

# Operational Plan 2011-2015

## DFID NEPAL

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*This plan will be refreshed annually*

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# Introduction

The UK Government is determined to help reduce the inequalities of opportunity we see around the world today. We believe that promoting global prosperity is both a moral duty and in the UK's national interest. Aid is only ever a means to an end, never an end in itself. It is wealth creation and sustainable growth that will help people to lift themselves out of poverty.

In May 2010, the International Development Secretary, Andrew Mitchell, commissioned the Bilateral Aid Review to take a comprehensive and ambitious look at the countries in which DFID works through our direct country and regional programmes. The review focussed on the best ways for the UK to tackle extreme poverty, ensuring that we make the greatest impact with every pound we spend. In parallel, through the Multilateral Aid Review, DFID assessed how effective the international organisations we fund are at tackling poverty.

On the 1st March 2011, the key outcomes of the reviews were announced, including the results that UK aid will deliver for the world's poorest people over the next four years. The Bilateral Aid Review has refocused the aid programme in fewer countries so that we can target our support where it will make the biggest difference and where the need is greatest. The Multilateral Aid Review findings enable us to put more money behind effective international organisations which are critical to delivering the UK's development priorities. In addition, the independent Humanitarian Emergency Response Review looked at how the UK can build on its strengths in responding impartially to humanitarian needs and help ensure future disaster responses can be better prepared and coordinated.

DFID is committed to being a global leader on transparency. In the current financial climate, we have a particular duty to show that we are achieving value for every pound of UK taxpayers' money that we spend on development. Results, transparency and accountability are our watchwords and guide everything we do. DFID regards transparency as fundamental to improving its accountability to UK citizens and to improving accountability to citizens in the countries in which it works. Transparency will also help us achieve more value for money in the programmes we deliver and will improve the effectiveness of aid in reducing poverty.

The UK Aid Transparency Guarantee commits DFID to making our aid fully transparent to citizens in both the UK and developing countries. As part of this commitment we are publishing Operational Plans for country programmes. The Operational Plans set out the vision, priorities and results that will be delivered in each of our country programmes.

We will concentrate our efforts on supporting achievement of the Millennium Development Goals (MDGs), creating wealth in poor countries, strengthening their governance and security and tackling climate change. The prize, in doing so, is huge: a better life for millions of people, and a safer, more prosperous world.

## 2) Context

**Nepal is emerging from a 10-year civil war, brought to an end by a peace agreement that remains highly fragile.** Conflict in Nepal has been fuelled by high levels of poverty and exclusion. Nepal is the 15th poorest country in the world with chronic poverty entrenched by a complex set of interrelated factors including: gender; caste; ethnicity; age; religion; disability; language; and geography. Over 55% of the population live under the international poverty line of \$1.25/day and are extremely vulnerable to economic, health, social and climatic shocks. The peace process that ended the violence also brought the Maoist party into mainstream politics, removed the monarchy, and put in train a move to federalism.

**Since the conclusion of the peace process, progress has stalled** and a lasting political agreement on key issues has yet to be reached. In particular, a new constitution needs to be drafted and elections held. The transition to federalism needs to begin and agreement on the future of Maoist combatants reached. Although a return to widespread conflict is unlikely, development in Nepal is at risk from low-level criminal and ethnic violence. Immediate assistance is required to restore and enhance the rule of law, address perceptions of impunity and restrict opportunities for corruption and mismanagement, particularly within local government. To achieve this political parties need to work together at national and local levels, something that so far has been difficult to achieve.

**The conflict halved potential economic growth.** The weakened domestic economy is characterised by low productivity and investment, resulting from political instability, corruption, poor infrastructure, and insufficient political attention to economic policy. The lack of domestic opportunities has dramatically increased labour migration, making Nepal highly dependent on remittance flows. As a consequence inequality and economic exclusion remain widespread: households in the most privileged social groups are five times more likely to be lifted out of poverty by economic growth than the most excluded.

