects and programs are similar, with rewards relating to ensuring that aid allocated for particular programs is spent within the program period. Failure to do so can adversely affect the career development of staff working

for DP agencies. Country leadership and ownership would be enhanced if more Nepali nationals were in managerial positions in DP agencies; currently this is not the case.

***No incentive for line agencies to accelerate harmonization*** - There is no performance-based funding for the line ministries and local bodies to accelerate harmonization. In fact, many line agency staff get more individual benefits from projects than from the programme approach.

### **Post conflict challenges**

***Expectations of people raised*** - The Peoples Movement II in 2006 has brought about an epochal political change in Nepal. It raised the expectations of people in terms of good governance, effective service delivery, economic stability and improved security. In all these aspects, people feel betrayed. Bureaucracy is politicized and there is a perception of increased corruption. Service delivery in many sectors, including health and education, has deteriorated. For instance, immunisation coverage has declined (DOHS 2008) and the quality of education in public schools has not improved significantly. Contrary to people's expectations the economy has not revived. People feel more insecure. Above all, people are frustrated that the Constituent Assembly (CA) elected in 2008 did not complete the task of formulating the new constitution in the stipulated two year period up to May 2010. The political parties have decided by consensus to extend the CA by one year, but with virtually no progress in last five months, people's faith that the constitution would be completed by the end of the extended period has been eroded. This further raised people's frustration.

***Absence of government at local level*** - Even after four years of peace it has not been possible to have elected local bodies in place. Instead an All-party Committee at the DDC and VDC levels are supposed to assist the government appointed officials in allocating development resources received from the centre. During FGDs at the district level many participants expressed that these all party committees are 'dens of corruption'.

Furthermore, in many VDCs, both in the Terai and the Hills, the VDC secretaries, who are supposed to act as the head of local bodies in the absence of elected officials, are unable to remain in their VDC offices due to insecurity. There have been some instances in which VDC secretaries have been murdered by local terrorist groups who masquerade as liberation groups. In some districts, VDC secretaries have resigned en masse.

***Reinstating state presence*** - With the intensification of the conflict there was a gradual roll back of state institutions from the rural areas. The only state institutions in the rural areas that functioned throughout the conflict period were the health institutions though many state schools also functioned as well. Gradually, after peace, some institutions were reinstated in rural areas but many are still to be reinstated, including many VDCs. Because of this, rural people are deprived or face unnecessary difficulties in getting services such as old age pension, citizenship certificates etc.

***Social inclusion, minorities issues and ethnic identities*** - The problems of traditionally socially excluded groups (e.g. women, dalits, marginalised ethnic groups, madhesis, muslims etc), in terms of their participation in development and their access to resources and services, are now the focus of developmental debate. Similarly, cultural, linguistic and ethnic identity is also of concern in post-conflict Nepal.

***Law and order/security challenges*** - There is a general perception that law and order or the security situation in Nepal has not improved, even after peace. In some areas, e.g. the Terai and certain areas in the Hills, there is a feeling that the situation has deteriorated. This has affected participation of the communities in development interventions, increased fiduciary risks and adversely affected the procurement process. There is also evidence of emerging different groups that claim to be politicians but are involved in criminal activities.

***Issue of disappeared people*** - One of the lingering issues in post-conflict Nepal is that of nearly 1000 disappeared persons who appear to have been taken by the warring parties during the conflict. Even after four years this problem has not been resolved.

### **Transitional chaos created by political instability and state restructuring**

***Fiduciary risks increased*** - Impunity has increased in Nepal because of transitional chaos created by political instability. This has increased fiduciary risk and the perception that corruption has increased. Hence many DPs are hesitant to adopt government systems.

***Fractured governance through frequent change in the government*** - There has been a series of coalition governments after restoration of peace in 2006. However, the culture of coalition government has not matured and hence government ownership of development efforts remains partial. For example, a sector programme approved by one government sector may not receive support from other related government sectors.

***Aid policy disrupted*** - A revision and updating of the Foreign Aid Policy from a Paris Declaration perspective was drafted in 2008. However, it is yet to be finalised because of government changes and less focus on the economic and development agenda.

***Local governance/decentralisation and federalism*** - With LSGA 1999, Nepal was well on the way to decentralised governance up to VDC level. However, in 2002 the tenure of the existing local bodies expired and it has not been possible to hold elections for the local bodies since. As a result, the local bodies have been devoid of elected officials for the last eight years and government appointed officials are running the local bodies. However, they are a very poor substitute for the elected officials. Accordingly, local development and services have suffered. Now that Nepal has decided to go for a federal system there is confusion as to what will be the authority of the local bodies? Will they have the same authority as provided by LSGA, 1999? Or will it be all centralised at the federal state level? This will not be clear until the new constitution is framed.

***Basis for state restructuring – ethnic, geographical, linguistic etc.*** - Although Nepal has decided to have a federal system of governance, it is not yet clear what will be the basis for deciding the federal states. There is a strong lobby for states on the basis of ethnicity but, given the current heterogeneity of population mix, there are strong feelings that this may not be a very practical approach for federal state formation. There is apprehension that this could be a very divisive issue and it may even reignite conflict in the country. Even now, the on-going development interventions have been affected by this issue. For example, many district level officials have not been able function properly or stay in their assigned positions due to threats of extreme groups propagating their own views about the basis for federal states.

***Criminalisation of politics and the politicisation of bureaucracy*** - In the transitional period after 2006, different groups emerged pursuing different political agendas. Many of these groups have gradually become more like criminal gangs than political groups. According to Ministry of Peace and Reconstruction there are at least 109 such groups active in the country. They have resorted to extortion and forced local officials to misappropriate local level grants. 29 VDC secretaries have been murdered in the last four years and in most of the cases some of these groups have owned up. Even ordinary citizens have been victims of extortion or violent actions of these groups.

***Increased frustration among people due to political uncertainties*** - Over last four years, political developments have not kept pace with people's expectations. Initially it was expected that the CA elections would be completed within one year, but it took two years after much political wrangling and suspense. After the CA was elected people had high hopes that the political parties will work together to frame a constitution which could be owned by all Nepalese. However, the progress in resolving the outstanding major constitutional issues (e.g.

state structuring, system of governance etc.) is dismal. People have also witnessed on-going political instability. Even after seven rounds of elections the CA (Legislature) has not been able to elect the Prime Minister. As a result, the budget for the last two years has been delayed. This has adversely affected developmental programmes, public services and the economy as a whole. People are frustrated now with lack of political progress, ensuing uncertainties, deteriorating security situations, rising educated unemployment and poor performance of the economy. This has led many people, even those in high level government positions, to seek opportunities abroad. One major reason for people's frustration is uncertainty over state restructuring which has possible implications of mass movement of people from their place of residence.

***Disproportionate role of fringe political parties*** - The composition of the current CA gives room for a situation in which fringe political parties can have a disproportionate role. In the current CA there are 25 political parties represented with varied socio economic and political agendas but no party has absolute majority. Moreover, the CA Rule requires that major decisions, including adoption of the constitution, be done with a two-thirds majority. This can result in small parties having a disproportionate amount of influence in CA decisions.

### **The level and perceived impact of corruption**

***Perception of increased corruption*** - In general, people feel that the level of corruption has increased in the country. This is corroborated by the findings of the structured survey of government officials and DPs, unstructured interviews and the FGDs at the central and district levels. In the structured survey, more than three quarters of DPs indicated that the level of corruption was increasing. On the other hand, only about one-third of the government respondents saw rising levels of corruption. Almost one-half of government officials stated there was no change in the level of the corruption. The DPs' perception of rising levels of corruption has led to concerns over the increasing fiduciary risks of the public system, which is one of the main reasons given by the DPs for not adopting national systems. Problems related to fiduciary risks have also delayed reimbursement from DPs which ultimately affects efficiency and effectiveness of services

***Reduced effectiveness of the government*** - Because of corruption the level and quality of outputs has suffered greatly. Corruption also means that officials involved in corrupt practices spend time in such activities to the detriment of their regular work. This reduces the overall effectiveness of the government in the delivery of services.

***Reduced development results*** - Corruption implies reduced cost effectiveness and efficiency. This naturally results in reduced development results. There are several examples of reduced development results in the Nepalese context. Some of these are described below:

- The FGD participants said that desired results of the incentive schemes in the education sector and non-formal education effort to increase adult literacy have not been achieved due to leakages.
- The pitiable conditions of the Nepalese roads are often reported by the newspapers and also came up during FGD as an example of rampant corruption in road building. This has unnecessarily increased transportation costs and caused an immeasurable amount of suffering to Nepalese people.
- The irrigation sector was cited by FGD participants as another area where development results are much less compared to level of resourcing. Despite more than 50 years of efforts in the sector more than half of Nepal's cultivated land is still dependent on erratic monsoon rains.

*Perverse incentives* - Because of the increased opportunities for benefits from corruption in the project approach individual officials are often inclined to support project rather than programme approaches. In project approach many more officials can have access to incentives like use of project vehicles, opportunities to travel abroad, allowances etc. Because of these perverse incentives many officials would rather have several different projects and project implementation units rather than a unified sector programme.

# E.

## **KEY CONCLUSIONS, LESSONS AND RECOMMENDATIONS AROUND THE NEPAL-SPECIFIC EVALUATION QUESTIONS**

### **Conducive incentives system**

The existing DP systems do not provide incentives for DP staff to adopt Paris Declaration Principles. Similarly, there are few incentives for DPs to join programme-based approaches, like SWAps or budgetary support as government does not differentiate between DPs adopting programme and project mode. There are no expectations/incentives for local communication or consultation around the Paris Declaration or the principles.

#### ***Recommendations***

- DPs should ensure greater awareness of aid effectiveness at all levels (headquarters and country offices) reviewing their staff development processes to strengthen understanding and implementation.
- GoN and DPs should link their respective performance evaluation systems with implementation of aid effectiveness and include incentives for their staff to adopt Paris Declaration principles.
- GoN and DPs should work together to introduce more sector wide approaches building on the experience in health and education with a joint commitment to focus on at least one sector a year for the next three years.
- GoN should encourage and capacitate ministries to prepare sector programmes rather than specific projects.

### **Post conflict challenges**

People's expectations were raised due to promises made by political leaders. With the confusion related to post conflict political change, there has been a lack of transparency and proper communication about the real scope and limitations of government programmes and projects. An important reason for not being able to meet people's raised expectations is the inability of government to improve governance. The absence of local bodies has adversely affected the implementation of development activities and increased corruption at the local level.

#### ***Recommendations***

- GoN should continue and accelerate the process of governance improvement drawing on DP support as necessary.

- GoN should ensure that public officials and institutions are more aware of the Right to Information (RTI) and require them to implement RTI provisions. The role of civil society actors in awareness raising should be supported.
- Efforts towards an all party consensus to conduct local elections should be intensified. Meanwhile GoN in consultation with other political parties should come up with a more accountable mechanism for the operation of local bodies until local elections are held.

### **Transitional chaos created by political instability and state restructuring**

The transitional period has seen a multiplicity of different groups pursuing different political agendas emerge, and the politicisation of many aspects of development and service delivery that should be the responsibility of central or local level bureaucracy. This has weakened confidence in the nation and given sanction to lawlessness. Impunity has increased because of the transitional chaos created by this political instability. In addition, state restructuring is creating uncertainty and undermines hope for the future which is evidenced in the increase in outward migration.

#### ***Recommendations***

- Voice and participation, at all local levels are required to build an effective democratic state. GoN needs to ensure a structure and framework to support these processes.
- The Draft National Action Plan on Aid Effectiveness should be reviewed by FACD in consultation with DPs and revised with more specific outputs and indicators based on the lessons in the PDE II report with a three year timetable for joint implementation.
- Adherence to the Paris Declaration principles can bring positive outcomes, even during periods of post conflict and political instability. The Paris Declaration process should be furthered in the space available.

### **The level and perceived impact of corruption**

The level of corruption is perceived to be increasing. This has led to reduced cost effectiveness and efficiency, which has impacted on development results. Control systems such as Commission for Investigation of Abuse of Authority (CIAA) are not operating and there is little respect for boundaries.

#### ***Recommendations***

- DPs should appreciate the adverse effects of the political transition on financial management and procurement systems and support GoN systems wherever possible and not bypass them in ways that will further weaken them.
- DPs should support the further strengthening of GoN procurement mechanisms with appropriate monitoring to track improvements in operation.
- GoN should set a framework to further improve fiduciary and procurement systems building on the PEFA, the Procurement Guidelines and other relevant initiatives.
- DPs and GoN should develop a joint approach to transparency with respect to corruption. GoN should enforce existing laws and reduce irregularity. DPs should continue to raise their voice in response to specific malpractices within the spirit of mutual accountability.

## **F.**

# **IMPLICATIONS BEYOND THE TERM OF THE PARIS DECLARATION**

The extent to which the support and endorsement provided by the international profile given to the Paris Declaration, Accra Agenda for Action and other global platforms should not be underestimated. International, and regional opportunities to share and learn are greatly valued by small countries like Nepal where national lesson learning is limited. Being able to see one's own practice within a broader context and test experience can be as productive as the declaration, agenda or statement that emanates.

Being able to appreciate the 'meaning behind the words' and challenge partners to live up to commitments they have made strengthens the value of statements of principle at a deeper level than is often appreciated. The confidence building that result is a crucial aspect of institutional capacity building.

Paris and Accra should be given time to be appreciated, internalised and applied; a process that will take more than a few years. However, regular opportunities for engagement, possibly at a regional level, between the multiple stakeholders involved in the aid effectiveness process, possibly around a learning agenda, can contribute to grounding the experience and application that has taken place.

Rather than continuing the term of the Paris Declaration or following Accra with yet another reframing of the same principles there should be an expectation of longer term endorsement and support for applying and improving the institutional processes of aid effectiveness.

The timeframe of the education sector in Nepal is illustrative of the process that is required. Five years is too short, ten years only just sufficient; real change in the relationships and terms of engagement can be expected to take at least twenty years.

In that sense the Paris Declaration evaluation is at best a formative evaluation that can assist in reconfiguring the objectives and direction of change – it should not be seen as a summative exercise that can identify firm achievements at the level of the purpose and goal of aid effectiveness.

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# ANNEX 1:

## PARIS DECLARATION ON AID EFFECTIVENESS



High Level Forum

Paris ■ February 28 – March 2, 2005

### PARIS DECLARATION ON AID EFFECTIVENESS

**Ownership, Harmonisation, Alignment, Results and Mutual Accountability**

#### I. Statement of Resolve

1. We, Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, meeting in Paris on 2 March 2005, resolve to take far-reaching and monitorable actions to reform the ways we deliver and manage aid as we look ahead to the UN five-year review of the Millennium Declaration and the Millennium Development Goals (MDGs) later this year. As in Monterrey, we recognise that while the volumes of aid and other development resources must increase to achieve these goals, aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new bilateral and multilateral initiatives lead to significant further increases in aid.
2. At this High-Level Forum on Aid Effectiveness, we followed up on the Declaration adopted at the High-Level Forum on Harmonisation in Rome (February 2003) and the core principles put forward at the Marrakech Roundtable on Managing for Development Results (February 2004) because we believe they will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.

#### Scale up for more effective aid

3. We reaffirm the commitments made at Rome to harmonise and align aid delivery. We are encouraged that many donors and partner countries are making aid effectiveness a high priority, and we reaffirm our commitment to accelerate progress in implementation, especially in the following areas:
  - i. Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).
  - ii. Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.

- iii. Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.
  - iv. Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.
  - v. Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.
  - vi. Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.
4. We commit ourselves to taking concrete and effective action to address the remaining challenges, including:
- i. Weaknesses in partner countries' institutional capacities to develop and implement results-driven national development strategies.
  - ii. Failure to provide more predictable and multi-year commitments on aid flows to committed partner countries.
  - iii. Insufficient delegation of authority to donors' field staff, and inadequate attention to incentives for effective development partnerships between donors and partner countries.
  - iv. Insufficient integration of global programmes and initiatives into partner countries' broader development agendas, including in critical areas such as HIV/AIDS.
  - v. Corruption and lack of transparency, which erode public support, impede effective resource mobilisation and allocation and divert resources away from activities that are vital for poverty reduction and sustainable economic development. Where corruption exists, it inhibits donors from relying on partner country systems.
5. We acknowledge that enhancing the effectiveness of aid is feasible and necessary across all aid modalities. In determining the most effective modalities of aid delivery, we will be guided by development strategies and priorities established by partner countries. Individually and collectively, we will choose and design appropriate and complementary modalities so as to maximise their combined effectiveness.
6. In following up the Declaration, we will intensify our efforts to provide and use development assistance, including the increased flows as promised at Monterrey, in ways that rationalise the often excessive fragmentation of donor activities at the country and sector levels.

