

# EVALUATION DEPARTMENT

REPORT 11/2017 COUNTRY EVALUATION BRIEF



# Nepal



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The purpose of this **Country Evaluation Brief** is to present relevant knowledge about donors' development efforts in Nepal. The brief systematises relevant findings from existing evaluations of development interventions in the country. The idea is to present the findings to the reader in a succinct and easily accessible format.

Readers who want to explore key issues in depth can access the underlying reports through the reference list. At our website, you can also find a set of short “Evaluation Portraits” summarising the key contents of those documents.

The Country Evaluation Brief was researched and produced by Particip GmbH in consortium with Menon Economics.

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Oslo, December 2017  
Per Øyvind Bastøe, Evaluation Director

PHOTO: KEN OPPRANN

# Main findings

**GIVEN THE CENTRALITY** of post-2006 peacebuilding, this process attracted substantial donor support. However, Nepal's overall stability cannot be directly attributed to the results of donor interventions.

**IN THE EDUCATION SECTOR**, donor support resulted in increased access and equity at most levels of education, notably of Early Childhood Development Education, primary, basic, secondary and non-formal education. In the health sector, major interventions contributed to a significant reduction of maternal mortality. At the same time, donors were found to have not fully used their leverage vis-à-vis the Government of Nepal to encourage substantial reforms.

**PROGRAMMES IN THE SECTOR** of local/rural development contributed to alleviation of rural poverty (making many rural households less poor), but made only a relatively modest contribution to poverty reduction (helping people escape poverty for good). Absolute poverty remains largely a rural phenomenon.

**AFTER YEARS OF UNDERINVESTMENT** in Nepal's electricity generation, transmission and distribution facilities, which led to acute supply shortages, energy has recently emerged as the largest donor-supported sector, dominated by the Asian Development Bank (ADB) and the World Bank. Implemented projects achieved impact in terms of improving the electricity infrastructure, but electricity generation targets have not been reached.

**WITH REGARD TO DISASTER RELIEF** and post-earthquake reconstruction after 2015, most evaluations of donor responses to the earthquake judged the initial action of the respective organisations to be at least adequate. Nepal will continue to need assistance to recover from this natural disaster for some time to come. However, effective initiatives towards this end are hindered by poor governance and the lack of a comprehensive government strategy.

**A MAIN WEAKNESS OF DEVELOPMENT** co-operation in recent decades has been the lack of progress towards gender equality and

social inclusion, which have been hindered by persistent patterns of discrimination based on gender, caste and ethnicity. The Government of Nepal and development partners have not found an effective approach for transforming the government's declaratory commitment into tangible results in improving equality and inclusion.

**DESPITE THE DECLARED GLOBAL DONOR** investment in anti-corruption measures in at least the last 15 years, Nepal has not been able to substantially reduce corruption.





## NEPAL

**Estimated population:** 29 033 914 (CIA 2017; 2016 est.)

**Population under the age of 15:** 30.93% (CIA 2017; 2016 est.)

**Urban population:** 18.6% (CIA 2017; 2015 data)

**Annual urbanisation rate (average rate of change of the size of the urban population):** 3.18% (CIA 2017; 2010-15 est.)