**The difference in opportunities for men and women are stark:** only 6% of women are in formal employment, and only 10% of working women receive payment for their work. Exclusion is not just confined to income poverty: 64% of children not in school are from disadvantaged families; and it takes 4.6 times longer for the most disadvantaged groups to travel to a health facility than the most well-off.

**The poor are also highly vulnerable to climate change.** As monsoon patterns change, ten million poor farmers are at greater risk from droughts, flooding and food insecurity in the 14th most climate-vulnerable country in the world. Nepal's National Adaptation Programme of Action sets out the immediate areas where support is required to reduce vulnerability to climate change, which DFID will support during the Operational Plan period.

**Nepal is also important for the wider region.** It has a critical role to play in trade and wealth creation, as a transit route between the two countries with the largest populations in the world. Nepal is also regionally important for responses to climate change, as the source of rivers that support 700 million people and a potential supplier of clean energy to the region from its large hydro power resources.

**The UK's support to Nepal** recognises the need to support the political process and improve stability if progress on poverty and vulnerability reduction is to be achieved. We also need to deliver tangible changes on the ground for the poor, vulnerable and excluded to reduce the likelihood of a return to conflict. This is the approach set out in the recently agreed, donor-led, Peace and Development Strategy which identifies and prioritises actions to support and progress peace and poverty reduction in Nepal.

## 3) Vision

### Overview

UK support to Nepal aims to strengthen efforts to reduce political instability, the most significant barrier to poverty reduction in Nepal. We will be working with Nepali political leaders, and international partners such as the World Bank to: build government capacity and reduce the risk of corruption; support the integration/rehabilitation of ex-combatants; support the writing of a new constitution; and ensure the holding of fair and open national and local elections.

Our plan is based on clear evidence of performance, working on programmes where results can be clearly demonstrated. It is guided by aid effectiveness principles, including a risk-based approach to programme management that ensures we can respond flexibly to developing events and still deliver on the ground. We will also work with civil society to hold government, and ourselves to account.

The comprehensive peace agreement has committed Nepal to shift away from centralised government to federalism. This will require institutional change as state functions become devolved, a process likely to be resisted at the centre by those who lose power to local government. Our programme recognises these challenges and works at central and local levels of government, and with civil society to strengthen systems and improve delivery of services. With increasing stability should come progress on the economy and effective measures to address corruption and improvements in the rule of law. Greater stability will help more people move out of poverty and also allow more attention to be paid to assisting the very poor and vulnerable. Our plan sets out how we will assist this process by providing skills, micro-finance and creating jobs. At the regional level our Operational Plan recognises Nepal's comparative advantages and close connections to large and affluent markets in India and China. Both nationally and regionally, we will ensure poor people are better protected against climate change and natural disasters including working with India and Bangladesh to better manage the increasingly climate-affected rivers of the region through regional programmes.

### Alignment to DFID and wider UK Government priorities

The UK is seen as a trusted partner by all sides, as a long standing friend of Nepal without a political agenda. We will provide leadership and technical expertise in key areas, working closely with the Government and other development partners to support the peace process and reduce poverty. The Operational Plan fully supports the UK Government's Structural Reform Plan priorities, it will increase our focus on: governance and security; supporting health (maternal and child mortality); inclusive wealth creation and measures to address climate change. The Plan also has a strong cross-cutting focus on delivering tangible improvements for girls and women. Nepal is of strategic importance to the UK as a fragile state in its own right and as a building block for stability in the region, positioned between China and India. We work closely with the Foreign Office (FCO) in Kathmandu on many issues, making best use of our complementary roles and capacity. For example, the FCO lead on human rights issues in Nepal, with DFID programmes providing support through work with the police, and informal justice. We will also work with the MoD, providing water and sanitation through the Gurkha Welfare Scheme and with the Gurkha regiment on the joint UK response to an earthquake where the regiment's capacity will be critical.

