

Department for International Development

Government Response to the
International Development
Committee's Report on DFID's
Programme in Nepal

July 2010



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**Presented to Parliament
by Command of Her Majesty**

July 2010

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Introduction

The International Development Committee's (IDC) inquiry on the UK's development programme in Nepal consisted of oral and written evidence and a country visit from 27 to 31 October 2009. The inquiry looked at five issues: DFID's support for governance and state-building; how DFID works with the Foreign Office and the Ministry of Defence to support the Comprehensive Peace Agreement and security sector reform; DFID's approach to achieving poverty reduction and improving access to basic services; DFID's efforts to reduce social exclusion and inequality including its work with women; and donor coordination in support of greater aid-effectiveness and peace-building.

The IDC published its report on 28 March. DFID is required to provide a formal response to the report's recommendations. The report is positive about DFID's programme in Nepal. Aspects of the programme receiving high praise include DFID's work on inclusive growth and poverty reduction, impunity, health and gender. The report also recognises the difficulties of working in Nepal, the complexities and fragility of the peace process and notes the wide range of successful delivery across the programme. DFID agrees with the majority of the Committee's recommendations, and many of these are already covered by planned activities which are provided as part of this response.

Political situation and the Comprehensive Peace Agreement

Political and peace process

Recommendation

1. Pro-poor and inclusive development in Nepal will only be possible when political stability and security have been established. This will require full implementation of the Comprehensive Peace Agreement, agreement on a new Constitution and long-term resolution of the key contentious issues of federalism and the future of the Maoist ex combatants. These are matters for the political parties and the people of Nepal to resolve. However, the processes and mechanisms which allow progress to be made on these issues must continue to be fully supported by the international community, including DFID. This needs to include support for the election process which will follow agreement on the Constitution. We recommend that, in response to this Report, DFID provide us with updated information on its plans for continued support for the political and peace processes in Nepal (Paragraph 38).

Agreed. DFID's support to the political and peace process continues to be conducted in close coordination with other UK departments and the wider international community. DFID is currently contributing to the agreement of a UN led Peace and Development Strategy that aims to improve coordination and synergy of international support in this area. DFID will also continue to fund the Carter Centre and International Crisis Group, whose independent and credible reports on peace process implementation influence both the international community and the Government of Nepal. DFID's support to the constitution making process will continue to be provided primarily through the UNDP managed Centre for Constitutional Dialogue. Technical support to government discussions around the future of the Maoist Army and wider security sector reform will continue.

To support implementation of agreed aspects of the peace process, the primary instruments will continue to be the Nepal Peace Trust Fund (NPTF) and the UN Peace Fund for Nepal. Future support to Nepal's next elections, ex-combatant reintegration programmes, public consultations on the emerging constitution and transitional justice mechanisms (such as the Truth and Reconciliation Commission), are likely to be provided through these key peace funds. In March 2010 DFID provided additional funds to the NPTF, bringing the total UK contribution to £13 million.

Governance, justice and security

Impunity

Recommendation

2. It will be much more difficult to achieve long-term peace if people believe that there has been no redress for abuses committed during the conflict. We were pleased to hear that the UK and other members of the international community are robust in raising the issue of impunity and respect for human rights with the Government of Nepal. The UN Office of the High Commissioner for Human Rights (OHCHR) has made a significant contribution to upholding human rights both in the difficult circumstances of the conflict and since peace was agreed. We recommend that the UK lobby at the highest levels for the OHCHR mandate to be extended beyond June 2010 so that this important work can continue (Paragraph 45).

Agreed. The UK (including DFID) has lobbied hard for renewal of the mandates of both the United Nations Office of the High Commissioner for Human Rights (UNOHCHR) and the United Nations Mission in Nepal (UNMIN). If necessary, DFID may make funding available to allow UNOHCHR to continue its essential human rights monitoring function. A recent visit by the DFID Minister of State for International Development, Alan Duncan, also included representations to the Government of Nepal on the need for UNOHCHR to continue to play a role. In mid June 2010 UNOHCHR's mandate was extended for twelve months.