#### **Adapt and apply to differing country situations**

7. Enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on December 26, 2004. In such situations, worldwide humanitarian and development assistance must be harmonised within the growth and poverty reduction agendas of partner countries. In fragile states, as we support state-building and delivery of basic services, we will ensure that the principles of harmonisation, alignment and managing for results are adapted to environments of weak governance and capacity. Overall, we will give increased attention to such complex situations as we work toward greater aid effectiveness.

### **Specify indicators, timetable and targets**

8. We accept that the reforms suggested in this Declaration will require continued high-level political support, peer pressure and coordinated actions at the global, regional and country levels. We commit to accelerate the pace of change by implementing, in a spirit of mutual accountability, the Partnership Commitments presented in Section II and to measure progress against 12 specific indicators that we have agreed today and that are set out in Section III of this Declaration.
9. As a further spur to progress, we will set targets for the year 2010. These targets, which will involve action by both donors and partner countries, are designed to track and encourage progress at the global level among the countries and agencies that have agreed this Declaration. They are not intended to prejudge or substitute for any targets that individual partner countries may wish to set. We have agreed today to set five preliminary targets against indicators as shown in Section III. We agree to review these preliminary targets before the UNGA Summit in September 2005, and to adopt targets against the remaining indicators as shown in Section III; and we ask the partnership of donors and partner countries hosted by the DAC to prepare for this urgently. Meanwhile, we welcome initiatives by partner countries and donors to establish to their own targets for improved aid effectiveness within the framework of the agreed partnership commitments and indicators. For example a number of partner countries have presented action plans, and a large number of donors have announced important new commitments. We invite all participants who wish to provide information on such initiatives to submit it by 4 April 2005 for subsequent publication.

### **Monitor and evaluate implementation**

10. Because demonstrating real progress at country level is critical, under the leadership of the partner country we will periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness. In doing so, we will make use of appropriate country level mechanisms.
11. At the international level, we call on the partnership of donors and partner countries hosted by the DAC to broaden partner country participation and, by the end of 2005, to propose arrangements for the medium term monitoring of the commitments in this Declaration, including how frequently to assess progress. In the meantime, we ask the partnership to co-ordinate the international monitoring of the Indicators of Progress included in Section III; to refine targets as necessary; to provide appropriate guidance to establish baselines; and to enable consistent aggregation of information across a range of countries to be summed up in a periodic report. We will also use existing peer review mechanisms and regional reviews to support progress in this agenda. We will, in addition, explore independent cross-country monitoring and evaluation processes – which should be applied without imposing additional burdens on partners – to provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives.
12. Consistent with the focus on implementation, we plan to meet again in 2008 in a developing country and conduct two rounds of monitoring before then to review progress in implementing this Declaration.

## **II. Partnership Commitments**

13. Developed in a spirit of mutual accountability, these Partnership Commitments are based on the lessons of experience. We recognise that commitments need to be interpreted in the light of the specific situation of each partner country.

## OWNERSHIP

### **Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions**

14. **Partner countries** commit to:
- Exercise leadership in developing and implementing their national development strategies through broad consultative processes.
  - Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets (**Indicator 1**).
  - Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector.
15. **Donors** commit to:
- Respect partner country leadership and help strengthen their capacity to exercise it.

## ALIGNMENT

### **Donors base their overall support on partner countries' national development strategies, institutions and procedures**

#### **Donors align with partners' strategies**

16. **Donors** commit to:
- Base their overall support — country strategies, policy dialogues and development co-operation programmes — on partners' national development strategies and periodic reviews of progress in implementing these strategies<sup>3</sup> (**Indicator 3**).
  - Draw conditions, whenever possible, from a partner's national development strategy or its annual review of progress in implementing this strategy. Other conditions would be included only when a sound justification exists and would be undertaken transparently and in close consultation with other donors and stakeholders.
  - Link funding to a single framework of conditions and/or a manageable set of indicators derived from the national development strategy. This does not mean that all donors have identical conditions, but that each donor's conditions should be derived from a common streamlined framework aimed at achieving lasting results.

#### **Donors use strengthened country systems**

17. Using a country's own institutions and systems, where these provide assurance that aid will be used for agreed purposes, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Country systems and procedures typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring.
18. Diagnostic reviews are an important — and growing — source of information to governments and donors on the state of country systems in partner countries. Partner countries and donors have a shared interest in being able to monitor progress over time in improving country systems. They are assisted by performance assessment frameworks, and an associated set of reform measures, that build on the information set out in diagnostic reviews and related analytical work.

19. **Partner countries** and **donors** jointly commit to:

- Work together to establish mutually agreed frameworks that provide reliable assessments of performance, transparency and accountability of country systems (**Indicator 2**).
- Integrate diagnostic reviews and performance assessment frameworks within country-led strategies for capacity development.

20. **Partner countries** commit to:

- Carry out diagnostic reviews that provide reliable assessments of country systems and procedures.
- On the basis of such diagnostic reviews, undertake reforms that may be necessary to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
- Undertake reforms, such as public management reform, that may be necessary to launch and fuel sustainable capacity development processes.

21. **Donors** commit to:

- Use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures (**Indicator 5**).
- Avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 6**).
- Adopt harmonised performance assessment frameworks for country systems so as to avoid presenting partner countries with an excessive number of potentially conflicting targets.

### **Partner countries strengthen development capacity with support from donors**

22. The capacity to plan, manage, implement, and account for results of policies and programmes, is critical for achieving development objectives from analysis and dialogue through implementation, monitoring and evaluation. Capacity development is the responsibility of partner countries with donors playing a support role. It needs not only to be based on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources.

23. **Partner countries** commit to:

- Integrate specific capacity strengthening objectives in national development strategies and pursue their implementation through country-led capacity development strategies where needed.

24. **Donors** commit to:

- Align their analytic and financial support with partners' capacity development objectives and strategies, make effective use of existing capacities and harmonise support for capacity development accordingly (**Indicator 4**).

## **Strengthen public financial management capacity**

25. **Partner countries** commit to:

- Intensify efforts to mobilise domestic resources, strengthen fiscal sustainability, and create an enabling environment for public and private investments.
- Publish timely, transparent and reliable reporting on budget execution.
- Take leadership of the public financial management reform process.

26. **Donors** commit to:

- Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules (**Indicator 7**).
- Rely to the maximum extent possible on transparent partner government budget and accounting mechanisms (**Indicator 5**).

27. **Partner countries** and **donors** jointly commit to:

Implement harmonised diagnostic reviews and performance assessment frameworks in public financial management.

## **Strengthen national procurement systems**

28. **Partner countries** and **donors** jointly commit to:

- Use mutually agreed standards and processes<sup>4</sup> to carry out diagnostics, develop sustainable reforms and monitor implementation.
- Commit sufficient resources to support and sustain medium- and long-term procurement reforms and capacity development.
- Share feedback at the country level on recommended approaches so they can be improved over time.

29. **Partner countries** commit to take leadership and implement the procurement reform process.

30. **Donors** commit to:

- Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (**Indicator 5**).
- Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.

## **Untie aid: getting better value for money**

31. Untying aid generally increases aid effectiveness by reducing transaction costs for partner countries and improving country ownership and alignment. **DAC Donors** will continue to make progress on untying as encouraged by the 2001 DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (**Indicator 8**).

## HARMONISATION

### **Donors' actions are more harmonised, transparent and collectively effective**

#### **Donors implement common arrangements and simplify procedures**

32. **Donors** commit to:

- Implement the donor action plans that they have developed as part of the follow-up to the Rome High-Level Forum.
- Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort (**Indicator 9**).
- Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (**Indicators 10**) and promote joint training to share lessons learned and build a community of practice.

#### **Complementarity: more effective division of labour**

33. Excessive fragmentation of aid at global, country or sector level impairs aid effectiveness. A pragmatic approach to the division of labour and burden sharing increases complementarity and can reduce transaction costs.

- Such as developed by the joint OECD/DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries.

34. **Partner countries** commit to:

- Provide clear views on donors' comparative advantage and on how to achieve donor complementarity at country or sector level.

35. **Donors** commit to:

- Make full use of their respective comparative advantage at sector or country level by delegating, where appropriate, authority to lead donors for the execution of programmes, activities and tasks.
- Work together to harmonise separate procedures.

#### **Incentives for collaborative behaviour**

36. **Donors** and **partner countries** jointly commit to:

- Reform procedures and strengthen incentives—including for recruitment, appraisal and training—for management and staff to work towards harmonisation, alignment and results.

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#### **Delivering effective aid in fragile states**

37. The long-term vision for international engagement in fragile states is to build legitimate, effective and resilient state and other country institutions. While the guiding principles of effective aid apply equally to fragile states, they need to be adapted to environments of weak ownership and capacity and to immediate needs for basic service delivery.

38. **Partner countries** commit to:

- Make progress towards building institutions and establishing governance structures that deliver effective governance, public safety, security, and equitable access to basic social services for their citizens.

- Engage in dialogue with donors on developing simple planning tools, such as the transitional results matrix, where national development strategies are not yet in place.
- Encourage broad participation of a range of national actors in setting development priorities.

39. **Donors** commit to:

- Harmonise their activities. Harmonisation is all the more crucial in the absence of strong government leadership. It should focus on upstream analysis; joint assessments, joint strategies, co-ordination of political engagement; and practical initiatives such as the establishment of joint donor offices.
- Align to the maximum extent possible behind central government-led strategies or, if that is not possible, donors should make maximum use of country, regional, sector or non-government systems.
- Avoid activities that undermine national institution building, such as bypassing national budget processes or setting high salaries for local staff.
- Use an appropriate mix of aid instruments, including support for recurrent financing, particularly for countries in promising but high-risk transitions.

#### **Promoting a harmonised approach to environmental assessments**

40. Donors have achieved considerable progress in harmonisation around environmental impact assessment (EIA) including relevant health and social issues at the project level. This progress needs to be deepened, including on addressing implications of global environmental issues such as climate change, desertification and loss of biodiversity.

41. **Donors** and **partner countries** jointly commit to:

- Strengthen the application of EIAs and deepen common procedures for projects, including consultations with stakeholders; and develop and apply common approaches for “strategic environmental assessment” at the sector and national levels.
- Continue to develop the specialised technical and policy capacity necessary for environmental analysis and for enforcement of legislation.

42. Similar harmonisation efforts are also needed on other cross-cutting issues, such as gender equality and other thematic issues including those financed by dedicated funds.

## **MANAGING FOR RESULTS**

### **Managing resources and improving decision-making for results**

43. Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making.

44. **Partner countries** commit to:

- Strengthen the linkages between national development strategies and annual and multiannual budget processes.
- Endeavour to establish results-oriented reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies and that these frameworks should track a manageable number of indicators for which data are cost-effectively available (**Indicator 11**).

45. **Donors** commit to:

- Link country programming and resources to results and align them with effective partner country performance assessment frameworks, refraining from requesting the introduction of performance indicators that are not consistent with partners' national development strategies.
- Work with partner countries to rely, as far as possible, on partner countries' results-oriented reporting and monitoring frameworks.
- Harmonise their monitoring and reporting requirements, and, until they can rely more extensively on partner countries' statistical, monitoring and evaluation systems, with partner countries to the maximum extent possible on joint formats for periodic reporting.

46. **Partner countries** and **donors** jointly commit to:

- Work together in a participatory approach to strengthen country capacities and demand for results based management.

## **MUTUAL ACCOUNTABILITY**

### **Donors and partners are accountable for development results**

47. A major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance.

48. **Partner countries** commit to:

- Strengthen as appropriate the parliamentary role in national development strategies and/or budgets.
- Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.

49. **Donors** commit to:

- Provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens.

50. **Partner countries** and **donors** commit to:

- Jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including the Partnership Commitments. (**Indicator 12**).

### III. Indicators of Progress

#### To be measured nationally and monitored internationally

		<b>POSSIBLE TARGETS FOR 2010</b>
<b>1</b>	<b>Partners have operational development strategies</b> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	<b>At least 75%*</b> of partner countries
<b>2</b>	<b>Reliable country systems</b> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
<b>3</b>	<b>Aid flows are aligned on national priorities</b> — Percent of aid flows to the government sector that is reported on partners' national budgets.	<b>85%*</b> of aid flows reported on budgets
<b>4</b>	<b>Strengthen capacity by co-ordinated support</b> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	Target for improvement to be set by September 2005
<b>5</b>	<b>Use of country systems</b> — Percent of donors and of aid flows that use partner country procurement and/or public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	Target for improvement to be set by September 2005
<b>6</b>	<b>Strengthen capacity by avoiding parallel implementation structures</b> — Number of parallel project implementation units (PIUs) per country.	Target for improvement to be set by September 2005
<b>7</b>	<b>Aid is more predictable</b> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	<b>At least 75%*</b> of such aid released on schedule
<b>8</b>	<b>Aid is untied</b> — Percent of bilateral aid that is untied.	Continued progress
<b>9</b>	<b>Use of common arrangements or procedures</b> — Percent of aid provided as programme-based approaches	<b>At least 25%*</b>
<b>10</b>	<b>Encourage shared analysis</b> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	[Target for improvement to be set by September 2005]
<b>11</b>	<b>Results-oriented frameworks</b> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	<b>75%*</b> of partner countries
<b>12</b>	<b>Mutual accountability</b> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	Target for improvement to be set by September 2005

# ANNEX 2:

## THE ACCRA AGENDA FOR ACTION



SEPTEMBER 2-4, 2008 ACCRA GHANA

### ACCRA AGENDA FOR ACTION

*Ministers of developing and donor countries responsible for promoting development and Heads of multilateral and bilateral development institutions endorsed the following statement in Accra, Ghana, on 4 September 2008 to accelerate and deepen implementation of the Paris Declaration on Aid Effectiveness (2 March 2005).*

#### ***This is a moment of opportunity***

1. We are committed to eradicating poverty and promoting peace and prosperity by building stronger, more effective partnerships that enable developing countries to realise their development goals.
2. There has been progress. Fifteen years ago, two out of five people lived in extreme poverty; today, that figure has been reduced to one in four. However, 1.4 billion people – most of them women and girls – still live in extreme poverty, and access to safe drinking water and health care remains a major issue in many parts of the world. In addition, new global challenges – rising food and fuel prices and climate change – threaten the advances against poverty many countries have made.
3. We need to achieve much more if all countries are to meet the Millennium Development Goals (MDGs). Aid is only one part of the development picture. Democracy, economic growth, social progress, and care for the environment are the prime engines of development in all countries. Addressing inequalities of income and opportunity within countries and between states is essential to global progress. Gender equality, respect for human rights, and environmental sustainability are cornerstones for achieving enduring impact on the lives and potential of poor women, men, and children. It is vital that all our policies address these issues in a more systematic and coherent way.
4. In 2008, three international conferences will help us accelerate the pace of change: the Accra High Level Forum on Aid Effectiveness, the United Nations High Level Event on the MDGs in New York, and the Financing for Development follow-up meeting in Doha. Today at Accra, we are leading the way, united in a common objective: to unlock the full potential of aid in achieving lasting development results.

#### ***We are making progress, but not enough***

5. Learning from our past successes and failures in development co-operation and building on the 2003 Rome Declaration on Harmonisation, in March 2005 we adopted an ambitious set of reforms: the Paris Declaration on Aid Effectiveness. In the Paris Declaration, we agreed to develop a genuine partnership, with developing countries clearly in charge of their own development processes. We also agreed to hold each other accountable for achieving concrete development results. Three and one-half years later, we are reconvening in Accra to review progress and address the challenges that now face us.

6. Evidence shows we are making progress, but not enough. A recent evaluation shows that the Paris Declaration has created powerful momentum to change the way developing countries and donors work together on the ground. According to the 2008 Monitoring Survey, a large number of developing countries have improved their management of public funds. Donors, in turn, are increasingly improving their co-ordination at country level. Yet the pace of progress is too slow. Without further reform and faster action we will not meet our 2010 commitments and targets for improving the quality of aid.

*We will take action to accelerate progress*

7. Evidence shows that we will need to address three major challenges to accelerate progress on aid effectiveness:

8. *Country ownership is key.* Developing country governments will take stronger leadership of their own development policies, and will engage with their parliaments and citizens in shaping those policies. Donors will support them by respecting countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.

9. *Building more effective and inclusive partnerships.* In recent years, more development actors—middle-income countries, global funds, the private sector, civil society organisations—have been increasing their contributions and bringing valuable experience to the table. This also creates management and co-ordination challenges. Together, all development actors will work in more inclusive partnerships so that all our efforts have greater impact on reducing poverty.

10. *Achieving development results—and openly accounting for them—must be at the heart of all we do.* More than ever, citizens and taxpayers of all countries expect to see the tangible results of development efforts. We will demonstrate that our actions translate into positive impacts on people's lives. We will be accountable to each other and to our respective parliaments and governing bodies for these outcomes.