### What we will stop doing

This Operational Plan reflects Nepal's needs and the UK Government's areas of strength. We have continuing commitments in education, vocational training and rural infrastructure and will consider withdrawal from these sectors as current commitments run out. We also envisage withdrawal from HIV and AIDS, once appropriate government mechanisms are in place. These are all areas where other development partners are heavily involved and are not an area of comparative advantage for the UK.

## 4) Results

### Headline results

Pillar/ Strategic Priority	Indicator	Baseline 2010 (unless specified)	Expected Results (including year)
Wealth Creation	Number of direct jobs created with DFID's support	0	115,000 women by 2015 115,000 men by 2015
Wealth Creation	Length of roads built, upgraded, maintained or rehabilitated with DFID support	0	4232 kilometres by 2015
Climate Change/ Disaster Risk Reduction	Number of poor and excluded people with reduced climate vulnerability.	0	3 million by 2015 1.65 million women 1.35 million men
Climate Change/ Disaster Risk Reduction	Number of poor and excluded people lifted out of poverty by DFID's Forestry work.	0	570,000 by 2015 313,500 women 256,500 men
Governance & Security	Number of former Maoist combatants reintegrated to civilian life.	0	3,000 by 2015
Governance & Security	Percentage of local government spending ( by District Development Committees ,Village Development Committees and municipalities) publicly audited by community organisations	78% in 2009	93% by 2015
MDGs	Additional number of unintended pregnancies averted through DFID funding.	0	41,000 by 2015
MDGs	Additional number of people who benefit from safe latrines.	0	110,000 by 2015 (55% women)

## 4) Results (continued)

### Evidence supporting results

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

- i) proven interventions that are being scaled up where evidence is good; and
- ii) new innovative programming which can potentially lift large numbers out of poverty, but where the evidence is less robust.

In **Wealth Creation** there is strong evidence of the impact of previous interventions on job creation and poverty reduction through direct skills training and rural infrastructure which is being scaled up; evidence of the impact of access to finance is also being monitored. There is more limited evidence of the impact of market development on job creation and poverty reduction, so this will be monitored very closely during the Operational Plan period. The evidence concerning the impact of high level economic and investment climate reforms is more difficult to assess as the impacts are less direct and will be felt by a wider range of people over a longer time period than more direct interventions. To address these difficulties we have developed a clear, logical set of indicators that will test the effectiveness of our high level policy work on the realities on the ground, e.g. from changes in investment policy, to increases in inward investment, to job creation and finally poverty reduction.

In parts of **Governance and Security** the strength of the evidence base is poor and collectively the proposed interventions are relatively high risk. Whilst it is difficult as an external actor to drive progress in these areas (e.g. the peace process), global evidence strongly indicates that without progress instability will continue and development and wealth creation will be undermined.

In **Climate Change** evidence of impact is difficult to obtain and there are clear limitations in the degree of accuracy that can be claimed. Particularly for new and innovative adaptation programmes. Whilst there is little evidence for Disaster Risk Reduction, experience from other countries does suggest that investing in this area reduces the level of deaths from disasters.

In the **MDGs** pillar focused on health, education, and water and sanitation, the evidence base is strong and there are well developed approaches to support our interventions in these areas; these are applied to all MDG programming areas.

### Value For Money (VFM) rationale

The proposed interventions represent good value for money in Nepal's unstable, post-conflict situation - where good programmes that reach the poor are hard to deliver. In this context we also need a variety of programmes and projects to respond flexibly and this is more expensive than working in more stable countries where fewer programmes are required. Safeguarding these investments is important. Programmes that address exclusion to reduce the probability of any return to widespread violent conflict are critical, as are more direct programmes that address weak governance and support the peace process. Working in these areas has high delivery risks and cost, but with high potential returns. So we will continue to work in these areas if the risks can be effectively reduced through careful programme design and appropriate funding mechanisms designed to minimise the risks of corruption and misuse of UK taxpayers money and maximise the benefits for the poor of Nepal.