**Human Development Index (HDI):** 144 (of 188) (UNDP 2017; 2015 data)

**Gender Inequality Index (GII):** 115 (of 159), (UNDP 2017; 2015 data)

**Poverty Rate (below \$ 1.90 per day):** 15.0% (World Bank 2017; 2010 data)

**Adult literacy rate:** 60.7% (UNDP 2017; 2015 data)

**Life expectancy at birth (male/female):** 70 (69/71) (World Bank 2017; 2015 data)

**Child mortality rate (under 5, per 1000 live births):** 35.8 (World Bank 2017; 2015 data)

**Net ODA received (% of GNI):** 5.6% (World Bank 2017; 2015 data)

**Corruption Perception Index rank:** 131 (of 176) (Transparency International 2017; 2016 data)

**Internally Displaced Persons (new displacements in 2016 due to disasters):** 31,000 (IDMC 2017; 2016 data)

**Mean years of schooling:** 4.1 (UNDP 2017; 2015 data)

**Gross National Income (GNI) per capita, PPP (current international \$):** 2,490 (World Bank 2017; 2015 data)

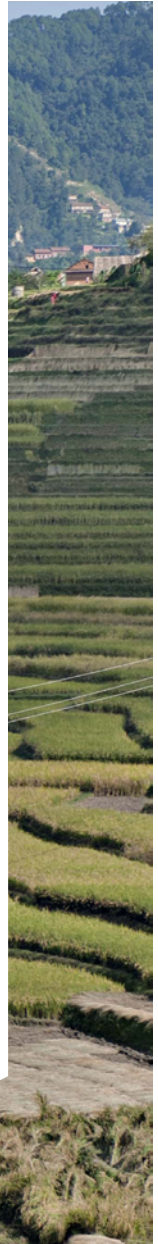
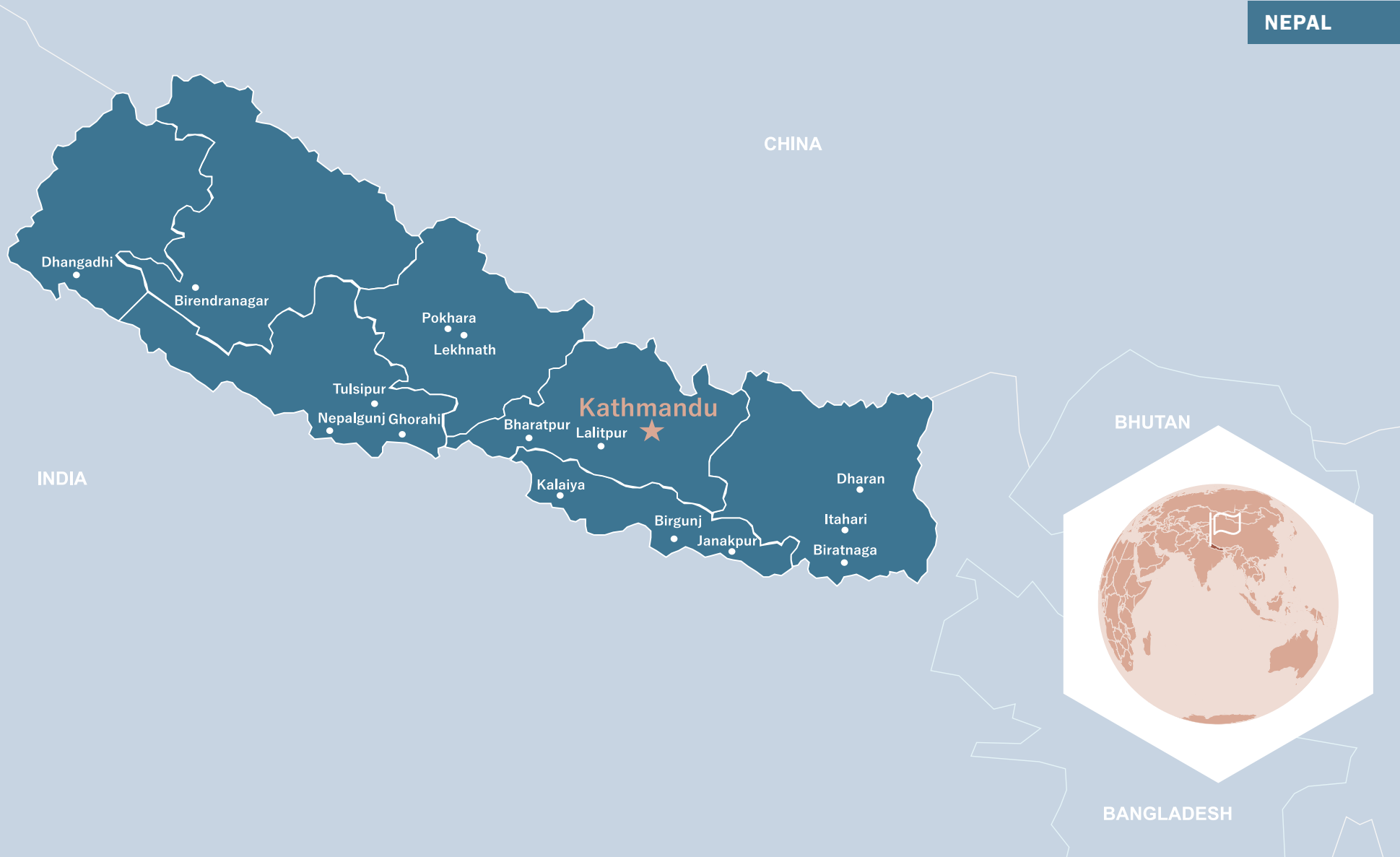


