Evaluation of the Commission of the European Union’s Co-operation with Nepal

Country Level Evaluation

Final Report

Volume 1 – Main Report

March 2012

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Multi-country thematic and regional/country-
level strategy evaluation studies and syn-
thesis in the area of external co-operation

LOT 4:
Evaluation of EC geographic co-operation strategies
for countries/regions in Asia, Latin America, the
Southern Mediterranean and Eastern Europe (the
area of the New Neighbourhood Policy)

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Evaluation of the Commission of the
European Union’s co-operation with
Nepal
(Country Level Evaluation)

Final Report
Volume I

This evaluation is being carried out by

March 2012
This report has been prepared by the consortium led by DRN, with Particip, ADE, ODI, ICEI, EIAS and DIE.

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The evaluation is being managed by the Evaluation Unit of DG DEVCO.

The author accepts sole responsibility for this report, drawn up on behalf of the Commission of the European Union. The report does not necessarily reflect the views of the Commission.
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<td>AEPC</td>
<td>Alternative Energy Promotion Centre</td>
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<td>ALA</td>
<td>Asia-Latin America</td>
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<td>APP</td>
<td>Agricultural Perspective Plan</td>
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<td>AsDF</td>
<td>Asian Development Fund</td>
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<td>AusAID</td>
<td>Australian Agency for International Development</td>
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<td>BIMSEC</td>
<td>Bay of Bengal Initiatives for Multi-Sectoral Economic Co-operation</td>
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<td>BPEP</td>
<td>Basic and Primary Education Programme</td>
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<td>Budget Support</td>
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<td>CA</td>
<td>Constituent Assembly</td>
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<td>CBS</td>
<td>Central Bureau of Statistics</td>
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<td>CCI</td>
<td>Cross-Cutting Issues</td>
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<td>CESP</td>
<td>Community Energy Service Providers</td>
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<td>CMP</td>
<td>Conflict Mitigation Package</td>
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<td>COM</td>
<td>Communication from the European Commission (EC policy paper)</td>
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<td>COs</td>
<td>Community Organisations</td>
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<td>CPA</td>
<td>Comprehensive Peace Agreement</td>
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<td>CPN</td>
<td>Unified Communist Party of Nepal</td>
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<td>CSO</td>
<td>Civil Society Organisation</td>
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<td>CSP</td>
<td>Country Strategy Paper</td>
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<td>DANIDA</td>
<td>Danish International Development Agency</td>
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<td>DCI</td>
<td>Financing Instrument for Development Co-operation</td>
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<td>DDC</td>
<td>District Development Committee</td>
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<td>DEVCO</td>
<td>(Directorate General) Development and Cooperation - EuropeAid</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DFTQC</td>
<td>Department of Food technology and Quality Control</td>
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<td>DG</td>
<td>Directorate General</td>
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<td>DP</td>
<td>Development Partner</td>
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<td>EBA</td>
<td>Everything but Arms</td>
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<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ECD</td>
<td>Early Childhood Development</td>
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<td>ECHO</td>
<td>European Commission - Humanitarian Aid &amp; Civil Protection</td>
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<td>EDU</td>
<td>Education</td>
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<td>EFA</td>
<td>Education for All</td>
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<td>EIDHHR</td>
<td>European Instrument for Democracy and Human Rights</td>
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<td>EMIS</td>
<td>Education management information system</td>
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<td>ENV</td>
<td>Environment (EC thematic budget line)</td>
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<td>EOM</td>
<td>Election Observation Mission</td>
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<td>EQ</td>
<td>Evaluation question</td>
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<td>ESAP</td>
<td>Energy Sector Assistance Programme</td>
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<td>EU</td>
<td>European Union</td>
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<td>EU MS</td>
<td>European Union Member States</td>
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<td>EUD</td>
<td>Delegation of the European Union</td>
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<td>EUD-I</td>
<td>Delegation of the European Union to India</td>
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<td>EUD-N</td>
<td>Delegation of the European Union to Nepal</td>
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<td>EU-FF</td>
<td>EU Food Facility</td>
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<td>EUR</td>
<td>Euro</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation</td>
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<td>FINNIDA</td>
<td>Finnish International Development Agency</td>
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<td>FY</td>
<td>Financial Year</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GESI</td>
<td>Gender Equality and Social Inclusion</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>GIZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>GoN</td>
<td>Government of Nepal</td>
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<td>GSP</td>
<td>Generalised Scheme of Tariff Preferences</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>IFPRI</td>
<td>International Food Policy Research Institute</td>
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<tr>
<td>IL</td>
<td>Intervention logic</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>I-NGO</td>
<td>International Non-Governmental Organisation</td>
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<td>IO</td>
<td>International Organisation</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>JC</td>
<td>Judgment criteria</td>
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<td>JICA</td>
<td>Japanese Agency for International Co-operation</td>
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<td>KIRDARC</td>
<td>Karnali Integrated Rural Development and Research Centre</td>
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<td>LDC</td>
<td>Least Developed Countries</td>
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<tr>
<td>LGBTI</td>
<td>Lesbian, Gay, Bisexual, Transgender and Intersex</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MFN</td>
<td>Most Favoured Nation</td>
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<tr>
<td>MoAC</td>
<td>Ministry of Agriculture and Co-operatives</td>
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<td>MoC</td>
<td>Ministry of Commerce</td>
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<td>MoE</td>
<td>Ministry of Education</td>
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<td>MoJ</td>
<td>Ministry of Law and Justice</td>
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<td>Mol</td>
<td>Ministry of Industry</td>
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<td>MoWCSW</td>
<td>Ministry of Women, Children and Social Welfare</td>
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<td>MTEF</td>
<td>Medium-Term Expenditure Framework</td>
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<td>MW</td>
<td>Megawatt</td>
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<td>NBA</td>
<td>Nepal Bar Association</td>
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<td>NBSM</td>
<td>Nepal Bureau of Standards and Metrology</td>
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<td>NDC</td>
<td>National Dalit Commission</td>
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<td>NDF</td>
<td>Nepal Development Forum</td>
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<td>NER</td>
<td>Net Enrolment Ratio</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NGN</td>
<td>Naulo Ghumti Nepal</td>
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<td>NHRC</td>
<td>National Human Rights Commission</td>
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<td>NIP</td>
<td>National Indicative Plan</td>
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<td>NORAD</td>
<td>Norwegian Agency for Development Co-operation</td>
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<td>NSA</td>
<td>Non-State Actor</td>
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<td>NSA-LA</td>
<td>Non-State Actors and Local Authorities (EC thematic budget Line)</td>
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<td>NSA-PVD</td>
<td>Non-State Actors/ Pays en Voie de Développement (EC thematic budget Line)</td>
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<td>NTIS</td>
<td>Nepal Trade Integration Strategy</td>
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<td>OAG</td>
<td>Office of the Attorney-General</td>
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<td>OBC</td>
<td>Other Backward Communities</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OHCHR</td>
<td>Office of the High Commissioner for Human Rights</td>
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<td>PBCD</td>
<td>Peace Building and Consolidation of Democracy</td>
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<td>PPP</td>
<td>Purchasing Power Parity</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PTF</td>
<td>Project Task Force</td>
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<td>REP</td>
<td>Renewable Energy Project</td>
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<td>RET</td>
<td>Renewable Energy Technologies</td>
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<td>RG</td>
<td>Reference Group</td>
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<td>RRN</td>
<td>Rural Reconstruction Nepal</td>
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<td>ROM</td>
<td>Results-Oriented Monitoring</td>
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<td>SAFTA</td>
<td>South Asia Free Trade Area</td>
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<td>SBS</td>
<td>Sector Budget Support</td>
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<td>Sikta</td>
<td>Strengthening Rural Development and Governance Project</td>
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</table>
Note: The Evaluation uses the common acronym “EC” to refer to either the “Commission of the European Union” (post-Lisbon Treaty) or the “European Commission” (pre-Lisbon Treaty), as applicable.
Executive summary

Objective of the evaluation

The main objectives of the evaluation are: (i) to be accountable and to provide the relevant external co-operation services of the EC\(^1\) and the wider public with an overall independent assessment of the EC’s past and current co-operation relations with Nepal; and (ii) to identify key lessons in order to improve the current and future strategies and programmes of the EC.

The evaluation covers aid delivery over the period 2002-2010 and mainly corresponds to the 2002-2006 strategic cycle (Country Strategy Paper) and the first National Indicative Plan of the 2007-2013 cycle. The evaluation is forward-looking and has paid specific attention to the following areas of co-operation: Support to Nepal’s poverty reduction strategy, particularly in (i) Education, (ii) Rural Development, (iii) Renewable Energy and the Environment, (iv) Peace Building and Consolidation of Democracy, and (v) Trade facilitation and integration in the international economy.

Methodology

The design and methodology for this evaluation are based upon the official published methodological guidelines of the DG DEVCO Evaluation Unit. The evaluation was conducted in four phases (structuring phase, desk study, field work and synthesis phase). Each intermediate output was discussed with a Reference Group before formal approval by the Evaluation Unit. Nine Evaluation Questions were formulated following a structured process based on the reconstruction of the EC’s intervention logic in Nepal. For each evaluation question a number of Judgement Criteria and Indicators were defined that guided the data collection and analysis.

The evaluation team collected selected primary data, in particular during the field work, to complement and cross-check secondary quantitative and qualitative data obtained and analysed during the desk phase\(^2\). Except in the areas of social inclusion and human rights where an illustrative sample of 20 projects was selected, the evaluation team reviewed all the interventions of the EC portfolio. In addition to site observations in 12 districts and four development regions, the evaluation team interviewed, individually or in group discussions, over 150 persons covering a wide range of stakeholders both at central and local level. During the synthesis phase, the evaluation team deepened the analysis of the information collected in previous phases and drafted complete answers to the evaluation questions. Based on the findings and answers to the evaluation questions global and specific conclusions and recommendations were drawn. The various methods and techniques used ensured a high level of data reliability and validity of conclusions.

Country context

Nepal is pursuing a peace process, along with the drafting of a new constitution, following its emergence from a decade-long internal conflict. In February 1996, the Maoists launched an insurgency against the government. In February 2005, the King disbanded the parliament and took absolute power. In April 2006, the House of Representatives was eventually reinstated. The Maoists joined in the House of Representatives and the cabinet after the November 2006 peace accord, and the Constituent Assembly elections were subsequently held on 10 April 2008. The Comprehensive Peace Agreement and the Constituent Assembly processes offered a significant opening for political transformation in Nepal.

In 2008, the monarchy came to an end and the Federal Democratic Republic of Nepal was formed. Nepal has had a caretaker government since June 2010, and the Constituent Assembly

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\(^1\) The Evaluation uses the common acronym “EC” to refer to either the “Commission of the European Union” (post-Lisbon Treaty) or the “European Commission” (pre-Lisbon Treaty), as applicable.

\(^2\) More than 900 documents were reviewed during the desk phase including: documents on the national context, the strategies of the various development partners, EC project documentation such as financing agreements, progress reports, evaluation and monitoring reports, etc. In particular, the evaluation team analysed the scoring of 54 EC Results-Oriented Monitoring (ROM) reports and reviewed the detailed information included in these reports in approximately half of the cases.
elected a new Prime Minister until the approval of the new Constitution, which has not yet been concluded. Although the current stalemate in the drafting of a new constitution is undermining public security and sapping public confidence in the peace process and the legitimacy of the state, the resumption of a full-scale conflict remains unlikely.

Nepal is a landlocked nation. It has a diverse population of different caste and ethnic groups. Who will be able to access public resources and power is still determined by variables such as social identity (caste, ethnicity, gender and regional), economic status, disability, age, and physical location (urban, rural or remote rural). Nepal remains the poorest country in South Asia. However, despite the unstable situation during the past decade, considerable progress has been made in reducing the proportion of the population that is considered to be poor. Moreover, the country’s real annual economic growth has averaged about 4-5% over the last two decades and grew by 5.3% in 2008, while the Gross National Income per capita increased from 230 USD in 2002 to 440 USD in 2009.

Policy framework and EC’s strategic intervention logic

Nepal’s Tenth Plan 2002-2007 (the main medium-term strategic planning document) outlines a Poverty Reduction Strategy based on four pillars: (i) high, sustainable and broad-based economic growth; (ii) social sector and rural infrastructure development; (iii) targeted programmes, including social inclusion; and (iv) good governance. The Plan stresses maintaining macroeconomic stability and implementing structural and policy reforms in key areas and emphasised effective programme implementation and service delivery through governance reforms.

The common denominator in the EC cooperation strategy, as expressed in both Country Strategic Papers (CSPs), is the integration of poverty reduction and conflict mitigation over a long, medium and short-term period. These twinned goals were complemented with the strengthening and consolidation of the democracy. In addition, good governance was seen as a new and increasingly important focal area of cooperation. The CSP 2007-2013 brought about a strategic shift from individual rural development projects towards a sector support programme in education.

EC institutional framework

During the whole period covered by this evaluation, two EU Delegations were involved in the formulation and implementation of the EC strategy and projects in Nepal. While staff from the EU Delegation to Nepal were able to prepare projects and link with project stakeholders, they depended on the EU Delegation to India for all contractual and financial matters. During recent years, preparation work (with recruitment of new staff and gradual transfer of responsibilities from India to Nepal) started to build-up additional capacities of the EU Delegation in Nepal. This Delegation finally became a fully independent EU Delegation only in early 2011, i.e. after the end of the period under evaluation.

Results of EC strategy and interventions

The main findings on the results of the EC cooperation strategy are summarised below. The EC support has helped to ensure fair and transparent elections of the Constituent Assembly, which has resulted in a strengthening of democracy in the country. The EC has directly contributed to expanding the outreach of human rights monitoring in the country and, to some extent, to the reduction of human rights violations and discrimination against women and vulnerable people. However, the impact of EC support on the institutional capacity of the judiciary has been limited, in particular with regard to increased access to judicial services.

The EC has contributed to empowering women, poor and excluded people. However, projects have not been integrated as part of a strategic framework of broader efforts for structural change and clear links with key government bodies which has limited their potential impact.

In the education sector, recent EC budget support has been influential on the implementation of sector policies, and, during the period under evaluation, there have been upward trends in the key performance indicators related to basic education. The EC has certainly contributed to these improvements in access and gender parity through its support to the Basic and Primary
Education Programme – Phase II (1999-2004), the Education for All programme (2004-2009) and the School Sector Reform Programme (2009-2015). The EC’s influence on the design of policies/strategies seems to have been more limited, and to date there exists little evidence that it has contributed to an improvement in the management of public resources. Much remains to be done in the sector to improve the quality of inputs, as well as the quality of learning outcomes.

EC’s trade-related assistance has been fully in line with the Government of Nepal’s policies and priorities, albeit focused on building up capacity of the public sector. The EC support has contributed significantly to realise the specific objective of Nepalese laboratories obtaining international standards and an increased compliance with WTO requirements. The EC Generalised Scheme of Tariff Preferences has been beneficial, but the overall impact on Nepalese exports has remained limited, as exports to EC are small (India is by far the largest trading partner).

There were good reasons to cancel the implementation of the rural development/irrigation programme planned under the poverty reduction concentration area of the CSP 2002-2006. However, not including in both CSPs any intervention in the area of agricultural development and/or irrigation has significantly reduced the intended impact on decreasing rural poverty and food insecurity. Nevertheless, the interventions funded under the EU Food Facility have increased production, productivity, rural incomes and food security in selected areas of Nepal. However, questions remain on the long-term sustainability of some of these achievements.

The EC has supported the increased use of renewable energy in remote areas of Nepal. Increased access to electricity definitely has had a high social impact, although the impact on economic development and the environment is likely to be more limited.

Implementation of the EC strategy

Political instability has been a major issue throughout the whole period, leading sometimes to limited accountability and ownership of national stakeholders. Shortly after the Royal Takeover in February 2005, the EC suspended the formal preparation of the Country Strategic Paper 2007-2013 as well as projects that were planned to be launched in this period (except some projects related to human rights and conflict mitigation as these were seen as having a potential direct positive impact on the situation). This decision caused severe delays in the implementation of EC co-operation strategy. However, by mid-2006, the EC co-operation was restored and normalised. From 2006 onwards, several disturbances directly related to the unstable political context (e.g., general strikes, road blocks, weak strategic planning of the Government of Nepal) continued to have a negative impact on the programming and implementation of the EC support.

In this difficult context and changing political conditions, the EC formulated some good responses. Moreover, the EC support strategy has remained fully in line with the Government of Nepal’s priorities and the EC co-operation has covered a variety of areas during the evaluation period, which included: renewable energy, rural development, education, health, human rights, conflict mitigation, and trade-related assistance.

However, important delays in the formulation and implementation of EC-funded interventions reduced significantly their effectiveness. The complex set-up with two EU Delegations involved in the formulation and implementation of the EC strategy in Nepal increased transaction costs as the line of management was extended requiring more time for decision-making. Moreover, during most of the period human resources in both Delegations were constrained. Important improvements were made in recent years in the process of establishing a fully-fledged Delegation in Nepal.

The composition of aid delivery methods and financing instruments used by the EC has been very different in each focal area of co-operation. Overall, a good mix of instruments and aid modalities was used in the overall portfolio. Good examples of synergy in the use of the various financing instruments and aid modalities were identified, as illustrated in the Peace Building and Consolidation of Democracy sector (with the adequate use of EC geographic and thematic instruments) and in the Education sector (with an interesting combination of budget support and the project approach).
The EC has increasingly been involved in co-ordination activities with the Government of Nepal and other Development Partners, following an overall positive trend in donor harmonisation and alignment in Nepal during the period under evaluation. The EC has also ensured coherence between development interventions in Nepal and European Community policies, especially in the framework of trade and environment policies.

The EC co-operation activities have benefited from continuous dialogue, by the EUDs involved and EC headquarters, with the Government of Nepal, which has always recognised the special role that the EC can play in the donor landscape of Nepal.

However, although a high level of synergy with other Development Partners has been achieved in certain areas of co-operation and around specific aid modalities (for example, budget support in the education sector), achievements in terms of synergy with EU Member States and other Development Partners’ interventions have remained limited in other sectors, such as social inclusion, democracy and the rule of law.

Moreover, the EC has not played a key role in donor co-ordination and harmonisation. This may in part be explained by the fact that the EC’s portfolio has been spread over a number of sectors, while certain other donors have focused their support on fewer sectors, thus allowing them to play a more prominent role there. The situation is comparable for the role played by the EC in sector policy dialogue which, in general, has remained relatively modest, except in the education sector. The recent establishment of a fully-fledged EUD in Kathmandu could certainly help to enhance efforts in terms of co-ordination and policy dialogue.

Main conclusions

1. By staying engaged with the Government of Nepal in fighting poverty, the EC has helped to keep the Government of Nepal poverty reduction strategy on track in achieving the Millennium Development Goals. The EC interventions improved conditions for further poverty reduction. However, the direct contribution to increased production, employment and incomes remained rather limited as few and only small interventions were implemented in productive sectors.

2. The rather good overall level of complementarity with other Development Partners does not seem to come from a strategic approach in terms of division of labour across sectors. The EC has not used fully its own comparative advantages, in terms of focusing on specific areas where it has a wide experience.

3. The EC has actively participated in the policy dialogue with the Government of Nepal in line with the size of its support (the EC is a relatively small Development Partner in Nepal), but more could have been done in several sectors of cooperation (e.g. trade, the rule of law and democracy).

4. The EC portfolio is characterised by a suitable mix of instruments and aid modalities. Despite the relatively weak institutional environment and the unstable political context, the move towards budget support was justified and has led to some tangible results in terms of improved service delivery as well as greater government ownership, development partners’ alignment with government policies and donor harmonisation. However, exclusively relying on budget support in Nepal is insufficient to improve the quality of the overall environment in which development takes place, as well as the quality of sector management.

5. Although important improvements were made in recent years in the process of establishing a fully-fledged Delegation in Nepal, human resources in the two EU Delegations involved were constrained during most of the period. In addition, during most of the evaluation period, the ownership and accountability of the Government of Nepal was low due to the unstable and rapidly changing political conditions. This resulted in severe delays particularly in the implementation of interventions, especially those funded under the geographical budget lines.
Main recommendations

1. The EC should focus on key areas where it is recognised as having extensive experience and where it can provide added value. Potential key areas of focus where the EC has the benefit of global experience are: trade, environment and disaster preparedness. Moreover, the EC needs to leverage its assets, which consist in large part of the relationships of trust that have been built up with national partners (including Government of Nepal) and other Development Partners. It also needs to build on and strengthen the professional expertise which it has in-country in the areas of democracy (elections), human rights, public financial management, peace and stability, and education.

2. The EC should increase the support to productive sectors, particularly in rural areas so as to strengthen the economic impact of the EC interventions.

3. The EC needs to engage more confidently in policy dialogue with national stakeholders, including both the Government of Nepal and Non State Actors.

4. Synergies between the various EC aid modalities and financing instruments as well as the role of Non State Actors in the implementation of the strategy should be further strengthened.

5. The EC, and particularly the EUD, should align its own capacity with the objectives set in its strategy, and thus continue to consolidate them. As soon as the political conditions improve and Nepal benefits from a stable and fully endorsed and accountable government, the EC should also give a greater role to national stakeholders in the design and implementation of its co-operation strategy. This would gradually increase national leadership and ownership and therefore generate a larger impact and sustainability of EC-funded interventions.
Executive summary – Nepali version

कार्यकारी सारांश-नेपाल राष्ट्रीय तहको मूल्याङ्कन

मूल्याङ्कनको उद्देश्य

मूल्याङ्कनको मुख्य उद्देश्यहरूः (अ) युरोपेई आयोग (ईसी) का उचित बाह्य सहयोगसम्बन्धी सेवा प्रदान गर्नु र त्यसको प्रति जाभेको हुनुसका साथै नेपालको सीमामा विवादहरूको सार्वजनिक र समग्रप्रभाव स्वतन्त्र विश्लेषण प्रदान गर्नु, र (आ) इसीको रत्नाङ्क र भावी रणनीतिक तथा कार्यक्रममा सुधार ल्याउन मुख्य पाठ समाहितको पालन गर्नु रहेको छ।

यस मूल्याङ्कनले सन २००३-२०१० को अन्धकारमा भएका सेवा प्रदानको समेट्ठ र खासगरी रणनीतिक चर्चा (राष्ट्रीय रणनीतिक पत्र) २००२-२००६ र पाठान्त्र प्राथमिकता सम्बन्धी र (२००७-१२) अनुसार काम गरेको। मूल्याङ्कनले गतिशील र निर्माण उन्नतिलाई सहयोगको क्षेत्रमा विशेष ध्यान दिनेको। नेपालको गरीजी न्युनिकरण रणनीतिले खासगरी (ढ) शिक्षा, (आ) ग्रामीण विकास, (ई) नवीकरणीय उर्जा र वातावरण, (इ) शालीन निर्माण र लोकतन्त्रको सबैकरण के र (उ) अंतर्राष्ट्रिय अर्थव्यवस्था यापार सहजीकरण र एककरणमा सहयोग।

वित्तीय घोटाली धेरै सहयोगको धातु र वित्तीय डेक्रो (DG DEVCO) नामक मूल्याङ्कन युनिटको प्रकाशित वित्तीय विवरणको आधार अनुसार मूल्याङ्कन चालान संगठन। यसको निर्देशक राष्ट्रीय रणनीतिक पत्र (२००७-१२) अनुसार काम गरेको। मूल्याङ्कनको धारा पश्चाद् तयारी, डेक्रो (ईसी), सर्वसम्मत, ध्यान धारीन्य, वित्तीय अधिकार, (ल) सहयोगको निर्माण र सामाजिक सम्बन्धको संचालन, (भ) संचालनको समयमा नेपालको लागू गर्ने मूल्याङ्कन टोलीले यसको वाषपालन सरकारी स्वयङ्गत गतिशीलिको समयमा विशेष ध्यान दिनेको। सहयोगको र नेपालको मुख्य रणनीतिक तथा त्यसको पुन:परिवर्तन गरिएको प्राथमिक त्यसको धारा (राष्ट्रीय रणनीतिक पत्र) २००२-२००६ र (२००७-१२) अनुसार काम गरेको। सहयोगको निर्माण र सामाजिक सम्बन्धको संचालक सहयोगको प्रदेशस्तरीय धारा (राष्ट्रीय रणनीतिक पत्र) २००२-२००६ र (२००७-१२) अनुसार काम गरेको।

संस्कारको धारा मूल्याङ्कन टोलीले त्यसको सहयोगको विश्लेषण 2003-2010 को सामाजिक सवारीकरण र अन्य नेपालको मुख्य रणनीतिक पत्र (२००७-१२) अनुसार काम गरेको। यस कार्यको धारा पश्चाद् तयारी, डेक्रो (ईसी), सर्वसम्मत, ध्यान धारीन्य, वित्तीय अधिकार, (ल) सहयोगको निर्माण र सामाजिक सम्बन्धको संचालन, (भ) संचालनको समयमा नेपालको लागू गर्ने मूल्याङ्कन टोलीले यसको वाषपालन सरकारी स्वयङ्गत गतिशीलिको समयमा विशेष ध्यान दिनेको। सहयोगको र नेपालको मुख्य रणनीतिक तथा त्यसको पुन:परिवर्तन गरिएको प्राथमिक त्यसको धारा (राष्ट्रीय रणनीतिक पत्र) २००२-२००६ र (२००७-१२) अनुसार काम गरेको। सहयोगको निर्माण र सामाजिक सम्बन्धको संचालक सहयोगको प्रदेशस्तरीय धारा (राष्ट्रीय रणनीतिक पत्र) २००२-२००६ र (२००७-१२) अनुसार काम गरेको।

राष्ट्रीय सम्बन्ध

एक दशक नामो आलीकरण सबै दड़ीपछि नेपाल युनिटिने तयारी नयाँ संवाद निर्माण र शाली निजी प्राणिको धारणा छ। सन् १९९६ फेडरल धेरै फाल्गुन राजा धेरै संस्था लागि गर्दछ २००१ फेडरल धेरै फाल्गुन राजा धेरै संस्थाले भएको। यस सबै दड़ीपछि नेपाल युनिटिने सबै दड़ीपछि नेपाल युनिट राजा धेरै संस्थाले भएको। यस सबै दड़ीपछि नेपाल युनिटिने सबै दड़ीपछि नेपाल युनिट राजा धेरै संस्थाले भएको।

१ मूल्याङ्कनको 'कैमेयन अथि दी युरोपियन युनिटिन' (युरोपेई आयोग) विवरण (नेपाल सम्बन्धी) र 'युरोपियन कौमस' (विवरण सन्धी अधियो) नाई संस्था भएको न्युन उपलब्ध तयारी गरेको छ।

२ देखि चौथा अनुभव ९ समयका भएको नेपाल राजा धेरै संस्थाले भएको। यसको विवरण (नेपाल सम्बन्धी) न्युन उपलब्ध तयारी गरेको छ।
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2006 to 2009, the European Commission supported the Sustainable Development and Environment (SDE) program in Nepal through the Nepal Environment Project (NEP). The project aimed to improve the environmental management and biodiversity conservation in Nepal.