Corruption

Recommendation

3. It is a matter of serious concern that the people of Nepal have to suffer the detrimental effects of living in a society plagued by corruption. DFID's support to the Government of Nepal to strengthen its own public finance systems is an essential part of its programme there. DFID should ensure that the highest standards of audit and scrutiny are applied to all of its own operations and that leakage in the form of corruption is prevented. DFID also needs to continue to work with development partners and political leaders in Nepal to prevent development assistance being open to manipulation by special interest groups. We recommend that, in response to this Report, DFID provide us with more detailed information about the precise anti-corruption and anti-fraud measures it has in place in Nepal (Paragraph 54).

Agreed. DFID conducts annual assessments of fiduciary risk for all sectors where we provide budget support. We work with the relevant ministry in each sector on Governance Action plans. In health, for example, we have worked with the Government of Nepal to design a new approach to procurement that reduces risk by introducing more control over the process through an external procurement consultant. We are also working with the Ministry of Local Development to expand the minimum performance system for local bodies from the district to the village level. This system has established a set of objective performance criteria for local bodies, for example, audited annual accounts submitted and plans approved by the council, which are measured annually and the score then determines the next year's block grant. We will be supporting the Government of Nepal's own Public Expenditure and Financial Accountability (PEFA) action plan through the World Bank. This will put in place a single treasury account and improve accounting standards across the Government of Nepal. In our own operations, we will shortly be conducting an external audit for the Enabling State Programme, and all NGOs receiving accountable grants are required to send in annual audited accounts.

DFID has a zero tolerance policy to every reported incident of fraud. Every case is treated with complete confidentiality and reported to DFID's Head of Internal Audit in the UK within seven days. From the outset additional research is conducted as required. This may include determining information about any DFID funding involved and other donors, government or partner organisations and where possible and appropriate, the subject of the allegations. Not all cases develop into full investigations due to the vagueness of some initial allegations, lack of evidence, anonymity or reluctance on the part of the informer to supply further information.

DFID has conducted several fraud awareness training sessions for DFID staff over the last 18 months. A fraud awareness session is also included in DFID's induction programme for all new staff. This has ensured that all staff are aware of DFID's anti-fraud and corruption policy, staff responsibilities and actions to take in the event of any reported allegation. DFID's Risk Management Office also includes this as a standard practice when conducting training for programme staff based in the field.

DFID has strengthened prevention through increased field monitoring visits. This has been enabled by the enlargement of programme staff, which allows DFID to conduct at least two visits to each programme annually. This has ensured that DFID is much more aware of what is being delivered and the current issues in each programme. DFID has set up a Project Review Committee to internally peer review programmes and improve the quality of programme designs before spending decisions are taken.

DFID has a designated Fraud Liaison Officer who leads on fraud and acts as the main point of contact with specialist trained staff in the UK. Having this one central point of contact helps staff to report their suspicions in a confidential manner. DFID's Fraud Liaison Officer also ensures that those cases that do go further follow agreed investigation plans and that remedial action is taken where necessary. In one case this has included agreeing actions with the Ministry of Health to improve government procurement in the

sector, by providing additional technical expertise through an external procurement consultant. In some cases where problems have occurred, DFID has managed procurement directly, instead of through government.

DFID continues to increase transparency by using the Basic Operating Guidelines agreed by 13 donor agencies and the Association of International NGOs working in Nepal. They set out minimum standards for behaviour of humanitarian and development agencies. DFID also uses its Safe and Effective Development approaches which help to reduce the risk of fraud at the project level through increased transparency.

Local Government

Recommendation

4. In a post-conflict state such as Nepal it is highly likely that formal delivery mechanisms, including local government systems, will have broken down. We accept that donors, including DFID, have to work with the situation that exists on the ground to ensure basic needs, including health and education are met. This may mean using community-based and other non-governmental organisations to deliver services. However, DFID must exercise caution, particularly in a highly complex country such as Nepal, that use of informal structures does not exacerbate exclusion and inequality and that services are genuinely provided to those in need rather than those most capable of lobbying for them. (Paragraph 59).

Agreed. State capacity at the local level in Nepal presents a mixed picture. In a number of Village Development Committees (VDCs), especially in the Terai, VDC secretaries are often absent or only present intermittently due to insecurity. In very remote high mountain areas, state capacity is also often low. However, sub-health posts and schools often function despite many challenges, and have contributed to Nepal's improved enrolment rates and maternal health over the past decade.