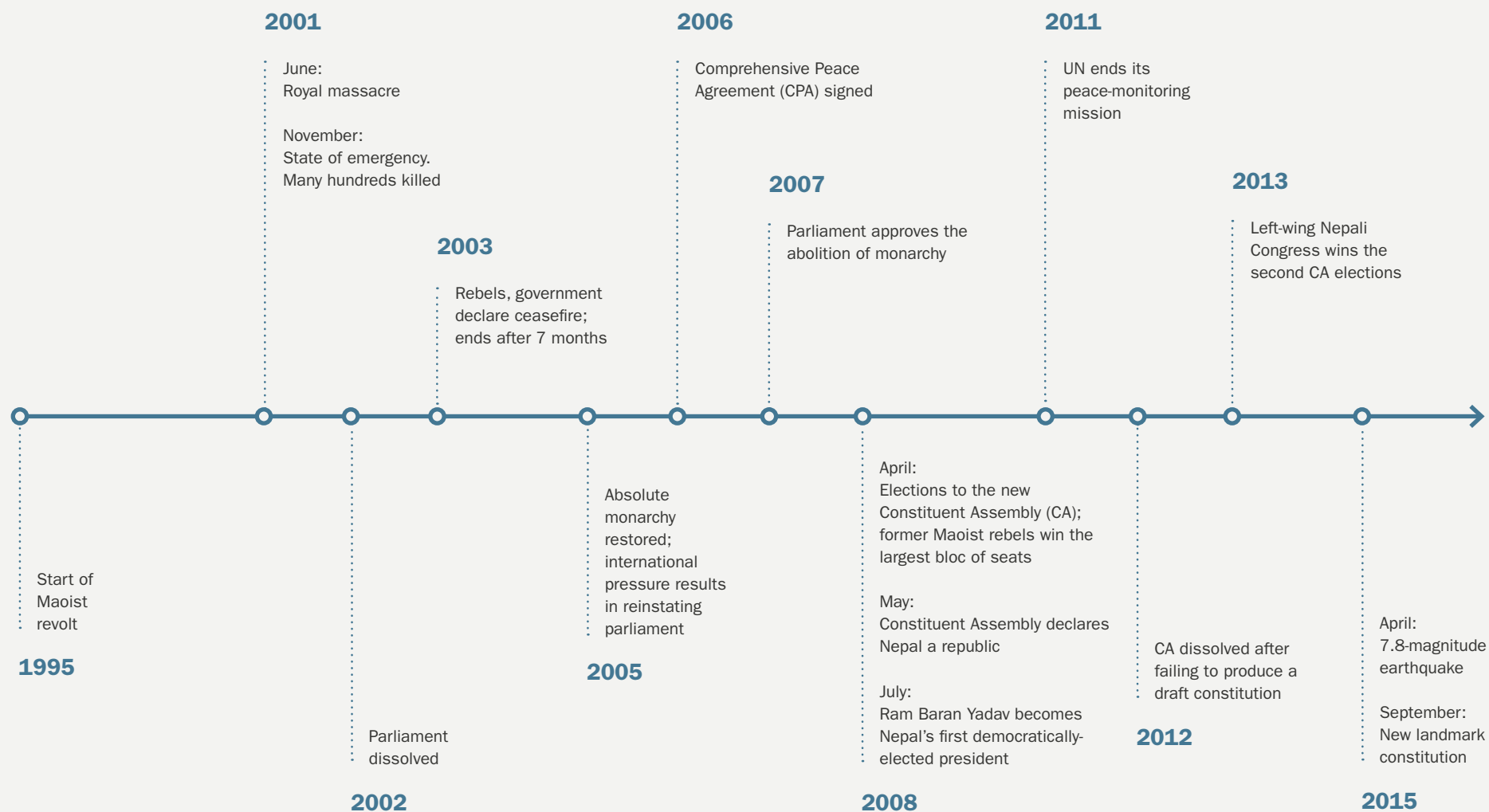
PHOTO: KEN OPPRANN



NEPAL



## KEY EVENTS 1995 – 2015





# 1. Introduction

**Nepal, a landlocked country,** is the second poorest state in Asia. The geographic and socio-cultural diversity creates substantial development challenges for the aid-dependent country. While the 2015 constitution marked an important step towards peace-building, Nepal remains a fragile state.



People in Singla village extracting their belongings after the earthquake in 2015. PHOTO: ASIAN DEVELOPMENT BANK

Nepal is a landlocked country on the slopes of the Himalayas, bordered on three sides by India, and by China to the north. With a GDP per capita (nominal) of USD 799 in 2016, Nepal is the 16th poorest country in the world and the second poorest in Asia (after Afghanistan). It is also one of the most diverse countries in the world in terms of both geography and sociocultural identity – facts that constitute decisive development challenges. After two decades of armed conflict, followed by political instability, the promulgation of a new constitution in 2015 marked an important achievement towards sustainable peace-building. However, Nepal is still a fragile state in need of external support for years to come. With donor funding accounting for up to 50 per cent of the budget in individual sectors, Nepal is largely aid dependent. Approximately 40 bilateral and multilateral donors, as well as major international NGOs, are active in Nepal.



A woman harvesting wheat in Panuati village. PHOTO: G.M.B. AKASH



## 2. Methodology

**The assessment is based on 25 evaluations** of major donor-funded programmes since 2010, which were identified through a rigorous search. To mitigate limitations of the sample's thematic coverage, the findings also draw on a small number of relevant academic articles, policy studies, government publications.



Woman among the colourful wooden boats on Lake Phewa Tal, Pokhara, 2013. PHOTO: GARCIA JULIAN / HEMIS.FR