11. Without addressing these obstacles to faster progress, we will fall short of our commitments and miss opportunities to improve the livelihoods of the most vulnerable people in the world. Therefore, we are reaffirming the commitments we made in the Paris Declaration and, in this Accra Agenda for Action, are agreeing on concrete and monitorable actions to accelerate progress to meet those commitments by 2010. We commit to continuing efforts in monitoring and evaluation that will assess whether we have achieved the commitments we agreed in the Paris Declaration and the Accra Agenda for Action, and to what extent aid effectiveness is improving and generating greater development impact.

## **Strengthening Country Ownership over Development**

12. Developing countries determine and implement their development policies to achieve their own economic, social and environmental goals. We agreed in the Paris Declaration that this would be our first priority. Today, we are taking additional steps to turn this resolution into a reality.

*We will broaden country-level policy dialogue on development*

13. We will engage in open and inclusive dialogue on development policies. We acknowledge the critical role and responsibility of parliaments in ensuring country ownership of development processes. To further this objective we will take the following actions:

- a) Developing country governments will work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans. They will also engage with civil society organisations (CSOs).
- b) Donors will support efforts to increase the capacity of all development actors—parliaments, central and local governments, CSOs, research institutes, media and the private sector—to take an active role in dialogue on development policy and on the role of aid in contributing to countries’ development objectives.
- c) Developing countries and donors will ensure that their respective development policies and programmes are designed and implemented in ways consistent with their agreed international commitments on gender equality, human rights, disability and environmental sustainability.

***Developing countries will strengthen their capacity to lead and manage development***

14. Without robust capacity—strong institutions, systems, and local expertise—developing countries cannot fully own and manage their development processes. We agreed in the Paris Declaration that capacity development is the responsibility of developing countries, with donors playing a supportive role, and that technical co-operation is one means among others to develop capacity. Together, developing countries and donors will take the following actions to strengthen capacity development:

- a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries’ needs.
- b) Donors’ support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.
- c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.

***We will strengthen and use developing country systems to the maximum extent possible***

15. Successful development depends to a large extent on a government’s capacity to implement its policies and manage public resources through its own institutions and systems. In the Paris Declaration, developing countries committed to strengthen their systems and donors committed to use those systems to the maximum extent possible. Evidence shows, however, that developing countries and donors are not on track to meet these commitments. Progress in improving the quality of country systems varies considerably among countries; and even when there are good-quality country systems, donors often do not use them. Yet it is recognised that using country systems promotes their development. To strengthen and increase the use of country systems, we will take the following actions:

- a) Donors agree to use country systems as the first option for aid programmes in support of activities managed by the public sector.
- b) Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will transparently state the rationale for this and will review their positions at regular intervals. Where use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.

c) Developing countries and donors will jointly assess the quality of country systems in a country-led process using mutually agreed diagnostic tools. Where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities. Donors will support these reforms and provide capacity development assistance.

d) Donors will immediately start working on and sharing transparent plans for undertaking their Paris commitments on using country systems in all forms of development assistance; provide staff guidance on how these systems can be used; and ensure that internal incentives encourage their use. They will finalise these plans as a matter of urgency.

e) Donors recollect and reaffirm their Paris Declaration commitment to provide 66% of aid as programme-based approaches. In addition, donors will aim to channel 50% or more of government-to-government assistance through country fiduciary systems, including by increasing the percentage of assistance provided through programme based approaches.

### **Building More Effective and Inclusive Partnerships for Development**

16. Aid is about building partnerships for development. Such partnerships are most effective when they fully harness the energy, skills and experience of all development actors—bilateral and multilateral donors, global funds, CSOs, and the private sector. To support developing countries' efforts to build for the future, we resolve to create partnerships that will include all these actors.

#### ***We will reduce costly fragmentation of aid***

17. The effectiveness of aid is reduced when there are too many duplicating initiatives, especially at country and sector levels. We will reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries. To this end:

a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.

b) Donors and developing countries will work together with the Working Party on Aid Effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.

c) We will start dialogue on international division of labour across countries by June 2009.

d) We will work to address the issue of countries that receive insufficient aid.

#### ***We will increase aid's value for money***

18. Since the Paris Declaration was agreed in 2005, OECD-DAC donors have made progress in untying their aid. A number of donors have already fully untied their aid, and we encourage others to do so. We will pursue, and accelerate, these efforts by taking the following actions:

a) OECD-DAC donors will extend coverage of the 2001 DAC Recommendation on Untying Aid to non-LDC HIPC countries and will improve their reporting on the 2001 DAC Recommendation.

b) Donors will elaborate individual plans to further untie their aid to the maximum extent.

c) Donors will promote the use of local and regional procurement by ensuring that their procurement procedures are transparent and allow local and regional firms to compete. We will build on examples of good practice to help improve local firms' capacity to compete successfully for aid-funded procurement.

d) We will respect our international agreements on corporate social responsibility.

#### *We welcome and will work with all development actors*

19. The contributions of all development actors are more effective when developing countries are in a position to manage and co-ordinate them. We welcome the role of new contributors and will improve the way all development actors work together by taking the following actions:

a) We encourage all development actors, including those engaged in South-South co-operation, to use the Paris Declaration principles as a point of reference in providing development co-operation.

b) We acknowledge the contributions made by all development actors, and in particular the role of middle income countries as both providers and recipients of aid. We recognise the importance and particularities of South-South cooperation and acknowledge that we can learn from the experience of developing countries. We encourage further development of triangular co-operation.

c) Global funds and programmes make an important contribution to development. The programmes they fund are most effective in conjunction with complementary efforts to improve the policy environment and to strengthen the institutions in the sectors in which they operate. We call upon all global funds to support country ownership, to align and harmonise their assistance proactively, and to make good use of mutual accountability frameworks, while continuing their emphasis on achieving results. As new global challenges emerge, donors will ensure that existing channels for aid delivery are used and, if necessary, strengthened before creating separate new channels that risk further fragmentation and complicate co-ordination at country level. We encourage developing countries to mobilise, manage and evaluate their international cooperation initiatives for the benefit of other developing countries.

d) South-South co-operation on development aims to observe the principle of non-interference in internal affairs, equality among developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development co-operation and is a valuable complement to North-South co-operation.

#### *We will deepen our engagement with civil society organisations*

20. We will deepen our engagement with CSOs as independent development actors in their own right whose efforts complement those of governments and the private sector. We share an interest in ensuring that CSO contributions to development reach their full potential. To this end:

a) We invite CSOs to reflect on how they can apply the Paris principles of aid effectiveness from a CSO perspective.

b) We welcome the CSOs' proposal to engage with them in a CSO-led multistakeholder process to promote CSO development effectiveness. As part of that process, we will seek to i) improve co-ordination of CSO efforts with government programmes, ii) enhance CSO accountability for results, and iii) improve information on CSO activities.

- c) We will work with CSOs to provide an enabling environment that maximises their contributions to development.

***We will adapt aid policies for countries in fragile situations***

21. In the Paris Declaration, we agreed that aid effectiveness principles apply equally to development co-operation in situations of fragility, including countries emerging from conflict, but that these principles need to be adapted to environments of weak ownership or capacity. Since then, Principles for Good International Engagement in Fragile States and Situations have been agreed. To further improve aid effectiveness in these environments, we will take the following actions:

- a) Donors will conduct joint assessments of governance and capacity and examine the causes of conflict, fragility and insecurity, engaging developing country authorities and other relevant stakeholders to the maximum extent possible.
- b) At country level, donors and developing countries will work and agree on a set of realistic peace- and statebuilding objectives that address the root causes of conflict and fragility and help ensure the protection and participation of women. This process will be informed by international dialogue between partners and donors on these objectives as prerequisites for development.
- c) Donors will provide demand-driven, tailored and co-ordinated capacity-development support for core state functions and for early and sustained recovery. They will work with developing countries to design interim measures that are appropriately sequenced and that lead to sustainable local institutions.
- d) Donors will work on flexible, rapid and long-term funding modalities, on a pooled basis where appropriate, to i) bridge humanitarian, recovery and longer-term development phases, and ii) support stabilisation, inclusive peace building, and the building of capable, accountable and responsive states. In collaboration with developing countries, donors will foster partnerships with the UN System, international financial institutions and other donors.
- e) At country level and on a voluntary basis, donors and developing countries will monitor implementation of the Principles for Good International Engagement in Fragile States and Situations, and will share results as part of progress reports on implementing the Paris Declaration.

**Delivering and Accounting for Development Results**

22. We will be judged by the impacts that our collective efforts have on the lives of poor people. We recognise that greater transparency and accountability for the use of development resources—domestic as well as external—are powerful drivers of progress.

***We will focus on delivering results***

23. We will improve our management for results by taking the following actions:

- a) Developing countries will strengthen the quality of policy design, implementation and assessment by improving information systems, including, as appropriate, disaggregating data by sex, region and socioeconomic status.
- b) Developing countries and donors will work to develop cost-effective results management instruments to assess the impact of development policies and adjust them as necessary. We will better co-ordinate and link the various sources of information, including national statistical systems, budgeting, planning, monitoring and country-led evaluations of policy performance.

c) Donors will align their monitoring with country information systems. They will support, and invest in strengthening, developing countries' national statistical capacity and information systems, including those for managing aid.

d) We will strengthen incentives to improve aid effectiveness. We will systematically review and address legal or administrative impediments to implementing international commitments on aid effectiveness. Donors will pay more attention to delegating sufficient authority to country offices and to changing organisational and staff incentives to promote behaviour in line with aid effectiveness principles.

***We will be more accountable and transparent to our publics for results***

24. Transparency and accountability are essential elements for development results. They lie at the heart of the Paris Declaration, in which we agreed that countries and donors would become more accountable to each other and to their citizens. We will pursue these efforts by taking the following actions:

a) We will make aid more transparent. Developing countries will facilitate parliamentary oversight by implementing greater transparency in public financial management, including public disclosure of revenues, budgets, expenditures, procurement and audits. Donors will publicly disclose regular, detailed and timely information on volume, allocation and, when available, results of development expenditure to enable more accurate budget, accounting and audit by developing countries.

b) We will step up our efforts to ensure that—as agreed in the Paris Declaration—mutual assessment reviews are in place by 2010 in all countries that have endorsed the Declaration. These reviews will be based on country results reporting and information systems complemented with available donor data and credible independent evidence. They will draw on emerging good practice with stronger parliamentary scrutiny and citizen engagement. With them we will hold each other accountable for mutually agreed results in keeping with country development and aid policies.

c) To complement mutual assessment reviews at country level and drive better performance, developing countries and donors will jointly review and strengthen existing international accountability mechanisms, including peer review with participation of developing countries. We will review proposals for strengthening the mechanisms by end 2009.

d) Effective and efficient use of development financing requires both donors and partner countries to do their utmost to fight corruption. Donors and developing countries will respect the principles to which they have agreed, including those under the UN Convention against Corruption. Developing countries will address corruption by improving systems of investigation, legal redress, accountability and transparency in the use of public funds. Donors will take steps in their own countries to combat corruption by individuals or corporations and to track, freeze, and recover illegally acquired assets.

***We will continue to change the nature of conditionality to support ownership***

25. To strengthen country ownership and improve the predictability of aid flows, donors agreed in the Paris Declaration that, whenever possible, they would draw their conditions from developing countries' own development policies. We reaffirm our commitment to this principle and will continue to change the nature of conditionality by taking the following actions:

a) Donors will work with developing countries to agree on a limited set of mutually agreed conditions based on national development strategies. We will jointly assess donor and developing country performance in meeting commitments.

b) Beginning now, donors and developing countries will regularly make public all conditions linked to disbursements.

c) Developing countries and donors will work together at the international level to review, document and disseminate good practices on conditionality with a view to reinforcing country ownership and other Paris Declaration Principles by increasing emphasis on harmonised, results-based conditionality. They will be receptive to contributions from civil society.

### ***We will increase the medium-term predictability of aid***

26. In the Paris Declaration, we agreed that greater predictability in the provision of aid flows is needed to enable developing countries to effectively plan and manage their development programmes over the short and medium term. As a matter of priority, we will take the following actions to improve the predictability of aid:

a) Developing countries will strengthen budget planning processes for managing domestic and external resources and will improve the linkages between expenditures and results over the medium term.

b) Beginning now, donors will provide full and timely information on annual commitments and actual disbursements so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems.

c) Beginning now, donors will provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate in their medium-term planning and macroeconomic frameworks. Donors will address any constraints to providing such information.

d) Developing countries and donors will work together at the international level on ways of further improving the medium-term predictability of aid, including by developing tools to measure it.

### **Looking Forward**

27. The reforms we agree on today in Accra will require continued high level political support, peer pressure, and coordinated action at global, regional, and country levels. To achieve these reforms, we renew our commitment to the principles and targets established in the Paris Declaration, and will continue to assess progress in implementing them.

28. The commitments we agree today will need to be adapted to different country circumstances—including in middle-income countries, small states and countries in situations of fragility. To this end, we encourage developing countries to design—with active support from donors—country-based action plans that set out time-bound and monitorable proposals to implement the Paris Declaration and the Accra Agenda for Action.

29. We agree that, by 2010, each of us should meet the commitments we made on aid effectiveness in Paris and today in Accra, and to reach beyond these commitments where we can. We agree to reflect and draw upon the many valuable ideas and initiatives that have been presented at this High Level Forum. We agree that challenges such as climate change and rising food and fuel prices underline the importance of applying aid effectiveness principles. In response to the food crisis, we will develop and implement the global partnership on agriculture and food swiftly, efficiently and flexibly.

30. We ask the Working Party on Aid Effectiveness to continue monitoring progress on implementing the Paris Declaration and the Accra Agenda for Action and to report back to the

Fourth High Level Forum on Aid Effectiveness in 2011. We recognise that additional work will be required to improve the methodology and indicators of progress of aid effectiveness. In 2011, we will undertake the third round of monitoring that will tell us whether we have achieved the targets for 2010 agreed in Paris in 2005. To carry forward this work, we will need to develop institutionalised processes for the joint and equal partnership of developing countries and the engagement of stakeholders.

31. We recognise that aid effectiveness is an integral part of the broader financing for development agenda. To achieve development outcomes and the MDGs we need to meet our commitments on both aid quality and aid volumes. We ask the Secretary General of the United Nations to transmit the conclusions of the Third High Level Forum on Aid Effectiveness to the High Level Event on the MDGs in New York later this month and the Financing for Development Review meeting in Doha in November 2008. We welcome the contribution that the ECOSOC Development Co-operation Forum is making to the international dialogue and to mutual accountability on aid issues. We call upon the UN development system to further support the capacities of developing countries for effective management of development assistance.

32. Today, more than ever, we resolve to work together to help countries across the world build the successful future all of us want to see—a future based on a shared commitment to overcome poverty, a future in which no countries will depend on aid.

# ANNEX 3:

## GENERIC TERMS OF REFERENCE FOR COUNTRY LEVEL EVALUATIONS

### Joint Evaluation of the Paris Declaration, Phase 2 Generic Terms of Reference (ToR) for Country Evaluations

#### Guidance to Readers

Under the umbrella of the overall Evaluation Framework for Phase 2, this paper sets out the key common features and issues to be covered in the Country evaluations, including agreed purposes and objectives, design, management and governance arrangements, support, staffing, quality assurance, and timelines. Specifically, the document includes a draft Common Evaluation Matrix for country evaluations, and a proposed draft outline for the eventual evaluation reports, aligned with the matrix. The latter should encourage a clear understanding from the outset on the intended end products. The Evaluation synthesis in turn will be aligned with this matrix, integrating the findings of the country evaluations, donor/agency headquarters (HQ) studies, and other agreed sources.

It should be stressed that each participating country - while contributing fully to answering the minimum common evaluation questions that will be agreed upon for all - may also wish to supplement this coverage with particular evaluation issues or questions of special interest or relevance to the country, within the resources available for the evaluation.

These Generic ToR will be used by the Country Coordinators and Reference Groups to guide them in their responsibilities for launching, managing and ensuring the success of the evaluations. They will also provide guidance for the professional Teams that will be recruited to carry out the work, backed up by the overall Framework and the continuing engagement and support of the Core Evaluation Team. It was strongly confirmed in each of the regional workshops from 27 October to 20 November, 2009 that, in order to meet both sets of needs, the Generic ToR for this challenging evaluation need to be clear, straightforward, rigorous, manageable and comparable across the two dozen countries where the evaluations will be carried out.