The project was implemented by the Nepal government and the European Commission in collaboration with local NGOs and other stakeholders. The project activities included the development of environmental policies, capacity building for government officials, and the establishment of environmental monitoring and reporting systems.

The project had a significant impact on the environmental management in Nepal, leading to the adoption of new environmental policies and the creation of new institutions for environmental protection.

In conclusion, the project has played a crucial role in the development of the environmental management in Nepal. The findings and recommendations of the project can be used as a basis for future environmental management initiatives in Nepal.
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मुख्य सुक्षमवर्ण

1. इसीले त्यस्ता प्रमुख क्षेत्रमा ध्यान केन्द्रित गर्नुपर्छ जहा यस्ले विस्तृत अनुभव हासिल गरेका छ र यस्ले धन मूल्य योगदान गर्न सक्छ। ध्यान केन्द्रित गर्नु पर्ने सम्बन्ध युक्त क्षेत्र (जसमा विश्वविद्यालय अनुभवको लाभ इसीले छ) मा व्यापार, बातचीत र प्रक्रिया विवाही पूर्ववर्ती छैन। खासगरी, इसीले आफ्नो सम्पत्तिलाई नियन्त्रण गर्न आवश्यक छ। खासरी, इसीले अन्य प्रेमलाई नियन्त्रण गर्न आवश्यक युन विश्वविद्यालय सम्बन्धमा महत्वपूर्ण रूपले अडेको हुन्छ र त्यस्तो सम्बन्ध जुन राष्ट्रिय सामेजिकहरू (नेपाल सरकारलाई र अन्य विकासमध्ये भागैलाई नियन्त्रण भएको हुन्छ)। यस्ले लोकतन्त्र (निवारण), मानवाधिकार, सांस्कृतिक विज्ञान विष्योग, शान्ति तथा स्वाभाविक र शिक्षामञ्जली क्षेत्रमा व्यवसायिक बिज्ञानको नियन्त्रण र स्वल्पकृति गर्न खानु हुन्छ।

2. इसीले उद्योगको नातोल क्षेत्रमा (खासरी ग्रामीण क्षेत्रमा इसी सालनाको आधिक प्रभावनाई स्वल्पकृति गर्न क्ममा) सहयोग बढाउनुपर्छ।

3. नेपाल सरकार र गैरराष्ट्रीय पश्चिमान्तरण र राष्ट्रिय सरोकारबालाई अधिनियम नीतिगत बहसमा इसी बढी आत्मविश्वासका साथ सलग हुनुपर्छ।

4. इसीले विभिन्न सहायतासम्बन्धी मोडलिटेशन र विभिन्न संयुक्तविद्यालयको समायोजन र रणनीतिको कायन्त्र्य क्षेत्रमा गैरराष्ट्रीय पाइको भूमिका धन युक्तीकृत्ति गर्नुपर्छ।

5. इसी र खासरी इस्तिमालले रणनीतिमा उल्लेख गरिएका उद्देश्यकार्य आफ्नो क्षमतालाई तानेल भएको समायोजनका लागि निर्धारित गरिन्छ। रणनीतिक बातचीतका सुधार आउनासांग सिघ्न र त्यसै पूर्ण अधिकार पाएको जुन वाक्यरूप सरकारवाद नेपाल लाभान्वित हुन्छ। इसीले सहयोग रणनीतिको तत्कालिन तथा कायन्त्र्यका लागि राष्ट्रिय सरोकारबालाजस्तै महत्त्वपूर्ण भूमिका प्रदान गर्नुपर्छ। राष्ट्रिय नेतृत्व क्षमता र अपनत्र भावनाको विकास विस्तार बढी जानुहुन्छ र इसीले नेपालीको प्रभाव र दिग्गजनामा समेट अनुकूलता आउनुपर्छ।
1 Introduction

This is the Final Report of the “Evaluation of the Commission of the European Union’s co-operation with Nepal”, as required by the Terms of Reference (ToR).

The main objectives of the evaluation are:

- To be accountable and provide the relevant external co-operation services of the EC and the wider public with an overall independent assessment of the EC’s past and current co-operation relations with Nepal.
- To identify key lessons in order to improve the current and future strategies and programmes of the EC.

The evaluation focuses on assessing the results and impact (effects) of the programmes carried out in the framework of the EC co-operation strategies with Nepal, and, in particular, in the context of the programmes managed by the Relex Family.

The evaluation covers aid delivery over the period 2002-2010. This mainly corresponds to the 2002-2006 strategic cycle (Country Strategy Paper, CSP) and the first National Indicative Plan (NIP) of the 2007-2013 cycle. The evaluation is also forward-looking and, in particular, considers the second sub-period of the 2007-2013 cycle.

In terms of thematic scope, the evaluation team has paid specific attention to the following co-operation areas:

- Support to Nepal’s poverty reduction strategy, particularly in education, rural development, and renewable energy and the environment.
- Peace building and consolidation of democracy.
- Trade facilitation and integration in the international economy.

2 Context of the evaluation

2.1 Evaluation Process and Methodology

The design and methodology for this evaluation are based upon the official published methodological guidelines of the DG DEVCO Evaluation Unit. General information on these guidelines can be found online at:


The sections below present an overview of some key aspects of the methodology followed in this evaluation. More details are provided in Annex 6 (Volume II).

2.1.1 Overall evaluation process

The evaluation was conducted in four phases followed by a dissemination seminar in Nepal.

**Structuring stage (September 2010-January 2011):** During the Structuring Stage of the evaluation, a preliminary field visit to Delhi and Kathmandu was carried out by the Team Leader. The EC’s intervention logic for the period 2002-2010 and the most important areas of co-operation were identified. Based on the intended effects of the EC strategy, preliminary evaluation questions (EQs), judgment criteria (JCs) and related indicators were specified.

**Desk phase (January-May 2011):** During the Desk Phase, document review (documents and Results-Oriented Monitoring Reports) and consultations with Reference Group members were...
used to prepare preliminary answers to EQs, identify data and information gaps, and specify hypotheses to be explored during the Field Phase.

Field phase (June 2011): During the Field Phase, the Evaluation Team conducted interviews and several group discussions with people concerned with the EC co-operation strategy. In addition, the Team undertook a number of site visits and carried out complementary documentary analysis.

Synthesis phase (July-December 2011): Following the field stage, a draft final report was prepared. In February 2012, this report has been discussed with stakeholders, who have been involved in the EC-Nepal co-operation programme and with the EU Delegation (EUD) at a country dissemination seminar in Kathmandu. Feedback from the seminar has been taken into account in drafting the approved version of the final report.

The evaluation process is summarised in Figure 1. The figure also lists the main tasks in each phase, the Reference Group (RG) meetings held and the deliverables produced during each phase. As stated in the ToR, each phase only started after the DG DEVCO Evaluation Unit had formally approved the deliverables of the previous phase.

**Figure 1 Evaluation process**

<table>
<thead>
<tr>
<th>Meetings</th>
<th>Inception phase</th>
<th>Desk phase</th>
<th>Field phase</th>
<th>Synthesis phase</th>
<th>Dissemination seminar</th>
</tr>
</thead>
<tbody>
<tr>
<td>RG</td>
<td>Overview of cooperation context between the EC and Nepal</td>
<td>Interviews at HQ</td>
<td>Field visits (observations, interviews, group discussions, case studies...)</td>
<td>Drafting complete answers to the evaluation questions</td>
<td>In country seminar with presentation of the findings, conclusions and recommendations of the evaluation</td>
</tr>
<tr>
<td>RG</td>
<td>Preparatory field visit</td>
<td>Document review &amp; ROM analysis</td>
<td>Debriefing with the Delegation in Nepal</td>
<td>Drafting conclusions &amp; recommendations</td>
<td></td>
</tr>
<tr>
<td>RG</td>
<td>Intervention logics</td>
<td>Analysis of policy and strategic documents</td>
<td>Drafting final report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RG</td>
<td>Determination of EQs &amp; JCs</td>
<td>List of all the activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RG</td>
<td>Detailing of the methodology</td>
<td>Refinement of the methodology</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>RG</td>
<td></td>
<td>Drafting of preliminary answers to the EQs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliverables</td>
<td>Inception Meeting Inception Report</td>
<td>Desk Report</td>
<td>Field reporting (presentations to the Delegation and to the RG)</td>
<td>(Draft) Final report</td>
<td>Dissemination presentation Minutes of the seminar</td>
</tr>
<tr>
<td>RG</td>
<td>RG: Reference Group meeting; DS: Dissemination Seminar</td>
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</tbody>
</table>

2.1.2 Evaluation Questions, Judgement criteria and Indicators

Following the ToRs, and as agreed in the structuring stage, the evaluation exercise was based on a reconstructed intervention logic and a structured process of defining EQs. The evaluation questions allowed the evaluation work to focus on a limited number of key issues. At a general level, the selection of the EQs was based on the analysis of:

- the intervention logic both overall and main specific issues as reflected in the sectoral streams;
- the cooperation strategy’s rationale: i.e. the broader IL including the policy dialogue and overall context within which the EC intervenes;

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7 The lists include some major tasks that will be carried out in each phase, but they are not meant to be exhaustive.
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- issues highlighted in the ToR and expressed by Reference Group members;
- the potential utility of the answer in line with the purpose of this evaluation and the need to avoid the mere rediscovery of existing knowledge.

In the end, nine EQs have been retained (see section 2.3.4 for the final list of EQs).

For each EQ, a number of Judgment Criteria (JC) and Indicators were defined. Annex 2 provides further information on these evaluation building blocks. The EQs were discussed and agreed upon with the DG DEVCO Evaluation Unit and the Reference Group.

2.1.3 Approach for Data Collection

Data collection activities were carried out mainly during the desk phase and the field phase.

During the desk phase, efforts were made to gather as much documentary evidence and information as possible, to provide preliminary assessments of the JC and preliminary answers to the EQs. The team prepared a mapping of EC financial flows based on the analysis of the CRIS® database, with a view to identifying all project / programmes that fall within the scope of the evaluation. A detailed literature review was carried out, taking into account all available policy documents, implementation and evaluation reports, mid-term reviews, Results Oriented Monitoring (ROM) reports and a variety of further sources. Missing documentation was identified and noted, and gaps were filled where possible.

The field phase took place between 29/05 and 11/06/2011. During the field phase, in addition to site observations (12 districts in four development regions were covered), the evaluation team interviewed individually or in group discussions over 150 persons covering a wide range of stakeholders, in particular:

- At central level,
  - Government of Nepal (various ministries/government bodies, such as MoE, DoE, MoC, MoI, MoAC, MoJ, MoWCSW, and the Planning Commission).
  - EUD staff.
  - Development partners (WB, ADB, AusAid, JICA, FINNIDA, DANIDA, DFID, NORAD, UNICEF, UNDP, WFP, UNESCO, etc.).
  - Chamber of Commerce and exporter associations.
  - I-NGO, NGO and other CSO.
- At the local level,
  - Regional/District/Local Administration (such as DDCs and VDCs, local courts, local police, food security network).
  - Schools, NGOs, Community groups (such as CESPs, women’s groups, Dalits groups, beneficiaries of EU-FF).

Seven focus groups were organised in Kathmandu and covered following themes:

1. EC contribution to civil society's role in the protection / promotion of Human Rights and access to justice for marginalised groups;
2. EC support to election observation by civil society organisations and public awareness raising on the electoral process;

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8 CRIS stands for “Common Relex Information System”. It is an internal information system used for EC external cooperation activities.

9 More than 900 documents were reviewed during the desk phase including: documents on the national context, the strategies of the various development partners, EC project documentation such as financial agreements, progress reports, evaluation and monitoring reports, etc. In particular, the evaluation team analysed the scoring of 54 EC Results-Oriented Monitoring (ROM) reports and reviewed the detailed information included in these reports in approximately half of the cases.


11 The full name of the organisations listed here is provided in page ii (List of Abbreviations and Acronyms).
3. EC support to issues of women and excluded groups (with National Women Commission, National Dalit Commission and National Federation for Development of Indigenous People);
4. EC strategy and contribution in addressing Gender Equality and Social Inclusion as well as Human Rights in Nepal (focus group with implementing partners);
5. EC support to trade-related assistance, focus on private sector;
6. EC support to the Justice sector in Nepal, in particular through the support to national institutions such as the Nepal Bar Association;
7. EC support to NSA activities in the education sector, especially regarding vulnerable and hard to reach children.

The field phase helped to triangulate the data collected in the various phases of the Evaluation, to fill the majors gaps identified during the desk phase and test a number of hypotheses formulated during the desk phase. It was also the opportunity to buy in GoN, civil society and beneficiaries’ views on the EC co-operation strategy. A debriefing was held at the EU Delegation in Kathmandu at the end of the field phase, as well as with the Reference Group in Brussels shortly after return from Nepal. The Evaluation Team presented the fieldwork approach and the main preliminary findings.

2.1.4 Approach for data analysis and for ensuring data reliability and validity of conclusions

The evaluation was designed to ensure a high level of data reliability and validity of conclusions by combining various methods and techniques.

As mentioned above, a combination of data collection tools was used for each JC. Data collected through different means was thoroughly cross-checked. The evaluation team combined qualitative and quantitative data and collected selected primary data to complement and cross-check available secondary data within the set resources and time constraints. At the end of the desk phase, the team assessed the overall data collection process in order to identify preliminary findings to be confirmed during the field phase, hypotheses to be tested and information gaps to be filled. The process followed is exemplified by the figure below.

Figure 2  Data collection and analysis

During the synthesis phase, the Evaluation team deepened the analysis of the information collected in previous phases and drafted complete answers to the EQs (see section 3 below and Annex 2 in Volume II).

Based on the answers to the EQs, the final report contains general and specific conclusions and recommendations. General conclusions are typically based on findings related to overall issues of the EC co-operation with Nepal and therefore embrace more than one EQ. Specific conclusions typically arise from the answer to a single or sometimes two EQs and are sector-specific.
These conclusions lead to the formulation of general and specific recommendations (see section 4 and 5 below).

2.1.5 Main challenges faced during the evaluation

The evaluation was subject to the following limitations.

- The evaluation team initially planned to arrange a focus group meeting with all the Development Partners (except the EUD) involved in the education sector. The organisation of this event was eventually not possible since an education sector quarterly review meeting was organised at the same time. However, the evaluation team managed to meet all development partners individually. The advantage of not having organised the focus group meeting was that the individual meetings gave development partners full opportunity to share their appreciation of the joint work and of the EC’s participation and involvement in the sector.

- Evaluating human rights work is notoriously difficult. The evaluation team has succeeded to provide a rational assessment of the impact of EC support to the protection and promotion of human rights. The assessment was based on a cross-examination of various documentation and interviews with a wide variety of stakeholders. At the same time, there are limits to the rationality than can be achieved given the often intangible nature of human rights projects. In many cases, goals are defined in only vague and general terms, and adequate results indicators and means of verification are often conspicuous by their absence. In fact, very few organisations manage to substantiate their contribution to a result that involves many complex factors and influences. In this context, it should also be noted that an increase or decrease in the number of complaints/reports on human rights violations received by human rights institutions should not necessarily be taken as a sign of a deterioration or improvement of the human rights situation. As revealed by the evaluation team, the accessibility of complaints mechanisms and the trust enjoyed by the institutions among the general public are other factors that are deemed to have an influence on the trends in human rights complaints. The lack of disaggregation of data on human rights violations in Nepal compounds the situation.

- Given the number of EC-funded projects in the area of Social Inclusion (in particular, more than 70 projects financed under thematic budget lines such as EIDHR\(^{12}\)), a key challenge was to ensure that an illustrative sample of projects was reviewed to achieve a balanced assessment on the EC support, covering the different social groups and key issues as well as the variety of EC-funded interventions. For the purpose of the Evaluation work carried out in the desk and the field phases, the Evaluation team prepared a map of all interventions and focused on a selection of 20 projects which covered different criteria (e.g. social groups, geographical areas, funding modalities, project periods) and illustrated well all relevant projects as confirmed by the EU Delegation to Nepal (EUD-N). For all other sectors covered by the evaluation matrix, the evaluation team analysed all the interventions of the EC portfolio.

- The evaluation period covers a rather long period (nine years). One of the main challenges faced during interviews was the lack of institutional memory and the difficulty to look back to the first years of the period. For instance, in the education sector, it was not easy to encourage people to look back to the earlier days of the Basic and Primary Education Programme – Phase II (BPEPII) or even the beginning of sector budget support (2004) and the Education for All (EFA) Programme. The main places with institutional memory were the EUD, the Department of Education (Directorate General) and the World Bank. Similarly, in the democracy and peace building sector, only a handful of the people directly involved in the design and the early stages of the implementation of the Conflict Mitigation Package II remained at either EUD or the partner organisations at the time of evaluation. To some extent, the challenge was offset by the availability of progress reports, ROM-reports, and project evaluations. In a few cases, the evaluation team

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\(^{12}\) European Instrument for Democracy and Human Rights.
was able to locate and interview individuals with relevant historical knowledge even though they were no longer working for the same institutions.

- It should also be noted that the perspectives of stakeholders who have been involved with the EU development cooperation only for the last few years might be different from those who were engaged with the cooperation from an earlier period of its history. This is particularly pertinent in a country-level evaluation that covers more than one strategic period, and in a situation where the overall environment for development cooperation has changed significantly from one period to the other. The evaluation team has addressed this challenge by studying projects from both periods and conducting the assessment with due consideration to the external context that prevailed at the time. In addition, the methodological approach adopted, including the reconstruction of the EC intervention logic, definition of Evaluation Questions, Judgment Criteria and Indicators, has ensured that the evaluation has focused at the overall strategic level.

Finally, it is noteworthy that, during all phases of the evaluation, the EUD-N was extremely helpful in providing information and specific documents related to all sectors of the EC co-operation strategy with Nepal while respecting the independence of the Evaluation team. This has helped the evaluation team addressing some of the challenges faced during the evaluation and ensured a smooth evaluation process.

The evaluation team is fully confident that the set of methods and techniques used resulted in reliable data on which valid conclusions were drawn.

2.2 Country context
A more detailed overview of the country context is provided in Annex 4 – Volume II.

2.2.1 The Country and its people
Nepal is a landlocked nation bordering the People’s Republic of China to the north and India to the south, east, and west. It covers an area of 147,181 km². Nepal has three agro-ecological regions: Mountains in the north, Hills in the middle and the Lowland Plains, called the Terai, in the south. Administratively Nepal is divided into 75 districts, 58 municipalities and 3,915 Village Development Committees (VDCs).

Nepal’s 28 million population comprises according to the census in 2001, 103 socio-ethnic groups and recorded 92 languages. Hindus make 80.6%, followed by (among others) Buddhist 10.7%, Muslim 4.2% and Kirat 3.6% (CBS 2001\(^{13}\)).

2.2.2 Political situation
Nepal is pursuing a peace process along with the drafting of a new constitution following its emergence out of a decade long internal conflict. The insurgency launched by the CPN (Unified Communist Party of Nepal, Maoist) against the government in February 1996 went on until April 2006. In April 2006 the House of Representatives was reinstated and the original Seven Party Alliance cabinet was formed. The CPN (Maoists) joined into the House of Representatives and the cabinet after the November 2006 peace accord. The Constituent Assembly (CA) elections were held on 10 April 2008. The Comprehensive Peace Agreement (CPA) and the CA processes offered a significant opening for political transformation in Nepal. In 2008, the monarchy came to an end and the Federal Democratic Republic of Nepal was formed.

The country had a caretaker government from June 2010 to February 2011, as parliament failed to elect a new Prime Minister; the budget was promulgated through an ordinance five months into the fiscal year. Finally, on 3 February 2011, after seven months of political gridlock, Jhala Nath Khanal (Chairman of the Communist Party of Nepal) was elected as Prime Minister by the Constituent Assembly. While the resumption of a full scale conflict remains unlikely, the current stalemate is undermining public security and sapping public confidence in the peace process and the legitimacy of the state.

\(^{13}\) Central Bureau of Statistics 2001.
2.2.3 Economic situation

The figure below presents the evolution of Nepal Gross Domestic Product (GDP) growth and Gross National Income (GNI) per capita over the period 1995-2009. The country’s real annual economic growth averaged about 4-5% over the last two decades and grew 5.3 % in 2008. GNI per capita has steadily increased over the past decade, although the PPP GNI per capita declined from USD 1,350 in 2002 to USD 1,180 in 2009.\(^{14}\)

The contribution of the non-agricultural sector to the GDP has gradually increased, while key manufactured products include garments, carpets, jute, sugar, ghee, cigarettes, beer, matches, shoes, cement, and bricks.

Between 1995 and 2009 the share of agriculture in GDP has dropped slightly from about 40% to 35%, the share of industry also declined (from about 22 to 17%), whereas the share of service increased from approximately 35% to 50%.

**Figure 3** Evolution of GDP growth & GNI per capita over the period 1995-2009

![Graph showing GDP growth and GNI per capita](chart.png)

Source: World Bank, World Development Indicators

Poverty levels

Nepal belongs to the group of Least Developed Countries (LDCs). It ranks in the lower part of the United Nations Development Programme (UNDP) Human Development Index (HDI), number 144 out of 182 countries on the whole. Nepal remains the poorest country in South Asia. Despite the unstable situation during the past decade, considerable progress has been made in reducing the proportion of the population that is considered as poor. In 2005, the proportion of Nepal’s population living on less than 1 US dollar (USD) per day was estimated to be 24.1% (CBS/World Bank 2005) and 31% of the population were assessed to be below the national poverty line.

Closely linked to the income level are the indicators on hunger and malnutrition. Although some improvements are made, this Millennium Development Goal (MDG) Target is the most off-track in Nepal.