This evaluation brief presents the synthesised main findings of 25 evaluations and reviews published since 2010 of major donor funded programmes and large projects in Nepal. The evaluations reviewed for the brief were identified through a systematic search of global development co-operation databases (e.g. the OECD/DAC Evaluation Resource Center database), websites and report databases of individual multilateral and bilateral donors and non-governmental organisations (NGOs), as well as – in a small number of cases – direct communication with aid organisations. That way, a total of about 70 evaluations were found, and subsequently narrowed down to 25 with the help of certain selection criteria. The selection was made to ensure that: a) the main sectors and areas for development co-operation are covered; b) a good balance between different sources and channels of ODA exists; c) the evaluations are of a high scientific quality. Achieving a good mix of evaluations commissioned by large bilateral donors, multinational organisations and major international NGOs was an additional criterion.

While this approach resulted in a balanced sample, the fact that the CEBs are, by definition, based on evaluations constitutes a degree of limitation as the available reports do not always cover all crucial areas of development



Terraced fields carved along the slopes of Nepal's mountains. PHOTO: ASIAN DEVELOPMENT BANK

co-operation and development challenges. Furthermore, although many donors and implementing agencies publish the evaluations of their programmes and projects, not all reports of potential interest are in the public domain. Some are kept confidential, and could therefore not be included. To mitigate these limitations, the CEB also draws on a small number of relevant academic articles, policy

studies, government publications and other types of assessment. After summarising Nepal's development co-operation context and discussing the achievements and shortcomings of donor support in the main sectors of development co-operation, the brief concludes with general lessons learnt, which include reflections on the way ahead for donor engagement in Nepal.