The substantial revisions from a first draft version, circulated on 20 October, 2009, reflect a systematic consolidation of the inputs of the many participants in the regional workshops, all the advance comments on the first draft by other members of the International Reference Group (IRG), and final refinements agreed upon at the meeting of the Group on 1 December, 2009. The Generic ToR go as far as possible at this stage to set out the main lines of the approach. This will enable National Coordinators and Reference Groups to launch the national evaluation exercises, recruit evaluation teams, and complete the evaluations in time to inform the 4th High Level Forum in Seoul. As confirmed at the IRG meeting (with a number of specific suggestions), revised evaluation matrices with final, detailed methodologies and standard methods will be finalized through regional workshops with Country Teams, National Coordinators and the Core Evaluation Team as soon as the individual country evaluation teams are in place (by March 2010). The preparatory proposals

will also be circulated to the full IRG for its review, as will the April 2010 Inception Report for the Evaluation which will contain the final version.

## Contents

1. Background and Rationale: the overall Phase 2 Evaluation
2. Country Evaluations: purpose, objectives, uses and approach
3. Evaluation Methodology: evaluation questions and methods
4. Management of the Evaluation: responsibilities and accountabilities
5. Support Arrangements for Country Evaluations

## Appendices (not included here)

Draft Outline for Country Evaluation Reports  
Draft Evaluation Matrix for Country Evaluations  
Management of the Country Evaluations

### 1. Background and Rationale: the overall Phase 2 Evaluation

1. The Paris Declaration expresses a broad international consensus developed in the 15 years up to 2005, stipulating that new partnership relationships and ways of working between developed countries and partner countries are essential if development results are to be assured, aid well spent and aid volumes maintained.

2. The Paris Declaration<sup>11</sup> was endorsed at the 2nd High Level Forum held in Paris in 2005 by 52 donors/agencies and partner countries and 30 other actors in the development cooperation field (United Nations and other multilateral agencies and non-governmental organizations). The Declaration consists of 56 “Partnership Commitments”, and aims to strengthen “partnerships” between donor countries and countries receiving aid in order to make aid more effective and to maximize development results.

3. The requirement for independent evaluation was built into the original Declaration and re-confirmed in the Accra Agenda for Action in 2008.<sup>12</sup> The first phase of the Evaluation<sup>13</sup> ran from March 2007 to September 2008 and aimed at providing information on the “HOWs and WHYs” of the early implementation process of the Paris Declaration, looking at **inputs and early outputs**. It was designed and used to deliver practical lessons and help take stock of implementation performance at the 3rd High Level Forum on Aid Effectiveness held in Accra, Ghana in September 2008.

4. The second phase of the Evaluation will run from the 3<sup>rd</sup> High Level Forum in 2008 up to the 4<sup>th</sup> High Level Forum in Korea in 2011. This phase will emphasize **outcomes and results** and offer answers to the critical policy question of whether the intended long-term effects of the Paris Declaration are being achieved or advanced. The evaluation is expected to analyze results in context, taking into account preconditions or enabling conditions that may lead to or inhibit positive development results supported by aid.

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<sup>11</sup> The full Declaration can be found at: <http://www.oecd.org/dataoecd/11/41/34428351.pdf> and the Accra Agenda for Action at <http://www.oecd.org/dataoecd/58/16/41202012.pdf>

<sup>12</sup> The Evaluations complement the monitoring of the implementation of the Paris Declaration, undertaken through the Cluster D of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Working Party on Aid Effectiveness “Assessing Progress on Implementing the Paris Declaration and the Accra Agenda for Action.”

<sup>13</sup> Wood, B; D. Kabell; F. Sagasti; N. Muwanga; Synthesis Report on the First Phase of the Evaluation of the Implementation of the Paris Declaration, Copenhagen, July 2008. The report can be found at: [http://www.diiis.dk/graphics/Subweb/paris\\_evaluation\\_web/index.htm](http://www.diiis.dk/graphics/Subweb/paris_evaluation_web/index.htm)

## 2. Country Evaluations: purpose, objectives, uses and approach

5. **Purpose:** The country evaluations that will be the Evaluation's primary focus will be the main vehicles for answering the core evaluation questions on the effects of the Paris Declaration on aid effectiveness and development results, including poverty reduction. These country evaluations will assess the effectiveness in this regard of donors/agencies in the country, alongside that of the country stakeholders, and of the partnerships between them.

6. **Objectives:** The aim of the evaluation is to document, analyze and assess the relevance and effectiveness of the Paris Declaration in the country and its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

7. Specific objectives include:

- To document the results achieved in the country through implementing the Paris Declaration.
- To enable the partner countries and donors/agencies active in the country to clarify, improve and strengthen policies and practice consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness.<sup>14</sup>
- To highlight barriers and difficulties that may have limited the effectiveness of the Paris Declaration and its effects and impacts – and ways that these barriers and difficulties may be **overcome**.
- To enable sharing and exchange of experience among stakeholders, countries and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

8. The Accra Agenda for Action further specified some of the Paris Declaration's commitments with the aim in particular of strengthening country ownership; building more inclusive partnerships; and sharpening the focus on development results. The Phase 2 evaluation will therefore pay particular attention to assessing implementation of these Accra commitments, which address the current concerns of many stakeholders. These Accra commitments are reflected in these ToR.

9. **Audiences, Stakeholders and Usefulness of the Evaluation:** The focus of Phase 2 is on a results oriented evaluation, with the synthesis and component evaluation reports to be presented to the 4th High Level Forum in 2011. It is equally intended that the evaluation process will spur interest and improvement efforts in the participating countries and agencies.

10. Key constituencies include the executive and legislative branches of government in the country, those of its bilateral development partners, and governing authorities and senior managements of development agencies. Also crucial are those tasked with implementing the Paris Declaration: government, donor, civil society and private sector stakeholders in the partner countries as well as donor agencies. The findings are also expected to be of direct interest to many citizens of both the host countries and of countries providing international development assistance.

11. The goal of ensuring wide dissemination and use of the evaluation by its intended audiences should influence the process and products at every stage of the evaluation, by:

- a. Keeping the central questions and key audiences constantly in sight;

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<sup>14</sup> In a number of participating countries, clear links are already being forged between this evaluation and other, related monitoring and evaluation activities in order to maximise the synergies, guard against duplicative work, and strengthen the usefulness of the evaluation in the country.

- b. Using straightforward language: minimizing acronyms, jargon and unnecessary technical language in all products;
- c. Open internal communications – as in the planned knowledge-sharing system within and among teams;
- d. Trilingual operation: specific work to ensure timely translation of key documents and balanced literature sources in English, French and Spanish;
- e. Building in the time required for peer exchanges, edits, strong summaries;
- f. Critically, meeting the required deadlines for progress steps and the submission of draft and final reports and dissemination summaries.

12. National communications plans should be directly linked to key points in the national and international dialogue on aid effectiveness and Millennium Development Goal (MDG) trends over the coming two years to build policy engagement with the study and ensure its timely contribution to the debates.

13. ***Approach for Country Evaluations:*** An approach for the overall Evaluation has been set out in the “Evaluation Framework and Work-plan” for Phase 2. It takes account of the distinctive methodological challenges of evaluating the Paris Declaration. The Phase 2 evaluation will focus on effects at the level of partner countries and their partnerships, i.e. the joint arrangements between donors and the recipients of aid that have been put in place to support the implementation of the Declaration.

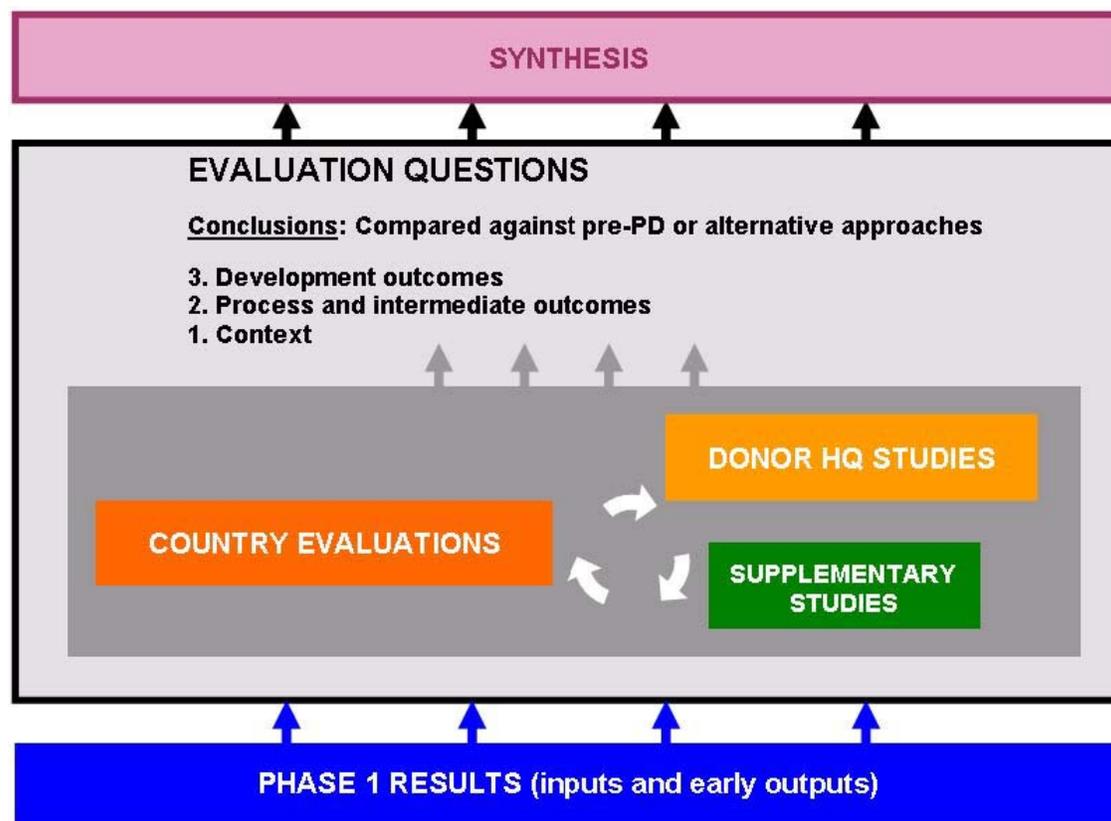
14. As the main foundation for the overall evaluation, well-grounded comparisons between experiences (within and across countries) will be important to test claims for the effects of the Paris Declaration.

15. There will be country evaluation teams in each participating partner country, responsible for undertaking independent evaluations of aid effectiveness and development results. These teams will address both:

- Implementation or “process” – assessing changes of behaviour of countries and donors around aid and development and within the aid partnership itself. A strong focus on the context for implementation in each country (including one major block of evaluation questions) is designed to ensure that the evaluation remains realistic and relevant in individual country situations; and
- Results or outcomes in terms of aid effectiveness and development results, with rather precise minimum common “core” questions, scope and methodologies for all country evaluations, to allow meaningful aggregation and synthesis. This will not limit the ability of country evaluations to supplement the Common Evaluation Template/Matrix with questions of special relevance or interest to their particular situations.

16. Whilst most evaluative activity for the overall Evaluation will be undertaken by country teams, their evidence will be complemented by a number of headquarters-level donor/agency studies, together with the eleven conducted in Phase 1; and a small number of “supplementary studies” where essential to provide adequate coverage of important issues. Specific opportunities for complementary coverage will be sought out and together these elements are intended to ensure adequate depth and breadth of the evaluation. The building blocks for the Phase 2 Evaluation (and the central role of the country evaluations) are illustrated in the Figure below.

## Building blocks of the Paris Declaration Evaluation Synthesis



### 3. Evaluation Methodology: evaluation questions and methods

17. **Evaluation Questions:** The evaluation draws on a good deal of preparatory work which took into account the many complex factors and relationships at work in the implementation of the Paris Declaration and the special challenges involved for evaluation methodology<sup>15</sup>.

18. The Evaluation Matrix for Country Evaluations set out in [Appendix B](#) will be the principal instrument for guiding and conducting these evaluations and the preparation of their products. It is constructed around a set of core evaluation questions and sub-questions which will serve as the minimum common structure for all individual country evaluations and for the final comparative synthesis report (which will also integrate the results of Donor HQ studies, the Phase 1 evaluation, and other inputs).

19. The evaluation will: a) evaluate to what extent the Paris Declaration has been implemented, and b) insofar as it has been implemented, evaluate what the results have been in terms of aid effectiveness and development. The core questions (as refined through the regional workshops and inputs from the International Reference Group members) are set out below and then in the Matrix in Appendix B, where they are backed with the sub-questions, together with indications of the common types, indicators, and sources of evidence, to be used, as well as initial directions on common techniques and methods. Once the core questions and sub-questions are confirmed (through approval of the Generic ToR, December 2009), additional guidance will be developed to flesh out the Matrix, particularly the methods

<sup>15</sup> This work, summarized in the “Approach Paper for the Phase 2 Evaluation” (May 2009) included a major workshop of the International Reference Group in Auckland, New Zealand in February 2009 and a commissioned study on “The Paris Declaration, Aid Effectiveness and Development Effectiveness” in November, 2008 (the “Linkages Study”).

and tools in Column 4, with a more precise identification of the analytical methods for each study element. This will ensure clear understanding of all the steps involved to support standard approaches, e.g. on data handling and analytical steps for each stage.

20. The “logic chain” of the questions is illustrated in three different diagrams in the Evaluation Framework, and it should be noted that the order and content of the three main evaluation questions, and the framework for conclusions, successively emphasize the accepted guiding evaluation criteria of relevance, efficiency, effectiveness and sustainability.

#### **The Core Questions**

1. “What are the important factors that have affected the relevance and implementation of the Paris Declaration and its potential effects on aid effectiveness and development results?” (The Paris Declaration in context)
2. “To what extent and how has the implementation of the Paris Declaration led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships?” (Process and intermediate outcomes)
3. “Has the implementation of the Paris Declaration strengthened the contribution of aid to sustainable development results? How?” (Development outcomes)

#### **The Framework for Conclusions**

- i. What has been the relevance of the Paris Declaration and the ways it has been implemented to the challenges of aid effectiveness?
- ii. To what extent has each of the five principles of the Paris Declaration been observed and implemented, and the Accra Agenda priorities reflected? Why? Have there been conflicts or trade-offs between them?
- iii. What has the Paris Declaration achieved for aid effectiveness and development results? How significant are these contributions? How sustainable? Is there evidence of better ways to make aid more effective and contribute more to development results?
- iv. What effects has the implementation of the Declaration had on the respective burdens of aid management falling on partner countries and donors, relative to the changing volume and quality of aid and of the aid relationship itself? Are these effects likely to be transitional or long term?
- v. What has been the added value of Paris Declaration-style development cooperation compared with the pre-Paris Declaration situation, and seen alongside other drivers of development in the country, other sources of development finance and development cooperation partners beyond those so far endorsing the Declaration?
- vi. What are the key messages for a) national stakeholders, and b) donor countries and agencies?
- vii. What are the key implications for aid effectiveness in the future taking account of new challenges and opportunities (e.g. climate change) and new actors and relationships?

21. ***Special Challenges:*** In addressing these core evaluation questions it is clear that the challenges of attributing results to a set of commitments like the Paris Declaration are especially complex. **One vital starting point is to recognize that the 2005 Declaration itself brought together a variety of reform efforts and initiatives that had been underway in different settings for some years before. Thus each evaluation should explicitly include assessment of these “upstream” or precursor steps as an integral part of its scope.**

22. Paris Declaration implementation is a multidimensional, multi-level process, affected by many factors, which can change its direction, emphasis, and pace at different times and in response to different influences. One way of making these factors more explicit and prominent throughout the evaluation is the emphasis placed through the first question on a far more in-depth and dynamic analysis than would be usual of the **context** for the implementation of the Paris Declaration and Accra Agenda in each country where an evaluation is undertaken.

23. The main evaluation questions will be operationalised through a set of sub-questions including descriptive, analytical, normative and evaluative questions. These will be supported wherever possible by common specifications and suggestions of:

- i. the types of evidence and, where applicable, indicators to be used;
- ii. the anticipated availability and (probable) reliability of data sources; and
- iii. proposed sources, methods and techniques for data collection, analysis, triangulation and validation.

24. **Key elements:** As ready guidance for the Country Level Evaluations, the key elements of the overall evaluation methodology set out in the Evaluation Framework can be summarized as follows:

- a. A “*theory based*” approach – which recognizes that outcomes/results from Paris Declaration implementation may not be fully visible by the time of the Evaluation – so focuses instead on identifying the chains, directions, causes and trends of causality and the linkages involved (see points below);
- b. A “theory of change” which anticipates and explores *complexity* rather than expecting to apply simple or one-dimensional models of attribution;
- c. Seeking out and exploring the *causal mechanisms and key actors* driving or inhibiting change, their roles, inter-relations, and relative weightings in influencing outcomes (especially through Core question 1);
- d. Focused on *causality in context*: searching for common trends rather than (necessarily) generalized truths, but recognizing that the shape, nature and pace of change is heavily determined by locally specific factors and influences;
- e. Focused on *comparability*, ensuring robust analysis at aggregate level (through e.g. the development of common standards for analytical frameworks and data collection) while giving full weight to contextual factors;
- f. A *summative and formative* model – allowing judgments around outcomes and results whilst supporting forward-looking policy development and improvement.