## 5) Delivery and Resources

DFID's investments in Nepal are designed in partnership with the Nepali government, with programme funds either; channelled through their systems; directly managed by DFID; or, where others have better capacity, implemented through partners. This enables us to balance risk in the volatile political and economic climate. Our ability to develop innovative approaches is highly valued by others who often buy into these new approaches, for example in forestry and climate change. This Operational Plan balances new, and potentially transformative programmes on economic policy reform and interventions on gender based violence, with scaled-up proven approaches for example in health services and rural infrastructure. We are also valued for our technical expertise in many policy and delivery areas, including governance and security and climate change, and for our readiness to deliver resources through the state where it is the most appropriate mechanism.

For our work with government we will use government systems wherever possible, as we do already with most health, education, and local governance funding, and the Nepal Peace Trust Fund (NPTF), adding stringent safeguards where necessary. This enables us to push for policy reform, ensure value for money for our government and other donors' funding, and ensure results on a national scale. In health we propose to complement our existing sector budget support with additional support to family planning through Non Governmental Organisations and independent accountability mechanisms, both public and private.

Our hope is to increase the amount of funding through the government over the plan period. To do this we will need to be clear what improvements in performance will be required, i.e. full implementation of all actions from the recent Local Governance Programme (LGCDP) Mid Term Review. We will also assist relevant ministries to make improvements with an increasing focus on public financial management and anti-corruption. Where support directly through government is not possible, we will still seek to align activities with, and be guided by the state's plans, where they exist, i.e. the National Adaptation Plan of Action on climate change, the Gender Based Violence Action Plan, and forestry sector strategy, and also include specific support to strengthen systems, so that support through government is possible at a later stage.

A large part of DFID's programme is managed by us or trusted partners outside government. We propose to continue work with the UN on peace building, both through the UN Peace Trust Fund, complementing the government's Nepal Peace Trust Fund (NPTF), and through targeted support to the Resident Coordinator's Office. This will be supplemented by direct support where this is more appropriate or politically sensitive. Where the multilaterals have a comparative advantage in a particular sector, we will support them, for example UNDP on elections, UNICEF on paralegal committees or the World Bank on public financial management. We are moving to a multi-donor approach in forestry with the possibility of a DFID member of staff seconded to the Swiss who are leading this process. Similarly, we will provide a disaster risk reduction expert to the Resident Coordinator's Office to manage the large and complex Risk Reduction Consortium, set up to mitigate the earthquake risk in Nepal. Such steps will not only support and promote leadership other than the UK's, but also reduce the programme management burden within DFID Nepal. Through our Enabling States Programme we will continue to support local civil society organisations to promote inclusion of marginalised groups and promote political accountability.

In addition we will do more work with the private sector. This will include developing the agricultural, tourism and forestry sectors, so that business can grow in these areas; giving small businesses and poor people access to money so they can invest in their company or start small scale income-generating activities; and help change Nepal's economic and investment policies and laws so that it is easier for everyone to invest and do business. We will also make more use of other UK Government Departments and partners to deliver in areas where they have comparative advantage, for example working more closely with the Foreign Office on political analysis, the Gurkha Welfare Scheme for water and sanitation delivery and earthquake response, and the British Council on communications and awareness raising e.g. in climate change.

## 5) Delivery and Resources (contd)

### Programme Spend

Pillar/Strategic prior	2010/11		2011/12		2012/13		2013/14		2014/15		TOTAL	
	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000
Wealth Creation			11,700	7,000	13,200	8,000	24,800	5,000	21,600	0	71,300	20,000
Climate Change			4,500	500	6,000	0	19,500	8,000	17,500	9,000	47,500	17,500
Governance and Security			21,360		19,310	400	23,210	1,000	28,580	1,720	92,460	3,120
Education			3,190		3,190		2,240				8,620	0
Maternal and Newborn Health											0	0
Malaria											0	0
HIV/Aids			1,000		1,000		1,000		1,000		4,000	0
Other Health			11,000		11,000		17,500		23,000		62,500	0
Water and Sanitation				1,000		1,000		1,000		1,000	0	4,000
Poverty, Hunger and Vulnerability											0	0
Humanitarian											0	0
Other MDG's											0	0
Global Partnerships											0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>52,750</b>	<b>8,500</b>	<b>53,700</b>	<b>9,400</b>	<b>88,250</b>	<b>15,000</b>	<b>91,680</b>	<b>11,720</b>	<b>286,380</b>	<b>44,620</b>