DFID's strategy is two-fold. We both improve state services in the medium to long-term, while also working through NGOs to ensure short-term delivery of services in areas the state has difficulty reaching. In terms of improving state capacity to deliver services in the long-term, we have put a strong emphasis in our policy work with the ministries of health and education on ensuring access to services is inclusive for all citizens, and in helping the state expand its reach. At the same time, especially in remote and conflict-affected areas, we supplement state capacity through NGOs, for example through our two year, £6 million, Community Support Programme (CSP). We ensure that the use of informal structures such as CSP does not exacerbate exclusion and inequity through a combination of rigorous poverty analysis at the local level and targeting.

5. Democratic accountability and a well-defined relationship between citizens and the state are key elements in good governance. The lack of elected local government and local service delivery mechanisms is one of the key weaknesses in Nepal. DFID has already provided some valuable support to district level authorities. It needs to build on this and expand its work with local government, both now and when the new structures have been agreed under the Constitution. We recommend that, in response to this Report, DFID provide us with more details of how this work will be taken forward in the period covered by the Country Business Plan (Paragraph 60).

Agreed. Nepal has not had local elections for ten years, and is not likely to do so for some years to come, as the federal structure will need to be rolled-out first. Part 17 of the interim constitution commits that Nepal ‘shall be made inclusive and restructured into a progressive, democratic federal system’, though some important issues, notably the boundaries of the future states, are yet to be agreed by the Constituent Assembly. In the longer-term, however, the shift to a federal structure should present significant opportunities for promoting greater accountability between citizen and state at the sub-national level. In the short to medium term, DFID will be providing £12 million to the Ministry of Local Development through the multi-donor Local Government and Community Development Programme. This programme will build the capacity of local bodies and also make them more accountable to citizens through social mobilisation across the country. Social mobilisation involves bringing information to citizens and communities on resources and services available from the state, building the capabilities of individuals and groups to prioritise, negotiate and claim those services and resources and, supporting citizens to hold local government and service delivery agencies accountable for proper use of public resources. In the longer-term DFID will review its role in supporting the transition to a federal structure both through our policy support to line ministries such as health and education, and through support to whatever mechanism the Government of Nepal decides will lead the transition process.

Security and justice

Recommendation

6. We accept that it may be difficult for the Government of Nepal to define its own security and justice priorities in advance of full implementation of the peace agreement. This in turn hinders determination of DFID’s priorities in this sector. However, if the White Paper commitment to treat justice and security as a basic service is to be honoured, DFID needs to approach it with the same degree of urgency as ensuring people’s demands for health and education are

met. This is particularly important given that the people of Nepal have themselves identified security as their top priority. We recommend that, in response to this Report, DFID make clear how it plans to honour its pledge on increased support for justice and security in Nepal, particularly in relation to police reform and formal justice structures. We also request more details on the services which the women's paralegal committees are providing and the timescale for expansion of this support (Paragraph 66).

Noted. DFID is on track to increase its support for justice and security in Nepal. Over the past six months, DFID has worked with the Government of Nepal to design a three year £6 million programme of support to the Nepal Police, for which DFID Ministerial approval will be sought. This will support improvements in police strategic planning (especially important for the transition to a federal state), criminal investigations, victim support and police-community relations. DFID's support to improve citizen access to justice currently focuses on informal non-state justice provision (which deals with 85% of disputes in Nepal).

On justice DFID's main effort currently centres on the £6.5 million expansion of women's Paralegal Committees (PLCs), from 500 currently, to 1,300 committees nationwide. This expansion began in March 2010 and will continue for the next three years. PLCs aim to ensure that women, children and marginalized groups have increased access to improved systems that protect them from violence, exploitation, abuse, discrimination and prevent its occurrence. PLCs either mediate cases locally (approximately 80% of cases brought to them), or refer them to a range of local and district stakeholders and service providers. PLCs deal with a broad range of cases, including those involving domestic violence, trafficking, early marriage, witchcraft, property disputes and polygamy. PLCs also play an extremely important role in the prevention of rights violations, by working directly with communities to change attitudes and practice towards women and children's rights.

The formal justice system requires substantial reform. To help guide future donor support, DFID is organising, with others, a multi donor assessment of the security and justice sector. This will help identify opportunities for international support during the coming 3-5 years.