25. **Specific methods** for pursuing the evaluations include:

- a. *Literature and documentation review*
- b. The analysis of *the most relevant existing statistical data* such as human development and poverty indicators, Poverty Reduction Strategy Paper (PRSP) reports, sector reports, MDG reports etc.;
- c. *Syntheses and meta-analyses* of existing evidence (i.e. secondary sources such as policy, evaluations and research). Common specified parameters will be proposed and agreed for data identification, inclusion and structured assessment;
- d. *Structured surveys and questionnaires* (key informant groups) deepened by *semi-structured interviews* and *focus groups* (key stakeholders including government (different branches and levels) donor agencies, civil society and the private sector).

Any possibilities for drawing on participative approaches will be pursued;

- e. To help ground the evaluations, *a common template for analysis by all or almost all country evaluations of one important “tracer sector” (health) and for comparable analysis of the other sectors of priority chosen within each country*. Following broad agreement in the regional workshop process to a special focus on two sectors per evaluation, an agreed template and guidance will be developed for the identification, design and implementation of these analyses;
- f. *Backward tracking*, retrospective or inductive studies of sector, site or theme; using methodologies such as the analysis of time-series data; statistical trends; synthesis studies to assess “distance travelled” etc.;
- g. *Forward looking* analysis; which anticipates development results that are in formation but have not become fully evident, and *backward-tracking studies* as a basis for seeking plausible links in the causal chain - from Paris Declaration-style aid inputs to development results - to assess and predict the likely direction of further travel.

26. **Rigour and Comparability:** In addition to the use of the agreed minimum common questions, sub-questions and methods, the robustness of the approach and methodology for the evaluation and its results will be further ensured by:

- a. A consistent stance in the evaluation that does not assume attribution of results to the Paris Declaration, but rather takes a critical approach and examines alternative explanations;
- b. A set of support mechanisms available to individual evaluation coordinators, reference groups and teams, particularly from the Core Evaluation Team, both directly and through research resources and interactive internet facilities [see Section “Support Arrangements for Country Evaluations” for detail];
- c. Verification of evidence emerging through ongoing triangulation between the multiple data sources and methods employed;
- d. Step-by-step validation of evaluation results by national core teams (with peer review among them encouraged) by the core team, country reference groups, the Evaluation Secretariat and Management Group, possibly high level external reviewers, and the International Reference Group;
- e. Quality assurance processes that are built in to each component evaluation (as well as the preparation of the final synthesis report) – all are required to meet the Development Assistance Committee (DAC) Evaluation Quality Standards, United Nations Evaluation Group (UNEG) Standards, or the comparable national or regional standards where these have been adopted;
- f. Selection and contracting of appropriately-skilled evaluation teams by established procedures, with protection for the independence and professional integrity of their work;
- g. Forming country teams using national expertise to the maximum extent possible but also including regional and international experts where appropriate, assuring that all are free of potential conflicts of interest;
- h. Prioritizing the use of country systems to capitalize on existing data/literature including academia, universities, and civil society;
- i. Wherever possible, seeking the engagement and coverage of providers of development resources not yet formally endorsing the Paris Declaration in the capacity of donors; and

- j. Using a set of agreed working definitions for key terms<sup>16</sup> and a common style guide to avoid confusion and inconsistent treatment.

#### **4. Management of the Evaluation: responsibilities and accountabilities**

27. The points below draw and build on the ‘Guidance for Management of Country level Evaluations’ Note issued by the Secretariat in September 2009. More detail on the international structure, relationships and governance in the overall Evaluation is provided in the “Evaluation Framework and Work-plan” for Phase 2.

28. **Management considerations:** The key management considerations for a Country Evaluation are:

- In-country management arrangements that are operational
- Clarity on roles, responsibilities, quality assurance and accountabilities
- Communication with stakeholders
- Progress reporting

29. **In-country management arrangements:** The **National Evaluation Coordinator**, appointed by the Government, is responsible for managing all aspects of the Country Evaluation process including, most importantly:

- a. Selecting, setting up and then scheduling and convening meetings of the in-country National Reference/ Advisory Group, expected to include major stakeholders from governments, donors, civil society and possibly academia;
- b. Developing final ToR for the Country Evaluation in consultation with the National Reference/ Advisory Group; incorporating the common evaluation matrix for Country Evaluations and (if required) a module with country-specific evaluation questions;
- c. The recruitment and contracting of the consultants for the Country Evaluation (with selection where possible by the National Reference/ Advisory Group);
- d. At least bi-monthly reporting on the progress of the evaluation in line with a manageable agreed common format;
- e. Quality control; assuring that the evaluation is of acceptable quality in reference to identified relevant national, regional and/or international (DAC) standards and drawing on the pro-active and responsive services of the Core Evaluation Team and the Evaluation Secretariat.

30. This management role will require significant inputs of ‘dedicated management time’ over the whole evaluation process, with concentrated effort anticipated during the start-up period, inception, first draft report and final reporting milestones.

31. The **National Reference/ Advisory Group** will normally be responsible for the following important functions:

- a. Approving the design of the pertinent evaluation that comprises a common set of evaluation questions applicable to all country evaluations and where desired a module with supplementary, country-specific evaluation questions;
- b. Deciding on selection criteria for the country teams;
- c. Selecting the members of country evaluation teams, consistent with the selection criteria and national competitive procurement or tender rules;

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<sup>16</sup> A Glossary has been prepared as part of the guidance to the Phase 2 Evaluation.

- d. Serving as a resource and to provide advice and feedback to the National Coordinator and Team;
- e. Helping to ensure the independence, integrity and quality of the evaluation;
- f. Reviewing and commenting on (but not approving) the draft products of the respective country evaluation.

32. National Reference/ Advisory Groups should also have important roles to play in accessing information, exerting quality control, linking to government and engaging civil society, facilitating the necessary wider consultation, and encouraging the use and usefulness of the evaluations findings.

33. These roles will require a Group with sufficient representation from key stakeholders, good credibility and access, together with the necessary measure of independence. The tasks will imply the need for a series of dedicated inputs of time from the individual members of the National Reference/ Advisory Group.

34. Management in-country will be supported by self-monitoring of progress with the evaluation, and reflection at periodic National Reference/ Advisory Group meetings on the extent to which the Country evaluation remains ‘on track’ and actions to be taken if and when ‘gaps’ appear.

35. **Clarity on roles, responsibilities and accountabilities.** The success of this collaborative exercise in-country will be heavily influenced by initial clarity and ongoing discipline on who is expected to deliver on what and by when, and who is accountable. Key accountabilities in the process are:

- i. **Competent independent Country Evaluation Team selected, contracted and resourced by latest 31st March 2010:** The National Evaluation Coordinator is accountable for this milestone being reached with the support of the National Reference/ Advisory Group, and for the independence of the evaluation being maintained throughout the process.
- ii. **Country Evaluation Report delivered in-country on time:** The Team Leader [and/or the contracted firm or institution] of the Country Evaluation Team is accountable for the organization and co-ordination of the work of the evaluation team (and through this ensuring the quality and relevance of team member contributions) and assuring the delivery of emerging findings and a comprehensive final report which meets evaluation standards, within the contracted timeframe/ specifications.
- iii. Country Evaluation Report of an acceptable quality submitted to the Core Evaluation Team for use in preparing the synthesis report and publishing: The National Evaluation Coordinator, through successive processes of quality control, is accountable for delivery of a report of acceptable quality for the Synthesis stage.

36. **Communication with stakeholders:** Each Country Evaluation is expected to develop and implement a ‘Communication Plan’ through which stakeholders for the evaluation within the country will be kept informed and engaged. A variety of channels and activities should be used and opportunities maximized to link to key points in national strategic and decision-making cycles (already planned in several countries). Links should also be forged with key milestones in the international dialogue on aid effectiveness and MDG trends over the coming two years to build policy engagement with the study and ensure its timely contribution to the debates.

37. Ensuring this communication and engagement takes place and in a form that fosters stakeholder interest, civil society involvement, and ‘buy-in’ to the evaluation process would be a responsibility of the National Reference/ Advisory Group.

38. **Progress reporting:** The National Evaluation Coordinator, in his/her role as in-country focal point for the Phase 2 Evaluation will provide the Secretariat with bi-monthly updates (copied to the Core Evaluation Team) – starting end of December 2009 – on the status of the Country Evaluation process. This will use a simple proforma to be developed by the Evaluation Secretariat in consultation with the Core Evaluation Team which will facilitate the updating by the Core Team of the ‘master sheet’ on progress across the 20+ country Evaluations.

39. **Country Evaluation Timeline:** The overall Evaluation Work-plan and Schedule below incorporates the sequence of key milestones for the Country evaluations, alongside other elements and processes.

**Work-plan and Schedule (since revised to reflect delays and amendments)**

<b>Period/Date</b>	<b>In country</b>	<b>International</b>
Nov 2009	Establish National Reference Groups	Consolidation of comments from four Regional Workshops (Core Evaluation Team) by 20th Nov
1 Dec 2009	International Reference Group approves Generic Terms of Reference	
Dec 2009/ Jan 2010	Establish National Reference Groups and approve Terms of Reference for Country Evaluation (Country Coordinator)	Core Evaluation Team support to National Evaluation Coordinators as required
Dec 2009/ Feb 2010	Select and contract Evaluation Teams	
Feb/Mar/Apr 2010	Regional/sub-regional/ workshops for Team Leaders and National Coordinators with Core Team/EMG	
By 30th April 2010	Country and Donor/Agency HQ Teams submit inception reports	Core Evaluation Team submits Inception Report (including detailed guidance on methodology and methods) to International Reference Group and Management Group for comment
15th May 2010	Coordinators/reference groups approve inception reports	Management Group approves Inception Report
April-Sep 2010	Conducting Country Evaluations and Donor/Agency HQ Studies	Core Evaluation Team support to National Evaluation Coordinators as required
15th Sep 2010	Submission of first draft report including summary of findings by each Country team and Donor/Agency HQ team to Evaluation Management Group and Core Evaluation Team	
Sep-Dec 2010	Consultation, validation and finalization of report in country	Core Evaluation Team prepares consolidated emerging findings by 15 October
1 <sup>st</sup> -4th Nov 2010	Meeting/workshop of Country and Donor/Agency HQ study team leaders, Core Evaluation Team and International Reference Group to discuss emerging	

	findings and the plan for the synthesis	
Nov-Dec 2010	Production/submission of Country and Donor/Agency-level reports (deadline 31st Dec 2010)	
Jan-Apr 2011	Dissemination of evaluation results in countries	Drafting Synthesis Report
Apr 2011	Meeting of the International Reference Group to comment on the draft Synthesis Report	
Apr-May 2011	Dissemination of evaluation results in countries	Finalization of Synthesis Report
May-Sep 2011	Dissemination activities/inputs to preparations for High Level Forum	
Sep-Oct 2011	4th High Level Forum in Seoul	

## 5. Support Arrangements for Country Evaluations

40. **The Core Evaluation Team:** The Core Team contributes to the Phase 2 evaluation across all components at all stages: at planning and set-up; on an ongoing basis to ensure consistency and solve problems that may arise; and in the final stages when it will be expected to bring together all evaluation findings in a free-standing Synthesis Report. The Core Team reports and is responsible to the Evaluation Management Group through the Evaluation Secretariat.

41. **Services to Country Evaluations.** The Core Team has been in place since September 2009. With a view to ensuring the quality and integrity of the Country Evaluations within the overall Phase 2 Evaluation it is charged with providing the following set of support services to Country Evaluation processes:

- After intensive regional consultations, design for the approval of the Evaluation Management Group and the International Reference Group a “Generic Terms of Reference” for Country Evaluations that will guide data gathering and fieldwork in a way that will ensure quality and enable comparison and the synthesis of findings.
- Provide professional advice on request to the National Evaluation Coordinator and members of the National Reference/ Advisory Group on the basis for selection, contracting and briefing of Country Evaluation Teams
- Review and collate relevant existing research and evaluations, including through a series of initial ‘Country Dossiers’, providing Country Evaluation Teams with some key references relevant to the common methodology and core questions. The Country Evaluation Teams themselves will then add further secondary information to the Dossier and to the wider literature review being conducted for the Phase 2 Evaluation.
- Provide ongoing advice and support to Country Evaluation Teams to ensure the coherence of the evaluation and the comparability of its different elements.

42. To make best use of the support resources of the Core Evaluation Team, it will work both proactively and responsively to engage with and support the Country evaluations. In addition to important arrangements for indirect support, planned face-to-face opportunities have been identified (see Table below) to help lay solid foundations and clear directions for Country Evaluations to follow, support continuing adherence to evaluation standards, provide guidance if/ where evaluation teams run into problems, and facilitate sharing and learning among country teams.

**Planned face-to-face meetings by members of the Core Evaluation Team with Country Evaluation Processes**

<b>Activity/ Event</b>	<b>Persons involved (from countries undertaking evaluation)</b>	<b>Face to face) with country processes</b>
Regional Workshops I (Oct/ Nov 2009)	National Evaluation Coordinators, or representatives, and major stakeholders or National Reference Group members if named.	All countries
Regional Workshop II (March/April 2010)	Team Leaders of Country Evaluation Teams, National Evaluation Coordinators – and possibly other team members	All countries
Evaluation Work-plan presentation (event)	Country Evaluation Team presentation to National Reference Group	Mission option for a limited number of countries
Inception Report Presentation (event) – <i>1 month in</i>	Country Evaluation Team presentation to NEC and the National Reference Group	Mission option for a limited number of countries
Team analysis ‘stage’ – <i>August</i>	Country Evaluation Team	Mission option for the majority of countries
Draft report to National Reference/ Advisory Group (event)	Country Evaluation Team presentation to National Evaluation Coordinator and the National Reference/ Advisory Group	Mission option for a limited number of countries
International “Emerging Findings” workshop	Country Evaluation Team and National Evaluation Coordinators	All countries
Final Report to CRG	Country Evaluation Team presentation to National Evaluation Coordinator and the National Reference/ Advisory Group	Remote – all countries

43. The Core Evaluation Team is developing a web-based knowledge management system – an “Extranet” – for the Phase 2 Evaluation. The National Evaluation Coordinator, Country Evaluation Teams and National Reference/ Advisory Group members will have access to this facility and it will provide the channel for the sharing of guidance and progress updates between the Core Team and the country processes. The structure of the extranet provides a shared space and also a part of the site that can be dedicated to a particular country process.