Income inequality

Although incidence of poverty decreased at national level, and in all the regions except Eastern Hills during 1995/96 – 2003/04, there are wide variations between different parts of

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\(^{15}\) The Nepal MDG Progress Report 2010 indicates that the proportion of people below the national poverty line has fallen from 31% in 2005 to 25.4% in 2009 but disaggregated information on different social groups is not provided.
the country - from 3% in urban Kathmandu, 13% in other urban areas to 45% in Mid-Western Development Region (CBS 2005). Poverty is most severe in rural areas. Poor roads make access to markets difficult for local producers and have significantly undermined the viability of the subsistence household economy in rural areas.

Caste and ethnic disparities are also wide: while 14% Newars and 12% Brahmans/Chhetris are below poverty line, this is much higher for Tamangs (61%), Hill Dalits (48%) and Muslims (44%).

The traditional pattern of gender division of labour, access to and control over resources, with women in the private domain and men in the public, still prevails in Nepalese community with some degree of variation depending on caste and ethnicity.

International trade

Nepal does not produce major industrial products that are exported. Nepal's main exports are garments and carpets. Nepal's neighbours - India and China - have huge economies and sustained growth, offering important markets from which Nepal can benefit. India is Nepal's largest trading partner, accounting for about 66% of exports and 60% of total imports in 2008. While strengthening of the economic links with its two main neighbours is a priority, diversification of trade would enhance Nepal's export position. Nepal is a member of the World Trade Organisation (WTO), Bay of Bengal Initiatives for Multi-Sectoral Economic co-operation (BIMSEC) and South Asia Free Trade Area (SAFTA).

Nepal has opportunities to develop tourism further and to develop its hydro-power resources (an estimated 1% of Nepal's potential is tapped).

Remittances from the 2 million Nepalese working overseas generate more foreign earnings than exports, and around 15% of national income.

2.2.4 Social situation

The education sector in Nepal is very progressive, and over the years has adopted many reform initiatives to address gender and inclusion. There is increased recognition that due to the sector’s strong correlation with other indicators like poverty and health, exclusion in education must be addressed in order to achieve the MDGs by 2015. The Interim Constitution of Nepal “2064 BS” (2007) has assured free and compulsory education to all citizens up to secondary level, and the right to receive basic education in the mother tongue. The Government of Nepal's (GoN) Three Year Interim Plan (2007-10), the National Development Strategy paper (2009) and the Approach Paper to the Three Year Development Plan have all prioritised education, with specific recognition of gender and inclusion issues and higher investment in the sector.

The recent Nepal Demographic and Health Survey (2006) found significant improvements in health outcomes, despite the decade-long conflict. Indicators of infant mortality, under-five mortality, skilled antenatal care, rate of skilled birth-attendance and immunisation have all improved. Decentralisation of health-facility management, intensive campaigns such as immunisation, free essential health-care services, reduced poverty, lower fertility levels, the growth in private-sector services and marked increases in literacy among young women are all seen to have contributed to these public-health gains.

Nepal has a diverse population of different caste and ethnic groups. Over centuries some social groups have received better opportunities than others because of gender, caste and ethnicity based practices. Who will be able to access public resources and power is still decided by variables such as social identity (caste, ethnicity, gender and regional), economic status, disability, age and physical location (urban, rural or remote rural).

2.2.5 Environment

Nepal is - despite its huge untouched energy potential - among the lowest per capita energy consuming country. The immense hydropower resources are largely untapped and contribute only for about 1% to the total energy consumption of the country. As of today, only 40% of the population, and less than 3% of the rural population, have access to electricity. The central grid is not expected to reach many remote populations due to difficult terrain in the Himalayas, large distances and low population densities The 10th Five Year Plan has the ambitious goal of ex-
Extending the coverage to 55% by the year 2007. GoN has emphasised that the promotion of alternative renewable energy technologies (RET) has an important role in rural development and would decrease environmental problems, such as depletion of forest cover. Much of Nepal’s land surface is still covered by forest, although there has been significant deforestation. Nepal’s natural environment is greatly affected by climate change and the UNDP ranks Nepal 5th in its risk rating scale regarding the vulnerability of its population to flooding.

Progress has been significant in the water and sanitation sector in recent decades in Nepal. The proportion of the population with access to an improved water source has nearly doubled in the last 15 years, from 46% in 1990 to 80% in 2010. During the same period sanitation coverage has also increased, from 6% to 43%.

2.2.6 The development priorities of the Government

Nepal has been implementing its Poverty Reduction Strategy Paper (PRSP) since FY 2002/03. The PRSP was also Nepal’s Tenth Plan. Under the PRSP, a four-pronged strategy was adopted for the achievement of the goal: (i) high, sustainable and broad-based economic growth; (ii) social sector and rural infrastructure development; (iii) targeted programmes including social inclusion, and (iv) good governance. The PRSP emphasised effective programme implementation and service delivery through governance reforms. A number of measures were taken, including, the rightsizing of the bureaucracy and devolving more functions to local bodies, streamlining planning and budgeting, improving prioritisation of programmes and projects, introducing pro-poor and gender budgeting, improving resource mobilisation and involving local communities in development at grassroots level.

The PRSP also stressed maintaining macroeconomic stability and implementing structural and policy reforms in key areas. Nepal has pursued a prudent fiscal policy over the recent years. This policy has resulted in a significant reduction of public debt as a percentage of GDP. Despite the decade-long civil war, the government managed to contain budget deficits at low levels: net domestic financing of the budget remained below 2% of GDP, in line with IMF staff recommendations.

The strategy of the Government of Nepal aimed at transforming Nepal into an inclusive and just state. The Interim Constitution (2006) guarantees social justice and affirmative action for women, Dalits, indigenous groups, the Madhesi community, and other excluded or disadvantaged groups.

2.2.7 The Donor community in Nepal

Nepal has a relatively small and increasingly well co-ordinated donor community. In 2010, DFID, the World Bank (WB)16 and the Asian Development Bank / Asian Development Fund (ADB/AsDF) as a group of donors provide over 70% of future aid to Nepal.

There are around 30 active donors in Nepal. The table below presents the main donors and the gross ODA provided by them in 2008.

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16 International Development Association (IDA).
Over the evaluation period, the funds provided by the World Bank (WB), the Asian Development Bank/Asian Development Fund (ADB/AsDF), DFID and JICA accounted for more than two thirds of the development aid to Nepal.\textsuperscript{17} The social sectors, education, health and water supply and sanitation, are receiving high levels of donor support, in both numbers of donors and the amount of aid. This is particularly true in education and health, both supported by ten donors with over 300 million USD currently committed to each area, although in health only DFID and the World Bank are key funders. Other sectors, such as agriculture and irrigation, are well provided for by the ADB and World Bank. The economic sectors, industry, employment, tourism and private sector development are relatively under-funded. And, in governance the spread of support is highly variable.

### 2.3 EC Strategy in Nepal

#### 2.3.1 EC development co-operation legal framework

The legal basis of the European Community’s development aid lies in Article 177 of the treaty establishing the European Community. The article also defines the following overarching objectives: 1. poverty reduction; 2. Integration into the world economy; 3. Respect for human rights and democracy.

In the recently-ratified Lisbon Treaty, which came into force in December 2009, Article 21 spells out the principles that inspired the EU’s creation, development and enlargement – principles that guide its action on the international scene, and which it seeks to advance in the wider world: democracy. They are: the rule of law; the universality and indivisibility of human rights and fundamental freedoms; respect for human dignity; the principles of equality and solidarity; and respect for the principles of the United Nations Charter and international law.

At the turn of the millennium, a new consensus on global development emerged around the MDG (2000), which provides a legislative framework for partnership in terms of working towards complying with international conventions and agreements.

The EC development co-operation framework has been further defined by other policy statements over the last decade. The European Community’s Development Policy (COM(2000)212 final), outlines a new framework for the Community’s development policy. It states that sustainable development is considered as a multi-dimensional process that covers broad-based equitable growth, social services, environment, gender issues, capacity and institutional building, private sector development, human rights and good governance. In 2005, the Communication Policy Coherence for Development – Accelerating Progress Towards Attaining the Millennium Development Goals (COM (2005)134) focused on non-aid policies that can assist developing countries to attain the MDGs. In the same year, an EC Communication set out

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\textsuperscript{17} International Development Association (IDA).

\textsuperscript{18} India provides substantial aid, including in-kind, and China is also an important donor, but accurate figures are not known for either.
the EU’s Contribution to Speeding up Progress Towards the Millennium Development Goals (COM(2005)132 final).19

Finally, the European Consensus on Development (2006/C46/01) aims to define the framework of common principles within which the EU and its Member States will implement their development policies in a spirit of complementarity, and it further sets out the development policy – the overarching objective being the eradication of poverty in the context of sustainable development, including pursuit of the MDGs.20

The main specific legal basis for co-operation with Nepal over the evaluation period was EC Regulation 92/432, also called the “Asia-Latin America” or “ALA” regulation.21 This covered financial and technical assistance and economic co-operation. ALA included partnerships with states, regions (e.g., Asia regional programmes), decentralised authorities, regional organisations (e.g., the Association of South East Asian Nations - ASEAN), public agencies, local or traditional communities, private institutes and operators, including co-operatives and non-governmental organisations. The Regulation specified a long list of priority sectors, from drugs and environment to rural development, democracy and human rights. In 2006, the **financing instrument for development co-operation (DCI)** replaced the range of geographic and thematic instruments created over time and as needs arose. The related Regulation emphasises that the Community’s development co-operation policy is guided by the MDGs and that the “European Consensus” provides the general framework for action on development matters.

**2.3.2 Evolution of the EC response strategy in Nepal**

EC assistance to Nepal dates back to 1977. In June 1996, the EC-Nepal Framework Co-operation Agreement came into force. This Agreement is automatically renewed on a yearly basis. Development aid has been granted in a variety of areas such as irrigation and watershed management, animal health, reproductive health, primary education, refugees and institutional capacity building.

**2.3.2.1 The First Country Strategy Paper (2002-2006)**

The overarching objective of EC co-operation was to support Nepal’s efforts to improve people’s living conditions, particularly the rural poor, and to improve economic performance. The specific objectives and main actions of three main areas of concentration for EC co-operation were:

1. to promote Long-term Poverty Reduction: Assistance to the poorest sectors of society includes underpinning rural development and developing renewable sources of energy in rural areas. Additional provisions for good governance and land reform were also among the long-term development targets.

2. to consolidate democracy through Conflict Mitigation: Assistance to the process of consolidation of democracy through Conflict Mitigation Packages designed to defuse the conflict and to prevent more violence from further impinging on the Nepalese people’s livelihoods and rights. This encompassed, further to the implementation of initial short term initiatives under the Rapid Reaction Mechanism22 between 2002 and 2003, two main interventions, the Conflict Mitigation packages 1 and 2. These packages were aimed first at addressing exclusion and at promoting vulnerable groups empowerment and then at contributing to legal and judicial reforms and promotion of Human Rights. Co-financing possibilities were to be explored subject to an analysis of

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19 To that aim, the EC’s proposals are: i) to increase financial allocations and to enhance the quality of aid; ii) to continue exploring the concept of policy coherence for development in order to find additional contributions to development; and iii) to focus on Africa.

20 The European Consensus on Development also introduces a new step towards ensuring complementarity (putting a special emphasis on alignment and ownership) and recalls the relevance of the coherence-check of policies that may affect developing countries in areas such as trade, environment, energy, conflict prevention, etc.

21 European Council Regulation EEC n°443/92 of February 1992 on financial and technical assistance to, and economic co-operation with, the developing countries in Asia and Latin America

22 The "rapid-reaction mechanism" was created by the Council Regulation (EC) No 381/2001 of 26 February 2001. This mechanism was designed "to allow the Community to respond in a rapid, efficient and flexible manner to situations of urgency or crisis or to the emergence of crisis (…) The mechanism triggers actions of a civilian nature to preserve or re-establish, in situations of crisis or emerging crisis, the conditions of stability essential to the proper implementation and success of these aid, assistance and co-operation policies and programmes".
public finance management. In this context particular attention was to be directed towards the issue of endemic corruption/governance as an overarching EC co-operation concern.

3/ to support Nepal’s integration into the International Economy System by strengthening the domestic economy: Assistance to trade and investment and integration into the international economy comprised trade sector policy formulation and training to strengthen Nepal’s capability to negotiate its accession to WTO and to implement the rules of the multilateral trade system. Support for initiatives from the private sector to activate and consolidate contacts between Nepalese trader-manufacturers and potential partners outside Nepal was an essential component of the economic co-operation project. From the EC’s perspective, an integral aspect of all Community co-operation was to promote the EU’s values and visibility in Nepal. A special effort was made to combine traditional development co-operation initiatives with economic co-operation approaches, promoting a more harmonious sectoral strategy that takes both developmental constraints and the economic opportunities offered by international trade into account.

The CSP further notes that:

- Horizontal issues such as gender equality, environmental protection, human rights (particularly of vulnerable groups), good governance, and anti-corruption, among others, would be mainstreamed into all EC assistance to ensure that they are adequately addressed and integrated into co-operation design and implementation.

- Coherence with EC policies and complementarity within the EC and with other donors would be pursued in all areas of co-operation. In particular, the indicative programme was aimed to complement and support projects, where appropriate, which are financed by EU MS.

- Special efforts were be made to ensure that the socio-economic objectives of Nepal, as stated in the 10th Five-Year Plan, were taken into account in the project-programme design and its follow-up, so as to make for maximum impact on Nepal’s own development goals.

- EC assistance would be conditional upon Nepal’s continued commitment both to a development strategy that addresses the root causes of the Maoist conflict and the necessary reforms and to demonstrable progress in the field.

The table below presents the financial envelopes that were planned in the CSP 2002-2006 and shows an estimation of the related amounts that were actually allocated, contracted and disbursed up to December 2010.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Financial envelopes, allocated amount, contracted and disbursed amounts (CSP 2002-2006) - in million EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration Areas</td>
<td>Financial envelope (from CSP1)</td>
</tr>
<tr>
<td>Area 1: Nepal’s Poverty Reduction</td>
<td></td>
</tr>
<tr>
<td>Action 1: Renewable Energy and the Environment</td>
<td>56</td>
</tr>
<tr>
<td>Action 2: Strengthening Rural Development and Governance (SRD+G)</td>
<td>41</td>
</tr>
<tr>
<td>Area 2: Consolidation of Democracy and Conflict Mitigation</td>
<td>10</td>
</tr>
<tr>
<td>Action 1: Conflict Mitigation Package I: Support for Local Communities and Civil Society Voice</td>
<td>3</td>
</tr>
<tr>
<td>Action 2: Conflict Mitigation Package II: Support for The Judicial System and Human Rights</td>
<td>7</td>
</tr>
</tbody>
</table>

23 “Allocated amounts” refer to the overall amounts indicated in the EC financing decisions.
### Concentration Areas

<table>
<thead>
<tr>
<th>Area 3: Integration into the International Economy</th>
<th>Financial envelope (from CSP1)</th>
<th>Amount allocated</th>
<th>Amount contracted</th>
<th>Amount disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 1: Trade Policy (Accession to WTO)</td>
<td>4</td>
<td>2</td>
<td>1.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Action 2: Economic Co-operation and Capacity Development (Support to SME)</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>27</strong></td>
<td><strong>22.6</strong></td>
<td><strong>15.5</strong></td>
</tr>
</tbody>
</table>

Further information on what has been implemented is given directly in Volume II - Annex 2: Detailed information matrix.

#### 2.3.2.2 The Second Country Strategy Paper (2007-2013)

The current CSP (2007-2013) has three focal sectors: “Education”, “Stability and Peace Building”, and “Trade Facilitation and Economic Capacity Building”.

The first IP 2007-10 included actions on three fronts:

- Action to promote stability and peace through GoN’s instrument (the Nepal Peace Trust Fund); action to implement the CPA and subsequent peace-related agreements.
- Action to improve education in Nepal, via the SSRP.
- Trade Facilitation and Economic Capacity Building: a 2 million EUR project to SMEs was also included. This project was originally meant for inclusion in the NIP for the first CSP (2002-06) but was not implemented.

The EC’s assistance to Nepal during the period 2007-2013 has an estimated budget of 120 million EUR. The table below presents the financial envelopes that were planned in the CSP 2007-2013 and shows an estimation of the related amounts that were actually, contracted and disbursed up to December 2010.

**Table 3** Financial envelopes, allocated amount, contracted and disbursed amounts (CSP 2007-2013) - in million EUR

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration area 1: Education: Support for School Sector Reform Programme</td>
<td>36/ 30-36</td>
<td>51.4</td>
<td>50</td>
<td>18.5</td>
</tr>
<tr>
<td>Concentration area 2: Stability and Peace Building</td>
<td>22/ 15-21</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Concentration area 3: Trade Facilitation and Economic Capacity Building Programme</td>
<td>2/ 3-9</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60/ 60</strong></td>
<td><strong>51.4</strong></td>
<td><strong>50</strong></td>
<td><strong>18.5</strong></td>
</tr>
</tbody>
</table>

Further information on what has been implemented is provided in Volume II - Annex 2: Detailed Information Matrix.

#### 2.3.2.3 EC programmes funded under thematic budget lines and other EC financial contribution other than DEVCO

**Thematic budget lines**

In addition to EC aid in the framework of the CSP/NIP, Nepal has also benefited of thematic programmes (NSAs and local authorities – DCI-NSAPVD, EIDHR, Investing in People, Rehabilitation, Environment and Natural Resources, Food Security, Rapid Reaction Mechanisms, etc.) since 2002 with an increase of the number of projects selected since 2005 (see annex 2 for the overview of thematic and horizontal programmes in Nepal).

Most of the support provided through thematic budget lines (around 41% of the total spending in the period goes to thematic budget lines) goes to the food security sector (Food budget line),
followed by PBCD sector through the DCI-NSAPVD, EIDHR, Rehabilitation and Investing in People budget lines.

Namely through the “Rehabilitation” budget line (and then directly through the geographic budget line), the EC has provided assistance to uprooted people in Nepal, to refugees from Tibet and, in particular, to the Bhutanese refugees.

Even though not considered as focal areas, a considerable amount of funds has been dedicated to the health sector (around 6.5 million EUR) provided through the former “health” budget line and today through the NSAPVD and environment budget line. This is also the case for the project related to food security (around 23 million EUR in 2009 through the thematic instrument EU Food Facility (DCI-Food) which was created in 2008.

**Funds provided by ECHO**

Moreover, Nepal being one of the most disaster prone countries in the world, humanitarian assistance is also provided in favour of most vulnerable people affected by natural disasters. In that framework, Disaster Preparedness is becoming the most important component of ECHO’s humanitarian assistance in the country.

### 2.3.2.4 Evolution of the institutional framework

During the whole period covered by this evaluation, two EU Delegations were involved in the formulation and implementation of the EC strategy and projects in Nepal.

While staff from the EU Delegation to Nepal were able to prepare projects and link with project stakeholders, they depended on the EU Delegation to India for all contractual and financial matters.

During recent years, preparation work (with recruitment of new staff and gradual transfer of responsibilities from India to Nepal) started to build-up the full capacities of the EU Delegation in Nepal. This Delegation finally became a fully independent EU Delegation in early 2011.

### 2.3.3 Overall reconstructed Intervention Logic

This section presents the “reconstructed” intervention logic (IL) of the EC’s co-operation with Nepal during the evaluation period. The evaluators have reconstructed the hierarchy of objectives and expected impact pursued by the EC. The intervention logic is the backbone for this evaluation, delineating the set of objectives against which the EC’s intervention have been assessed. It is based on the official documents that set out the EC’s strategies in the country, in particular the two Country Strategy Papers for Nepal, covering the periods 2002-2006 and 2007-2013.

The structures of the diagrams includes a number of logical levels (columns) to be read from left to right as follows:

1. **Government priorities**: National development and sectoral policies and strategies; this highlights the policy framework within which the EC intervenes and allows the assessment of the rationale and relevance of the EC strategy.
2. **Inputs & Activities**: This column refers to specific EC support interventions and components.
3. **Outputs**: This corresponds to the outputs generated by activities funded by the EC in the respective sectors.
4. **Outcomes**: likely or achieved short-term effects on the social and economic context of the development interventions: the specific changes in conditions and behaviour of the direct beneficiaries of the EC support.
5. **Intermediate impacts**: the wider changes at sector level and medium term effects expected by the cooperation strategy on the social, political and economic context.
6. **(Global) long-term impacts**: the longer-term effects expected by the cooperation strategy on the social, political and economic context.

The diagram is also structured horizontally around the main sectors of cooperation, as outlined in the two Country Strategy Papers:
Focal sector 1: Education. The EC has supported through a multi-donor arrangement with four other contributors the Basic and Primary Education Programme – II (BPEP-II). Owing to this arrangement it was officially not included in the CSP 2002-2006. Education became one of the three concentration areas of the CSP 2007-02012: the EC supported a comprehensive sector policy support programme, the Education SPSP, covering the Education for All (EFA) and the School Sector Reform Programme (SSRP). In addition, some education activities under the Conflict Mitigation Package 1 (CMP-1) have been targeted towards the inclusion of vulnerable groups.

Focal sector 2: Peace Building and consolidation of democracy (PBCD). This sector has been a constant and important component of both CSPs, although different wordings were used: Consolidation of Democracy and Conflict Mitigation in CSP 2002-2006; Stability and Peace Building in CSP 2007-2013. The 2002-2006 CSP consolidated and developed the initial short term activities funded for six months under the Rapid Reaction Mechanism (RRM), through the Conflict Mitigation Package I (CMP-I): Support for Local Communities and Civil Society Voice. The CMP-II, Support to the Judicial System and Human Rights, still under the 2002-2006 CSP, undertook to support the development of some of the main national institutions in the judicial and human rights systems. Complementary thematic support was provided under the European Initiative for Democracy and Human Rights (EIDHR), Non-State-Actor support etc.

Focal sector 3: Poverty Alleviation: Rural Development & Renewable Energy and Environment. This focal area refers to the concentration area 1: Poverty Reduction of the CSP 2002-2006. The name of the concentration area is very broad, but actually covers two major actions: Action 1: Strengthening Rural Development and Governance (SRD+G) and Action 2: Renewable energy and Environment. The SRD+G programme was not implemented and Rural Development is not included in the CSP 2007-2013. However, by the end of 2008 Nepal became an important recipient of the EC Food Facility with six projects and commitments of 23,5 million EUR. The Renewable Energy Project, the second Action under the Poverty Reduction concentration area of the CSP 2002-2006 started implementation in 2004 and is still ongoing.

Focal sector 4: Trade Development. The focal area refers to the third concentration area of the CSP 2002-2006 and was named: Integration into the international economy. Two actions were foreseen: Support to the Trade policy (providing specific assistance in preparing Nepal for accession to WTO) and Economic Co-operation and Capacity Development. Similarly it corresponds to the third focal sector of the CSP 2007-2013.

Finally, the diagram also indicates the focus of the evaluation questions (see also next section which gives a detailed overview of the evaluation questions). In line with the ToR, most EQs focus on the outcomes and intermediate impacts of specific sectors of cooperation. EQ8 and EQ9 cover all sectors and focus on overall strategic issues. EQ3 has a particular location in the diagram as it focuses on the inputs, the direct outputs and some of the induced outputs of budget support in the education sector.24

Remark on the diagrams presented below
For a better reading of the diagram representing the intervention logic, the graphic attributes one colour to each sector:

1. Education (EDU) = blue,
2. Peace Building and Consolidation of Democracy (PBCD) = green,
3. Agricultural Development and Food Security (ADFS) = red,
4. Environment (Renewable Energy and Climate Change Adaptation - ENV) = light red,
5. Trade Development (TD) = purple.