Progress towards the Millennium Development Goals

Forestry

Recommendation

7. We commend DFID's Livelihoods and Forestry Programme as an effective intervention which has increased community ownership of forest land. Its participatory approach has helped to tackle inequality and exclusion, particularly for women and people from lower castes. However, forestry ownership issues are far from resolved in Nepal, particularly in the Terai where land values are high and ownership is therefore more contested than in the hills and mountainous regions where most projects have so far been implemented. We recommend that, in response to this Report, DFID provide us with information on how its 10-year funding for the National Forestry Programme will seek to address these issues and further increase community ownership. (Paragraph 86)

Agreed. The National Forestry Programme will work in the Terai (the lowland plains). This work will help poor people gain access to government forest and public land, through improved community and other pro-poor forestry management approaches. The National Forestry Programme will ensure that local communities have legal rights to public/forest land and will support communities to manage their forests sustainably. This work on the ground will be backed up by work with the Government of Nepal to identify land reform policies that will reduce land ownership conflicts and the rates of illegal logging in the Terai.

Health sector

Recommendation

8. DFID's support to the health sector has contributed to good progress on some indicators such as child mortality. The Department has now announced further funding of £55 million over five years to support the Government of Nepal's health reform programme. It is important that this second phase of health sector funding continues to focus on strengthening government systems but it must also increase the quality and availability of health services at district and community level. We recommend that, in response to this Report, DFID provide us with details of how its health funding will help to achieve improvements in local health care provision in the period to 2015. (Paragraph 95)

Agreed. Over the next five years DFID will provide money directly to the Government of Nepal in the form of sector budget support, alongside technical assistance. This will give the Government the expertise it needs to implement the next five year plan. We will also ensure a certain amount of funds are set aside to monitor the impact of the next five year plan.

DFID expects this combination of support to significantly contribute to building the Government of Nepal's health system so that it can improve the coverage and the quality of services. We expect to see better health services at the local level which will have a greater impact on the poorest and most vulnerable people.

There are improvements in the next five year health plan which will help to achieve these changes at the local level, a selection of which include: an increase in the budget that is allocated to the local level; a new way of procuring drugs so that more drugs of better quality will be available; introducing social audits at local health facilities which will allow communities to rate the services that they receive; and 5000 more female community health workers will be recruited to work in the most remote areas of the country.

As the country moves to a federal state DFID will assist the new federal entities to prepare and plan for the delivery of good quality health services at the local level. We are currently supporting a pilot to prepare health management teams at the district level for this transition.

9. The abolition of user fees by the Government is a welcome development which has made health services much more accessible. This is worthy of DFID support, to ensure that free services are made available to as many poor people as possible. Geographical barriers to access also need to be tackled by bringing services closer to communities. DFID support for providing incentives to health staff to work in clinics in more remote areas appears to be a helpful initiative, although it clearly needs to be rigorously monitored to ensure funding reaches the intended recipients. We request further details about the programme and how it is monitored in response to this Report. (Paragraph 96)

Noted with thanks. In January 2009 the Government of Nepal introduced universal free delivery care in all government health facilities. DFID was instrumental in helping government develop and implement this policy. We are pleased to note that Nepal's Interim Constitution gives every Nepali citizen the right to publicly financed basic health services that are free to the user.

DFID has been assisting the Government of Nepal in monitoring the delivery of free care since 2008. Information is collected through the routine Government health information management system and is verified using trimester health facility surveys and annual household surveys. For example, the facility surveys are designed to identify how free care is being managed in

terms of adequate levels of staff and drugs. DFID will continue to fund these surveys as part of our support to the next five year health plan.

DFID and the Government of Nepal have designed an incentive package to encourage health staff to work in remote areas. This includes financial and non-financial incentives, such as health insurance and housing. The Government of Nepal plans to pilot the incentive package with a view to scaling up if it proves to be successful. Health care workers' performance in remote districts will be monitored by the routine health information management system with additional periodic surveys to better track progress.

Maternal health

Recommendation

10. We agree with witnesses that DFID's support for maternal health services in Nepal has been courageous and innovative. The halving of the maternal mortality rate over the 10 years to 2006 was a great achievement for the country. Nevertheless, Nepal is judged to be severely off-track in relation to meeting Millennium Development Goal 5 by 2015. It makes sense for DFID to support maternal health through its overall health sector programme in co-operation with the Government of Nepal. This must not, however, mean that the targeted approach to addressing the specific factors underlying high levels of maternal deaths is lost. We recommend that, in response to this Report, DFID provide us with information on the mechanisms it will use to monitor the impact of its new funding for the health sector on maternal health outcomes for women who are poor, from excluded groups and from remote areas. (Paragraph 104)

Noted with thanks. DFID has worked closely with the Government of Nepal and other stakeholders to develop a results framework for the next five year health sector plan. The results framework sets baselines and targets for each indicator. There are 22 targets for maternal and reproductive health, some of which will be disaggregated by geographical area, poverty and ethnic group. The results framework will be reviewed annually and we are confident that this will provide us with the information that we need to track progress in maternal health.