### 3. Country context

**Two decades of conflict** has aggravated Nepal's socio-economic development challenges. While the "People's War" ended in 2006 and was followed by reconciliation and reconstruction, political instability prevails. Nepal ranks as one of the most disaster-prone countries in the world and, in April 2015, was struck by a major earthquake in which more than 9000 people lost their lives.



A woman rebuilding her house in a mountain village 2600 metres above sea level north-east of Kathmandu after the earthquake in 2015. PHOTO: ØYVIND NORDAHL NÆSS / VG

Nepal's development challenges need to be seen against the backdrop of the last two decades of conflict and instability, and the country's socio-economic realities, which are not only related to Nepal's specific geographical and topographical conditions but also its cultural diversity. Nepal, a country that covers an area of 141,181 square km and has a population of 29 million, is home to 126 ethnic and caste groups, with about 123 documented languages, including six major ones. Nearly two thirds of the population belong to one of the Hindu caste groups. Human development has been highly uneven across population groups, although recent trends point towards decreasing inequality. The Newar people have the highest HDI value (0.565), followed by the Brahman-Chhetris (0.538), while the HDI values for Dalits ("untouchables") and Muslims are only 0.434 and 0.422 respectively (UNDP 2017: 59). Despite the country's laws against untouchability, people considered of lower caste continue to be excluded from certain jobs and services, and the income of Dalits is considerably less than for non-Dalits (UNDP 2017: 78). There is a clear association between caste/ethnicity and levels of income. Women lag behind men in most aspects of life, with gender disparity being highest in rural areas, the mountains, and the mid-western development region.



Nepal has a population of 29 million people, including 126 ethnic and caste groups, with about 123 documented languages, including six major ones. PHOTO: KEN OPPRANN

The existing socio-economic disparities are largely the result of political rule in the past. From 1768 until the abolishment of absolute monarchy in 2008, Nepal was a Hindu kingdom ruled by the Shah dynasty, which exercised varying degrees of power during its reign. The feudal economic and political system depended on hierarchies of gender and caste/ethnicity, which contributed to widespread poverty and discrimination.

In 1996, the Communist Party of Nepal (Maoist) launched the "People's War" against Nepal's feudal monarchy and multiparty democracy. Widespread disappointment with the state's failure to provide better services and livelihoods provided the basis for this armed conflict. At the same time, the conflict exacerbated the situation of Nepal's millions of marginalised and vulnerable groups, whose poverty decreased



## Nepal is also highly exposed to geophysical and climatic hazards

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their ability to cope with the adverse circumstances brought about by the “People’s War”. Women, young people, children and internally displaced persons suffered the most. The conflict led to a collapse of local governments across the countryside and limited the operational space for development work, thereby hampering the provision of basic services.

The insurgency intensified from 2001 onwards, with peace negotiations failing in 2001 and 2003. Democratic institutions were progressively suspended and, in February 2005, King Gyanendra disbanded the parliament and took absolute power. In early 2006, seven main political parties and the Maoists came together in a “people’s movement” to press for change. This process resulted in the re-instatement of the House of Representatives in April of the same year.

The armed conflict formally ended with the signing of the Comprehensive Peace Agreement (CPA) on 21 November 2006, in which all parties agreed to renounce violence, respect the rule of law, and honour universal human rights principles and democratic norms and values. Broader political commitments were also made concerning the abolishment of the monarchy, the implementation of a common minimum programme for socio-economic transformation, and ending discrimination in all its forms. While the CPA did not end the political instability, it provided the basis for a transition period emphasising reconciliation, rehabilitation and reconstruction. In 2008, the Constituent Assembly declared Nepal a republic. However, while the centuries-old monarchy formally ceased to exist, the transition from monarchic rule to a federal republic is still ongoing.

Nepal is also highly exposed to geophysical and climatic hazards. With its complex geophysical structure and vulnerability to a variety of disaster types, Nepal ranks as one of the most disaster-prone countries in the world. A 7.8 magnitude earthquake struck Nepal on 25 April, 2015. More than 9,000 people were killed, more than 23,000 were injured, and there was large-scale destruction of infrastructure and houses.