## **ANNEX 4: PEOPLE MET**

Individuals interviewed, and participants in Focus Group Discussions and larger consultations

<b>Government of Nepal</b>
<b>National Planning Commission</b>

Jagdish Chandra Pokhrel	Vice Chair Person
Tirtha R. Khaniya	Member Education
Pushkar Bajracharya	Member Economic Affairs
Chet Raj Pant	Member Health
Yubraj Pandey	Secretary
Puspa Lal Shakya	Joint Secretary
<b>Ministry of Finance</b>	
Ramesh Prasad Khanal	Secretary
Keshav Acharya	Senior Economic Advisor
Lal Shanker Ghimire	Joint secretary Foreign Aid Coordination Division (FACD)
Tilak Man Singh Bhandari	Under Secretary (FACD)
Kailash Pokhrel	Under Secretary (FACD)
Narayan Dhakal	Section officer
<b>Ministry of Local Development</b>	
Krishna Gyawali	Secretary
Dinesh Thapaliya	Joint Secretary
<b>Public Procurement Management Office</b>	
Avanindra Kumar Shrestha	Secretary
<b>Ministry of Irrigation</b>	
Uma Kant Jha	Secretary
<b>Ministry of Health and Population</b>	
Sudha Sharma	Secretary
Praveen Misra	Secretary
Laxmi Raj Pathak	Chief Planning Division
Surya Prasad Acharya	Joint Secretary, HR & Finance Chief
Baburam Marasani	Senior Health Administrator
Yogendra Gauchan	Chief Accountant
<b>Ministry of Education</b>	
Deependra Bikram Thapa	Secretary
Shankar Prasad Pandey	Secretary
Lava Dev Awasthi	Joint Secretary/Director General, DOE
Lekhnath Paudel	Under Secretary, Planning Section
Nakul Baniya	Under Secretary, Planning Section
<b>Financial Comptroller General Office</b>	
Madhav Prasad Ghimire	Comptroller General
<b>Office of the Auditor General</b>	
Khem Raj Dahal	Deputy Auditor General
Baburam Gautam	Director
<b>Ministry of Physical Planning and Works</b>	
Purna Kadaria	Secretary
<b>Ministry of Peace and Reconstruction</b>	
Punya Prasad Neupane	Secretary
<b>Ministry of Agriculture and Cooperatives</b>	
Nathu Prasad Chowdhary	Secretary
<b>Ministry of Women and Social Welfare</b>	
Mahendra Prasad Shrestha	
<b>Ministry of Energy</b>	
Shankar Prasad Koirala	Secretary

<b>Nepal Rastra Bank</b>		
Yubaraj Khatiwada	Governor (Ex-VC NPC)	
<b>Poverty Alleviation Fund</b>		
Vidyadhar Mallik	VC PAF and ex-Finance Secretary	
<b>Local Government</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Shambhu Prasad Luitel	Local Development Officer	Nepalgunj, District Development Committee (DDC)
Sagar Subedi	Programme Officer	Nepalgunj DDC
Basudev Dahal	Chief District Officer (CDO)	Nepalgunj, District Administration Office (DAO)
Resham Bahadur Pandey	Assistant CDO	Nepalgunj DAO
Dabbal B. C.	Officiating DEO	Nepalgunj District Education Office (DEO)
Ganesh Prasad Gyawali	Accountant	Nepalgunj DEO
Ramlal Shrestha	Executive Officer	Nepalgunj Municipality
Samsuddin Sidhique	Ex-Deputy Mayor	Nepalgunj Municipality
Madan K. C.	Accountant	Nepalgunj Municipality
Sudan Prasad Shrestha	Account Officer	District Treasury Office Nepalgunj
Dhirjung Shah	DPHP	District Health Office Nepalgunj
Gangaram Budhakarki	DACC Coordinator	District Health Office Nepalgunj
Ananda Kesari Pokhrel	LDO	Dadeldhura, DDC
Premlal Lamichhane	CDO	Dadeldhura, District Administration Office
Kabindra Bhatta	Officiating Executive Officer	Amargadhi Municipality
Laxman giri	Officiating DEO	Dadeldhura, DEO
Tirtha raj Pant	Section Officer	Dadeldhura, DEO
Khim Bahadur Thapa	Accountant	Dadeldhura, DEO
Khadga Shahi	Chief	Dadeldhura, District Treasury Office
Bala Bahadur Mahat	Officiating DHO	Dadeldhura, District Health Office
Usha Panthi		Dadeldhura, DHO
<b>Association of District Development Committee Nepal</b>		
Risiraj Lumsali	Chair	
<b>Development Partners</b>		
<b>World Bank</b>		
Susan Goldmark	Country Director	
Albertus Voetberg	Lead Health Specialist	
Venkatesh Sundararaman	Senior Economist	
<b>ADB</b>		
Barry Hitchcock	Country Director	
Yukihiro Shiroishi	PMU Head	
Raju Tuladhar	Senior Program Officer	
Krishna Ram Pandey	Senior Program/Project Implementation Officer	
Shahid Parwez	Program/Project Implementation Officer	
<b>DFID</b>		
Sarah Sanyahumbi	Head of Office	
Anjaly Tamang Bista	Head of Corporate Delivery Unit	
Susan Clapham	Senior Advisor	

Louise Banham	Senior Education Advisor
<b>Embassy of India</b>	
Punit R. Kundal	Counsellor (Economic Cooperation)
<b>JICA</b>	
Noriaki Niwa	Resident Representative
Maiko Takeuchi	Representative
Laxmi Konwar	Program Officer
Krishna P. Lamsal	Program Officer
<b>UNDP</b>	
Anne-Isabelle Degryse-Blateau	Country Director
Sarad Neupane	Assistant Resident Representative
Tatsuhiko Furumoto	Programme Analyst
<b>Embassy of Denmark</b>	
Ove Fritz Larsen	Minister Counselor
<b>Embassy of Finland</b>	
Kari Leppanen	Counsellor (Development)
Satu Pehu-Voima	Counsellor (Development)
Bhola Dahal	Programme Coordinator
<b>USAID</b>	
Anne M. Peniston	Director
Jayanti Subba	Senior Education Specialist
Kishore K. C.	Senior Programme Officer
<b>GTZ</b>	
Thomas Labahn	Country Director
Bernd Lakemeier	Assistant to the Country Director
<b>UNFPA</b>	
Bijaya K. Thapa	Assistant Representative
Satyanarayan Doraiswamy	Humanitarian Response Specialist
<b>AusAID</b>	
Tara Gurung	Country Manager
Latika Maskey Pradhan	Project Manager
Sunita Gurung	Programme Support Officer
<b>UNICEF</b>	
Gillian Mellsop	Country Representative
Ashok Baidya	Programme Officer
<b>European Union,</b>	
Giap Dang	Charge d' Affairs
Louise Banham	Education Specialist
<b>WHO</b>	
Lin Aung	WHO Representative
Gunawan Setiadi	Public Health Administrator
<b>Royal Norwegian Embassy</b>	
Camilla Rossak	Charge d' Affairs
Predeep Man Tulachan	Economic Advisor
Kamala Bista	Advisor
<b>Embassy of Switzerland</b>	
Thomas Gass	Ambassador
<b>Canada</b>	
Ed Doe	Counsellor (Development) and Consul

Pravin Manandhar	Director	
<b>Focus Group Discussions</b>		
<b>Ministry of Finance, FACD</b>		
Bhuvan Karki	Under Secretary	
Nirmal Siwakoti	Under Secretary	
Shyam Nidhi Tiwari	Under Secretary	
Avinath Rai	Under Secretary	
Dhakaram Tiwari	Section Officer	
Bimal Sapkota	Section Officer	
Yuga Raj Pandey	Section Officer	
Bijaya Acharya	Section Officer	
Anita Koirala	Section Officer	
Thakur Prasad Gaire	Section Officer	
Sanjaya Pokhrel	Section Officer	
Narayan Regmi	Section Officer	
Shiva Lal Neupane	Section Officer	
<b>Kathmandu</b>		
<b>Name</b>	<b>Position</b>	<b>Organization</b>
Deepika Thapa	Secretary	Private and Boarding School Organization of Nepal (PABSON)
Arbinda Lal Bhomi	Executive Director	Tribhuvan University, Center for Educational Research Innovation and Development (CERID)
Arjun Bhattarai	Executive Board Member	NGO Federation of Nepal
Sharmila Karki	Secretary General	NGO Federation of Nepal
Rabin Subedi	Member	Nepal Policy Institute
Shanta Dixit	Advisor	Private and Boarding School Organization of Nepal (PABSON)
Janaki KC	NNC Registrar	Nepal Nursing Council
Phanindra Adhikary	Chairperson	Association of International NGOs
Netra Timsina	President, Central Committee	NGO Federation of Nepal
Prabhash Devkota	Coordinator	Alliance for Aid Monitor Nepal (AAMN)
Abhas Ghimire	Officer	LDC Watch
Arjun Karki	President	Rural Reconstruction Nepal
Hukum Pokharel	General Secretary	Campaign for Human Rights and Social Transformation, Nepal (CAHURAST)
Modnath Dhakal	Journalist	Abhaiyan Daily (Vernacular)
<b>Nepalgunj</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Drona Koirala	Team Leader	Care Nepal
Prem Pant	Programme Unit Manager	Plan Nepal
Tirth Ram Panthi	Cluster Coordinator	Local Governance and Community Development Programme
Madan Acharya	Mid-western Regional Officer	Local Governance and Community Development Programme
Mira Adhikary	Member Secretary	Community Development Fund

		Nepalgunj (CDFN)
Jahir Khan	Member	CDFN
Saroj Devkota	President	CDFN
Laxmi Bista	Women Development Officer	Women Development Office
Hari Singh Thapa	President	Public Development Fund, Radhapur
Narayan Lamsal	President	Sahakarmi Samaj, Kohalpur
Min Bahadur Hamal	Advisor	SNV Nepalgunj
Man Bahadur Chhetri	Secretary	Sitapur VDC
Surendra Karki	Advisor	Rural Reconstruction Network (RRN)
K. K. Singh		GTZ, Health Sector Support Programme (HSSP)
S. B. Subasi	Project Officer	GTZ, HSSP
Dipak Paudel	Secretary	Namuna VDC
Karna Bdr. Bista	Secretary	Khajura VDC
Mahesh Kumar Chaudhari	Engineer	Mid-western Irrigation No. 2, Banke
Sujan Tamrakar	Engineer	Mid-western Irrigation No. 2, Banke
Amar Shrestha	Cord. Analyst (Development)	UNFCO, Nepalgunj
Bijay Amatya	M&E Officer	CARE-CSP, Nepalgunj
Lok Raj Timilsina	VDC Secretary	Saigaun VDC
Navraj Shah	VDC Secretary	Fattepur VDC
Binita Acharya	Treasurer	Prayash Ka Pailaharu, Banke
Ananta Kumar Barma	Human Rights Defender	FORCE Nepal
Parsu Ram Shukla	VDC Secretary	Piprahawa VDC
Bishnu Prashad Pokharel	Member	ENRUDEC, Banke
Hiramani Subedi	Planning Officer	DDC, Banke
Rajendra KC	Engineer	DDC/District Technical Office, Banke
Tej Bikram Shah	Chairperson	Enterprise Promotion Centre, Banke
Dharma Rokaya	Chairperson	NGO Federation Banke.
Prakash Kafle	Project Manager	Practical Action
Shiv Vishwakarma	Deputy Head of Sub-Office	UN WFP
Narendra Kumar Mishra	Field Office Coordinator	UNDP
Nama Raj Adhikari	Field Monitor	UNDP
Kamal Kanta Jha	Senior Agriculture Development Officer	District Agriculture Development Office (DADO)
Kamala Sharma	Chair Person	PABSON, Banke
Netra Kala Shahi	Chair Person	SAC/Nepal
Rabi Mohan Bhandari		Save the Children
Yadav Singh	Progarmme Officer	DADO Banke
<b>Dadeldhura</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Bachcha Lal Mahto	District Officer	UNFPA Dadeldhura

Hikmat Kr. Shrestha	Sen. Ag. Dev. Off.	DADO Dadeldhura
Yagya Raj Bhatta	Programme Officer	DDC Dadeldhura
Raju Joshi	Field Officer	UNDP Dadeldhura
Mech Raj Upadhyay	VDC Secretary	Jogbuda VDC
Bishow Raj Bhatta	Program Officer	UNICEF
Bal Krishna Sharma	Devt. Coordinator	UNFPA
Chandra Prakash Sigdel	Cluster Coordinator	LGCDP
Man Harkha Thapa Magar	Field Office Coordinator	UNDP
Gopal Datt Bhatt	Agriculture Development Officer	District Agriculture Development Office
Bir Bahadur Bhat	Deputy District Development Coordinator (LGCDP)	Local Governance and Community Development Programme (LGCDP)
Shyam Kumar Shahi	Assistant District Facilitator	Local Governance Community Development Programme
Siddha Raj Bhatta	Chairman	NGO Federation
Tula Ram Paneru	Program Supervisor	Regional Economic Development Centre, Dadeldhura
Deepak Raj Bohara	Secretary	NGO Federation
Kiran Pal	Head of Sub-Officer	WFP
Ankli Lal Bhatta	Sub Overseer	Ashigram VDC
Yamuna Joshi	VDC Secretary	Urankhet VDC
Bishnu Gautam	District Project Coordinator	OXFAM
Ganesh Pd. Bhatta	VDC Secretary	Kohalpur VDC
Krishna Bahadur Ayer	VDC Secretary	Dewal Dibyapur VDC
Tek Raj Paneru	Sub-Overseer	District Technical Office
Karna Bahadur Dharni	VDC Secretary	Mastmandu VDC
Bishnu Datt Bhatta	VDC Secretary	Shirsha VDC
Siddha Raj Pathak	Chairperson	Gramin Sudhar Manch

## **ANNEX 5: EDUCATION SECTOR**

### **1. Sector Context**

The education sector has been a priority sector for the past twenty years. During this period public investment in education gradually increased from about 9% (1.8% of GDP) of the national budget in 1990/91 to about 17% (4.1% GDP) in 2008/09. 'Education for All' or 'Universal Primary Education' as per the MDGs is the goal of the education sector.

Like other sectors, education was affected during the ten year (1996-2006) conflict period. However, along with the health sector, it was one of the least affected sectors. Although the rebel group forced many private schools in rural areas to close, the public schools, by and large, remained in operation. There were incidents of rebels attacking school premises but such incidents were rare and mostly associated with school buildings being used, in some

way, by the government security forces. The rebels did have problems with certain subjects (Sanskrit) being taught in schools and with the overall curriculum, which was not scientific enough according to Maoist rebels, but they let the public schools operate. Once in a while the students had to attend Maoist organized mass rallies or meetings. It is also said that the teachers were required to pay a proportion of their salary as a levy to the Maoist party.

The Ministry of Education (MOE), under the leadership of the Minister for Education, is the main agency for managing the education system in Nepal. However, MOE focuses on managing only the school system through its Department of Education. There are statutory bodies for managing higher education and technical and vocational education, which are largely autonomous and have only a nominal relationship with MOE.

The Interim Constitution of Nepal 2006 recognizes education as one of the fundamental rights of children but there are no specific laws to ensure this right to children. The current Education Act, 2002 focuses only on the management of different levels of schools but is silent on how a child is ensured his/her right to education. In fact, although Nepal strives for universal primary education there is no law to make education compulsory for children. There is also no law to punish parents or guardians for not sending their children to school.

Development Partner (DP) assistance to the Nepalese education sector dates back to the early 1950s when India and USA provided support to the sector. Whilst these two countries continue to provide assistance, other countries and international agencies have become more active DPs in the sector. External assistance to the education sector accounted for 20-28% of expenditure in the last decade. There was a gradual increase in the proportion of aid in total education expenditure in the post-Paris Declaration period, between 2006/07 and 2008/09 (21%, 25% and 28% in 2006/07, 2007/08 and 2008/09, respectively). This period coincided with restoration of democracy and cessation of armed conflict in April 2006.

With the formulation of the Basic and Primary Education Master Plan in the early 1990s, Nepal took a firm lead in developing strategies and policies in the education sector. This trend continues. The education sector was also the first sector in Nepal to adopt a programme approach and the Education for All (EFA) Programme (2004-2009), which predated the Paris Declaration, was developed and implemented in Sector Wide Approach (SWAp) mode. DP resources are mostly channelled through the national system and the practice of having a separate project implementation unit (PIU) has not been used since 2004. The education sector is also one of the pioneers in decentralization. By August 2009, management of more than one-third of the public schools had been handed over to the local communities and there are preliminary indications that local management has been able to improve the teaching learning situation in the schools they manage.

Prior to implementation of the EFA programme in 2004 there were a number of DPs supporting the education sector through different projects. Coordination of the DPs in the sector was a constant challenge to MOE, along with the demands of separate financial and progress reporting requirements for each DP. The issue of aid effectiveness in the education sector was also a concern and continues to be so even now. The concern now is not just effectiveness of aid to this sector but the effectiveness of the total public resource flow in this sector which constitutes the largest sectoral allocation. It is the perception of MOE officials that the issue of resource effectiveness has not been given sufficient attention by the political leadership of the ministry. It has been felt that political leadership is one of the factors behind increased fiduciary risk in the sector at current times.

## **2. Country Ownership over Development**

### ***Ownership***

The education sector is one of the few sectors in which government has shown substantial leadership in aid coordination. Although such leadership predates 2005 the process has further deepened in the post-Paris Declaration period. The Paris Declaration is seen by education officials as providing further impetus to enhance their leadership role.

The sector has clearly manifested its ownership of the development efforts by formulating sector strategies since 1992. The tradition continues. In the formulation of the EFA (2004-2009) programme and the current School Sector Reform (SSR) Programme (2009 - 2015) the MOE took the lead and the DPs conveyed their endorsement of the programme strategies and priorities by agreeing to provide financial support. The sector also formulates an Annual Sector Implementation Plan (ASIP) clearly indicating the outputs and outcomes which are annually monitored and reported. ASIP provides the basis for annual support of the DPs to the programme.

The education sector strategies are developed in a fairly consultative manner. However, consultations with people or officials outside the Kathmandu Valley (capital region) are reportedly limited. During interviews, the education sector MOE officials in the districts said that there are instances when district offices are instructed to implement new activities (e.g., activities for Kamlari or bonded girl workers, out-of-school children) without any clear guidelines or consultation. Similarly, they felt the programmes in the education sector are overly centralized and that the districts do not have much flexibility. This is indicative of little change in management style within the education sector even after the Paris Declaration.