Additionally, DFID will contract a technical assistance programme on behalf of the pooled donors to support the Government of Nepal in delivering the next five year health sector plan. It is expected that the technical assistance programme will also take on operational research, looking at issues such as equity and quality of maternal health services.

11. The challenge of addressing cultural obstacles to improving maternal health is one which we have addressed in a number of previous reports. The low value placed on women's lives is by no means unique to Nepal but until it is tackled, women and babies will continue to die unnecessarily as result of inadequate care during childbirth. Working with community and religious leaders has been found to be effective in changing attitudes. We recommend that DFID continue to work with all sectors of society in Nepal to press for a greater recognition of the health needs and rights of women, including at the highest political levels. (Paragraph 105)

Agreed. A key challenge to improving maternal health is addressing social and cultural barriers to the empowerment of women. DFID's support to safer motherhood has been at the forefront of tackling these kinds of barriers. For example, we have been working with men, women and extended family members, to explore reasons why there are delays in seeking emergency care for women during childbirth. We have also been working with health care providers to ensure that when women arrive at facilities they are treated fairly and equitably. As a result low caste Dalit women now represent 15% of all institutional deliveries in Nepal. DFID will ensure that its work on social exclusion continues to focus on women.

To address the rights of women generally, DFID is working with the World Bank to analyse and address gender inequality and social exclusion in Nepal. DFID is also working with the Government of Nepal, the World Bank, UN agencies, other bilateral agencies, political parties and broader civil society to make key institutions more equitable and inclusive through the Social Inclusion Action Programme. DFID plans to conduct a qualitative research study on 'women and wasting' in the Terai (plains) to understand the causes of severe malnutrition and guide our work on nutrition.

In addition to this, DFID is currently focusing on other key areas through mainstreaming gender and inclusion in its programme. DFID is supporting the Prime Minister's national year-long campaign to improve the way that government and civil society addresses Gender Based Violence. DFID is putting gender at the heart of our programme on public security and safety. DFID is increasing funding to the Paralegal Committees programme to support local community justice mechanisms that tackle violence against women and children, and discriminatory social practices. DFID's growth work focuses on more and better jobs for women and girls, with specific targets to be met on jobs and skills.

Education

Recommendation

12. It is worrying that DFID informed us in the course of this inquiry that Nepal was likely to meet the Millennium Development Goal (MDG) education target when its own statistics produced elsewhere clearly demonstrated that this was not the case. We are pleased that DFID has accepted that its evidence was misleading and that it will report on both enrolment and completion rates in Nepal in future. It is vital that DFID's future support, to be provided through the European Commission, continues to focus on excluded children, particularly girls and children from lower caste and minority groups. We request further information on how the next tranche of DFID support for the education sector programme will specifically address exclusion. (Paragraph 111)

Noted. DFID provides sector budget support to the new Nepal School Sector Reform Programme (SSRP) 2010-2015. DFID funds are managed by the European Commission (EC). Central to the SSRP is the Government of Nepal, DFID and other donors' agreement on a range of education policy actions. This includes policy issues around entitlement, social inclusion and quality. Disbursement of DFID and EC funds is linked to progress against a set of criteria linked to time bound policy actions to address exclusion. One criteria, for example, is that the "Ministry of Education pilots a process for identifying and targeting of school children with an emphasis on marginalised groups".

In addition to delivering funds against exclusion related criteria such as the above example, the Government of Nepal, DFID and other donors also agree an annual education sector work plan and budget. Programme progress is jointly monitored. Funds from all donors are disbursed based on an annual assessment of progress. DFID secures greater focus on actions that promote greater equity and inclusion through active participation in this process.