At the same time, the disaster accelerated the drafting of a new constitution, which was eventually promulgated on 20 September 2015. The constitution has restructured Nepal into a federal republic, divided into provinces, with legislative powers for the central, provincial, and local bodies. However, the exact structure of the federal state is not clear, and the issues of proportional representation and definition of provinces remain contentious.

## 4. Donor engagement in Nepal

**External aid** represents about 20 per cent of the national budget and accounts for some 6 per cent of GDP. The main donors are the World Bank, the Asian Development Bank, the UK and the US. The social infrastructure and services sector has attracted by far the largest amounts of ODA. Since April 2015, substantial additional aid has been mobilised for post-earthquake reconstruction.



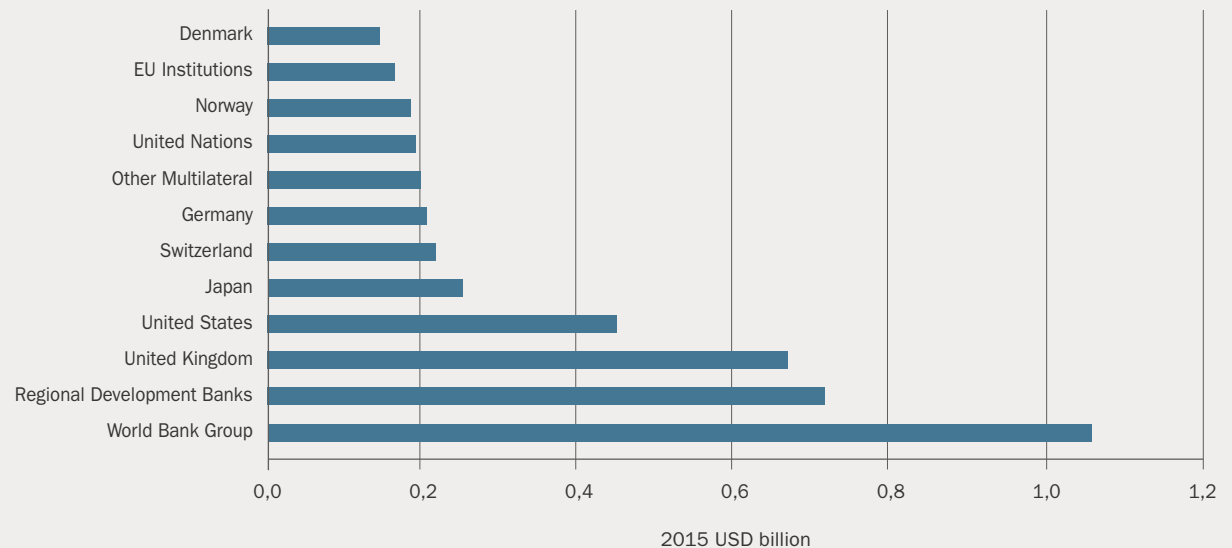
Transmission lines along the Butwal Kohalpur road. PHOTO: ASIAN DEVELOPMENT BANK, 2014

During the period  2011-2015, the four major donors – the World Bank, the Asian Development Bank, the UK and the US – contributed more than half of the aid provided

Nepal has been receiving ODA for more than 60 years through bilateral and multilateral channels, as well as increasingly through non-state organisations (NGOs). In the 2014/15 fiscal year (FY), external aid represented about 20 per cent of the national budget and was estimated to account for about 6 per cent of GDP (MFA Finland 2016: 16-17).