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24 EQ3 has actually been designed so as to follow key aspects of the step 1 of the methodology developed by the OECD core group on budget support - see also: http://ec.europa.eu/europeaid/how/evaluation/evaluation_reports/2008/budget_support_en.htm
Figure 4  Reconstructed Intervention Logic of EC support to Nepal (2002-2013)

Government priorities

10th National Plan (PRSP) (2002-2007)
1) Broad-based economic growth (= TD sector)
2) Social sector and rural infrastructure development through delivery of basic goods and services in:
   - Education
   - Health
   - Social harmony
   - Women empowerment
3) Targeted Programmes for the most vulnerable social groups (= PBCD sector)
4) Improving Governance through decentralisation and curtailting corruption
   Cross-cutting: promoting community participation in and management of activities at the local levels (= PBCD)
3 Year Interim Plan (2007/08-2012/13): 1) Relief, reconstruction, reintegration (= EDU sector)
2) Employment-oriented, pro-poor and broad based economic growth (= TD sector)
3) Good governance and effective service delivery (= EDU sector)
4) Physical infrastructure development
5) Social development
6) Inclusive development process (= PBCD sector)
Other important sector policies:
- Education For All (2004-2009)
- School Sector Reform Program (2009-2015) (= EDU sector)

Sector EDU
1. Basic and Primary Education Programme II (1999-2004)
2. Education Sector Policy Support Programme linked to: 2a. EFA Programme, 2b. SSRP.
3. Four inclusive education projects run by Non State Actors (VSO, NOG, KIRDARC & RRN)

Activities
- Facilities constructed
- Teachers trained
- DoE/REO school management staff trained
- Girls received scholarships
- Additional fiscal space for education
- Institutional and individual capacity development
- Improved learning environment

Outputs
- Improved teacher performance
- Increased management capacity at national, local, school levels
- Increased access and retention
- Improved quality
- Expansion of ECD and adult literacy programmes
- Increased decentralisation
- Enhanced EFA implementation
- Increased access and improved quality for vulnerable groups in selected areas

Outcomes
- Increased access to basic health care in critical areas
- Empowerment of minority groups
- Enhaned local capacity (CBO)
- Increased awareness on human rights
- Increased capacities of the Judiciary

Intermediate Impacts
- Increased enrolment and completion rates, esp. for disadvantaged groups
- Increased learning outcomes
- Improved institutional and financial management
- Increased early childhood education
- Increased adult literacy

Sector PBCD
Conflicts mitigation package I&II
Activities related to:
- Reconciliation and security
- Social and economic empowerment of minority groups
- Election process, strengthening of the rule of law

Outputs
- Access to social services ensured for vulnerable groups
- Opportunity for livelihoods
- Awareness of vulnerable groups on community matters and citizens’ rights and duties
- Institutional capacity of CBOs
- Conflict resolution: public sensitised, mechanisms developed at local level
- Media programmes

Outcomes
- Increased access to basic health care in critical areas
- Empowerment of minority groups
- Enhaned local capacity (CBO)
- Increased awareness on human rights
- Increased capacities of the Judiciary

Intermediate Impacts
- Increased enrolment and completion rates, esp. for disadvantaged groups
- Increased learning outcomes
- Improved institutional and financial management
- Increased early childhood education
- Increased adult literacy

Sector ADFS
- Strengthening Rural Development and Governance

Activities
- Irrigation infrastructure
- Water associations
- Capacity building events
- seed distribution/multiplication
- Micro-irrigation schemes
- Access roads
- Village food banks and storage
- Capacity building events

Outputs
- Access to land, water and modern production technology
- Water associations
- Increased production/productivity
- Increased job opportunity
- Increased food security
- Increased access to social safety nets for vulnerable groups

Outcomes
- Reduced use of firewood
- Increased agro-processing
- Access of schools, health and community centres to energy

Intermediate Impacts
- Increased food security
- Increased rural incomes and employment
- Improved security of energy in rural areas
- Improved environment
- Renewable policies facilitated

Sector ENV
- Renewable Energy Project

Activities
- Solar systems supplied
- Capacity building events
- Community Solar Management Groups

Outputs
- Access to land, water and modern production technology
- Water associations
- Increased production/productivity
- Increased job opportunity
- Increased food security
- Increased access to social safety nets for vulnerable groups

Outcomes
- Reduced use of firewood
- Increased agro-processing
- Access of schools, health and community centres to energy

Intermediate Impacts
- Increased food security
- Increased rural incomes and employment
- Improved security of energy in rural areas
- Improved environment
- Renewable policies facilitated

Sector TD
- WTO Assistance Project
- Regional Programmes (EU Asia pro eco; Asia Invest II)
- Technical assistance provided
- Awareness raising campaign implemented

Outputs
- Improved capacity decision makers on trade related issues
- Improved legal, institutional & policy framework for trade

Outcomes
- Increased food security
- Increased rural incomes and employment
- Improved security of energy in rural areas
- Improved environment
- Renewable policies facilitated

Intermediate Impacts
- Better integration in international trade

Global impact

Poverty reduction and Sustainable socio-economic development
Social/ Gender disparity reduced
Social inclusion enhanced
Peace consolidated
Enhanced good governance
Equitable economic growth

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2.3.4 Overview of Evaluation Questions

Based on the TORs, the intervention logics, a capitalisation work of main challenging issues and the final agreement reached between the RG and the evaluation team, the following set of evaluation questions was presented in the Inception Report:

Table 4 | List of evaluation questions by cluster

<table>
<thead>
<tr>
<th>Code EQ</th>
<th>Evaluation question</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ1 Social Exclusion</td>
<td>To what extent has EC support addressed the various dimensions of social exclusion in Nepal?</td>
</tr>
<tr>
<td>EQ2 Democracy and the Rule of Law</td>
<td>To what extent has EC support contributed to strengthening democracy and the rule of law in Nepal?</td>
</tr>
<tr>
<td>EQ3 Education policy</td>
<td>To what extent has EC budget support to the education sector contributed to an improved design of policies and strategies and to an improvement in the management of public resources in the sector?</td>
</tr>
<tr>
<td>EQ4 Access to education</td>
<td>To what extent has EC support to the education sector in Nepal contributed to increasing access to and completion of quality basic education?</td>
</tr>
<tr>
<td>EQ5 Trade</td>
<td>To what extent has the EC’s trade policies for LDCs and EC trade related support addressed key issues and needs of the Nepalese export sector?</td>
</tr>
<tr>
<td>EQ6 Agricultural development and food security</td>
<td>To what extent has EC support contributed towards an increase in rural incomes and an improved food security in selected rural areas of Nepal?</td>
</tr>
<tr>
<td>EQ7 Renewable energy and the environment</td>
<td>To what extent has EC support in renewable energy contributed to an improved environment, better social services and economic development in selected rural areas of Nepal?</td>
</tr>
<tr>
<td>EQ8 Responsiveness</td>
<td>To what extent has the programming and implementation of the EC strategy responded adequately to the specific context of Nepal and its evolution over the 2002-2010 period?</td>
</tr>
<tr>
<td>EQ9 Synergies</td>
<td>To what extent has the EC support being designed and implemented to achieve synergies with other donors (incl. EU member states) and other European Community policies?</td>
</tr>
</tbody>
</table>

The following table shows the coverage of the evaluation criteria by the evaluation questions.

Table 5 | Coverage of the evaluation criteria and EC key issues by the EQs

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Evaluation Criteria</th>
<th>Key issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQ</td>
<td>Relevance</td>
<td>Efficiency</td>
</tr>
<tr>
<td>EQ1</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>EQ2</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>EQ3</td>
<td>●</td>
<td>○</td>
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<tr>
<td>EQ4</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>EQ5</td>
<td>●</td>
<td>○</td>
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<tr>
<td>EQ6</td>
<td>●</td>
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<tr>
<td>EQ7</td>
<td>●</td>
<td>○</td>
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<tr>
<td>EQ8</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>EQ9</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

The criterion is largely covered by the EQ
○ The criterion is also tackled in the EQ

(*) Definition of evaluation criteria additional to DAC and key issues
Evaluation of the European Commission co-operation with Nepal

PARTICIP-DRN

Evaluation Criteria:

Coherence EC support: the extent to which the intervention logic is not contradictory/the intervention does not contradict other similar interventions within the EC’s external assistance policies (geographical and thematic instruments);

Added value of EC support: the interventions generate a particular benefit, as it may have a particular capacity/experience in a particular field (for instance in regional integration, regional programmes) or by having a particular mandate/is guided by a common political agenda so can draw upon MS (related to subsidiary principle).

Key issues:

3Cs: co-ordination and complementarity of EC support with other donor interventions (focusing on Member States) and coherence between EC interventions in the field of development and co-operation and other EC policies that likely affects Nepal (note coherence has a different meaning here than in the paragraph above).

CCIs: Cross Cutting Issues: (i) to what extent they were taken into account during design and programming, (ii) to what extent they have been reflected in implementation modalities; and (iii) how this affected implementation. These levels will be addressed according to the main focus of the EQ.
3 Answers to the Evaluation Questions

3.1 EQ1 Social exclusion

**Evaluation Question 1: To what extent has EC support addressed the various dimensions of social exclusion existing in Nepal?**

**3.1.1 Answer to EQ1 - summary**

EC support has prioritised addressing the various dimensions of social exclusion existing in Nepal in its two Country Strategy Papers (2002-2006 & 2007-2013) and, through financing budget instruments, has proactively supported the empowerment of women and poor and excluded people. Very substantive work to strengthen the capacity of different social groups (e.g. single women, LGBTI\(^{25}\), Dalits, disadvantaged ethnic groups) at the local level has resulted in an increased voice for the target groups, their enhanced understanding and ability to claim services from different service providers, and a stronger recognition by local policy makers of their issues.

Conscious efforts have been made with the EC support to address geographical exclusion, with projects in remote districts and VDCs. NGOs, representative organisations and local community-based organisations have been implementing agencies, which has enabled their capacities to improve not only in matters relating to project implementation, but also relating to a more realistic interpretation of the rights of their constituencies.

However, a strategic framework to ensure that these achievements at the community level, and the lessons learned from such initiatives, inform the EC’s planning and programming and influence national policies is absent. This has resulted in isolated projects with limited strategic links to broader efforts for structural change. While most projects have advocacy components and involve government bodies, there have been few partnerships with key government bodies to support fundamental changes in social, cultural and economic systems unfavourable to women, poor and the excluded. The key problem of poverty is not addressed comprehensively, as there is little reflection of social mobilisation efforts in the larger EC programmes. Overall, there is insufficient clarity on what the EC wants to achieve on gender equality and social inclusion, and inadequate institutionalisation of mainstreaming gender and social inclusion in the EC’s organisational systems and structure. Moreover, there are only limited mechanisms allowing good practices and lessons learnt from implemented projects to inform the bilateral dialogue on gender equality and social inclusion.

**3.1.2 Main findings**

**Barriers and needs affecting women and poor and excluded people are identified in project design.**

EC-supported projects have increasingly identified and addressed the issues of women and poor and excluded people. Interventions have been designed to address the specific barriers at community level affecting different social groups. These were usually well-identified as the implementing agencies are primarily peoples’ organisations that have experienced these issues themselves. Different tools and assessments were undertaken by other non-activist agencies to ensure that the barriers identified are context specific and group specific. There is strong evidence that EC-funded projects tackled issues of education and health of women and poor and excluded people, and worked to reduce discriminatory social practices. There have been some efforts to address income and livelihood issues, but they have been insufficient in scale and scope (Indicators 1.1.1 and 1.1.2\(^{26}\)). There have been efforts to increase vulnerable groups’ awareness with regard to disasters, and EC support has been designed to increase prevention of the need for humanitarian assistance (Indicator 1.1.3).

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\(^{25}\) Lesbians, gay, bisexuals, transgender and intersex.

Discriminatory community-level social practices have been addressed, but economic empowerment is limited and the influence of national discourse on GESI issues is insufficient.

EC support has targeted women (of different social groups, such as single women, Dalit women, Madhesi Dalit), third gender groups, ethnic groups (such as Chepangs and Rajis, an endangered ethnic group), and people with disabilities, aiming to work on reducing the cultural and social practices that discriminate against and constrain the development of these groups. These interventions have influenced local decisions and VDC/DDC budgets, resulting in resources being allocated for the issues affecting them. However, the level of strategic engagement, with national-level efforts to address these issues and for structural change in institutions, is relatively low (Indicators 1.2.1 and 1.2.2).

Through project support, beneficiaries became better informed and made use of government provisions – such as cash incentives for children to address malnutrition. Interventions to increase income and opportunities to address livelihood requirements were often limited to savings and credit-type schemes with subsistence level income-generating activities. Backward and forward linkages to assist socially excluded people to move from survival level to micro-enterprise level were insufficient (Indicator 1.2.3).

Absence of an overall gender equality and social inclusion strategy has resulted in limited GESI mainstreaming in programming and monitoring.

Many interventions supported women’s groups and incorporated dimensions to strengthen their empowerment (Indicator 1.3.2). However, an in-depth understanding of gender and inclusion, and their application in different aspects of project implementation, is evident only in some women-focused projects. In most projects, the issues of gender-differentiated division of labour, access to resources and decision-making power were not analysed or addressed specifically. There has not been an adjustment of the EC gender and inclusion mainstreaming principles and approaches to the context of Nepal, and hence addressing gender issues has been neither systematic nor consistently mainstreamed in the full project cycle (Indicator 1.3.1). Reporting by most partners is done with sex-disaggregated data, but not an in-depth gender analysis. Moreover, there is no evidence that sex-differentiated data is used by decision makers to reorient their overall programmes and strategies (Indicator 1.3.3).

### 3.2 EQ2 Democracy and the Rule of Law

**Evaluation Question 2: To what extent has EC support contributed to strengthening democracy and the rule of law in Nepal?**

**3.2.1 Answer to EQ2 - summary**

The EC co-operation strategy with Nepal has attached significant importance to consolidating democracy and rebuiding justice institutions as a key means for peace building and national reconciliation. A number of achievements can be recorded towards this end. First, the presence of EU observers helped to ensure that the 2008 Constituent Assembly election was generally fair and transparent. Second, the EC contributed directly to expanding the outreach of human rights monitoring in the country, and, to some extent, to the reduction of human rights violations and discrimination against women and vulnerable groups. Third, the EC can be credited with having established conditions for enhancing the efficiency of the judiciary. At the same time, EC support does not seem to have had any influence on the access to justice situation. In addition, the contribution to strengthening democracy and the rule of law has, in many cases, been limited by significant delays in implementation of support, the failure of key tenders, overambitious time frames given the results expected, and the lack of attention paid to local ownership and sustainability. The focus on the formal justice system and actors at the national level has also diminished the relevance of the support, especially for marginalised and vulnerable groups.

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27 Gender Equality and Social Inclusion.
3.2.2 Main findings

Increased transparency in the management of the electoral process.

The 2008 Constituent Assembly election represented a crucial step towards the restoration of representative democracy in Nepal. The EC made an early commitment (as long ago as 2002) to monitor the election, and deployed a large international election observation mission (EOM) when the election was eventually held. In its final report, the EU-EOM concluded that the election was generally organised in a professional manner, and that the presence of international and, most importantly, national observers helped to ensure the transparency of the process. All other major election observation missions made a similar, positive assessment of the conduct of the election in Nepal. Nevertheless, there was general consensus that the atmosphere during the election campaign period was characterised by fear and intimidation. In addition, some weaknesses were reported in the electoral process, particularly with regard to the processing of votes and the capacity and co-ordination of domestic observers. The EU-EOM offered a comprehensive set of recommendations to address these and other shortcomings, but no direct assistance to the Election Commission – as envisaged in the two CSPs – has been given by the EC as yet (even though a project to this end is currently being considered). The evaluation team also notes that the EC has not addressed in any significant way the lack of elected local government and local service delivery mechanisms – identified as key weaknesses in the governance system of Nepal (Indicators 2.1.1 and 2.1.2).

Mixed results in terms of increased respect of human rights.

In view of the gross violations that were recorded during the armed conflict and the troubled rule of law situation that continued in some parts of the country following the 2006 Comprehensive Peace Agreement (CPA), protecting and promoting human rights has been another major objective of EC co-operation with Nepal over the last decade. Early support was allocated for the establishment in Nepal of the UN Office of the High Commissioner for Human Rights (OHCHR) and the regional branches of the National Human Rights Commission (NHRC), indirectly contributing to an increase in the number of complaints, investigations and monitoring activities conducted by these two institutions. However, subsequent support to NRHC through the Conflict Mitigation Package II (CMP2) was generally too limited and ad hoc in nature, and was provided during a period when the absorption capacity of the NHRC was severely restricted. Overall, the NHRC appears to have had little influence on the human rights situation in the country as GoN has fully implemented only on a small fraction of the NHRC recommendations. A related problem is the lack of capacity of the Office of the Attorney-General (OAG) to establish accountability for human rights violations. On the other hand, reports suggest that the very presence of the OHCHR has acted as a deterrent to human rights violations, and has thereby contributed to the overall decrease in human rights violations by security forces since the end of the armed conflict. There is similar anecdotal evidence that Civil Society Organisations (CSOs), supported under the EIDHR mechanism, have advanced the rights of women, Dalits and indigenous groups, including by contributing to a reduction of discriminatory legal provisions and local practices (Indicator 2.2.1 and Indicator 2.2.2).

Limited enhanced capacity of the Nepalese judiciary.

The EC co-operation strategy over the period under evaluation recognised that re-establishing the rule of law and rebuilding justice institutions can help to develop the necessary climate for peace building and promote international human rights standards. As such, capacity building of the judiciary was made one of three focal areas for support under CMP2. Most prominently, in line with the Strategic Plan of the Judiciary, the EC assisted the Supreme Court in developing a web-based case management system that potentially could become an important tool to address the case backlog in courts. This system formed an integral part of the efforts of the project to improve the general performance of the Supreme Court by ensuring that adequate management and information systems and resources were in place. Other major outputs accomplished in this respect include three court users’ charters, a prison inspection manual, and a computerised human resources management sys-

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29 European Instrument for Democracy and Human Rights.
tem. Funding was also provided for sector-wide consultations in the context of the development of the second Strategic Plan of the Judiciary. However, most of the outputs, including the web-based case management system, were produced only in the last two years, and some of them have yet to be officially launched. While the EC has generally not provided any funding for dissemination or application of outputs, a promising sign for sustainability is that the IT infrastructure at all court levels has been upgraded in recent years – with funding from the international donor community, as well as from GoN’s own budget – and that reform of case management is singled out as a top priority in the current Strategic Plan of the Judiciary. Nevertheless, new IT software alone is not likely to have any discernable impact on court efficiency if it is not accompanied by longer-term efforts to build capacity of the local court system, including the computer skills of local judges and court staff (Indicator 2.3.1 and Indicator 2.3.2).

**Serious challenges remain in terms of access to justice services.**

In addition to problems related to case disposal and the execution of judgments, access to justice in Nepal is seriously hampered by the cost of legal representation and the lack of outreach of free legal aid to the poor. Against this backdrop, an important objective of EC co-operation with the judiciary has been to “upgrade the legal assistance mechanism” – in particular, through the expansion of the Free Legal Assistance Scheme established under the Legal Aid Act (1997). Financial and technical assistance has been provided for the establishment of government-run legal aid committees at district level, as well as the strengthening of the legal aid services of the Nepal Bar Association (NBA). The Legal Aid Manual produced under CMP2 was another significant output. Nevertheless, the impact of such support remains unclear because of the general absence of data on legal aid, let alone disaggregated information on the gender, ethnicity or caste of the person filing a complaint. Indications are that the legal aid providers supported by the EC remain underfunded, offer severely limited compensation to lawyers, and therefore have not been able to attract many cases.

Instead, many people turn to the informal justice sector for help. It is estimated that 85% of disputes in Nepal are resolved through informal means, such as traditional dispute resolution mechanisms and CSO-driven community mediation projects. While some limited support has been provided to the informal justice sector through the EIDHR instrument, the EC strategy has focused on the formal justice system and the Supreme Court, which serves very few Nepalese directly. Nevertheless, it is noted that the emphasis on the formal justice sector was a strategic choice made by the EC in view of the fact that several other donors were already supporting informal mechanisms (mediation, paralegal committees, etc.). In addition, the EC has recently approved a grant to a project that seeks to strengthen the relationship between the state and non-state justice sectors, and enhance the capacity of the non-state justice sector to advocate for, support and monitor a more effective, accessible and accountable state justice.

The evaluation team also notes that new transitional justice mechanisms – that is, the Truth and Reconciliation Commission and the Disappearances Commission – may also gain critical importance to deal with conflict-related grievances should these bodies be established in accordance with international standards (Indicator 2.4.1, Indicator 2.4.2 and Indicator 2.4.3).
3.3 EQ3 Education policy

Evaluation Question 3: To what extent has EC budget support to the education sector contributed to an improved design of policies and strategies and to an improvement in the management of public resources in the sector?

3.3.1 Answer to EQ3 - summary

EC budget support to the education sector began in June 2008, four years later than that of other development partners (DPs) - some of whom contributed to a pooled fund from the beginning of the Government of Nepal’s (GoN’s) EFA programme in 2004. Thus, it had little influence on the design of policies and strategies. However, because of its former involvement in the second Basic and Primary Education Programme, the EC was asked to be a participant in GoN/DP discussions on EFA, and so had some influence on the implementation of policy. Within a framework of increased donor harmonisation, the EC, along with nine pooling and four non-pooling DPs, had an influence on the appraisal of the School Sector Reform Programme (SSRP) in 2008/09 and on its early implementation from 2009.

However, EC budget support has not contributed to an improvement in the management of public resources. Although part of the EC support was to be for improving management capacity at central level, the first variable tranche released had no effect and no further funds were released for technical assistance or capacity development. Between 2002 and 2010, the EC has had no direct engagement in public financial management in the education sector.

3.3.2 Main findings

The design of EC support through budget support responded to GoN strategies and the national context, was consistent with the overall donors’ development strategies, and EC inputs were to a large extent delivered as planned.

The EC did not include education in the CSP 2002-2006. Education was barely mentioned in the Third Session of the Nepal-EC Joint Commission, March 2002, principally because there were considerable donor funds unspent (112 million USD) which had been committed to the second phase of the Basic and Primary Education Programme (BPEPII) at the time that the CSP was being formulated. Education became the main focus of support in the CSP 2007-2013, in which it was proposed that the EC would also target capacity development and governance issues in the education sector at all levels (Indicator 3.1.1).

The choices made during the design of EC sector budget support − as indicated in the Financing Agreements for the Education Sector Policy Support Programmes, which included the Nepalese government’s EFA and SSR programmes − took into account the key elements of the national context, particularly with regard to the requirements for improving education service delivery at the time (JC3-1, Indicator 3.1.1).

The design of EC sector budget support to the EFA Programme responded to a demand from GoN and was relevant to government strategies and the overall donors’ development strategies. It built on most of the lessons learned from the design and implementation of BPEPII. What appeared not to have been incorporated in the design of support to the EFA Programme was: (a) the development of a strategy to involve NGOs and civil society in the programme; (b) co-ordination among DPs with regard to TA, and greater involvement of MoE in the TA decision-making process; and (c) the establishment of a system both for programme monitoring at central and local levels and for monitoring outputs and outcomes to inform policy and programme (re-)design. Although these omissions were largely catered for in the design of the second round of sector budget support, there is no evidence that plans for programme monitoring and evaluation had been sufficiently thought out in the design of the SSRP itself, or that efforts would be made to determine, through studies, how the quality

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30 The Nepal Ministry of Foreign Affairs explains on its website: “The Joint Commission is a mechanism that meets every two years and reviews the ongoing projects, discusses pipeline projects and new projects to be implemented with EU assistance.” See EQ9-Indicator 9.1.1 for more details.

of education could best be improved for all children, including those from disadvantaged
groups or areas (Indicator 3.1.2).

EC budget support to the education sector began four years later than that of other donors,
and over four years after agreement had been reached on the Government’s EFA Core
Document and the EFA Programme (2004-2009) had begun. At that time, therefore, the EC
did not contribute to an improved design of policies and strategies, although EC sector
budget support was (and still is) aligned with GoN policy. On the other hand, because of the
EC’s major involvement in BPEPII, the EC was asked to be a participant in Ministry of Edu-
cation/Development Partner (MoE/DP) discussions on EFA, and thus had some influence on
the implementation of policy (Indicator 3.1.3).

The fixed tranches for both the EFA programme and SSRP were released slightly later than
originally planned. In addition, despite the statement in the CSP 2007-2013, only the first
variable tranche for technical assistance and capacity development within the EFA Pro-
gramme was released, due to the fact that GoN was unable to meet the requirements for
further VT release (Indicator 3.1.4).

EC support for the education sector contributed towards policy dialogue and was
harmonised among the main donors, but did not make available strategic TA and ca-
pacity development support.

Policy dialogue between GoN and the development partners was evident in the discussions
on, and reviews of, implementation of the EFA Programme, and particularly in the appraisal
of the SSRP and now in the Joint Consultative Meetings and Joint Annual Reviews. EC su-
pport for the education sector has operated within an existing framework for policy dialogue,
rather than providing the framework. Moreover, certain issues related to mutual accountabil-
ity between DPs and GoN still need to be addressed (Indicator 3.2.1).