The latest annual work plan and budget includes a series of related actions which include: studies on the impact of scholarships (including girls, Dalit, minority groups and disabled children); impact assessments and recommendations to improve targeting and effectiveness; preparations to conduct a national learning achievement study in early 2011; plans to strengthen data verification (including data on gender, low caste (Dalit) and minority (Janajati) children at all grades, at the school, village and district level); plans to implement a national water and sanitation programme in public primary schools; use of school mapping data to locate out of school children and pilot targeted programmes in 3 districts and, support for lowest performing schools to develop improvement plans with specific quality improvement measures aimed at raising performance.

In addition, in conjunction with the World Bank, DFID is conducting a study of gender, equality and social inclusion in the education sector. The analysis will

provide guidance based on what has worked to date. DFID, with the EC, also plan to commission a political economy analysis of the sector. This will help us better understand the feasibility of policy reforms and institutional change, the risks involved in implementing these and how best to provide support in order to deliver a successful School Sector Reform Programme.

13. Our main concern, however, is that the intention of the MDG on universal access to education, that by 2015 all children should complete primary education, has been watered down to a requirement for them simply to be enrolled. As we have pointed out previously, if all children in the cohort are to complete five years of primary education by 2015, 100% enrolment should have been achieved by 2010. This is clearly not going to happen. We believe that the international community is failing children in developing countries by accepting enrolment in primary education, rather than completion, as a sufficient measure of progress. DFID's new Education Strategy makes clear that completion of primary education is the MDG target, not simply enrolment. We recommend that, in response to this Report, DFID provide us with details of how its new Strategy will help address this failure to make more progress on the education MDG, both in Nepal and more widely. The UK should also advocate for much faster progress on education at the UN Summit on the MDGs in September. (Paragraph 112)

Agreed. DFID is ensuring that the priority of addressing retention and completion is well addressed in the SSRP, which DFID is co-funding. This will be advanced in a number of ways. There will be a National Assessment of Student Achievements (NASA) in 2011 and in 2013, which will measure student learning outcomes in grade 3, grade 5 and possibly grade 8. We expect that the assessment will describe and evaluate the quality of student learning outcomes that have been achieved by schools, including reading comprehension levels and numeracy. In future, the NASA will report trends of performance of selected groups over time, for example on gender, ethnicity, language or location. A continuous assessment system is being piloted which will provide more in-depth knowledge on what is being learnt and by whom. Reduced financial barriers to school retention will also be addressed, for example through the expansion of free education to grade 8 and expanding scholarships to Dalit children and students with disabilities. A range of other quality and management measures will be implemented, such as setting standards for learning and increasing the ratio of female teachers, that will enable more children to complete their schooling.

Gender equality

Recommendation

14. DFID support has contributed to progress against a number of indicators of gender equality, including improved maternal health

outcomes, parity in primary enrolment and increased representation of women in the Constituent Assembly and public bodies. This is very welcome. It is also essential that women are given support to find employment and build livelihoods. DFID has further plans for employment generation schemes which offer at least equal opportunities to women. We fully support these. It is also important that the social and cultural barriers to women's equal status in society are tackled, particularly the most severely affected such as Muslim and Dalit women. The Community Support Programme provided support to increase political participation and representation for excluded groups, including women. This programme has now ended. We request that DFID provides us with information on its plans for future support for excluded women in the period covered by the Country Business Plan. (Paragraph 118)

Noted with thanks. Gender Equality is at the core of DFID's Country Business Plan. The Community Support Programme has been extended for another two years (April 2010 – March 2012) and will continue to support excluded groups, including women. DFID has a range of other programmes that support the economic and political participation of women. These programmes tackle the socio-cultural barriers that women and excluded groups face in fully participating in the state and claiming their entitlements.

The Enabling State Programme (ESP) is the main vehicle through which we support the political participation of excluded groups, including women. For example, the Rights Democracy and Inclusion Fund (implemented through ESP) is currently supporting both women's caucuses and the women's Inter-party Alliance. Both have a focus on ensuring that the voices of excluded women are heard.

DFID's support to the United Nations Children's Fund (UNICEF) implemented Paralegal Committees programme tackles rights violations against women, children and Dalits. It also supports women and the excluded to voice their issues and influence key local institutions, such as local government and the police.

DFID's Social Inclusion Action Programme focuses on increasing the ability of key institutions to address issues of gender inequality and social exclusion. DFID works with a range of government, donor and civil society organisations. This includes support to the implementation of the Government of Nepal's National Plan of Action on Gender Based Violence.