During the period 2011-2015, the four major donors – the World Bank, the Asian Development Bank, the UK and the US – contributed more than half of the aid provided (see Figure 1). The role of the United Nations was less pronounced than previously. Between 2008 and 2010, the UN managed 21 per cent of total annual aid flows to Nepal through the United Nations Development Assistance Framework

**FIGURE 1 // TOP 12 DONORS OF GROSS ODA, 2011-2015**



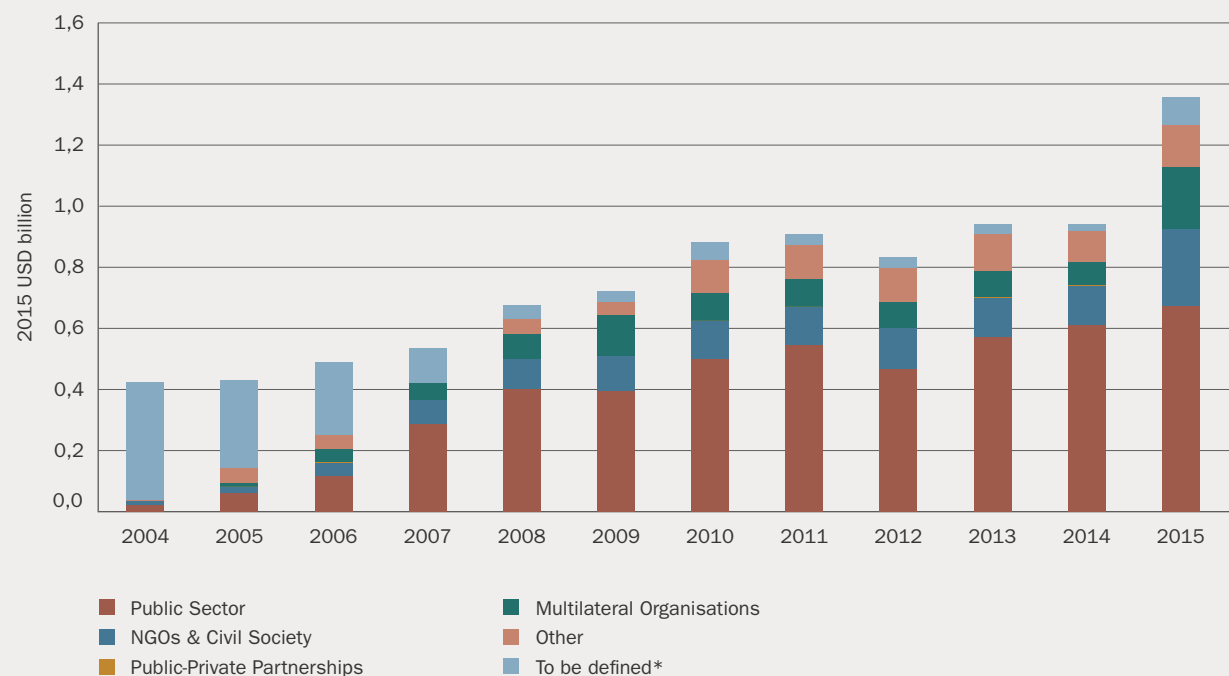
SOURCE: OECD CRS AID ACTIVITY DATABASE DATA 2017



(UNDAF 2011). ODA disbursements also include growing amounts from South-South development partners – particularly India and China – that are not listed in Figure 1, but were the 8th and 10th largest donors respectively in terms of disbursed funds between 2010 and 2016, according to Government of Nepal figures (UNDAF 2011).

Of the total ODA disbursed in FY 2015/16, about 63 per cent (USD 678.65 million) was delivered through budget support and 37 per cent (USD 395.41 million) by other means. This indicates a slight decline of 2 per cent in channelling aid through the Government budgetary system as compared with previous FY. Of the disbursed ODA, grants accounted for 49.64 per cent, while loans made up 34.89 per cent and the share of technical assistance was 15.47 per cent (Government of Nepal 2017: xi, xii). The overall contribution made by NGOs and civil society organisations has increased sharply since the early 2000s. Gross disbursements hardly featured in 2004 (USD 12.9 million), but amounted to USD 250.5 million in 2015 – almost twice the funds provided in the previous year (see Figure 2). This was due mainly to the substantial engagement of non-state actors in response to the 2016 earthquake.