EC sector budget support cannot be disaggregated from other DP sector budget support.
Although there were several weak points, BPEPII had been a model of donor harmonisation.
Since 2004, donor harmonisation has improved considerably, to the extent that, since 2009,
DPs have agreed to present their case on issues in the education sector through a single
representative, the lead DP – a position that rotates annually. Within this framework, the EC
has had influence on the review of policy and strategies – for example, in the appraisal of the
SSRP in 2008/09, to which the EC is continuing to provide budget support, along with nine
other pooling donors, and which is also supported by four non-pooling donors – and through
participation in Joint Consultative Missions in December and in Joint Annual Reviews in
April/May every year (Indicator 3.2.3). With increased harmonisation, transaction costs both
for GoN and development partners have been considerably reduced following sector budget
support, accompanied by a joint financing arrangement (Indicator 3.2.4).

Since commissioning the evaluation of BPEPII in 2005, there is no evidence of the EC mak-
ing available strategic TA during its involvement in the EFA Programme, except for leading a
workshop on capacity development in September 2009, with mixed results, and now in lead-
ing the education sector capacity development Thematic Working Group (the EC is also re-
presented on the Water and Sanitation, Teacher Management, and Finance TWGs). No vari-
able tranches intended to support capacity building were released, apart from the first 0.5
million EUR which may or may not have been spent on preparing an initial capacity deve-
lopment plan (Indicator 3.2.2).

EC budget support has contributed towards increasing sectoral aid funds to some
extent, but has had limited impact on their predictability.

Overall, the EC’s contribution before and after sector budget support went from 15% of the
Core Investment Programme (basket fund) and 4% of the total cost of BPEPII to 9.6% of the
DP contribution (in budget support) and 4% of the total expenditure on the EFA Programme
between 2004/05 and 2009/10. It was estimated that it would decline sharply to 4.8% of do-
nor contributions to SSRP and 1.3% of the total cost of the SSRP (Indicator 3.3.1).

EC support has not been especially predictable in itself, partly because of delays in GoN’s
request for tranche releases and partly because of the procedures preceding tranche re-
leases. However, EC tranche releases were made, coincidentally, at a time when funds were
needed and so have increased the reliability of GoN’s budget (Indicator 3.3.2).
Since EC support to the EFA Programme was given almost four years after other donors had signed the Joint Financing Arrangement, EC participation in its preparation and implementation had no visible advantage. Nor is there any evidence of a visible advantage of EC participation in the preparation and implementation of the SSRP. However, the presence of an education adviser in the EUD-N since September 2009 has raised the professional profile of the Delegation within the sector, particularly at joint review meetings (Indicator 3.3.3).

**EC budget support has had no effect on public finance management.**

While there has been much concern about the state of public financial management in the sector, it has been mainly the World Bank, Danida and DFID that have taken steps to support its improvement (Indicator 3.4.1). The Governance and Accountability Action Plan (Indicator 3.1.2) has been in operation since July 2009, but is not yet taken seriously as a means to improve accountability in the sector. The EC has had no direct engagement in public financial management in the sector, although now it is represented on the Finance Thematic Working Group. However, the EC (along with other DPs) was able to alert the Parliamentary Public Accounts Committee to fiduciary misdemeanours in the education sector, leading to action by the Auditor-General’s Office and the Ministry of Finance (Indicator 3.4.1).

**Budget support from development partners, including the EC, has contributed to some extent towards improving the policy and budgeting process at sectoral level.**

The EU’s participation, first as an observer in 2004-08 and then since 2008 as a full member of joint review missions in the monitoring of the EFA Programme and the SSRP, has supplemented the collective influence of pooling and non-pooling DPs in contributing to improved planning, implementation, review and restructuring processes within the sector (Indicator 3.5.1). In addition, support from the DPs (including the EU) has meant a steady improvement in the quality of documents produced by GoN and in the range of data made available (Indicator 3.5.2).

A UNESCO study\(^{32}\) on the development and use of an education medium-term expenditure framework (MTEF) in Nepal suggests that it has strengthened the budget formulation process, as well as management and resource allocation processes, by improving the predictability of budgets in the second and third years. However, interviews revealed that the MTEF was not as effective as it could be and that there was a need to improve resource allocation, programming and budgeting in the sector (Indicator 3.5.3).

GoN has increased its allocation to the education sector between FY2003/04 and FY2009/10 from 3.1% to 4.6% of GDP and from 14.9% to 19.5% of total public expenditure. Within the education budget, the allocation to primary education has increased from 56.5% to 63% (Indicator 3.5.5).

Finally, sector budget support in Nepal appears to have been concerned mainly with what happens at central level (Indicator 3.5.4). This is not unusual, as EC and general literature on sector budget support and on the sector-wide approach emphasise the need for capacity development and maintenance within central level institutions\(^{33}\). However, in the education sector in Nepal there appears to be plenty of capacity at central level at one end, while the process of decentralisation is giving more authority to the School Management Committees (SMCs) and the school Principals at the other. In addition, GoN’s “political” focus is on the local level with the VDCs being the hub of activities in every sector. As a result, not enough attention has been given by DPs (or GoN) to how to improve the implementation of policy and plans where it really matters, with the children and the schools, or to the crucial institutions between the ministry and the schools – the District Education Office, as well as the Regional Education Office. Furthermore, in a fragile political climate, more attention has been given to developing the capacity of the individual (through training, often overseas) than to institutional development, which can have a longer-lasting effect.

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\(^{33}\) See Foster, M. (October 2000): “New approaches to development co-operation: What can we learn from experience with implementing sector-wide approaches?” He indicates that whether a country has low or high aid dependence or has low or high sector management capacity, supplementary assistance may be given, in the form of project aid, to the development of central management functions.
3.4 EQ4 Access to education

Evaluation Question 4: To what extent has EC support to the education sector in Nepal contributed to increasing equitable access to, and completion of, quality basic education?

3.4.1 Answer to EQ4 - summary

Along with other development partners, the EC gave programme support to the education sector through basket funding for the second phase of the Basic and Primary Education Programme (BPEPII) 1999-2004. A critical shortcoming of BPEPII was the lack of monitoring of educational programmes, both at central and local levels. Thus, the European Court of Auditors found that there was little evidence of the impact of BPEPII in relation to the funding provided and that too much attention had been paid to ensuring access to education, to the detriment of quality.

There have been upward trends in the key performance indicators related to basic education. The primary net enrolment rate increased from 83.5% in 2003 to 94.5% in 2010, with a gender parity index of 0.98 in 2009. The educational management information system has improved over the years, but there are still inconsistencies, which lead to the questioning of the high net enrolment rate.

The EC has contributed to these improvements in access and gender parity through its support to: (a) BPEPII, particularly Objective A – “Universal Access and Retention”; (b) the EFA programme, particularly Output A – “Increased access to basic and primary education... with supportive expansion of ECD and literacy services”; and, more recently, (c) the SSR programme and its programme objective of increasing access to (and quality of) school education, particularly basic education (grades 1-8), especially for children from marginalised groups. While the level of contribution of the EC support to the overall positive access trends in the sector is difficult to assess, the four Non-State Actor projects supported by the EC since early 2010 are helping to increase participation in education by children from marginalised and vulnerable groups. Prior to the SSRP, the focus on quality was limited, and although it has become important in theory, much remains to be done to improve the quality of inputs, as well as the quality of learning outcomes.

3.4.2 Main findings

The education goals and strategies of GoN are consistent with EC policies and international standards.

There is a high level of coherence of objectives in GoN and EC documents pertaining to the education sector in Nepal, especially in those prepared for the Education For All (EFA) and School Sector Reform programmes (SSRP - Indicator 4.1.134). There has been increased reflection of international standards in GoN education policies, goals and strategies since BPEPII, mainly as a result of increasingly harmonised DP involvement in the education sector. However, there are many improvements still to make, particularly in the area of quality and learning outcomes (Indicator 4.1.2).

Although there have been clear policy thrusts towards decentralisation, greater community participation and more responsiveness to linguistic and cultural diversity, in line with international practice, detailed plans to guide implementation have not been developed. As a result, there have been some inconsistencies, such as conflicting policies on “free” education and on cost-sharing implementation modalities, practical problems in implementing multi-lingual education, and some lack of clarity regarding the respective roles of “special”, “non-formal” and “inclusive” education (Indicator 4.1.2).

The capacity of the GoN to design, manage and monitor its education reform programmes has increased over time.

Along with Denmark, Finland, Norway and the World Bank, the EC gave programme support to the education sector through basket funding for the second Basic and Primary Education Programme 1999-2004 (Introduction). A critical shortcoming of BPEPII was the lack of moni-

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monitoring of educational programmes, both at central and local levels. Thus, the European Court of Auditors (ECA) found that the evaluations of BPEPII (i.e. the EC-commissioned evaluation and the earlier joint GoN-donor evaluation funded by Danida in July 2004) made little use of indicators, benchmarks and targets, and did not properly evaluate the impact of the programme. Later, the ECA Mission stated that there was little evidence of the impact of BPEPII in relation to the funding provided and that too much attention had been paid to ensuring access to education, to the detriment of quality (Indicator 3.1.2).

The quality of the two comprehensive national education plans (EFA and SSRP) in operation over the period of evaluation was and is estimated to be high. The SSRP is estimated to be an improvement on the EFA programme and was thoroughly appraised by DPs before implementation began. The quality of School Improvement Plans and District Education Plans needed, and still need, improvement (Indicator 4.2.1). As a proxy indicator of the capacity of GoN to manage its education reform, the implementation of both the EFA plan and the SSR plan can be used: both have been implemented according to schedule (Indicator 4.2.2).

Capacity development in the education sector has made some progress in central level institutions, but less so at district level and below. The EC has been instrumental only in promoting the importance of capacity development, rather than engaging directly in it (Indicator 3.2.2). For further progress to be made, it is essential that DPs push the need within the education sector for an agreed, fully-costed and operational capacity development plan that goes beyond training alone and includes institutional development at district and regional levels (Indicator 4.2.3).

However, while overall progress has been made, continuous improvement of the education management information system (EMIS) remains a key priority. Progress in collecting data for out-of-school children and deciding on measures to bring these children into school, especially children with disabilities and children from marginalised groups, has been weaker than expected. Otherwise, the systems and structures in place for monitoring progress in the education sector have become more robust over the years, as is evidenced in the aide memoires of the annual Joint Consultative Meetings and Joint Annual Reviews (Indicator 4.2.4).

There have been upward trends in the key performance indicators related to basic education.

There have been considerable improvements in access and gender parity over the period 2002-2010, particularly in primary and basic education, including early childhood development. The primary net enrolment ratio (NER) increased from 83.5% in 2003 to 94.5% in 2010, with a gender parity index at 0.98 in 2009 (that is, almost an equal number of boys and girls attending primary classes). However, the reliability of data is constrained by limited staffing, resources and connectivity, and by the terrain (Indicator 4.3.1).

Overall, there has been a steady improvement in access for children from disadvantaged groups, as far as it could be observed, but the EMIS disaggregates social groups only by Dalit and Janajati, without differentiating between the sub-groups, of which some are more disadvantaged than others. Moreover, its categories do not capture groups such as the Madhesi Other Caste/OBC groups or Muslims – both of which have low education outcomes and would need to be tracked (Indicator 4.3.2).

In addition to sector budget support, since January-March 2010 the EC has provided 2.5 million EUR in support of four projects run by non-state actors (NGOs) that are helping to increase participation in education by children from marginalised and vulnerable groups and by hard-to-reach children in 14 districts in the Far Western, Mid Western, Western and Central Regions. Each of the four projects has made considerable progress after 18 months of operation, particularly in awareness raising and attracting vulnerable children into school (Indicator 4.3.2).

Survival rates remain below target. Given the relatively high repetition rates (and dropout rates) and low survival rates, the efficiency index also remains low (Indicator 4.3.3).

As is to be expected with an increase in the numbers of children going to school, literacy rates have also risen. Similarly, the literacy gender parity index for those over the age of 15
rose from 0.6 in 2004 to 0.84 in 2008, indicating that more girls and women have the opportunity for basic education (Indicator 4.3.4).

The EMIS has improved over the years and will now contain a register of all teachers in the education sector. However, there is over-reporting by school principals to gain access to more funds, and this emphasises the need for better validation of data. There are also inconsistencies involving intake ratios, high repetition and dropout rates, and completion rates lower than expected, which lead to the questioning of the high NER. Furthermore, in presenting the Flash Reports to the Joint Annual Review and the Joint Consultative Mission, the Department of Education does not offer any analysis of movement up or down in educational statistics (Indicator 4.2.4).

**There are continued concerns about the quality of basic education.**

Proxy indicators for the quality of education include the primary pupil : teacher ratio, which has fluctuated between 36:1 (2003) and 55:1 (2006), and was 42:1 in 2009. As a further proxy indicator, all teachers have now reached the required level of schooling (to teach at primary and lower secondary levels, though not necessarily at upper secondary level), and 75% of Grade 1-8 teachers have the required qualifications and training (Indicator 4.4.1).

The following findings have not been extracted from an examination of the indicators, but go beyond the indicators to look at the quality of education at primary level in Nepal (JC4-435):

- The EFA Programme Joint Evaluation team reported that there was little evidence that the strategies being implemented were producing widespread quality improvement at classroom level or translating into visible and consistent improvements in learning outcomes. The relative lack of progress seemed to have been due more to overall insufficient conceptualisation, prioritisation and resourcing for quality than to deficiencies in any particular quality improvement strategy (such as teacher training, curriculum development, text books, improving the learning environment). The government's focus on the MDG-related enrolment in primary school (and in keeping the system going) in past years is also likely to be one of the reasons for the lower priority given to the quality of education.

- There remains a lack of key input standards against which to measure achievement. The MoE, together with some NSAs and DPs, has been working on identifying quality indicators to be used for monitoring the SSRP and on establishing enabling conditions for all schools, including ECD centres. It has prepared a national framework for quality education and is preparing for national assessment of student achievement in Grade 8, and subsequently in Grades 3 and 5.

- During the field visit, the evaluation team found that the focus on quality had almost become a mantra to be chanted at every school visit. However, classroom/student ratios of 1:75 were seen, teaching and learning materials other than textbooks were not in evidence, facilities were far from adequate, and there appeared to be too much testing and not enough education. The quality of inputs appeared to be in direct relationship to the dynamism and pro-activity of the SMC and the Parent Teachers Association. On the other hand, the importance of early childhood development was universally recognised, and it requires far greater investment than it is currently getting.

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3.5 EQ5 Trade-related assistance

Evaluation Question 5: To what extent has the EC’s trade policies for LDCs and EC trade-related support addressed key issues and needs of the Nepalese export sector?

3.5.1 Answer to EQ5 - summary

The EC support in Trade-Related Assistance (TRA) through the WTO Assistance project has been fully in line with GoN policies and priorities. The support has adequately addressed global needs by working on Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) issues. The support was almost exclusively oriented towards building up the capacity of the public sector, particularly the Nepal Bureau of Standards and Metrology and the Department of Food technology and Quality Control. The involvement of the private sector was limited to support pilot SMEs in achieving international standards. Overall, while there is great potential for increased and diversified exports, that potential remains largely untapped as supply constraints are high and, currently, both GoN and donors hardly address them.

The EC’s Generalised Scheme of Tariff Preferences (GSP) is the key policy instrument that would create the best opportunities for Nepal to increase its exports to the EC. The GSP scheme seeks to encourage greater growth of developing country exports in existing products and diversification into new products. The Everything but Arms (EBA) category of the GSP covers two-thirds of Nepal’s exports and the EBA facility is well used (91% of eligible exports). Nevertheless, the instrument affects only 7.5%-10% of Nepal’s total exports (exchanges with India accounts for about two thirds of Nepal’s foreign trade volume), implying that the overall impact on the country’s exports remains limited. Continuous tariff preference erosion will further reduce its impact.

3.5.2 Main findings

EC Trade-Related Support is fully in line with Nepal’s priorities and strategies.

According to the CSP 2002-2006, the EC would support Nepal’s integration into the International Economy by the provision of technical assistance to facilitate Nepal’s accession to the WTO. However, by the time the CSP was signed, Nepal’s accession was already effected. Consequently, EC support was re-oriented to assist Nepal in implementing its WTO’s commitments (JC5-1, introduction). The EC support through the WTO Assistance project has been fully in line with GoN policies and priorities. The support adequately addressed global needs of TRA to Nepal by working on SPS and TBT issues (Indicator 5.1.3).136

EC Trade-Related Support oriented towards the public sector.

The EC support was oriented towards the public sector, particularly to the Ministry of Industry, Commerce and Supplies as well as the Ministry Agriculture and Cooperatives, to enhance their capacities in meeting WTO obligations and scaling-up of laboratories to international standards (Indicator 5.1.1).

Although initially private sector actors such as chambers of commerce, exporter associations and consumer organisations were envisaged as direct beneficiaries, they were hardly involved. Only to a very small extent, and by the end of project implementation, were some pilot SMEs supported in achieving international standards, and some initial work on “strengthening the consumer movement in Nepal” is planned (Indicator 5.1.1.1).

The support project to SMEs was not formulated, and therefore not implemented.

There has always been a keen interest from Nepal counterparts in the 2 million EUR SME assistance project. In addition, the EC also has reiterated the importance of the project, which was seen as a twin project to the WTO. It took more than six years to implement the WTO assistance project, but the SME assistance project was finally not formulated. Following a suggestion of the GoN in 2009, the EU has decided to reallocate these funds to the education sector – that is, to a Component on Technical and Vocational Education Training for trade skills development.

**EC support is complementary to other donor support.**

The EC TRA support is complementary to other donor support. The EC-funded project was implemented by UNIDO and UNESCAP, with little interaction with other donors in the sector. TRA was not a priority area for donors during the period under evaluation, but there has recently been increased interest by donors in working on both the enabling environment and removing supply constraints for export (Indicator 5.1.2.).

**Main results on compliance with WTO standards and requirements**

One of the main priorities of the EC support to the trade sector in Nepal has been to obtain international accreditation for two key laboratories (the Nepal Bureau of Standards and Metrology - NBSM, and the Department of Food technology and Quality Control - DFTQC). This includes the rehabilitation of buildings and refurbishment, the purchase and proper use of equipments and tools, the development of the staff’s skills and capacities and the production of specific documentation (e.g., procedures, record of tests and results done, etc.).

Once the accreditations of technical and metrology laboratories have been achieved, it is expected that companies will shift their demands for product testing and metrology services from foreign service providers to the strengthened national institutions. The services are critical to allow exportation to key trading partner countries, including EU member states. Although it appears not feasible for supported institutions to obtain international accreditation before the end of the project (that already has been extended by one year), the EC support has contributed to making important steps towards achieving this aim in the near future. The increased compliance with WTO standards and requirements is expected to have an overall positive impact on increased trade and consequently national growth and employment.

**The Generalised Scheme of Tariff Preferences (GSP) is beneficial to Nepal, but its overall impact is very moderate.**

The objective of the EC’s GSP is fully in line with EC development aid, as GSP aims to promote sustainable development and reduce poverty. Its function is to encourage greater growth of developing country exports in existing products, as well as diversification into new products. Two-thirds of Nepal’s exports to the EC fall under the EBA scheme, and the utilisation rate of the scheme by Nepal is as high as 91%. However, the EBA segment of GSP affects only 7.5%-10% of Nepal’s total exports, implying that the overall effect on the country’s exports remains limited. This resulted in a weighted average tariff of only 0.53% applied by the EC to all of Nepal’s exports. This tariff would rise to 7.65% in the hypothetical case that all exports would be charged the Most Favoured Nation (MFN) tariff. It should be noted that benefits from GSP for the exporting countries, and especially for LDC countries, are generally limited due to the general low level of EU MFN tariffs. Over time, there is a further decrease in MFN tariffs, an increased number of MFN zero lines, and a proliferation of regional trade agreements, resulting in preference erosion. Subsequently, GSP will be less beneficial for Nepal as it will face more competition (Indicator 5.2.1). Exchanges with India accounts for about two thirds of Nepal’s foreign trade volume.

**Nepal has not yet reaped the benefits of its accession in 2004 to the WTO.**

The trends in trade show that Nepal’s exports to the EU have not increased over the last five years. Instead, the export value of 88 million EUR in 2006 slightly decreased to 85 million EUR in 2010. The total value of textiles and clothing decreased slightly from 70 million EUR in 2006 to 67 million EUR in 2010. The share of textiles and clothing in total EU imports from Nepal fluctuated around 75%. It is clear that the importance of the bilateral trade with Nepal in total EU trade is very small. The share of Nepalese textiles and clothes in total EU imports is only 0.3% (Indicator 5.2.1).
3.6 EQ6 Rural development and food security

**Evaluation Question 6:** To what extent has EC support contributed towards an increase in rural incomes and improved food security in selected rural areas of Nepal?

### 3.6.1 Answer to EQ6 - summary

The EC support to the agricultural sector has contributed moderately to increasing production and productivity, rural incomes and food security in selected areas of Nepal. The Strengthening of Rural Development and Good Governance (SRD+G, 43 million EUR), also known as the Sikta project, was cancelled because, by early 2005, crucial issues were unresolved and the political situation was highly critical, implying very high risks. While this decision was justified, completely pulling out the rural sector cannot be seen as a logical consequence. This sector had formed a key element of the EC intervention strategy, with support to increased income and livelihoods seen as complementary to conflict mitigation and the building of a democratic society. And no other interventions were undertaken in rural development and food security under the geographical budget line. In this context, it is apparent that the livelihood components of projects funded under thematic budget lines were too small to contribute significantly to the sector objectives.

Towards the end of the period under evaluation, and by providing improved seeds and production technology, the six interventions funded under the EU Food Facility (23.5 million EUR) led to improved production and productivity in the attended districts. The food security situation was further improved by providing food and cash for work for productive and social infrastructure, and, to a lesser extent, by promoting off-farm employment.

The effect of these safety nets will mainly be felt in the mid-term. On average, households could add a few months of food availability, and some additional income was gained. However, in most cases, the interventions will not lift them out of general poverty. Whereas the sustainability of the results is generally low (short duration, resources spread thinly, no exit strategy), the boost in production is expected to last some time, as farmers will use improved cereal seed for a number of years and will continue to some extent to plant vegetable crops, while irrigation systems – if well maintained – will ensure higher production intensity and higher value crops.

### 3.6.2 Main findings

**The high-priority Strengthening Rural Development and Governance (SRD+G) project could not be implemented.**

The Strengthening Rural Development and Governance (SRD+G) project, also known as the Sikta project (41 million EUR), was the major action under the first concentration area – “Nepal’s Poverty Reduction” – of the NIP 2002-2006. This action is directly linked to the overarching objective of EC co-operation stated in the CSP 2002-2006 – that is, support for Nepal’s efforts to improve people’s living conditions, particularly the rural poor, and to improve the country’s economic performance. The Sikta project was intended to be a continuation-cum extension of irrigation activities started earlier in the same conflict-affected areas in the Mid-Western region of Nepal. However, the programme was not implemented and funds were reallocated to the education sector (JC6-1, Indicator 6.1.1 & introduction).

The SRD+G programme had a high priority for GoN, despite its revised irrigation policy that favoured medium and small-scale schemes, as these would allow full participation of the users. Equally, the Sikta project was given a high priority in the CSP 2002-2006, as it was seen as being at the heart of the EC’s overall co-operation strategy in Nepal, accounting for almost 60% of the total budget (Indicator 6.1.1.).

Although the EC had experience in irrigation projects in Nepal, the huge Sikta scheme was of a completely different order, with a number of critical issues that were still inconclusive and unresolved at the time of project formulation, such as: (i) conflict with India on water rights (riparian law); (ii) technical and environmental issues; (iii), high risks in scheme management; (iv) financial deficits in maintenance and operational costs; (v) no secured funding of the...
scheme. The Assessment Mission that was launched, after the Identification Mission Report was not approved by the EC, also proposed medium-sized alternatives to the Sikta scheme, but these required additional studies and surveys that would have taken at least one agricultural year, and probably more. Equally important was the growing political insecurity during 2005. These three sets of reasons led, in early 2006, to the EC decision to cancel the Sikta project.

**The SRD+G (Sikta) project was not replaced by another action in the productive sector.**

The CSP 2007-2013 downplays the importance of rural development, based on lessons learned that were actually not relevant to the SRD+G programme. The programmes that were referred to (12 and 15 million EUR, respectively) were broad rural development projects that would have had mainly local impacts. They covered many sectors, including health, education, institution building, infrastructure (roads, buildings, water and sanitation), forestry, agriculture and livestock. Irrigation did not play a key part in these programmes. The third programme was the Irrigation Development Project - Mid Western Region (8.1 million EUR) and was seen as the direct predecessor project to Sikta. The MTRs and Final Evaluations of these projects noted generally satisfactory achievements and results, and outlined a number of lessons learned for future interventions. However, these could not be taken on board, as there was no budget allocated for this kind of interventions.