## 6) Delivering Value for Money (VFM)

**Overview:** DFID Nepal has a strong track record of delivering effective interventions in this fragile and conflict-affected country. Doing this has often meant that our unit delivery costs are higher than those in countries with a more stable political environment and easier topography. It has also been hampered by the weakness of Government of Nepal systems which limit the choice of aid instruments. However, in many areas we have been able to secure good value for money by adoption of a flexible approach to programme design and selection of high quality delivery partners. The office has a specific team and strategy to ensure value for money (VFM). This team ensures that we deliver VFM in all our new areas of work and also improves the effectiveness of our current interventions. We have delivered strong financial management performance and we will continue to set stretching targets in this regard. We will continue harnessing corporate and divisional strategies and tools to ensure we have the correct systems, procedures and practice in place to drive continued improvement in financial management.

### Challenges:

Between 2011 and 2015 DFID Nepal will face a number of VFM challenges in our four main delivery areas:

- In **governance and security** ensuring effective risk mitigation and management to achieve VFM in high risk programming areas such as police reform, supporting the peace process, and development of effective local governance
- In **inclusive wealth creation** developing approaches to attribute DFID's contribution to job creation and poverty reduction through policy reform work focused on inclusive growth and investment climate reform so that we can track and improve VFM in these areas
- In **climate change and earthquake preparedness** developing methodologies and indicators to track impact and value for money, on adaptation, low carbon development and protecting forests
- In **human development/basic services** reducing unit delivery costs through more effective use of national delivery systems while managing fiduciary risks
- In **financial management** maintaining a high level of forecasting accuracy and improving spending performance in a very challenging delivery environment

### Actions:

In order to respond to these we will revise our VFM strategy based on the Operational Plan needs. The strategy will focus on:

- Increasing office capacity on VFM issues through training and mentoring;
- Fully implementing the new business case approach and meeting the increased cross-cutting programme design demands;
- Increasing commercial literacy and commercial performance;
- Driving substantive improvements in VFM performance through our implementing partners and monitoring this progress;
- Ensuring all our programmes (old and new) have good baselines and monitoring systems so they can be evaluated;
- Assessing and monitoring the value for money of our entire country programme to inform programming choices and changes to respond to the ever changing political and security context.
- Recruiting a full-time results and evaluation adviser;
- Developing a results-based management system to monitor results and VFM which complies with corporate reporting requirements.

# 7) Monitoring and Evaluation

## Monitoring

How – The DFID Nepal programme will have a full monitoring and evaluation framework which will track programme progress against expected outcomes and outputs; all new programmes will use the new approach to programme scoring, and log frames will be designed to accommodate this. In addition, DFID Nepal will develop its own results-based management system which will link progress on programme outputs to headline results and poverty impacts; it will have a clear accountability structure for monitoring the results framework. DFID will support innovative surveys and data collection in climate change, job creation, access to justice, and access to finance. DFID Nepal will also support the production of several key national statistical products which will allow more effective poverty monitoring at the national level, for example the National Living Standards Survey. It will develop a programme of support to the national statistical and planning system to allow more effective national monitoring and transparency.

Who – primary responsibility for monitoring will fall to the DFID Adviser responsible for each programme. Arrangements will however vary depending on the programme. In the Health and Education sectors monitoring is the responsibility of the Government of Nepal through sector-wide arrangements with additional safeguards to mitigate fiduciary risks; in other areas primary responsibility will reside with multilateral partners for example in Disaster Risk Reduction or contractors appointed by DFID, for example in market development and inclusive growth.