### ***Alignment***

The education sector is a good example of aid alignment in Nepal. Although the process started from the early 1990s, the aligning of aid with national priorities made a quantum leap in 2004 (the year after the Rome Declaration on Harmonization and just before the Paris Declaration), with the EFA Programme (2004-2009), the first programme implemented in SWAp modality in the country. All major DPs in the sector decided to pool their resources in support of EFA. Even non-pooling DPs (e.g., JICA, UNICEF, USAID) worked within the overall sector wide framework, and activities supported by them were aligned with sector strategies and priorities. However, their support did not use the national system.

The School Sector Reform Programme (SSR) (2009-2015) is the follow-up programme to EFA and the number of pooling DPs in SSR has increased significantly. The new pooling partners are ADB, AUSAID, EC and UNICEF. At present SSR is supported by 9 DPs who are pooling partners and 5 who are non-pooling partner but within the SWAp framework. All major DPs supporting the education sector have now come under SWAp framework. All education officials and several DP representatives interviewed for this study attributed it to the influence of Paris Declaration.

Although the pooling DPs in the education sector are using the country financial management system they are still using World Bank procurement systems. This is in spite of the modification of Nepal's procurement law in accordance with accepted international practices. The DPs, however, still see problems with the new procurement law.

As with most of the programmes in Nepal, the education sector programmes, both EFA and SSR, have given significant attention to capacity building of the education system. Given this continued support for capacity building and the fact that education sector is managed by the education service cadres who spend their career in the education sector, the institutional capacity within education may be considered comparatively stronger. This is indicated by the sector's ability to develop its own programme and provide relatively able leadership in DP coordination. However, frequent changes in the political leadership of the sector (5 ministers in 4 years) and the ensuing personnel changes have hindered improvements in institutional

capacity. Similarly, education sector officials and DPs complain that the political leadership's focus on educational development issues is lacking. The short tenures of education ministers do not encourage them to focus on development issues which are long-term.

### **3. Building More Inclusive and Effective Partnership for Development**

#### ***Harmonization***

As all DPs supporting the education sector work within the SWAp framework there is virtually no duplication of DP support. The Paris Declaration has helped bring even International Non Government Organisation (INGO) supported activities within the SWAp framework. There is also evidence of increased use of comparative advantages of specific DPs. For instance the World Bank has been entrusted to lead on fiduciary management and procurement issues, and UNICEF and USAID on early childhood development activities. Similarly, the DPs now field joint missions and analytical work. This has substantially reduced transaction costs according to education officials. However some DP officials indicated that working in a SWAp modality entails greater transactions cost on their part.

The DP support in this sector is far ahead in setting the example of 'silent partnerships'. Aside from specific activity leadership (e.g., World Bank in fiduciary management), the practice of each DP taking the role of 'focal point' on a rotating basis is used. During the period of their role as 'focal point' the specific DP acts on behalf of the rest of the DPs. Similarly, several pooling DPs (e.g., AusAid, Norway) in this sector put resources into the sector but depend largely on the lead DPs or the 'focal point' for issues pertaining to the programme (so called 'silent partnerships').

The sector has also witnessed reduced fragmentation in terms of the number of projects or funding arrangements. Similarly, except for some donors, most of the aid in education sector is untied as they follow World Bank procurement processes. Education officials and DPs give credit to the Paris Declaration for this kind of change.

As most of the DPs in this sector are following the same arrangement for planning, funding, disbursement, monitoring, and evaluating and reporting it has become much simpler for the MOE officials both at the centre and district levels. An accounts officer of a District Education Office said the budget process has now become much simpler. Earlier he had to prepare separate account reports for different DPs.

However, the education sector has experienced unintended negative side effects from the SWAp modality. Currently (September 2010), the DP fund flow to the education sector is on hold because the audit report pointed out anomalies in expenditure in schools in some districts. Instead of withholding just those amounts to those schools, the whole grant amount has been put on hold, adversely affecting the activities of the entire programme. The sector as a whole is suffering. The education officials also saw a positive aspect of this problem. They felt this modality of funding has forced the whole system to be much more accountable.

The issues of aid predictability and multi-year commitment on aid flows to the sector are not seen as significant by both MOE officials and DPs. The SSR includes the indicative flow of aid from DPs for the entire programme period and the share that each DP is committed to. Educational officials indicated that although an individual DP may fall short of its committed amount in a particular year other DPs make up for it. However, DPs do meet their overall commitment over the programme period.

When it comes to conditionalities for aid, education officials interviewed felt that the multi-lateral agencies, mostly the financial ones, are much more imposing. They even cited

instances in which they had to mobilize Scandinavian bilateral agencies to intervene on Nepal's behalf to persuade these multi-lateral agencies to remove or relax their conditionalities. The education officials indicated that although the conditionalities are discussed and transparently applied, the multi-lateral agencies impose conditionalities which are sometimes politically untenable in the country's context. The education officials even commented that the Paris Declaration is not really internalized by the multi-lateral financial institutions and, in general, that their headquarters are much more rigid in their conditions.

### ***Managing for Development Results***

Nepal's capacity to plan, manage and implement results driven strategies has gradually improved over the years. This has been evident since the Tenth Plan (2002-2007), Nepal's PRSP, which first incorporated a results framework in planning. This process continues and there was additional impetus in this direction when ADB began supporting Managing for Development Results (MfDR) efforts in 2006, right after the Paris Declaration. The ADB is continuing to support this effort and is currently supporting the National Planning Commission (NPC) to get MfDR fully internalized in the system.

The education sector is particularly ahead in the MfDR initiative which dates back to the 1990s when the Basic and Primary Education Master Plan was developed and implemented. The process is much more refined now. The Education Management Information System (EMIS) of the sector provides information on education results annually to track progress and make educator sector programme results more focussed. The EMIS has, however, in-built biases that need rectification. It is based on school reported data and, as schools are funded on the basis of number of students (per capita funding) and staffed also on the same basis, they have inherent bias to inflate number of students. Given the weak monitoring in the education sector on account of insecurity in the field the school data are seldom verified.

## **4. Delivering and Accounting for Development Results**

Availability of comprehensive information on aid flows to the sector is still a problem. Despite several efforts in the course of this study it was difficult to get a clear picture of which DP was providing how much annually. The problem is that of aid data management information systems. Although there are some efforts in this direction it is yet to be operational. Accordingly, the public do not have easy access to information on aid flows to the sector. Much needs to be done in this respect.

The information on public financial management, on the other hand, is much more transparent. The MOF annually brings out the annual economic survey which includes detailed information on public finance. The MOF practice of posting this information in its website makes them much more accessible to public. Taking advantage of ICT, there are efforts towards gradual improvement in transparency of government financial information.

Despite increasing transparency in financial information there is a general perception in Nepal that the level of corruption is increasing. This is also corroborated by the results of responses to the questions in the structured questionnaire. The responses indicated that DPs have a greater perception of increasing level of corruption than Nepalese government officials. This is not unexpected.

The education sector is no exception to rising levels of corruption in Nepal. Recently an education minister had to be recalled by his party as he had allegedly gone beyond his authority in the appointment of relief quota teachers for schools.

Text-book printing is another area in the education sector which is often on the news because of alleged corruption. There is not much evidence of improvement on the issue of corruption. This may be attributed to lack of political commitment to tackle corruption. The on-going political instability in the country, resulting in frequent changes in the government, is mainly responsible for lack of political will to combat corruption.

## **5. Conclusions on the Effects of Paris Declaration Implementation**

### ***Efficiency of Aid Delivery***

Both government officials and DPs agree that the education sector is the most advanced sector in Nepal as far as the implementation of Paris Declaration principles is concerned. However, it must be noted that the process of implementation of these principles predates the Paris Declaration. In the words of a DP official, the education sector is a shining example of Paris Declaration principle implementation and could serve as a model for other sectors. Because of the advanced stage of harmonization, the duplication of aid effort in the sector is minimal and aid flows are much smoother because the national financial system is being followed by 9 pooling DPs which account for more than 95 percent of total DP assistance to the sector programme.

The aid in the education sector has also been effective in making the education sector more inclusive. There have been significant improvements in the participation of marginalized groups (Dalits Women, Madhesis, Indigenous groups, Muslims, etc.) in the education sector and the overall improvement in education MDG outcome indicators are evidence of the effectiveness of aid in the education sector.

### ***Management and Use of Aid***

Although not directly attributable to the Paris Declaration, the management of aid and its use has substantially improved over the years because of better alignment and harmonization. Most of the DP officials interviewed cited the education sector as an example of good aid management and its effective use.

### ***Partnership***

This sector again provides an example of a more inclusive partnership between government and DPs as well as among DPs themselves. However, the progress is not necessarily a post-Paris Declaration phenomenon.

### ***Unintended Consequences***

There are no specific instances of unintended consequence of the implementation of the Paris Declaration principles in the education sector. By and large the effects have been as intended.

### ***Alternatives for Achieving Aid Effectiveness***

There is only one non-Paris Declaration DP in the sector. It is the general view of the government officials (both sector and aid coordination) that the assistance modality of this particular non-Paris Declaration DP is contrary to the general aid policy of the government and may not be the most effective approach to support in the sector.

# ANNEX 6:

## HEALTH SECTOR

### 1. Sector Context

Nepal has made significant progress in the health sector over the past decade. Life expectancy, infant/child mortality, and maternal mortality show gradual improvement. The targets for child and maternal mortality reduction were met or exceeded and Nepal is on track to achieve MDG 4 and MDG 5. However there are still large inequalities in health outputs and outcomes across geographic regions and socioeconomic groups.

**Table A6.1: Health Outcomes**

MDG/Impact Indicator	Achievement			Target	
	2001	2006	2009	2010-11	2015
Maternal Mortality Ratio	415	281	229	250	134
Total Fertility Rate	4.1	3.1	2.9	3.0	2.5
CPR (modern methods)	35	44	45.1	48	55
Under-five Mortality Rate	91	61	50	55	38
Infant Mortality Rate	64	48	41	44	32
Neonatal Mortality Rate	43	33	20	30	16
% of underweight children	48.3	38.6	39.7	34	29

Source: NHSP II

The Interim Constitution of Nepal, 2007 has established basic health as the fundamental right of every citizen. Key policies developed by the Ministry of Health and Population (MOHP) after 2005 are the Targeted Free Care Policy, Free Delivery Care Policy, Safety Net for the Poor and Skilled Birth Attendant Policy.

A Sector Wide Approach (SWAp) has been followed in the health sector from 2004/05 with the formulation of the Nepal Health Sector Programme – Implementation Plan 2004-2010 (NHSP-IP). Initially funded by two pooled partners in 2004/05 (DFID and World Bank), it increased to four in 2010 (DFID, WB, AUSAID and GAVI). In 2010, the non-pooled partners in the health sector are GLOBAL FUND, Germany, IDA (Viral Influenza), Japan, USAID, Netherlands, Norway, Switzerland, UNFPA, UNICEF, WHO and DFID who finance separate programmes in addition to their pooled support.

The size of the health budget increased markedly from NPR 5 billion in 2003/04 to 17.84 billion in 2009/10. The share, as well as the volume of the health budget, increased substantially after the introduction of the NHSP IP in 2004/05. The budget has more than tripled in the last six years.

Expenditure in health remains low at 5.3% of GDP (per capita it was USD18.09 in 2006). Over 55% (USD9) of all health expenditure is out-of-pocket expenditure by households. DPs finance nearly half of Government spending on health, and the substantial gains achieved in reducing child and maternal mortality will not be sustained without continued external support. The free health care policy implemented by the Government of Nepal (GON) from

2007 will demand additional ODA and revenue from taxes and other sources in order to achieve long-term sustainability and ensure universal coverage for health services.

### ***Changes Since 2005***

The evaluation identified the following changes in the sector since 2005:

- Resource gaps for GON's pro-poor health policies implementation has increased relevance and application of the aid effectiveness principles in the health sector.
- Almost all respondents from the government interviewed indicated that Paris Declaration principles have been applied since 2005 in the health sector. Most of the DPs said they follow Paris Declaration principles in their aid management.
- There is a marginal improvement in the use of country system because of the increased number of pooled partners from two to four.

## **2. Country ownership over development**

### ***Ownership***

Policy Planning and International Cooperation Division (PPICD) of MOHP is responsible for coordination and overall management of foreign aid in the health sector. Foreign aid is channelled through MOHP. Since 2005, a Health Sector DP Forum, chaired by the Health Secretary/MOHP has been functional. It meets quarterly and facilitates formal dialogue between the ministry and the DPs. Representatives from the private sector and Civil Society Organisations (CSOs) also attend meetings as per need. However, over the last two years meetings of the forum have been irregular.

Most respondents interviewed stated that leadership in the health sector is too weak to take ownership of the health sector development interventions. However, there was an indication that there had been some improvements in the coordination of aid from the MOHP after 2005 and that the frequency of formal and informal coordination had increased.

The MOHP has national strategies and operational frameworks for the health sector and NHSP-IP (2004-10) and NHSP II (2010-15) are integral to the national strategy. The Three-year Interim Plan (TYIP) guides the health sector plan and results are defined and linked to the Medium Term Expenditure Framework (MTEF). Results-oriented strategic priorities are set in the NHSP II and there has been some improvement in the formulation and implementation of clear and result-oriented strategies in the health sector since 2005.

Health sector programmes and budgets are endorsed by parliament annually. The Ministerial progress report is submitted by MOHP to the parliament through the Ministry of Finance at the end of the fiscal year. There is some improvement in the health sector in this regard after 2005. However, there is no parliamentary mechanism for monitoring and scrutiny through parliamentary processes of progress within the sector.

Government respondents indicated that there was limited consultation prior to 2003 within the public sector. Consultation increased during the preparation of NHSP-IP and, after 2005, it intensified for the preparation of health sector policies and strategies. While MOHP conducted regional and national level workshops, which included stakeholders from district, region and national level, while formulating NHSP II, legitimate/mandated consultation mechanisms have not been worked out and stakeholder consultation is only done as per need. Some DPs interviewed suggested that consultation with the stakeholders is still weak. Overall, there has been little improvement in consultation mechanisms since 2005.

### ***Alignment***

Many government respondents said that DP support continues to be driven to a large extent by the policies and preferences of the individual agencies. DPs support the Government's health strategy in a general sense, but they tend to take the initiative on what to support themselves rather than responding to where the financing gaps are within the existing strategy. Currently the health sector has limited ability to track DP aid flows and judge whether ODA is indeed aligned with health sector needs.

There is some improvement on alignment of the DPs with health sector policy and strategies and aid flows are increasingly aligned to national priorities. However, alignment with the government's institutional system is yet to be seen.

The pooled fund represents less than half of DP expenditure in the health sector. Non-pooled DPs make little use of GON systems and even pooled funding imposes procurement and financial management requirements beyond Government systems. However, respondents from the government suggested that the imposition of procurement and financial management will strengthen management in these areas.

Programme Implementation Units (PIUs) decreased after the adoption of a SWAp in the health sector. However, in 2008/09 a separate PIU was established for the National TB control programme under the Global Fund. Respondents considered this approach as parallel to, and hence non-aligned with, the government system.

Some DPs that are not using the country system showed their concerns towards less capacity of the MOHP and increasing fiduciary risks in the health sector. Some of them said it is not under their control, they have to depend on the HQs policies. Overall, there is little improvement in the increased use of country system and procedures in the health sector.

DPs have provided support for capacity building through the inclusion of capacity building components in all projects/programmes and the capacity development action plan for the next three years on the basis of capacity gaps (MOF/UNDP, January 2010) identifies continuing capacity building needs in human resources, coordination, leadership and accountability. However, transfer of staff has affected the use of inputs gained from the capacity building programmes and overall the capacity of the Ministry of Health and Population is weak suggesting that capacity building has not supported improvements in health sector management.

## **3. Building more inclusive and effective partnerships for development**

### ***Harmonisation***

There is no evidence of the use of comparative advantage of DPs in the health sector and the system of formal division of labour among DPs does not exist. In addition, the lead donor concept is not evident in the health sector though the chair of the 'Health Sector External DPs Nepal' acts as a focal point for the DPs during discussion and dialogue with GoN.

In the last five years, the number of projects has decreased in the health sector because of SWAp and the adoption of a programmatic approach by DPs. Tying of aid in the health sector has also decreased since the SWAp though the practice of tying aid still exists with the non-ODA and some new DPs. There are, however, no specific examples of reforms/simplifications by DPs in the sector.

DPs have agreed to use the common arrangement or procedure at the MOHP. The Joint Annual Review (JAR), in which all DPs participation indicates a harmonized approach to review. However, most of those interviewed suggested that harmonisation is not practiced in

the health sector as per the spirit of the Paris Declaration. There has been little improvement in harmonisation since 2005.