Under the thematic budget lines – in particular, support to vulnerable groups and those affected by the conflict – a number of projects were undertaken by NGOs and also had a livelihood or food security component. These were relatively very small projects – with limited local impact and low sustainability – that were referred to in the CSP 2007-2013 (Indicator 6.1.3).

**The EU Food Facility was a one-time short intervention that created high expectations.**

Since 2008, Nepal has been a big beneficiary of the EU Food Facility (EU-FF), an emergency fund (1 billion EUR) that addresses the sharp increase in prices of food world-wide. The portfolio of the EC support in Nepal consists of actions by two international organisations (FAO and WFP) with a budget of approximately 17 million EUR, and four international NGOs with a combined total of about 6.5 million EUR, giving a total commitment of 23.5 million EUR. These projects started in mid-2009 and will be finalised in the third quarter of 2011 (JC-6.2, introduction). Both IOs used the WFP classification system for identifying food insecure households, whereas the four NGOs built upon earlier identified vulnerable groups in the districts where they had previously implemented other programmes (support to vulnerable groups, water supply and sanitation, health, natural resource management). All the interventions implement activities for rural households that have access to land, as well as those that are landless. For the latter group, the projects work on small livestock, land-leasing arrangements and promotion of off-farm employment – such as vocational training and food for work (Indicator 6.2.1).

The sustainability of the interventions funded under the EU-FF is low. This is basically due to the short duration of the programme (18-22 months in actual implementation), to resources that are spread thinly (many activities, and very high numbers of beneficiaries, VDCs/districts covered), to the low institutional embedding of the actions, and to the absence of an exit strategy. With regard to the FAO project, most of the achievements will gradually fade away as no supporting system was put in place. In some cases, NGOs and/or other donors will include part of the promising results in ongoing or new interventions, but unfortunately the majority of the VDCs and districts supported by the EU-FF lack this follow-up activity.

The activities of the NGOs generally differ from those of the IOs (FAO and WFP) in that they follow a wider and more integrated approach. They include supporting activities to agriculture and a social safety net – access to irrigation, road access, technical assistance and improved production technology (seeds, fertiliser, crop protection products, livestock) while FAO/WFP developed farmers’ access to market places and provided overall capacity building support to communities and local authorities. This is an appropriate strategy, but would already be a huge task because of the large number of beneficiaries, and would be an even greater challenge given the limited timeframe. However, the NGOs go beyond the agricultural sphere in
that they also work on off-farm and wider capacity building, such as organising and empowering targets groups to access government and/or other donor programmes. Some NGOs seek to develop food security strategies to be implemented at district level, as well as seeking to influence the introduction of favourable national policies; others support vulnerable groups being organised into larger structures to claim rights for food. There is no possibility for extension of the ongoing interventions of EU-FF, as the EC has taken the decision not to finance a new cycle of interventions, despite the fact that food prices, after a temporary decline, started to increase in the second half of 2010 and were at historically high levels at the start of 2011 (Indicator 6.2.2).

Despite its structural limitations, the EU-FF had some positive impacts. The largest programme in the provision of improved seeds (the FAO project) faced huge difficulties in procurement and could not meet the targets set, particularly with relation to cereals (52% of target of rice and 66% of target of wheat). Whereas FAO could procure the fertilisers needed to meet the target, NGOs could not obtain this input. NGOs also had problems in procuring improved seeds and had to compromise on quality in a number of cases. The experiences of the interventions clearly point to the need to improve the seed multiplication and distribution system, including the promotion of local seed-grower farmer groups. However, this is not possible within the current programme.

All interventions report increases in production and productivity due to the provision of improved seeds – some by 20%, others by 50%, or even a doubling in yields. In addition, a number of promising new technologies were identified, but as these were implemented on only few small demonstration plots, they have not yet had an effect on overall production levels. There are also reports of some failures – particularly with regard to rice – due to inappropriate varieties, but this affected only a minor proportion of farmers in one particular season.

The WFP interventions do not always have a direct impact on production. This is because not all infrastructure is agriculture-related, and the effect of rather long-term development of irrigation facilities (from ponds, streams, wells) has not only increased the cropping intensity but has led to farmers shifting towards more productive cultivation, such as from upland rice (ghaiya) to high yielding lowland rice. However, the area of land irrigated and number of households that benefit are both usually rather limited. Growing of vegetables has increased and good prices are being received by households in off-season production (polyhouse technology) that is relatively close to main roads and urban centres. Scaling up these promising technologies is needed to have an effect on overall production levels. This is only possible if GoN and/or other donors include these in ongoing or new interventions, and if the physical conditions are optimal. For instance, innovative rice cultivation systems (SRI) require irrigation and good water management, and are not a solution for rain-fed areas, where the most vulnerable and food insecure people live (Indicator 6.3.1).

With regard to food security, the overall trend is that, for each of the cropping seasons, households with access to land and that received project support could add a couple of months of food availability. Overall, the available food stock and the number of months it could feed the household was increased by 35%-40% (FAO data). NGOs report similar data. The WFP food for work schemes increased the availability of food, particularly for the most vulnerable groups, as these participate in such schemes. WFP reports\(^{38}\) that the majority of beneficiaries (89%) had increased food security compared to before the project, 7% said their situation was the same, and only 2% reported a deterioration of their situation.

However, WFP support is temporary; once the work is completed, the distribution of food ends. An important WFP activity, financed by EU-FF, has been the setting up of a Food Security Monitoring System. There is no direct effect on improvement of food security, but the monitoring of the food security situation in 75 districts (developed by WFP) is expected to lead to improved responses and contribute to the development of a national food security policy and approach. This project will be continued under the Food Security Thematic Programme (a 4 million EUR programme has already been approved). The outcomes for landless people are less convincing. A relatively small number received a few animals and re-

\(^{38}\) WFP, Nepal, Food for Asset (Programme Monitoring Report, September 2010
ceived vocational training. There are few opportunities for them, much competition among the self-employed and a small demand, limiting the scope for increased income and consequently access to food (Indicator 6.3.1).

3.7 EQ7 Renewable energy and the environment

Evaluation Question 7: To what extent has EC support in renewable energy contributed to an improved environment, better social services and economic development in selected rural areas of Nepal?

3.7.1 Answer to EQ7 - summary

Environment has received very little attention in the overall EC support to Nepal, with only a very small number of environmental interventions undertaken. The major intervention on renewable energy (solar power – REP) had a limited impact on the environment. Replacement of fossil fuels is expected to be at a very low scale. Institutional systems (solar power in schools, hospitals, community centres) will not change household behaviour, such as cooking with firewood that may deplete natural resources. Consequently, the overall impact on the environment has been, and will be, very moderate. On the other hand, the social and cost-saving impacts of the access to electricity in social institutions (schools, clinics) and community centres are high in the remote areas, and significantly increases the quality of these services in particular, and the quality of life in general. The solar powered pumping mechanism in the drinking water systems eliminates the time that women need to spend on fetching water, which eases the domestic burden of women, allowing them to participate in educational, economic and other social activities. Although some of the solar panel systems have been installed to power milling-grinding for preparing animal feed, the project will not have a significant impact on agricultural production and productivity, since there are no specific uses directly linked to agricultural production, such as irrigation or small-scale solar powered agricultural machinery. The water heating systems provide services to the tourism sector, but they are located in specific areas only, i.e. near touristic tracking routes in the Himalayas. Consequently, household incomes and employment will not significantly increase in the majority of attended communities.

3.7.2 Main findings

The EC has not provided much support in the field of environment.

Support to the environmental sector has been allocated a minor place in the EC intervention strategy. Environment was not selected as a concentration area, and has been addressed mainly as a cross-cutting issue. Apart from one relatively large intervention in renewable energy in remote rural areas (15 million EUR) as part of the “poverty reduction” concentration area, no other environmental actions were undertaken under the geographic budget line (JC7-1, introduction).

The EC support for renewable energy is fully in line with the GoN and EC policies. During implementation, a detailed needs assessment was made of the energy demand in the selected rural areas, as well as the training needs of COs that would deal with (or would be transformed into) the Community Energy Service Providers (CESPs). The project supplied community or institutional systems, instead of individual systems. The project also included a wide range of institutional and policy objectives that were not matched with adequate human and financial resources and defined activities required to achieve these objectives. This meant that the project became a typical implementation project, with little reaching out in policy and strategic and institutional issues. Despite the general name of Renewable Energy Project, it focuses fully on one major type of renewable energy – solar energy (mainly photovoltaic, and a minor portion of thermal systems). REP does not cover hydro power, wind power, biomass or biodiesel. Consequently, REP covers a niche segment of the energy market in Nepal. The project supplies solar power equipment to selected rural areas where the possibility of grid extension within the next five years is very small and where there is no

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proven potential for micro-hydro power. The implication of this focus was that the solar equipment was installed in remote and very remote communities, where it is a highly appreciated asset (Indicator 7.1.1).

The EC support has a very limited impact on an improved local environment, as the choice of communal energy systems, instead of energy systems for individual households, does not affect their current practices of using firewood that may deplete natural resources. In addition, the replacement of fossil fuels is very limited – e.g. for hospital fridges, grain mills (Indicator 7.2.1).

**Delays in implementation and design flaws affect the sustainability of the support provided.**

The project has faced long delays in implementation that were caused by: (i) administrative and management arrangements; (ii) the implementing agency had difficulties in applying the EC procurement regulations; (iii) low efficiency of international TA and the PTF; (iv) difficult working conditions due to the remoteness of the project sites and the unstable political situation. Consequently, the efficiency of the project has been very low. Due to the prolonged delays, the REP cannot support the COs in the actual operation and maintenance of the supplied equipment and in performing their tasks as CESPs (administration, fee collection, handling new applications). Therefore, even with a prolonged project duration, the project still ends prematurely (Indicator 7.1.2).

The installed capacity is half the target set in the project document (1 MW instead of 2.2 MW). The lower capacity is explained by several factors, such as not including a subsidy component or including additional works and supplementary equipment (water supply systems, grinders, spare parts and training) which raised the average cost per energy unit. Due to tender outcomes, part of the envisaged funds for the system supply remained unspent.

The solar equipment has been acquired and most units have been installed by the contractor. The REP is finalising the certification. However, a large number of systems are still awaiting appliances, particularly in the case of schools and hospitals. The integrated systems (water supply and grinders) are under pressure to be completed before project closure (Indicator 7.3.1). The project has spent considerable resources for the development of viable CESPs. However, the reporting so far does not provide information on the functioning of the COs/CESPs, because most of them are just starting to operate and it is too early to evaluate their activities. The installation and certification of the solar systems will/has to be finalised shortly – i.e. before project closure. As no further supervision and monitoring are planned afterwards, it is not likely that systematic information on the functioning of the CESPs and the use that is made of the systems will be forthcoming, unless measures are taken promptly (Indicator 7.3.2).

There are no plans for a renewable energy follow-up project funded by the EC, although this sub-sector may be included in the programme funded under the Climate Change Alliance Initiative. Renewable energy remains high among the priorities of GoN and international donors. There is a high level of international interest for the scaling-up of renewable energy in Nepal, as witnessed by the 40 million EUR allocation to Nepal by the Multinational Banks under the Scaling Renewable Energy Programme (SREP). Some bilateral donors have shown interest in the kind of activities that were undertaken by REP, such as institutional solar systems in remote areas, with a focus on productive activities (JC7-4, introduction).

**The EC support for renewable energy was a typical implementation project that did not contribute much to strategy and policy development.**

The EC support through REP forms, in terms of size, a significant contribution to solar powered energy systems in Nepal (971 systems and 1,023 MW). It is rather unusual in that it provided institutional systems in remote and very remote areas, which is not done by other donors. The social and cost-saving impacts of the access to electricity in social institutions (schools, clinics) and community centres are high in the remote areas, and are expected to significantly increase the quality of these services in particular, and the quality of life in general (Indicator 7.4.1). The project will not have a significant impact on agricultural production and productivity, due to the choice of systems that are mainly social and consumer-oriented. The solar powered pumping system in the drinking water systems eliminates the time that
women needed to spend on fetching water, which eases the domestic burden of women, allowing them to participate in educational, economic and other social activities. In the situations where the water volume was high enough, it could be used for home gardens and for (small) livestock. Grinders could be used for making animal feed, assuming materials are available and affordable to livestock keepers. However, there are no specific uses directly linked to agricultural production, such as irrigation or small-scale solar powered agricultural machinery. Only a small number of solar dryers (24) have been provided and would benefit only a limited number of producers. The water heating systems provide services to the tourism sector, but they are located in specific areas only, i.e. near touristic tracking routes in the Himalayas. Consequently, household incomes and employment will not be significantly increased in the majority of the attended villages (Indicator 7.4.2).

The EC support included capacity building of AEPC staff members oriented towards the facilitation of the implementation of REP. The EC support has increased the capacity and skills of AEPC staff in developing and implementing energy service delivery through community organisations. Other donor agencies had taken the leading role in the institutional strengthening of AEPC, particularly ESAP-II, which is funded by Danida, NORAD and GTZ.

The contribution of REP to an improved policy environment has been very small. This applies both at central and local levels. At central level, a number of policy studies were cancelled as they became less important (for instance, on financing, as the REP provided the equipment with a 100% grant), and other studies were already undertaken by other donors. At the local level, representatives of VDCs and DDCs were involved in the promotional and survey activities, but EC support did not provide specific capacity building for these target groups. Capacity building was directly linked to COs and CESP (Indicators 7.2.2 and 7.2.3).

### 3.8 EQ8 Responsiveness

**Evaluation Question 8: To what extent has the programming and implementation of the EC strategy responded adequately to the specific context of Nepal and its evolution over the 2002-2010 period?**

**3.8.1 Answer to EQ8 - summary**

The EC formulated some good responses to the changing political conditions in Nepal, particularly after the events of 2005/06, but the implementation of these interventions was severely delayed. The same applies to those interventions that had already been planned, such as CMP-II. Due to different needs of stakeholders and a changed donor landscape at the time the EC interventions started, they became less effective, yielding a reduced impact.

While the instable political situation considerably affected the policy dialogue process and project identification and formulation, ongoing interventions could operate reasonably well. The CSPs and NIPs did not provide adequate guidance for the formulation and implementation of EC interventions. The suggested interventions were described in very general terms, were overambitious in their objective and, in most cases, little information was provided on the institutional framework and implementation modality. On the other hand, the room for a flexible interpretation of the CSP/NIP was not fully used, due to capacity constraints both from the side of the EC, as well as from involved national stakeholders, GoN and NSAs. The EC support has not been strong in enhancing the ownership and leadership of GoN and the respective national partner.

On the other hand, a good mix of instruments was used in the overall portfolio, although the composition of instruments in each focal area was very different. Good examples of synergy in the use of the various instruments were identified.

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3.8.2 Main findings

The EC support strategy has been fully in line with GoN's priorities, but participation of Nepalese stakeholders in the formulation of the CSPs was limited.

The EC support strategy was fully in line with Nepal’s policies and priorities, as laid out in the various national planning and policy documents (Indicator 8.1.1). The needs and priorities have been adequately analysed in the process of drafting the CSPs. EC support also fully addressed the geographical priorities, in particular the vulnerable areas in the Western regions of Nepal. Some conflict mitigation interventions are also located in the East, in the neighbourhood of Bhutanese refugee camps. Whereas the sector support to education followed nation-wide priorities, the complementary support in education provided by NSAs funded by the EC strengthened the aforementioned geographical priorities. The actions of the food facility and renewable energy are also located in the more vulnerable areas – that is, in particularly remote and food-deficit areas (Indicator 8.1.4).

The formulation of the CSPs was not a joint exercise of the EC and GoN. The EC (EUD-N, EUD-I and relevant units at EC HQ) clearly took the lead and sought consent of GoN afterwards for programmes that were already formulated and decided upon by EC HQ. Participation of Nepalese stakeholders in the drafting of the CSPs and its actions was limited to consultation in the early stages of identification only. Although the EC did not organise specific consultative events with GoN and civil society with the purpose of developing the CSPs, GoN reconfirmed the CSPs and their respective interventions as being priorities for Nepal during the Joint Commission meetings (Indicator 8.1.2).

It should be noted that the CSPs do not substantiate the choice of the focal areas and the lessons learned. The CSP 2002-2006 provides only limited details on the reasons for the selection of key priorities and partner institutions in the focal area, “Consolidation of Democracy and Conflict Mitigation”. The key interventions to be funded under the focal area “Nepal’s poverty reduction” in the CSP 2002-2006 were already decided upon before the formulation of the CSP started. Similarly, the CSP 2007-2013 lacks a structured analysis and convincing justification for making “Stability and Peace building” one of the three focal sectors. Moreover, this CSP is not convincing on the reasons for pulling out of the rural sector. There has not been analysis of what the implications would be for the overall EC intervention strategy, where support to a key productive sector was a crucial element.

While Nepal has not yet developed a food security policy, food security remains a big issue and malnutrition was still a major problem at the end of the period subject to this evaluation. In addition, it is not clearly spelt out in the CSPs which particular lessons were learned and how these were taken into account in the formulation of EC intervention strategy and specific actions. Only a general reference is made to “numerous small rural development projects with limited and localised impact”, whereas the foreseen intervention – the Strengthening Rural Development and Governance (SRD+G Sikta) project – was actually a huge project with activities both at local and national levels (Indicator 8.1.1).

EC aid has been quite responsive to the changes in political conditions.

Since the start of the conflict in 1996, Nepalese stakeholders have considered aid from Western Europe as neutral/apolitical and constructive, and, therefore, this aid has generally been well accepted. Grassroots activities have never been a direct target for armed parties in the conflict. Only minor incidents affected ground operations, with little negative impact. Overall, the success of ongoing projects was not significantly jeopardised. Nevertheless, following the royal takeover of 1 February 2005, the EC suspended formal preparations of the CSP 2007-2013, as well as pipeline projects – except those concerning human rights and conflict mitigation, as these were seen as having a direct positive impact on the situation. This decision caused a delay in the implementation of EC support. By mid-2006, the EC cooperation was restored and normalised. From 2006 onwards, several disturbances directly related to the unstable political context had a negative impact on the programming and implementation of EC support, such as general strikes, road blocks, high levels of fiduciary risk,

postponement of political dialogue, and lack of strategic planning and accountability of GoN (Indicator 8.1.3).

Overall, the EC responded in a flexible manner to the evolving context. During 2006, extensive discussions, initiated by EC Headquarters, took place between the EC and GoN and a number of strategic interventions were planned in response to the new situation. These were: (i) a special aid package to help the victims of conflict, especially people who had suffered mentally and physically; (ii) monitoring of human rights (OHCHR); (iii) support to the election process of the Constituent Assembly (Indicator 8.1.3).

EC support has been monitored adequately, but the follow-up of recommendations leaves much to be desired.

There has been no evaluation or review of the CSP 2002-2006. In March 2009, EC staff from Headquarters conducted a Mid-Term Review of the CSP 2007-2013. The MTR identified a number of improvements needed to strengthen the overall co-operation strategy, such as the need to place more emphasis on economic development, donor harmonisation and ownership of GoN.

At the level of individual EC-funded interventions, the Evaluation Team found that good use has been made of external monitoring instruments, such as ROM, mid-term or annual reviews. These external reviews have proved particularly useful, as most interventions of the project modality have put in place rather elementary monitoring systems. Examples were found where recommendations led to actual follow-up. However, changes recommended in "logical frameworks of action", approach and work plan were often hardly followed-up as this requires an addendum of contracts, which remains a difficult and lengthy process. As for the education sector, DPs gave increased attention to monitoring. Considerable progress had been made in performance monitoring of the ESPSP compared to BPEPII, although there are still areas for improvement (Indicator 8.1.5).

While most CCI have been adequately mainstreamed, gender mainstreaming has not been optimal.

The desk study and fieldwork activities carried out in this evaluation showed that, generally, CCIs have been properly taken into account in the design and implementation of the EC funded interventions. In particular, there has been a strong emphasis on vulnerable groups and gender. EC interventions have given increasing attention to good governance, and most EC interventions are environmental neutral. However, as detailed in EQ1, gender mainstreaming has not been optimal (Indicator 8.1.5, see also JC8.3).

An adequate mix of instruments was used to deliver EC support.

Taking all EC interventions as a whole, a good mix of the various instruments was applied in Nepal, although the share of regional instruments (Asia-wide programmes) was rather limited.

The figure below shows the share between interventions financed by thematic budget lines and geographic budget lines: it illustrates the importance of thematic instruments in the total of EC support (41%).
Considering each focal area of co-operation, a very different composition of instruments was found. The geographical budget line is very dominant in some key sectors (education, renewable energy/environment, trade) whereas in other sectors thematic lines are very important instruments (PBCD), or are even exclusively used, such as in rural development/food security (Indicator 8.2.1).

EC support to the PBCD sector has made good use of all available instruments, with a high potential for synergy. The unstable political situation in Nepal, the orientation of local NGOs on social inclusion, conflict mitigation and human rights, combined with the high priority the EC has put on this sector, are the major reasons for the mix of thematic and geographic budget lines. In addition, a balance was achieved between government and state agencies on the one hand, and the civil society on the other. However, the EUDs involved did not have a complete overview of all projects in the PBCD sector (there were many projects and two EUDs were involved). A system was also lacking to assess where possible synergy could be generated among these projects (Indicator 8.2.1 and Indicator 8.2.3).

Moreover, good use of the comparative advantage of Sector Budget Support (SBS) and project approach has been made in the education sector. However, it appears that the EC could take more advantage of this combination by expanding its support to strategic projects implemented by NSAs (Indicator 8.2.3).

**EC efforts for developing partners’ implementation capacities and enhancing ownership by national stakeholder have been rather limited.**

Overall, EC support has not been strong in enhancing ownership and leadership of GoN and of the respective national partner organisations. A positive exception has been the support to education. Over time, the support to education was clearly most advanced in this respect, as GoN increasingly took a leading and co-ordinating role (Indicator 8.3.1; see also EQ9).

However, the capacities of GoN to implement and co-ordinate aid programmes were rather limited. The unstable political situation plays a role here (see JC8-1). The high numbers of vacancies, rotations and retirements in the government administration result in an overall weak overview, audit and accounting capacity of the administration.

On the other hand, the NSAs implementing EC support have, in general, appropriate capacities. A relatively small, well informed group of NGOs has taken a large share of the interventions. The positive side is that they are familiar with EC procedures and can build upon earlier experience. The negative side is that this may eventually lead to a lower quality in the work as too many projects need to be managed and monitored (Indicator 8.3.3.).

The implementation rate, expressed as allocations by percentage of the financial envelope, has been low. For the CSP 2002-2006, it was only 38%, whereas it was 85% for the CSP 2007-2010 (for both CSPs taken together, the rate is 60%). This reflects that the formulation and preparation process of EC interventions has generally been very lengthy and compli-
cated in Nepal (Indicator 8.3.2.). As explained in Indicator 8.1.3, the political context plays a role here, too.

The particular setting of having two EUDs involved and having in the EUD-I both the Development Co-operation and the Contract and Finance sections\(^{42}\) resulted in a lot of red tape and, in numerous cases, delays in the formulation and implementation of specific actions. Since the establishment of the Kathmandu EUD in 2002, plans have been developed to ensure more autonomy and operational effectiveness of the decentralised activities. From year to year, more staff positions were created and filled, more in-house training was provided, and better facilities and more suitable premises were also provided. However, during the whole period the workload was reported to be excessively high in relation to the available staff. Preparation for full autonomy of the EUD-N was at a very advanced state by the end of 2010 and the process was completed in the first half of 2011 (Indicator 8.3.3).

### 3.9 EQ9 Synergies

**Evaluation Question 9:** To what extent has the EC support being designed and implemented to achieve synergies with other donors (incl. EU member states) and other European Community policies?

#### 3.9.1 Answer to EQ9 - summary

The EC has been increasingly involved in co-ordination activities with GoN and other DPs following an overall trend of donor harmonisation and alignment in Nepal during the period under evaluation. Moreover, the EC has ensured coherence between development interventions in Nepal and EC policies, especially in the framework of trade and environment policies. However, although a high level of synergy with other DPs has been achieved in certain areas of co-operation and around specific aid modalities (e.g. budget support in the education sector), achievements in terms of synergy (with interventions by EU Member States and other DPs) have remained limited in other sectors (e.g. democracy and rule of law).