When – Monitoring at programme level will be continuous and DFID Nepal will have a regular reporting schedule with programme partners (generally quarterly). The DFID Nepal Results Framework will be updated quarterly by the individuals named in the results framework as responsible for delivery areas;

What – DFID Nepal and programme partners will use a mix of methods to measure progress, including both statistics and interviews with beneficiaries to judge progress on the impact of our programmes on poverty and project specific indicators e.g. length of roads, children attending school or mothers giving birth in health posts and hospitals. This information will be used to inform our annual Operational Plan updates.

## Evaluation

DFID Nepal is committed to scaling up evaluation work across all programming areas and driving this forward with our implementing partners. We envisage a greater use of public expenditure reviews (and related public expenditure tracking surveys) with government, and the commissioning of a detailed evaluation in each of our four major programming areas (pillars) each year representing around 20% of our expenditure during the Operational Plan period. Critically, we will be ensuring that we can evaluate all new programmes and will review current programming and make any necessary (and proportionate) adjustments. All programmes will have baselines, targets and clear milestones; where baselines are missing, early programme activities will develop these, and the results-based management system will ensure that there is 100% compliance in this respect.

## Building capacity of partners

National data systems are weak and DFID Nepal will develop a broad programme of support to strengthen national monitoring and evaluation in conjunction with other partners, in particular the World Bank and the Asian Development Bank. DFID will also consider how to develop the capacity of other implementing partners so that they can effectively monitor the programmes we fund.

## 8) Transparency

Transparency is one of the top priorities for the UK Government. We will meet our commitments under the UK Aid Transparency Guarantee: we will publish detailed information about DFID projects, including programme documents and all spend above £500. Information will be accessible, comparable, accurate, timely and in a common standard with other donors, and we will support our partner organisations to do the same. We will also provide opportunities for those directly affected by our projects to provide feedback. DFID Nepal regards transparency as fundamental to improving its accountability to both UK and Nepali citizens.

During the plan period DFID will:

•**Publish information on DFID documentation and data in plain English.** Programme management and oversight capacity will be strengthened to ensure that information is of high quality, clear and easily understandable to the public; we will publish programme documents, log frames, annual reviews, programme commitment and spend for all new programmes from January 2011.

•**Allocate dedicated staff time** to ensure timely and accurate input of all relevant documentation and data. DFID-Nepal will respond to all public enquiries on published data within ten working days;

•**Publish a 500 word summary of all new programmes in Nepali.** From 2011, translations of summary programme information for all new programmes will be published, ensuring wide dissemination to the public.

•**Support the Government of Nepal to launch a Public Aid Information Management System (AMP) by mid 2011.** DFID is the primary partner in the AMP core team led by the Government of Nepal. It will continue influencing other countries to complete data entry in time for the launch and to adopt the system thereafter.

•**Encourage Civil Society and Non Government Organisations (NGOs) transparency.** We will encourage all the Non Governmental Organisations, media, business sector and academic institutions who receive DFID funding to adhere to the same transparency standards. We will stipulate compliance with this as part of all new contracts.

•**Support and advocate for implementation of the Nepal pilot of the International Aid Transparency Initiative (IATI).** We will encourage the multilaterals, particularly the UN, to lead the initiative in Nepal, and the World Bank and ADB to sign up for the pilot.

•**Continue collaboration with other development partners on a local donor transparency and accountability initiative in six pilot districts.** The initiative is piloted in six districts by DFID, Germany, Switzerland, UNDP, UNICEF and UN Resident Co-ordinator's Office.

•**Promote Government accountability to citizens:** Our public financial reform programme will build up national NGOs so that they can understand and contribute to fair and transparent government budgeting; carry out independent analysis and communication of government budgets to make them more accessible by citizens; track expenditure to make sure resources go where they are intended; hold public officials to account for mismanagement and corruption; monitor government services to ensure quality and fairness; and scrutinise public procurements for corruption.