Most respondents stated that efforts are underway to improve multi-year commitments on aid flows. Prior to programme and budget preparation every year MOHP requests DPs to provide such commitments. However, DPs supporting the health sector have only committed to provide indications for the following financial year by end of March; the budget year starts from July. There has been little improvement in predictable and multi-year commitments on aid flows since 2005.

Joint assessments are carried out twice a year in the sector. One focused on reviewing performance in the previous year, but also aims to inform the coming budget and annual plan preparation by providing indications of future funding. A second assessment focuses more on discussion of the annual work plan and budget for the coming year. There is some improvement in the health sector in this regard.

The Global Fund and GAVI both provide support to the health sector, though respondents felt that the global programmes, e.g. Global Fund and GAVI, have not strengthened Nepal's health policies and institutions. However, at district level, mechanisms created by global programmes, such as District Aids Coordination Committee (DACC), were helping coordination. That, GAVI, has shown willingness to sign a Joint Financing Agreement (JFA) indicates its commitment to the country system.

A new health initiative 'International Health Partnership (IHP)' has been launched in Nepal from September 2007. "Nepal Health Partnership Compact" was signed in February 2009 by MOHP and eight health sector DPs and it further commits to strengthen the SWAp in health sector.

Ministerial Leadership Initiative for Global Health (MLI) selected Nepal to participate in the technical and leadership support program in 2008. MLI initiated support in the form of TA to advance health reform agenda in Nepal and foster equity and equality in the delivery of essential health care services in 2008.

Of all these global initiatives it is only GAVI that is working through the government system.

### **Managing for Development Results**

The logical framework of the NHSP-IP outlines outcomes and results with measurable indicators. Formulation and implementation of the results framework started in 2004/05. The Mid-term Review of the NHSP-IP was carried out in November 2007. After that, the common results framework of NHSP-IP was revisited to make more realistic and better attuned to the Ministry's capacity. However, the framework is not used as a common results-oriented reporting and assessment system. The HMIS has been helpful to measure attainment of results and outcome and the Health Sector Gender Equality and Social Inclusion Strategy, implemented from December 2009, provides a further tool against which to measure results.

Government and pooled DPs interviewed stated that DPs' programmes and resources are linked to health sector results. Non-pooled DPs also affirmed that their programmes and resources are linked to results because design and implementation of their programmes can be easily linked with the health sector results-framework and strategies. There is substantial improvement in this regard.

Most of the government respondents stated that basic capacity is there in health sector to plan manage and implement a results-driven strategy but it needs to be regularly refreshed and updated. However, most of the DPs opined that the level of capacity in government institutions to plan, manage and implement results-driven strategy is weak.

MOHP formulated the NHSP II on its own initiative indicating basic capacity for such functions. However there has been little improvement in the country's capacity to plan manage and implement results-driven strategies since 2005.

Most of the interview respondents stated that results are well defined in the health sector strategies. There is a substantial improvement in the design of results-framework in the health sector. Overall, however, results-based management is weak although the issue has been given high-level attention and efforts are underway to address shortfalls.

#### **4. Delivering and accounting for development results**

Capacity building of the Health Facility Management Committee has strengthened accountability at the local level. However, downward accountability is minimal in the health sector with institutional service delivery deteriorating in recent years. For example, coverage of first Anti Natal Clinic (ANC) visit as a percentage of expected pregnancies decreased, from 73% in 2005/06 to 68% in 2007/08 (HMIS, 2008). Mutually accountability is not applied well in the health as per the spirit of the Paris Declaration and there has been little improvement in the accountability of country and DPs since 2005.

Although most of the government respondents claimed improvements in the financial management after 2005, many DP respondents stated financial management as one of the weaknesses. Progress against the financial management action plan has been reviewed in the JAR since 2007 and it appears to be slow. Problems in financial management include slow disbursement, lower than desirable efficiency and effectiveness in budget implementation, and a generally weak control environment because of the political transition. Overall there is little improvement in the transparency in public financial management plan in the health sector.

#### **5. Conclusions on the effects of Paris Declaration implementation**

##### ***Efficiency of aid delivery to the sector***

There has been limited progress in implementing the Principles of the Paris Declaration in the Health Sector though there is some evidence that increased ownership, alignment and results-based management in the health sector has improved delivery of aid.

The number of DPs giving pooled funding has doubled and the amount of pooled funding has increased but there are still a large number of projects and programmes funded by individual DPs including global initiatives, like GAVI and the Global Fund. In some areas there have been attempts to streamline efforts, for example, from 2004/05, the separate district level projects for Family Planning/Mother and Child Health, control of diarrheal disease and ARI, nutrition, EPI, construction and supervision have been merged into a single integrated district development programme. In addition there has been some decentralization of resources to the districts which has improved efficiency.

Transaction costs of the MOHP reduced after the introduction of the SWAp because of joint reviews and assessments. Before the SWAp it was done separately. However, the transaction costs of DPs increased after the SWAp because division of labour and burden sharing among DPs had not been in practice. In addition, aid fragmentation has reduced after the adoption of the SWAp

Whilst the volume of aid has increased the DPs' contribution in the health budget has shown little variation i.e. 50.8% in 2000/01, 41.2% in 2004/05 and 49.8% in 2008/09. Budget implementation steadily improved after the SWAp, with an increased focus on overcoming bottlenecks. It has increased absorptive capacity of the MOHP from 67.7% in 2003/04 to 84% in 2008/09.

Since 2007/08 some innovative financing schemes, such as demand-side financing for safe delivery service, have been introduced. Choice was given to clients to receive delivery services from state or non state providers, whereas in the past, incentives were only given to women at government facilities.

However, political instability and interferences; high staff turnover and key positions lying vacant for long period; impunity emerged from weak and reluctant enforcement of financial rules and regulation; weak internal auditing and lack of coordination between internal audit and final audit; and weak financial management information system and reluctance in sharing data are major constraints towards aid delivery in the health sector. The delivery of aid has also been affected by emerging new regional and ethnic armed forces with the number of kidnappings, disappearances, and abducted persons increasing in recent years.

### ***Management and the use of aid***

There has been some improvement in the aid management in the health sector but there is still a significant way to go. MOHP has taken a lead in the development of health policies and strategies. DPs have backed-up the ministry's priorities and provided support for capacity building but this has not resulted in significant capacity being built. DPs have also increasingly aligned with the government's policy and strategies.

Aid coordination mechanisms are in place and GoN and DPs discuss aid performance and take corrective measures. However, there is no division of labour between DPs and no 'lead donor' concept in the health sector, rather the chair of the working group acts as spokesperson in dialogue with the government. Annual programmes are linked with defined health sector results and outcomes. Joint reviews of annual programme implementation have helped improve aid management.

The HMIS is used to disaggregate data by major ethnicity and castes to assess the benefits of public health expenditure. Information based management practices have been initiated in the health sector.

MOHP has placed more focus on pro-poor policy after 2005. The free health care policy introduced by MOHP in 2006 targets the poor, the marginalized and the destitute to increase their access to and utilization of health care services. Pressure and lobbying of interest groups and CSOs has forced this improvement in aid management.

NHSP II has defined the role of the private sector and CSOs in the health sector. The participation of private organisations and NGOs has increased in the course of joint annual planning and monitoring. Some health services have also been delivered through the private sector since 2005. For example, the safe delivery incentive scheme, integrated management of childhood illness, safe motherhood, and family planning services are available in all registered private facilities.

### ***Partnership***

There is some evidence of improved partnerships in the sector. The external DP forum functions and coordinates with the government over progress in the health sector. However, the partnership is constrained by weak political leadership and ownership of development plans. MOHP has not provided a clear view on DPs' comparative advantage and has not worked out measures to achieve DPs' complementarity.

There is some concern that the level of trust between DPs and government has been reduced because of increased fiduciary risks in the health sector.

### *Unintended consequences*

There is some debate in the health sector as to whether transaction costs have been kept down by the application of the Paris Principles. It would appear that in the case of DPs transaction costs have actually increased, though this may be due to the lack of division of labour and burden sharing.

### *Alternatives for Achieving Aid Effectiveness*

The only alternative modalities in the sector are those introduced by the various global initiatives. In some cases these have been parallel and at times contradictory to the Paris Principles and have not been viewed as viable alternatives for achieving aid effectiveness in health.

# ANNEX 7:

## DISTRICT VISIT FINDINGS

### 1. Context

In the course of the evaluation, two districts, Banke and Dadeldhura, were visited by the evaluation team. Banke is one of the Terai (Southern Plain) districts in the Mid-Western Development Region. Nepalgunj is the district headquarters and the regional hub for this region. Hence, many regional offices, including those of DPs, are located there. Dadeldhura is a hill district in the Far-Western Development Region. The regional offices of several DP agencies and INGOs are located there, e.g. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), World Food Programme (WFP), United National Population Fund (UNFPA), UNDP, Oxfam and Care Nepal.

Both Banke and Dadeldhura are considered as underdeveloped districts. They are located in the regions of Nepal which are priority areas for DP support. Accordingly, many of the national projects/programmes implemented with DP support are active in these two regions.

The main purpose of the field visit was to observe changes in the district and the operation of both GoN and DP assisted activities at the district and village level. Although no specific programmes /projects were visited, the field team interviewed a wide range of district and village level officials, implementing agencies, NGOs and civil society representatives. During the field visit four Focus Group Discussions were conducted in Banke and three in Dadeldhura in which Paris Declaration related issues were discussed.

The Local Self Governance Act (LSGA) of 1999 devolved significant authority to locally elected bodies (District Development Committees, Municipalities and Village Development Committees) for planning, resourcing and implementing services and developmental activities. Under the broad policy guidance of the respective central agencies, local bodies were empowered to plan and implement sector activities according to local needs. After promulgation of the LSGA the devolution process progressed, albeit slowly. However, since 2002 when the tenure of those first elected to the local bodies expired no elections have been held. As a result, services at local level are being managed by local government officials. After the People's Movement in 2006 all party committees were set up at local level to address local issues and oversee development and service delivery. These are composed of nominees from the various political parties who are not locally elected. It was generally felt by most of those interviewed that the absence of elected local bodies adversely affects accountability to citizens.

### 2. Local Ownership in Development

#### Ownership

Participation of local stakeholders has substantially increased. Communities have shown ownership and led local programmes, particularly in the education and health sectors. However, due to the absence of elected local bodies, overall leadership and coordination is weak. The problem is further compounded by insecurity and frequent transfer of civil servants who manage the local delivery of services in the absence of locally elected officials.

Several basic services are being delivered through community level organisations such as school management committees, health facility management committees, forestry user groups, water user groups etc. Most FGD participants and respondents interviewed at the

district level felt that these community level organisations have, in general, been able to continue or even improve services. However, the participants argued that 'community ownership' was not sustainable without secure funding.

### **Alignment**

Most districts in Nepal developed District Periodic Plans in the early 2000s which reflected district level development strategies and priority sectors and activities. Unfortunately, these plans have not been updated to reflect the current realities of the districts. As a result, the districts currently lack specific local strategies to guide their own activities and those provided through DP support at the local level. Nonetheless, it was felt in the districts that activities being supported by DPs and INGOs are generally in line with the needs of the people in the district. The level of direct implementation by DPs has become significant. Whilst the relevant local bodies are informed, and in many cases endorse these activities, they are not always well aligned with the districts own systems and services. There is also concern at the local level over the long term sustainability of these activities.

## **3. Building More Inclusive and Effective Partnership for Development**

### **Harmonisation**

DP supported activities at the district level are in the areas of their comparative advantage. For instance, UNICEF supported activities focus on ensuring child rights and WFP supported programmes on addressing food emergencies and improving food security. However the operational modalities of the DPs differ from one another and reportedly often create confusion and misunderstandings at the local level.

Whilst respondents felt that duplication of DP supported activities was absent in most areas, they considered that there was significant duplication of effort in two specific areas, HIV AIDS and social mobilization.

### **Managing for Development Results**

Generally there is increased awareness regarding defining results of development activities. However, it was reported that there is very weak follow up to assess results and no disaggregated data available to measure results. FGD participants felt that DP supported activities are now quite results focused. This is especially the case with new DP supported programmes. Activities delivered through some line agencies were felt to be more results oriented (e.g. health, education) than others. Most line agencies, however, do not follow results-based management or logframes at the local level.

The FGD participants also perceived that outcomes and results monitoring are not in practice because of lack of defined outcomes and outputs indicators in the development project/programmes funded by the government. Process monitoring is also weak.

## **4. Delivering and Accounting for Development Results**

People at the local levels are more aware of transparency and accountability. They consider that line agencies and DPs have become relatively more transparent. In the case of INGOs, however, there was a general perception that they are less transparent.

It was also pointed out that the level of corruption has increased in recent years because of the absence of elected local bodies. Although there is an all party committee at the local level they tend to be accountable to their parties and not to the people. FGD participants were deeply critical of these local committees, citing evidence of corruption.

## **5. Conclusions on the Effects of PD Implementation at the District Level**

Generally, people interviewed, were not found to be aware of the Paris Declaration as such. However, local level officials and civil society and DP representatives were aware about issues of ownership, alignment, DP harmonization, results and accountability. There was a general concern about aid effectiveness.

### **Efficiency of Aid Delivery**

There was a general consensus at the local level that aid delivery is not efficient. Some changes have been observed, such as an increased focus on results, but, by and large, local perception was that there has been little change in aid modality and delivery.

### **Management and Use of Aid**

The general perception at the district level was that only a small proportion of aid flows to the district level. Even the amount of aid which comes to the district is spent in line with centrally decided policies and plans. Increasing levels of corruption have further eroded the effectiveness of aid.

### **Partnership**

Aid coordination mechanisms do not exist at the district level, and this has resulted in weak partnerships at local level. However, a Regional Health Coordination Team has been recently formed and is functional in the Mid-western Region. The FGD participants felt that many DPs implement their project/programme activities through INGOs and NGOs at the district level in parallel to the local system.

# ANNEX 8: NATIONAL REFERENCE GROUP AND NATIONAL EVALUATION TEAM

## National Reference Group Members

Name, Position and Agency	Role on NRG
Mr. Rameshore Prasad Khanal, Finance Secretary	Chairperson
Mr. Lal Shanker Ghimire, Joint Secretary, FACD, MoF	National Evaluation Coordinator
Mr. Dinesh Kumar Thapaliya, Joint Secretary, MoLD	Member
Mr. Lava Deo Awasthi, Joint Secretary, MOE	Member
Mr. Tilak M. S. Bhandari, Under Secretary, FACD	Member
Mr. Bhuban Karki, Under Secretary, FACD	Member
Mr. Kailash Pokharel, Under Secretary, FACD	Member
Mr. Narayan Dhakal, Section Officer, FACD	Member
Mr. Arjun Bhattarai, Central Member, NFN	Member
Ms. Anjaly Tamang Bista, Head, CDU Team, DFID	Member
Mr. Ed Doe, Counsellor (Dev.), CIDA	Member
Ms. Susan G Goldmark, Country Director, WB	Member
Ms. Tina Kimes, Sr. Operations Officer, WB	Member
Mr. Barry Hitchcock, Country Director, ADB	Member
Mr. Kishore K.C., Program Specialist, USAID	Member
Ms. Sandra Minkel, Controller, USAID	Member
Mr. Sharad Neupane, ARR, UNDP	Member
Mr. Noriaki Niwa, Country Representative, JICA	Member
Mr. Giap Dang, Cooperation Head, EC/EU	Member
Ms. Camilla Rossak, Counsellor, Norway	Member
Mr. Ove Fritz Larsen, Minister Counsellor, Denmark	Member
Mr. Udo Weber, Counsellor, Germany	Member
Mr. Asami Nakabai, Third Secretary, Japan	Member

### National Evaluation Team and Donor Focal Points

Name	Organisation
Mr. Lal Shanker Ghimire	National Evaluation Coordinator, Joint Secretary, Ministry of Finance (MoF)
Mr. Tilak Man Singh Bhandari	Foreign Aid Coordination Division (FACD), MoF
Mr. Bhuban Karki	FACD, MoF
Mr. Kailash Pokharel	FACD, MoF
Mr. Narayan Dhakal	FACD, MoF
Mr. Arjun Bhattarai	NGO Federation of Nepal (Civil Society)
Mr. Sharad Neupane	UNDP (Donor Focal Point)
Ms. Anjaly Tamang Bista	DFID (Donor Focal Point)
Ms. Tina Kimes	World Bank (Donor Focal Point)
Mr. Paolo Spantigati	ADB (Donor Focal Point)
Mr. Paul Thornton	International Consultant (Policy Expert and Team Leader)
Dr. Bal Gopal Baidya	National Consultant (Education Expert)
Mr. Kapil Dev Ghimire	National Consultant (Health Expert)
Mr. Purushottam Manandhar	Data Analyst