The EC co-operation activities have benefited from a good level of dialogue with GoN, which has always recognised the special role that the EC can play in the donor landscape of Nepal (as a driving force for Development Partners, especially EU Member States). However, to play a key role, a strategic focus was required, given the relatively low level of aid provided by the EC in the various sectors compared to other donors. The added value of EC interventions and the role played by the EC in sector policy dialogue has actually remained relatively low. The recent establishment of a fully-fledged EUD in Kathmandu could help to enhance efforts in these areas.

#### 3.9.2 Main findings

**The EC has engaged in active dialogue with GoN.**

The level of EC participation in overall donor dialogue with GoN is quite high, especially in relation to the level of ODA provided by the EC during the period under evaluation (Indicator 9.1.1. and EQ9 - Introduction section\(^{43}\)). The exchanges between GoN and the EC on aid-related issues take place in a quite elaborate aid co-ordination framework – the Nepal Development Forum (NDF), which consists of all bilateral and multilateral DPs active in Nepal. At sector level, the EC has been engaged in a number of platforms for policy dialogue, especially in recent years. In addition, the dialogue with GoN has been strengthened during the bi-annual EC-Nepal Joint Commissions and high-profile political missions that regularly took place during the period under evaluation. The recent establishment of a fully-fledged EUD in Nepal will certainly further strengthen the EC's capacity to be involved in high-level policy dialogue (Indicator 9.1.1).

\(^{42}\) During the whole period subject to this Evaluation, the EUD-I remained fully responsible for the contracting and financing.

Despite overall good complementarity and a positive trend in terms of donor co-ordination during the period under evaluation, achievements in terms of synergies have varied among sectors.

Nepal has a relatively small donor community, and it seems that its size led to increasingly well co-ordinated development efforts. Overall, as illustrated in the Country Study of the Paris Declaration Phase II evaluation, there has been some progress towards targets set out in the Paris Declaration and on Fragile States principles (Indicator 9.1.1 & Indicator 9.1.5). When looking at EC participation in donor harmonisation and co-ordination efforts, it is important to highlight that the EC has been a rather small donor compared to other multilateral organisations such as the WB and ADB, or bilateral donors such as Japan, United States, Norway, United Kingdom, and Germany (EQ9 - Introduction section).

During the programming and implementation of its strategy, the EC has had regular contact with EU Member States and other DPs active in Nepal. Overall, some complementarity has been achieved, and EC Country Strategy Papers identify clearly the actions carried out by other DPs (Indicator 9.1.3).

However, it does not seem that this situation stems from a strategic approach in terms of division of labour across sectors. Moreover, despite an overall positive trend in terms of donor co-ordination during the period under evaluation, the situation has varied from one sector to another.

For instance, there has been very little formal donor co-ordination in the area of democracy and rule of law. In particular, as noted in a recent UNDP evaluation report, there has been virtually "zero" co-ordination to date in the justice sector. This has led several DPs to support the same institutions (most notably, the National Human Rights Commission, Supreme Court and the National Judicial Academy) without close co-ordination during the period under evaluation. The interviews conducted by the evaluation team indicate that the EC has participated in the few existing donor co-ordination forums in this area, but has not been very visible in the dialogue compared to other donors (e.g. Denmark, United Kingdom, United States, Switzerland and Norway). On the other hand, it is noted that the EC made a strategic choice to focus its support on the formal justice sector in view of the fact that other DPs had moved away from this sector and placed increasing emphasis on informal mechanisms (such as mediation, paralegal committees, etc.) in their cooperation. In addition, most DPs appreciate the recent changes in the mandate and staffing of the EUD-N and see this as promising for future efforts in the area of democracy and the rule of law (Indicator 9.1.2, Indicator 9.1.4; see also EQ2).

The education sector is characterised by a very different set up. After the successful implementation of the BPEPII (1999-2004), DPs continued to join forces to support national policies through two sector budget support programmes (EFA and, more recently, the SRRP). The nine pooling and four non-pooling partners in the education sector have met regularly, especially in recent years, and DPs now seem to speak with one voice. In 2010 (under the SRRP), nine joint thematic sub-groups were established to discuss in more depth and review jointly some specific thematic issues. The EC has continuously supported these co-ordination mechanisms by actively taking part in a number of key discussions between DPs and with GoN (Indicator 9.1.2, see also EQ3).

In other sectors of co-operation, the EC participates in co-ordination activities more on an ad hoc basis, in a situation characterised by the fact that the EC is a rather small player. For instance, in the area of trade and private sector development, the EC does not seem to have actively engaged with other development partners during the period under evaluation. Active exchanges with the lead donor in the sector (Germany) have started only recently (Indicator 9.1.2, see also EQ5).

There is little evidence of added value of EC co-operation in focal areas of co-operation.

The interviews conducted during the field phase have shown that several stakeholders, including GoN, recognise the special role that the EC could play in development co-operation activities in Nepal. In particular, GoN has sought to get the EC involved in a number of sectors, hoping to secure or induce the involvement of other donors, especially EU Member
States, in these sectors. Moreover, DFID has decided to use the EC to channel its funds for the EFA programme via a contribution agreement, and a thematic expert appointed by DFID started work at the EUD-N in December 2009.\footnote{Similarly, in 2010, the EC decided to channel its financial support to the Climate Change Initiative through DFID. (see also EQ7)}

Recently, the EC has started to play a very active role on some specific issues in the education sector, such as capacity development (Indicator 9.1.4; see also EQ3). However, the EC has not had a special position in the education sector during most of the period under evaluation. As detailed in EQ3, the EC financial contributions to education budget support have been relatively small so far, and the EUD-N was only an observer in the joint meetings between the end of the BPEPII programme in 2004 and the formalisation of its involvement in the EFA programme in 2008. Moreover, there is no evidence that the EC has had a special position to deliver assistance in the area of democracy and rule of law during the period under evaluation. The common perception is that some other donors, such as UNDP, USAID, Norway and DANIDA, have been in a better position to bring added value as they have pursued a more long-term, strategic and regular dialogue with the partner institutions than the EC. According to the EUD-N itself, the EC has not had a special role in the trade and private sector development sector, whereas other DPs (e.g. ADB, UNDP, USAID or Germany) play a very active role (Indicator 9.1.4).

**Synergies are achieved between EC policies and the EC’s development co-operation with Nepal.**

The EC has gradually expanded its co-operation areas, which now include renewable natural resources (energy), rural development, education, health, environment, human rights, conflict mitigation and trade-related assistance. This has created new challenges in terms of achieving synergies between these actions, but also in ensuring coherence with wider EC policies that may affect the development process in Nepal. The desk review and the interviews carried out during the field work confirmed that interventions undertaken in the framework of EC co-operation in Nepal have increasingly been consistent with actions related to EU trade and environment global policies (Indicator 9.2.1).
4 Conclusions
The analysis carried out in this Evaluation has led to the formulation of two types of conclusions: general conclusions and sector-specific conclusions. The general conclusions have been clustered in three sub-groups according to their focus: 1/ overall results of the cooperation, 2/ issues at strategy level or 3/ issues at operational level.

4.1 General conclusions

4.1.1 Overall results

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<td>By staying totally engaged with the GoN in fighting poverty, the EC has helped to keep the GoN poverty reduction strategy on track in achieving the MDGs. The EC interventions improved conditions for further poverty reduction. However, the direct contribution to increased production, employment and incomes remained rather limited as few and only small interventions were implemented in productive sectors.</td>
</tr>
</tbody>
</table>

*This conclusion is mainly based on: EQ1 to EQ9*

The strong alignment of the EC support with GoN policies and strategies has helped the national poverty reduction strategy to stay on track in achieving the MDGs. All interventions improved the conditions for further poverty reduction, whereas direct interventions to increase production, employment and incomes remained limited.

The primary focus of the EC supported interventions that are aimed at addressing the needs of women and excluded people has been on enhancing the capacity of these groups and giving them a voice. Their access to services and livelihood opportunities has remained limited.

The support of DPs, including the EC, to education has contributed to improving some key performance indicators, especially in terms of equitable access to education. However, too much attention has been paid to ensuring access, to the detriment of quality, and current support still faces some important challenges.

The exclusion under both CSPs of any intervention in the area of agricultural development significantly reduced the potential to reduce rural poverty and food insecurity. Recent EC support through the EU Food Facility has resulted in short-term increased production, productivity and incomes in the rural areas that were covered by its interventions. However, due to it being a one-time, short-and-quick response programme, sustainability of the results is very low.

The EC Trade-Related Support has addressed the key priorities of GoN, but was very small in size and hardly addressed the needs of the private sector. Here too, the potential impact on poverty reduction remained limited.

4.1.2 Strategy level

<table>
<thead>
<tr>
<th>Conclusion 2 – Thematic coverage</th>
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<tbody>
<tr>
<td>The rather good overall level of complementarity with other Development Partners does not generally come from a strategic approach in terms of division of labour across sectors. The EC has not used fully its own comparative advantages, in terms of focusing on specific areas where it has a wide experience.</td>
</tr>
</tbody>
</table>

*This conclusion is mainly based on: EQ1 to EQ9*

The EC has not fully used the opportunities to provide added value in some key areas, such as in sectors where it has the benefit of global experience (e.g. trade or environmental policy) or on issues where it has the benefit of a special position (e.g. role to facilitate co-ordination and harmonisation among EU partners). Moreover, little benefit has been taken from the experience and efforts of other DPs (e.g. UN agencies or Danida) active in Nepal, especially in the area of peace consolidation and democracy. A notable exception was the strategic choice of the EC to focus on the formal justice sector, which brought some complementarity
with other DPs that had moved away from this sector and increasingly concentrated their assistance on informal justice sector mechanisms.

Future efforts of the EC to focus on key areas of co-operation will certainly benefit from the awareness of EUD-N staff that the EC has a special role to play in the donor landscape – especially among EU partners, as evidenced during the field phase of this evaluation – and from the increasing overall awareness among DPs that there is a need to achieve more synergy to use the limited international resources available for aid in a more rational fashion.

<table>
<thead>
<tr>
<th>Conclusion 3 - Policy dialogue</th>
<th>The EC has actively participated in the policy dialogue with the GoN in line with the size of its support (the EC is a relatively small DP in Nepal), but more could have been done.</th>
</tr>
</thead>
</table>

This conclusion is mainly based on: EQ8 & EQ9

The two-year Nepal-EC Joint Commission formed the major platform for bilateral discussions on the EC support and policy dialogue in general. These deliberations were used to exchange information on national and sector policies and priorities. However, the EC conducted most of its policy dialogue jointly with other DPs in institutions, such as the Nepal Development Forum (NDF).

Whereas policy dialogue was an explicit part of the cooperation in the education sector, in other sectors the policy dialogue is still only emerging, such as trade related assistance and environment.

Divergent views may exist between DPs active in sensitive areas and where only limited co-ordination has been observed, such as human rights and the rule of law. However, it is the willingness to engage in constructive dialogue that is the key variable for the future efforts, not potential disagreement.

In general, the policy dialogue between the EC and the GoN has been constrained by the specificities of the institutional environment that prevailed during most of the evaluation period, with two EUDs involved in the formulation and implementation of the EC strategy and projects in Nepal. The recent establishment of a fully-fledged EUD in Nepal will certainly further strengthen the EC’s capacity to be involved in high-level policy dialogue.

4.1.3 Moreover, in the specific context of Nepal, where there has been rather poor governance and political instability, policy dialogue has remained a challenge, but also an opportunity that could significantly enhance development efforts.

<table>
<thead>
<tr>
<th>Conclusion 4 - Implementation modalities</th>
<th>The EC portfolio is characterised by a suitable mix of instruments and aid modalities. The move towards budget support was justified and, together with other modalities, can jointly improve the quality of the overall environment in which development takes place, as well as the quality of sector management.</th>
</tr>
</thead>
</table>

This conclusion is mainly based on: EQ8 (but also EQ1 to EQ7)

The EC has applied an appropriate combination of instruments and aid modalities in Nepal. Good examples of synergy in the use of the various financing instruments and aid modalities were identified, as illustrated in the Peace Building and Consolidation of Democracy sector (with the adequate use of EC geographic and thematic instruments) and in the Education sector (through budget support and latterly the funding of four small NSA projects). In that regard, the move towards sector budget support proved to be justified and has led to some tangible results in terms of improved service delivery and access through greater government ownership, development partners’ alignment with government policies and donor harmonisation. However, budget support alone is not sufficient to address all challenges at sector level. There is still a crucial need for accompanying support for specific sectoral issues, such as institutional development and capacity building at regional and district levels.
Conclusion 5 - Implementation capacity

Although important improvements were made in recent years in the process of establishing a fully fledged Delegation in Nepal, human resources in the two EU Delegations involved were constrained during most of the evaluation period. On the other hand the ownership and accountability of the GoN was low due to the unstable and rapidly changing political conditions. This resulted in severe delays particularly in the implementation of interventions, especially those funded under the geographical budget lines.

This conclusion is mainly based on: EQ8 (but also EQ1 to EQ7 and EQ9).

Whereas the EC formulated some good responses to the changing political conditions in Nepal, particularly after the events of 2005/06, the implementation of these interventions was severely delayed. As a result of capacity constraints in the two EU Delegations concerned and in GoN, implementation of the activities within the financial envelope of the CSPs was slow. Furthermore, the different needs of beneficiaries, and a changed donor landscape at the time when EC interventions began, caused them to be less effective, thus reducing their potential impact. With the exception of the support to education, the EC support has not been strong in enhancing the ownership and leadership of GoN and national partners.

4.2 Specific conclusions

4.2.1 Social exclusion and Gender

Conclusion 6 - Reduced social exclusion

Overall, EC support has strengthened the capacities of women and various socially excluded groups to claim their rights and to increase access to services. It has also raised awareness and induced some changes in cultural and social norms at local level. But support for improving livelihoods has been insufficient.

This conclusion is mainly based on: EQ1.

Evidence indicates that extremely marginalised groups have been supported and their specific issues addressed through community-level social action. Working with local NGOs or community-based organisations and representative organisations has helped to increase their capacity to fight for the rights of their constituencies.

The primary focus of the EC-supported interventions has been on enhancing the capacity of women and excluded people and giving them a voice, and in changing cultural and social norms/mindsets. However, these people’s access to services and livelihood opportunities has been insufficient, and links related to this with larger EC-funded projects in other CSP focal areas (such as trade and economic activities) are limited. More systematic involvement with relevant institutions, to ensure that micro-level successes lead to more sustainable structural change, could have been further promoted.

Conclusion 7 - Strategic framework

The EC support has addressed specific needs and barriers relating to women and socially excluded groups, but has done so in isolation. It did not establish strategic links for a co-ordinated voice on inclusion and for a more comprehensive structural change.

This conclusion is mainly based on: EQ1.

The EC-funded interventions identified, to a large extent, the needs and barriers relating to women and socially excluded people, but the design of EC interventions shows an inadequate understanding of institutional issues and state responses. EC support has largely focused on specific social groups in isolation and does not establish strategic links to broader efforts for structural change. While most projects have advocacy components and involve government bodies, there have been few partnerships with key government bodies to support fundamental changes in social, cultural and economic systems unfavourable to women, poor and the excluded. GoN plans (especially since 2007) have prioritised social inclusion,
and many ministries have developed gender equality and social inclusion mainstreaming strategies as a response. This is not clearly reflected in EC-funded interventions. Similarly, strategic links with government efforts to promote social inclusion and with government institutions mandated to work on these issues have been weak. The EC has not collaborated directly with the National Women Commission, the National Dalit Commission or the National Federation for Development of Indigenous Peoples (the key government institutions responsible for their specific constituencies).

Many projects are women-focused and these have, to some extent, identified and addressed gender issues. Other projects that supported excluded people have barely addressed gender issues. EC institutional directives and guidelines to mainstream gender in planning, budgeting and M&E have not been adequately brought to the attention of the implementing agencies. In addition, there have been insufficient mechanisms to make use of gender-related lessons in new interventions. The absence of a results-based framework for Gender Equality and Social Inclusion has led to insufficient clarity on what the EC wants to achieve on social inclusion.

4.2.2 Democracy and the rule of law

<table>
<thead>
<tr>
<th>Conclusion 8 - Electoral process</th>
<th>The EC contributed to the restoration of representative democracy in Nepal by helping to ensure the largely orderly and transparent holding of the national elections in 2008. The support paved the way for more long-term capacity building for electoral administration and election observation by CSOs.</th>
</tr>
</thead>
</table>

*This conclusion is mainly based on: EQ2.*

All major international and national observer missions positively assessed the 2008 CA election. The EU-EOM included more observers than any other international observer mission, and its conclusions therefore carried particular weight and importance in promoting the general acceptance of the election results. In addition, the EO-EOM provided systematic recommendations for addressing outstanding weaknesses in electoral administration and with regard to the role of CSOs in the electoral process. Some of these recommendations are currently being implemented with the support of the international donor community, including the EU through its contribution to the Nepal Peace Trust Fund (NPTF).

<table>
<thead>
<tr>
<th>Conclusion 9 - Human rights</th>
<th>To some extent, EC support to public institutions prevented new human rights violations from taking place while the support to CSOs played an important role in giving marginalised people an identity and voice in local communities. In general, however, the support has been limited in scope and ad-hoc in character in the absence of a strategic-level approach.</th>
</tr>
</thead>
</table>

*This conclusion is mainly based on: EQ2.*

The EC contributed to the increase in the number of complaints received and investigations pursued in Nepal. In particular, the very presence of OHCHR has acted as a deterrent to perpetrators of human rights violations. On the other hand, the NHRC appears to have had little influence on the overall human rights situation in the country as the GoN has fully implemented only on a small fraction of its recommendations. A related problem is the lack of capacity of the Office of the Attorney-General (OAG) to establish accountability for human rights violations. It is noted that, in the absence of adequate resources, skills and tools for prosecution, the overall capacity of the OAG is very weak.

The EC provided funding for long-term CSO efforts that played an important role in giving marginalised people an identity and voice in local communities. The lack of elected local government and local service delivery mechanisms are key weaknesses in the governance system of Nepal. Several EIDHR projects have increased the accountability of local government towards their people. At the same time, the bilateral programme has had a heavy emphasis on central ministries and government agencies.
Conclusion 10 - Judicial system
EC assistance created conditions for improving the efficiency of the judiciary in line with national priorities. However, the contribution to institutional capacity building and the impact on the access to justice in the country were limited.

This conclusion is mainly based on: EQ2.

The EC assistance created conditions for improving the efficiency of the judiciary. However, the lack of funding for the actual application of outputs, including the new case management system, puts the overall sustainability of the support at risk. While the EC helped to expand the outreach of the Free Legal Assistance Scheme, the impact on the capacity of legal aid providers was marginal and the support, therefore, did not make any real difference in vulnerable groups’ access to justice. The EC co-operation strategy’s heavy emphasis on the Supreme Court, and on other central-level judicial agencies, is questionable from an access-to-justice perspective.

4.2.3 Education

Conclusion 11 - Outcome in education
The continuous efforts of DPs, including the EC, have contributed to improving some key performance indicators related to basic education, especially in terms of equitable access to education. However, too much attention has been paid to ensuring access, to the detriment of quality, and current support still faces some important challenges that urgently need to be addressed.

This conclusion is mainly based on: EQ4.

The Nepalese government’s EFA and SSRP – with sector budget support from several DPs, including the EC – built on the achievements and experiences of the earlier BPEPII. The continuous efforts of GoN and DPs have contributed to improving equitable access to education. However, the focus on the MDG-related enrolment in primary school (and in keeping the system going) is probably one of the reasons for the lower priority given to the quality of education, which is considered by all stakeholders to be the weakest area with regard to programme achievements. The absence of a framework of quality standards and indicators for schools, as well as a lack of systems for tracking student learning outcomes, have been significant constraints that the MoE is now seeking to address. DP support will be needed to assist in facing this challenge.

Further challenges in the education (and other) sectors include: (a) continued political instability; (b) high staff turnover at all levels in the system; and (c), linked to the high staff turnover, weak financial management and weak monitoring and evaluation.

Conclusion 12 – Comprehensive approach
Sector budget support and the processes that necessarily accompany it have contributed to reduced transaction costs and better business plans leading to greatly improved access to educational opportunities. However, the focus of support has been on central-level issues, and institutional development and capacity building at lower levels have not been addressed. Support to NSAs has been complementary to budget support, but limited in scope and range.

This conclusion is mainly based on: EQ3.

Sector budget support, through greater donor harmonisation, alignment with government policies and government ownership, has contributed to reduced transaction costs and better business plans leading to greatly improved access to educational opportunities. However, sector budget support in Nepal appears to have been primarily concerned with what happens at central level only – with attention being paid to educational policy, national plans, and central level institutions. This is not unusual, as the EC, and other literature on sector budget support and on the sector-wide approach, emphasises the need for capacity development and maintenance within central level institutions.
However, in the education sector in Nepal there appears to be plenty of capacity at central level at one end, while the process of decentralisation is giving more authority to the SMCs and school Principals at the other. In addition, GoN’s “political” focus is on the local level, with the VDC being the hub of activities in every sector. As a result, not enough attention has been given by DFIs, or by GoN, to how to improve the implementation of policy and plans where it really matters – with the children and the schools – or to the crucial institutions (the District Education Office, as well as the Regional Education Office) between the ministry and the schools. The consequence is that professional leadership from the DEO and REO is arbitrary depending solely on the capacity and character of individual officers rather than on a firm operational framework.

NSAs have recently been supported by the EC in the education sector to encourage children from vulnerable groups to attend school, and to foster a greater depth of understanding in the teaching-learning process. Their function is vital in developing managerial, supervisory and professional capacity at school, VDC and District levels. In this way, EC support to specific activities usefully complements its broader sector budget support and would benefit from being expanded to other areas.

### 4.2.4 Trade

<table>
<thead>
<tr>
<th>Conclusion 13 - Promotion of trade</th>
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<tbody>
<tr>
<td>The EC Trade-Related Support has addressed some key priorities of GoN, but it remained very small and hardly addressed needs of the private sector. The main expected result is obtaining international standards in laboratories and increased compliance with WTO requirements. As the intervention is still ongoing it is not known if these results will be achieved before the end of the project.</td>
</tr>
</tbody>
</table>

This conclusion is mainly based on: EQ 5 (especially JC5-1).

The EC Trade-Related support was a focal area in both CSPs, but its share in the budget is very small. Of the two planned interventions, only one was implemented – the WTO support project of 2 million EUR. The support to SME project (also 2 million EUR) was cancelled.

The support was oriented towards the public sector, particularly to the Ministries of Commerce and Agriculture to enhance their capacities in meeting WTO obligations and scaling-up of laboratories to international standards. Although initially private sector actors (chamber of commerce, exporter associations, consumer organisations) were envisaged as being direct beneficiaries, they were hardly involved. To a very small extent, some pilot SMEs were supported in achieving international standards. Despite the high interest on Nepal’s side, the planned SME support project (2 million EUR) was not formulated, and consequently not implemented due to lack of capacity of the EU Delegations involved.

The main result of the implemented project is expected to be related to obtaining international accreditation for two key laboratories. Once the accreditations of technical and metrology laboratories have been achieved, it is expected that companies will shift their demands for product testing and metrology services from foreign service providers to the strengthened national institutes. Furthermore, the increased compliance with WTO standards and requirements is expected to have an overall positive impact on increased trade and consequently national growth and employment. As the intervention is still ongoing it is not known if these results will be achieved before the end of the project.

There is a great potential for increased and diversified exports, but this remains largely untapped as supply constraints are high and few support programmes are undertaken.

<table>
<thead>
<tr>
<th>Conclusion 14 - GSP</th>
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<tbody>
<tr>
<td>The Generalised Scheme of Tariff Preferences (GSP) is beneficial to Nepal, and Nepalese exporters make a high level of use of the instrument. However, the overall impact on Nepal’s export is very limited.</td>
</tr>
</tbody>
</table>

This conclusion is mainly based on: EQ5 (especially JC5-2).

The “Everything but Arms” (EBA) category of the GSP covers two-thirds of Nepal’s exports, and the utilisation rate is as high as 91%. Nevertheless, the instrument affects only 7.5%-
10% of Nepal’s total exports, implying that the overall impact on Nepal’s exports remains limited. Moreover, the overall non-preferential tariffs are low, and are decreasing over time.