DFID's proposed Police Reform Programme has an explicit focus on strengthening the linkages between community groups and the Nepal Police. This will target women's groups and groups representing the excluded. This should promote a more integrated approach towards tackling violence against women and children.

Hunger

Recommendation

15. Half of all children in Nepal are malnourished and more than a million people depend on food aid. DFID's long-awaited Nutrition Strategy has now been published. We have pressed for this, and for DFID to monitor hunger and nutrition more closely. We welcome Nepal's inclusion as one of the six countries on which the Strategy will focus. We recommend that, in response to this Report, DFID provide us with details of the timescale for implementation of the Strategy in Nepal and how it will help to ensure that tackling child malnutrition is prioritised by both donors and the Government. We would also welcome details of the longer-term support which DFID will provide for the World Food Programme's work in Nepal. (Paragraph 123)

Agreed. DFID is implementing the global DFID nutrition strategy in Nepal. To this end, DFID approved funding for UNICEF's Emergency Nutrition Project (£362,000) in 2009. In the longer term DFID is supporting the development of a national social protection strategy, which will reduce the vulnerability of poor people and excluded groups. DFID has also increased specialist staffing capacity to address this issue. An action plan will be delivered by the end of 2010. DFID is also supporting the World Bank to implement a regional nutrition and food security programme which started in June 2010.

In the health sector, DFID and other donors are providing sector budget support to the Ministry of Health and Population to deliver the activities outlined in the next five year health plan. Nutrition features as a high priority and the plan will include activities such as improving the nutrition of children under-two, and pregnant and lactating women.

We also recognise that the worst child malnutrition occurs in the Mid and Far West of Nepal. This is closely linked with the high levels of chronic poverty and food insecurity in these areas. This situation is currently being addressed through the World Food Programme's (WFP) humanitarian programmes. These programmes have been operating for decades without improving stunting in these areas.

In response, DFID is working with the Government of Nepal, WFP and other development partners to develop a strategy for these regions. A strategy that moves away from providing food aid, to one that moves people out of chronic poverty and enables them to achieve better nutritional outcomes sustainably. This includes work with the Government of Nepal to demonstrate whether existing social protection mechanisms, such as the pension and the child protection grant, have an impact on nutrition. This work will also look at whether social transfers can be a cost effective way to improve nutritional outcomes.

DFID's future engagement in Nepal

Climate change

Recommendation

16. It is understandable that the Government of Nepal has not been able to treat climate change as a priority, given the many other more immediate and pressing issues the country has faced and is still trying to resolve. However, Nepal is particularly vulnerable to the impact of climate change and it is a key risk to development and poverty reduction in the country. We welcome the prospect of Nepal's National Adaptation Programme of Action (NAPA) being published in April. DFID has provided support to the NAPA process to date. Implementation, including assisting Nepal to access global climate change funding, will be a key part of DFID's future engagement with the country. We request that DFID provides us with an update on progress with NAPA implementation, and how it has supported the process, in 12 months' time. (Paragraph 137)

Noted with thanks. Nepal's draft National Adaptation Programme of Action (NAPA) has now been completed and is under review. In parallel DFID is supporting the Ministry of Environment to implement 'fast start' activities to take forward the priorities of the NAPA this year. Our support is also helping the Government of Nepal access funds for climate change adaptation and mitigation. By early 2011 we expect to be funding a common financing framework for climate change. This financing framework will provide support to increase the resilience of 2 million people in Nepal to the impacts of climate change. We will update the Committee on progress in early 2011.

Working with other donors

Recommendation

17. We support the principle of DFID's programme in Nepal being based on division of labour between the main donors. We have previously acknowledged the benefits that this can bring in terms of aid co-ordination and effectiveness. We also credit DFID for being willing to fill the gap in essential services when multilateral donors fail to fulfil their commitment to take over responsibility for them as has been the case recently with the World Bank in relation to HIV/AIDS. This flexibility is an essential component of delivering development in fragile states, where the context is bound to be more uncertain. It is, however, important that DFID is not diverted from delivering its own objectives in

Nepal, and supporting those of the Government, by compensating for weaknesses in other donors' programmes. We recommend that, in response to this Report, DFID update us on progress with the arrangements for the World Bank taking over lead responsibility for HIV/AIDS work and provide further information on how division of labour in the main development sectors will be organised over the period covered by the Country Business Plan. (Paragraph 142)