### 4.2.5 Rural development and Food security

<table>
<thead>
<tr>
<th>Conclusion 15 - Rural poverty</th>
<th>Not including any intervention under both CSPs in the area of agricultural development and/or irrigation has significantly reduced the intended impact on decreasing rural poverty and food insecurity. It has also affected the EC’s overall co-operation strategy in Nepal.</th>
</tr>
</thead>
</table>

*This conclusion is mainly based on: EQ6 (especially JC 6-1).*

The Evaluation Team finds that the arguments for not continuing the preparation of the Strengthening Rural Development and Governance (SRD+G) project – either the large Sikta irrigation scheme or a number of medium-sized schemes – are valid, but does not find justification for completely withdrawing from this concentration area. Consequently, the impact on rural incomes and food security remained rather limited. By reallocating the funds for the SRD+G programme to education and not embarking on alternative actions in the agricultural or irrigation sub-sector and/or another productive sector, the overall EC co-operation strategy became unbalanced, in the way that conflict mitigation and support to education were not accompanied by support to a productive sector.

<table>
<thead>
<tr>
<th>Conclusion 16 - Food facility</th>
<th>The EC support through the EU Food Facility has achieved reasonably good short-term results in increasing production and incomes in the rural areas that were covered by its interventions. However, due to its structural limitations of being a one-time, short-and-quick response programme, the sustainability of the programme is low.</th>
</tr>
</thead>
</table>

*This conclusion is mainly based on: EQ6 (especially JC6-2).*

All interventions funded under the EU Food Facility identified and addressed the intended target groups and were implemented in the areas of greatest food deficit, with a priority to address the needs of the most vulnerable groups. There is a clear increase in production and productivity due to the EU-FF interventions.

The sustainability of the EU-FF is low and it is expected that its major achievements will gradually fade away – particularly the largest intervention, implemented by FAO. WFP interventions (food for work) aim at long-term development, while providing direct relief. Although the NGOs provide more and wider capacity building to farmers, vulnerable groups and other stakeholders, and link producers with suppliers and buyers, resources are spread too thinly (too many activities and very high numbers of beneficiaries) and over a too short period to ensure long-lasting results. The boost in production resulting from the provision of improved seeds will gradually phase out. Introduction of new/improved seeds will not be continued. The majority of farmers will keep improved second-generation seeds for the next planting season. The introduction of new and improved seeds will not be continued and it is not known if farmers will succeed in renewing their seeds. The irrigation facilities lead to a continued higher production, but it is not clear whether they will be properly maintained, especially given the fact that few attention has been given to water user groups so far.

### 4.2.6 Environment and Renewable Energy

<table>
<thead>
<tr>
<th>Conclusion 17 - Renewable energy</th>
<th>The EC support through the Renewable Energy Project (REP) remained a typical implementation project, with little impact on policy and strategy development.</th>
</tr>
</thead>
</table>

*This conclusion is mainly based on: EQ7.*

The REP was a typical implementation project focusing on the delivery of solar powered systems to selected remote rural areas, with capacity building to COs so that they would act as Community Energy Service Providers (CESPs). There has been no significant impact on national or local policies and strategies on renewable energy. The REP provided exclusively solar energy systems, with other forms of renewable energy – such as micro hydro power, biogas and windmills – not included. This is seen by the Evaluation Team as a strength
rather than a weakness, as a too wide focus would spread resources thinly and make the project management and implementation complex.

| Conclusion 18 – Environment | The overall impact of EC support on the environment has been very small. The impact of the EC support on renewable energy is mainly seen in the improvement of social services and quality of life, but there is no significant change in incomes and employment. |

This conclusion is mainly based on: EQ7.

Environment has received very little attention in the overall EC support to Nepal, with only a very small number of environmental interventions undertaken. The major intervention on renewable energy, the Renewable Energy Project, had a limited impact on the environment. Replacement of the use of fossil fuels is expected to be on a very low scale. Institutional systems will not change household behaviour – such as cooking on wood fires – that may deplete natural resources. The social and cost-saving impacts of the access to electricity in social institutions are high, and this access significantly increases the quality of life. The project will not have a significant impact on agricultural production and productivity, as there are few specific uses linked to agricultural production or off-farm activities, such as tourism. Consequently, household incomes and employment will not be affected significantly in the attended villages.

5 Recommendations

The analysis carried out in this Evaluation has led to the formulation of two sets of recommendations: general recommendations (which focus either on the strategy level or the operational level) and sector specific recommendations. Each recommendation relates to at least one conclusion.

The figure below provides a schematic overview of the level of priority in terms of importance of the recommendations and the urgency (agenda) of their realization.

Figure 6 Prioritisation of the recommendations: schematic overview

Details on specific / general recommendations are presented in the following sub-sections.

Remark: The recommendations have been drafted keeping in mind the specificities of the context of Nepal which is characterised by a fragile political situation, an institutional environment facing ongoing challenges, the fact that it is a landlocked country with significant influence from neighbouring countries, and a high level of poverty (see section 2.2 for more details).
5.1 General recommendations

5.1.1 Strategy level

| Recommendation 1 – Thematic coverage | The EC should focus on key areas where it is recognised as having extensive experience and where it can provide added value. |

This recommendation relates to: Conclusion 2.

The EC needs to leverage its assets, which consist in large part of the relationships of trust that have been built up with national partners (including GoN) and other DPs. It needs to build on and strengthen the professional expertise which it has in-country in the areas of democracy (elections), human rights, public financial management, peace and stability, and education. It also needs to look in the future at areas where it can provide the highest added value. Potential key areas of focus where the EC has the benefit of global experience are: trade, environment and disaster preparedness.

Moreover, the EC should strengthen its role among its DPs, based on the recognition of its special position to co-ordinate and harmonise aid, as laid down in overarching policy documents such as the European Consensus on Development.

However, the above does not imply an extension of intervention areas. On the contrary, the EC should narrow down its Nepal portfolio, which currently covers a wide range of sub-sectors (health is a good example) and includes too many individual interventions. The EC should make a stricter selection of projects it directly funds and manages, focusing instead on a more strategic and consistent set of interventions and on intensified policy dialogue.

| Recommendation 2 - Productive sector | Increase the support to productive sectors, particularly in rural areas so as to strengthen the economic impact of the EC interventions. |

This recommendation relates to: Conclusion 1 and Conclusion 2.

There are untapped opportunities within the concentration areas to increase support to productive sectors, so as to strengthen the economic impact of the EC interventions. This could be done by the following:

1. Consider funding and/or implementing specific interventions to increase food security and rural incomes, building upon good practices tested under the EU Food Facility and developing a strategic approach in food-deficit areas.
2. Support SMEs in Trade-Related Assistance, addressing supply constraints and increasing their competitiveness. Strengthen the linkages between trade and environment, as well as trade and poverty.
3. Work with GoN on policies to strengthen the private sector and provide incentives to ensure that women, and poor and excluded people benefit from their interventions. People’s capacities – especially those of the extreme poor, who are unable to participate in any development intervention – are low, with insufficient skills to progress from survival to even micro-enterprise level.
4. Work with GoN to develop policies that include tax incentives and systems to promote women-led businesses and enterprises and to ensure that the private sector is motivated to provide opportunities to them.

| Recommendation 3 - Policy dialogue | The EC should increase the policy dialogue with national stakeholders, including both the GoN and Non State Actors. |

This recommendation relates to: Conclusion 3.

Opportunities in terms of policy dialogue and the depth of this dialogue will depend to a certain extent on the political, economic and institutional environment prevailing in the country as well as on the level of concerted efforts of the GoN and NSAs towards consolidation of democracy and social economic development.

The evaluation shows that the EC needs to engage more confidently in policy dialogue with national stakeholders taking into account the specificities of the national context. It has the
choice between providing the adequate human resources necessary to engage in effective
dialogue in these areas (which requires particular skills) and a closer working relationship
with other DPs that are currently active in these areas. Of course, one option does not ex-
clude the other.

The EC should also further develop the dialogue mechanisms with the Non State Actors
(NSAs) supported under the various thematic instruments. Such a dialogue could provide
valuable inputs to the formulation of interventions funded under the geographic instrument
and to the policy dialogue with GoN – for example, in the area of social inclusion, where a
number of good practices and lessons learned at grassroots level are not considered at na-
tional level. It could also provide a forum for NSAs to share lessons learned and to identify
areas of common interest and programming.

5.1.2 Operational level

<table>
<thead>
<tr>
<th>Recommendation 4 – Implementation modalities</th>
<th>The EC should further develop the synergies between its various aid modalities and financing instruments and strengthen the role of Non State Actors (NSA).</th>
</tr>
</thead>
</table>

This recommendation relates to: Conclusion 4.

Further complementarities should be sought between the geographical financing instruments
and the thematic instruments\(^{45}\). Particular care should be taken to ensure that the priority
themes of the various instruments coincide, and that the knowledge and results gained are
cross-fertilised between them. The EC support in Nepal should also seek to make better use
of the regional programmes, starting by better dissemination of information about these pro-
grammes among stakeholders in Nepal. Moreover, as illustrated in the education sector, it is
important to consider how capacity building and/or institutional development “projects” (using
external and international TA with substantial practical experience) can be financed to com-
plement sector budget support and a sector-wide approach.

There is also still room for making better use of the involvement of NSAs: NSAs can play an
important role, especially if the purpose of their involvement is well defined\(^{46}\). The EC should
support an increased involvement of NSAs in virtually all areas of co-operation. NSAs could,
for example, be involved in monitoring the performance of the education sector, following the
example of such involvement in Ecuador, as detailed in *Engaging non-state actors in new aid
modalities for better development outcomes and governance*, Tools and Methods Series:
Reference document no 12 (European Commission, January 2011).

The Evaluation has highlighted that a more strategic and long-term approach to involving
NSAs is likely to bring greater impact and sustainability – for example, in the Democracy and
Justice sectors.

Increased involvement of NSAs in economic development programmes is also necessary to
complement the support to national institutions. It is recommended that Chambers of Com-
merce, Exporter Associations, Consumer organisations and Labour Unions become direct
beneficiaries in the expanded Trade-Related Support that the EC is planning to provide the
coming years.

\(^{45}\) In particular, the EIDHR and NSA-LA instruments.

\(^{46}\) This recommendation is in line with a recommendation recently given by the Thematic Evaluation of EC support to basic and secondary education.
Recommendation 5 – Implementation capacity

The EC, and particularly the EUD, should align its own capacity with the objectives set in its strategy, and thus continue to consolidate them. As soon as the political conditions improve and Nepal benefits from a stable and fully endorsed and accountable government, the EC should also give a greater role to national stakeholders in the design and implementation of its co-operation strategy. This would gradually increase national leadership and ownership and therefore generate a larger impact and sustainability of EC-funded interventions.

This recommendation relates to: Conclusion 5.

The EC co-operation strategy for Nepal sets ambitious goals. The EUD should continue consolidating its own capacity to align them with the objectives outlined in its strategy. One option that the EUD is considering is to no longer include Nepal for Global Calls for Proposals for topics outside the concentration areas and the MIP. Health is a case in point. After the devolution, the Nepal Delegation will be managing 10 projects implemented by NGOs in the health sector, some of which of significant amounts. The Delegation does not have any expertise in this sector, as it is not one of its focal areas of cooperation.

At the same time, the EC should give the national stakeholders a greater role in the design and implementation of the co-operation strategy in order to increase national leadership and ownership, while bearing in mind the limitations related to the political, economic and institutional environment prevailing in Nepal. This would also generate a larger impact and increase the likelihood of sustainability of the EC support. In particular, the EC should provide more strategic support to CSOs working to empower marginalised and vulnerable groups, including by promoting their political participation, access to information, and overall leverage on local-government. The interventions should directly involve and support local governments to promote greater accountability, including by piloting and expanding models of community consultation and local-level socio-economic planning.

It is also necessary for the EUD to better promote the financing opportunities potentially available to Nepal through the various thematic instruments in Nepal. In some EUDs (e.g. Peru), staff have developed an elaborate approach to ensure a greater engagement of NSAs in their co-operation strategy; leaflets are produced to present the co-operation strategy and the opportunities of financing, and seminars to advertise the financing opportunities are organised with NSAs on an annual or bi-annual basis. Similar efforts have already been initiated at the EUD-N, but these should be further strengthened to maximise the involvement of NSAs in the various sectors of co-operation.

5.2 Specific recommendations

5.2.1 Social exclusion

Recommendation 6 - Reduced social exclusion

Continue community-level project interventions through local organisations, with increased resources for livelihood support and a stronger, more focused results-based approach.

This recommendation relates to: Specific conclusion 6.

The excellent work at community level and in reaching the really marginalised people has to continue. At present, the focus of projects is very much on the strengthening voice of such people and their capacity to influence, which is commendable. However, projects have put inadequate emphasis on access to services and opportunities for an increased income. A more in-depth assessment during the design phase should lead to more comprehensive interventions, addressing requirements for increased assets, and services to increase income opportunities. Without a strong emphasis on improved livelihoods, social exclusion is likely to persist.
Recommendation 7 - Strategic framework (for Gender Equality and Social Inclusion)

The EUD should develop a strategic framework for Gender Equality and Social Inclusion (GESI), and GESI-related projects should take into account this in their intervention approach. In particular, the EC should develop a specific gender mainstreaming strategy for Nepal and promote a thematic approach to GESI.

This recommendation relates to: Specific conclusion 7.

A GESI strategic framework needs to be developed. This framework should ensure that strategic links are established among projects supporting different social groups, and it should promote a more co-ordinated approach to inclusion. The aim is to reduce the isolation in which each project is currently operating. A thematic approach will ensure that local-level efforts are built upon, and policy-level work influenced or relevant institutions strengthened.

All GESI-related activities of various projects, even those under different areas of cooperation, must be mapped, reviewed, and links identified. A GESI “Technical Working Group” should be formed at the EUD, involving the Head of Operations (potentially as Chair), the programme manager in charge of GESI, and representatives from other sections. This Working Group would follow up the development of a strategic framework and its application within the EC strategy. The targeting of poor and socially excluded people needs to contribute to a general approach that addresses the structural constraints preventing these groups from accessing relevant resources and benefits.

The EC-funded projects should further support GoN efforts to address gender equality and social inclusion issues in different sectors. Government commitments on GESI are reflected in the positive provision of the various guidelines of different Ministries. The EC-funded interventions must both inform project beneficiaries of the various provisions and facilitate their access (as is happening in many existing projects) to services. They must also use the lessons learned from project implementation to influence national policies and the work of the commissions mandated to work for women, Dalits, Adibasi Janajatis and other groups.

A gender analysis should be a mandatory part of project design. It should include an analysis of existing power relations, and projects should indicate how they will mainstream gender in their interventions by detailing their approach, including related budgeting and M&E. Moreover, the implementing agencies should be required to design/strengthen M&E systems to collect gender disaggregated data on outputs, outcomes and development results. It should also be ensured that the system is linked into management decision making, and that the feedback loop to changes in implementation is robust. Some project partners currently report with a degree of disaggregation and analysis, but this is not captured and used institutionally to inform the EC’s policies, strategies and programming.

5.2.2 Democracy and the rule of law

Recommendation 8 - Electoral process

The EC should seek opportunities to build capacities for electoral administration and election observation by CSOs for the consolidation of the national system of representative democracy.

This recommendation relates to: Specific conclusion 8.

The EC has yet to provide “strategic support to the Election Commission in order to enhance its capacity to conduct transparent and efficient elections”, as pledged in the CSP 2007-2013. The evaluation team recommends that such support is further explored on the condition that explicit synergies and co-ordination mechanisms with other donor-supported projects are established. Proactive efforts should be made to encourage CSOs to apply for fund-
ing from the current NSA call for proposals, in which voter education, election observation and co-ordination among national observers are identified as priority areas.

**Recommendation 9 - Human rights**

The EC should continue to explore more long-term options for promoting the ongoing democratisation process, especially for building accountability with regard to local governments.

This recommendation relates to: Specific conclusion 9.

As a first step, local democratisation and peace building should receive greater emphasis as a priority area under local calls for proposals, such as the local calls of the EIDHR and NSA-LA instruments. The EC may also look for cost-sharing opportunities in the context of forthcoming multi-donor projects on local governance. Through thematic programmes, the EC could expand the support to CSOs working to empower marginalised and vulnerable groups, including by promoting their participation, access to information, and overall leverage on local-level government. The shift to a federal structure, as envisaged by the interim Constitution, will also present significant opportunities to work with local government to promote greater accountability, including by piloting and expanding models of community consultation and local-level socio-economic planning. The EC could team up with other donors already active in this area.

**Recommendation 10 - Judicial sector**

The EC should consider a more balanced approach. As well as support to public sector institutions, the EC should engage in capacity building of informal justice providers and emerging transitional justice mechanisms.

This recommendation relates to: Specific conclusion 10.

A more balanced approach between the formal and informal sector is recommended to increase the access to justice by women, poor and socially excluded groups.

The Office of the Attorney-General (OAG) appears to be a good candidate for EC support in view of its dynamic leadership and reform ambitions, as well as the critical importance of the prosecution function in addressing the current state of impunity. OAG is currently seeking donor support for several interesting initiatives. One of the design failures of CMPII was the lack of recognition of the important role of the OAG in the judicial sector in general, and for establishing accountability for human rights violations in particular. All in all, the OAG has a success rate of less than 50% of all initiated prosecutions. At the same time, the OAG is subject to major institutional reform initiated from within its own organisation. A Plan of Action has recently been developed, with skill-based training, IT upgrading and systems for monitoring of human rights violations and Supreme Court rulings as some of the main priorities. Prospective donors so far are Danida and USAID.

The informal justice sector plays an increasingly important role in resolving disputes at local level. At the same time, the sector remains largely unregulated and is often found to lack accountability and respect for international human rights standards. Recently, the EC has awarded a grant to a project on “State and Non-State Partnerships for Inclusive Justice”. The EC could build on the results of this project, if successful, to support the implementation of common standards and overview mechanisms. In addition, there is scope for providing financial, as well as technical, support – possibly through the OHCHR – to the Truth and Reconciliation Commission and a Disappearances Commission, given that these transitional justice mechanisms are in line with international standards.

**5.2.3 Education**

**Recommendation 11 - Capacity building, education sector**

DPs, together with GoN, should carry out a thorough review of capacity development needs. More generally, DPs and GoN should review both where support is really needed and what sort of support is needed in order to improve education service delivery.

This recommendation relates to: Specific conclusions 11 and 12.
DPSs need to review, together with GoN, both where support is really needed and what sort of support is needed in order to improve education service delivery. DPSs need to review their own capacity to provide that support, agree among themselves and with GoN a plan for support, and provide that support – probably in the form of projects (integrated with the SSRP) using external/international TA and international NGOs, such as the four NSA projects in the education sector supported by the EU. In the current climate, the use of international TA may be difficult for GoN to accept. However, intimate knowledge of the situation in Nepal can be greatly enhanced by experience from outside Nepal, in order to achieve an objective and more modern viewpoint.

Moreover, DPSs and GoN need to carry out a thorough review of capacity development needs in terms of the institutional framework of educational service delivery at regional, district and school levels. Institutional development needs to lead, or at least come at the same time as, individual professional development.

A team with considerable practical experience needs to be contracted by the Government (with EC support) to do this in order to see what the current situation is, what functions an institution such as the District Education Office should perform, and the tools it needs to do so. More generally, a thorough review of the organisational structure of education service delivery would help to strengthen and streamline the functions of institutions at district and regional levels. It is important that the review is carried out by people with practical management experience in well-run national and regional education systems.

It is also important to build capacity in the analysis of both quantitative and qualitative data at school, district, regional and central levels in order to improve educational programme monitoring and planning at all levels.

Finally, an absence of elected local government has led to the politicisation of schools. The chair or membership of school management committees is often sought to assert and retain political power locally and local education officials therefore spend most of their time firefighting political problems. As a result, the capacity to implement change and drive up standards is poor. The support to the development of local democracy and political accountability thus appears as an interesting area to engage in for national stakeholders and development partners. If and when there is greater political accountability to the electorate at the local level, it will be important to take a cross-sectoral or more integrated approach to the development of the learner in terms of, for example, education, health, and social and physical welfare. This will require greater collaboration between the various institutions and agencies serving the public, particularly at local and district levels. It may also require DPSs to take a more integrated and co-ordinated approach to development assistance, particularly in their support for projects at local level.

5.2.4 Trade

| Recommendation 12 - Focus on TRA | The EC should provide a higher share of the budget to Trade-Related Support (TRA) and include the private sector as a direct beneficiary. At the same time, future EC support should be embedded in the multi-donor-supported Nepal Trade Integration Strategy (NTIS of 2010). |

This recommendation relates to: Specific conclusions 13 and 14.

As one of the three focal areas, EC Trade-Related Support (TRA) should be given a higher share of the budget of the geographical budget lines. During the last decade, trade-related assistance has received a very small share of the total budget of the geographical budget lines, although only part of the allocated funds was actually used. There is a strong need for scaling up. This is fully acknowledged by the EUD-N and, by May 2011, an Identification Mission was launched, working on the assumption that the maximum of the 3-9 million EUR of the NIP 2011-2013 allocation will be planned for follow-up interventions in this focal area.

So far, EC support has directly addressed the needs of trade-related public institutions, whereas the numerous needs of the private sector remained mainly unaddressed. In addition, the relatively low impact of the GSP on the competitiveness of the Nepalese export sector and the diversification of exports underlines the need to address removal of constraints in the supply chain.
The Nepal Trade Integration Strategy (NTIS) of 2010 forms an excellent basis for donor support in the sector. The future EC support should be defined in line with priority actions of the NTIS and be co-ordinated with the lead Ministry of Commerce and Supplies, and with the Trade Donor Group that was established by the end of 2010.

5.2.5 Rural development and food security

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<th>Recommendation 13 - Food Security</th>
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<td>The EC should intensify the support given to GoN in the development of an overall policy and strategy for food insecure areas in various agro-ecological zones, to enable an integrated and focused intervention approach. The EC should consider financially supporting the strategy with the instruments available, and encourage other DPs and GoN in the scaling up of promising technologies that were applied or tested in the interventions funded by the Food Facility.</td>
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This recommendation relates to Specific conclusions 15 and 16.

The 1995-2015 Agricultural Perspective Plan (APP) became obsolete. An ADB-IFAD-GoN project is ongoing to develop an Agricultural Development Plan for the next 20-30 years. The EUD provided some support in the form of funding international TA. When this Plan is approved, it may guide further food security policies, which are urgently required to address the needs of smallholder agriculture.

The IFPRI study of 2010 confirms that Nepal has serious deficiencies in food security and nutritional levels. Over 50% of the agricultural producers are smallholders with less than one hectare, and with high incidences of poverty. These producers have a low and stagnant productivity rate and poor uptake of improved technologies.

Since the end of 2009, the EU-FF has again put rural development on the agenda and now forms about 30% of the total EC support (around 23.5 million EUR). The Fund has raised enormous expectations at the level of GoN, as well as the direct beneficiaries. However, it is a world-wide programme and will not have a second phase. Other interventions are needed for the scaling-up technologies that proved to be effective in raising agricultural production and rural incomes, such as micro irrigation schemes, use of True Potato Seed (TPS), application of SRI, promotion of Seed Producer Groups, and the continuation of Farmer Field Schools.

5.2.6 Environment and Renewable Energy

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<th>Recommendation 14 - Follow-up renewable energy</th>
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<td>The EC should ensure that the Alternative Energy Promotion Centre (AEPC), as the national implementing agency of the Renewable Energy Project (REP), takes the necessary measures to ensure support to the Community Energy Service Providers (CESPs). The EUD-Nepal and AEPC should be prudent in labelling the beneficiary Community Organisations (COs) as CESPd and wait to promote the model once it has proved to be successful.</td>
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This recommendation relates to: Specific conclusions 17 and 18.

The EC should ensure that the AEPC continues to monitor and provide technical and organisation support to the COs/CESPs involved. This should be at least for one year, covering the guarantee period of most of the equipment delivered. A longer period would be beneficial, particularly for those CESPd that can evolve into real energy service providers, by expanding the services in their respective areas.

The EUD-N and AEPC should be prudent in labelling the beneficiary COs as CESPd. They should stress that the COs are “in transition”, and most of them will manage already installed systems, rather than serving new clients. Based on their performance over at least one year, stakeholders may decide to promote the concept – possibly in an adapted version, such as reducing the number of COs that have potential to become real service providers in their respective districts.