Agreed. DFID's £15 million commitment to the national HIV/AIDS programme, largely managed by UNDP, concludes in March 2011. The World Bank did not proceed with a HIV/AIDS project as previously envisaged. This has now been designed under the recently approved World Bank Second Health Nutrition Population and HIV/AIDS project. This will support the next Government of Nepal Health Sector Programme Phase II (2010-2015). Over the last year the institutional arrangements for the implementation of services has also shifted focus. It was previously intended that the implementation be managed by a semi autonomous entity. But the current policy position is that the implementation will be primarily managed by the Ministry of Health and Population (MoHP) under the new health programme.

The World Bank has a key role to play in integrating HIV/AIDS into the next health programme. This will largely be achieved by assisting the MoHP to source NGOs to provide HIV and AIDS prevention, mitigation and treatment services. Funding will be supplemented by technical assistance in improving the targeting of existing services, developing quality assurance mechanisms and strengthening monitoring. DFID continues to strategically engage in the implementation of the transition to the new institutional arrangement.

The joint country planning process, initiated by DFID with the World Bank and Asian Development Bank, has been a good start leading to joint planning and broad agreements on division of labour in the main development sectors. These 3 organisations will provide over 70% of Nepal's aid over the plan period. At a wider level, DFID is supporting the UN to lead on a Peace and Development Strategy for a large group of like minded donors, called the Utstein group of donors. This strategy will also address division of labour issues across most of the donor community.

Reaching the poorest people

Recommendation

18. We believe that DFID's new focus on fragile states might usefully be broadened explicitly to encompass "fragile people": the most vulnerable and marginalised; those with the least resilience to economic shocks, such as drought or food price rises and to climate change; and those who are incapable of earning a livelihood for reasons such as age, disability, widowhood or lack of education. DFID has already shown some progress in this respect in Nepal and, given the level of need,

exclusion and inequality, it would be an appropriate place to test the Department's capacity to reach the poorest of the poor. We recommend that, in response to this Report, DFID provide us with information on how it will ensure that its interventions, including the new health and education programmes, will reach the most disadvantaged people in Nepal. (Paragraph 146)

Noted. The next Nepal Health Sector Programme Phase II (2010-2015) has a clear equity focus. Within the programme's results framework, one of the three objectives is to "reduce cultural and economic barriers to accessing health care services and harmful cultural practices in partnership with non-state actors." The results framework has 22 indicators which will be monitored according to wealth and social groups. 5 of the 22 indicators have specific targets disaggregated by sex and caste. This is the first time indicators and targets have been systematically developed to measure progress towards reducing disparities. The Government of Nepal has also approved a health Gender Equality and Social Inclusion strategy. Activities include the implementation of health education programmes for poor and socially excluded people and actions to ensure the health needs of poor and excluded people are addressed in local level planning. DFID is also using community level social audits to ensure their voices are heard, expanding the use of social service units in hospitals and establishing new health facilities in remote underserved areas.

Improving access for poor and socially excluded people is a central feature of DFID's significant technical assistance component of support to the new health programme. DFID will engage in annual monitoring of the Gender Equality and Social Inclusion strategy and the results framework.

The new School Sector Reform (2009-2015) education programme is likewise committed to addressing the needs of disadvantaged children. Strategic interventions include expanding early childhood education and development in underserved areas and the scope of free education. DFID is also broadening and improving the management of scholarship schemes for poor people and socially excluded groups. DFID is also supporting the Government of Nepal's education programme through sector budget support and the secondment of a senior education adviser to the EC, with the specific remit of advancing equity in the programme.

Additionally new work is emerging to address poverty and vulnerability. For example, DFID will work with other donors on developing an inclusive growth strategy for the Mid and Far West. This will address chronic poverty, food insecurity and nutrition, and aim to benefit the poorest. DFID will continue to work with other development partners to support the Government of Nepal to develop and implement a national social protection framework. DFID will also work with the World Bank to analyse and address gender inequality and social exclusion in Nepal.

All DFID programmes have logframes that require a level of disaggregated monitoring by sex and social groups. Programmes are required to

demonstrate how the strategies and policies being designed, piloted or implemented are intended to impact on poor and excluded people. DFID's Country Results Framework will include gender disaggregated data and monitoring.



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