**FIGURE 2 // TOTAL ODA BY CHANNEL, 2004-2015**



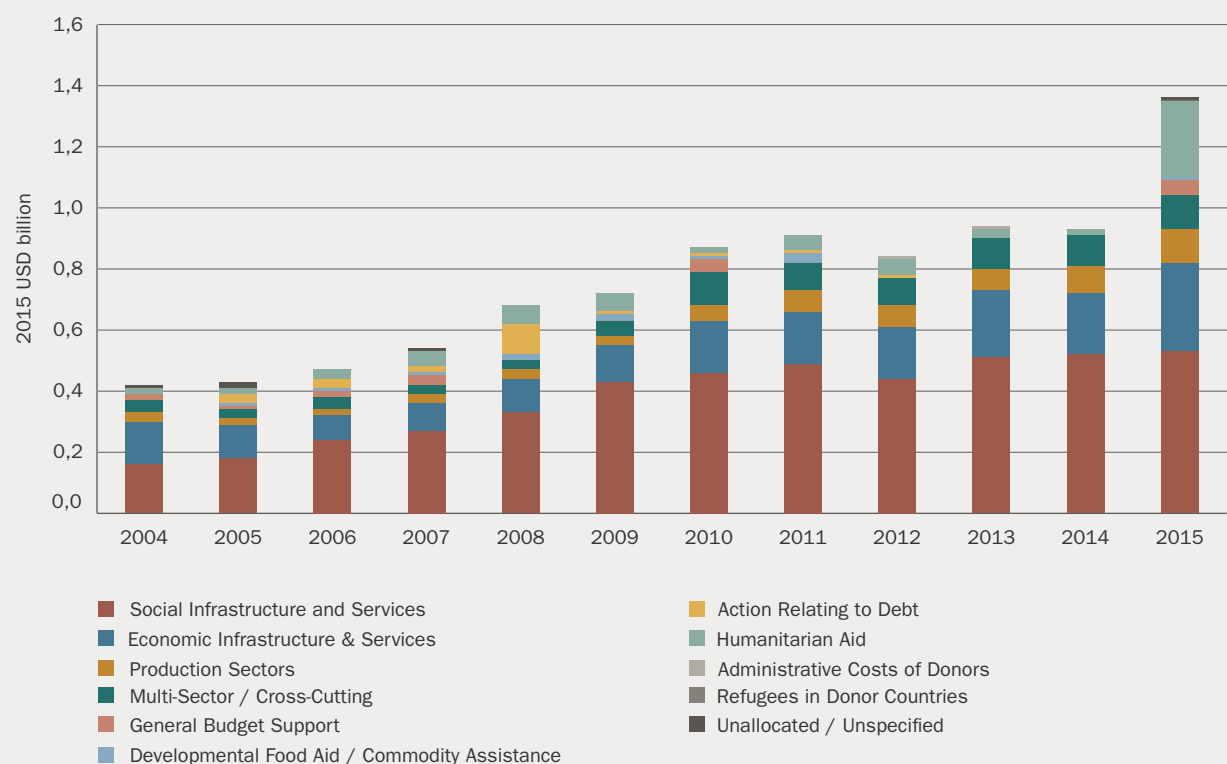
SOURCE: OECD CRS AID ACTIVITY DATABASE DATA 2017 \*THE CATEGORY "TO BE DEFINED" IS RELATED TO THE FACT THAT THE OECD'S MAPPING EXERCISE TO APPLY CRS CATEGORIES RETROSPECTIVELY IS STILL ONGOING. AID FLOWS THAT HAVE NOT BEEN MAPPED YET ARE MARKED AS "TO BE DEFINED". IN CONTRAST, THE CATEGORY "OTHER" APPLIES TO AID FLOWS THAT HAVE ALREADY BEEN MAPPED, BUT WHICH COULD NOT BE PLACED IN ANOTHER CHANNEL CATEGORY.

As shown in Figure 3, among all sectors, the social infrastructure and services sector has attracted by far the largest amounts of ODA, followed by economic infrastructure and services. According to government figures, in the FY 2015/16 energy became the top sector receiving ODA (14 per cent), followed by local development (11.1 per cent), education (10.4 per cent), and health (9.6 per cent) (Government of Nepal 2017: 6-7).

Since April 2015, substantial additional amounts of ODA have been mobilised for post-earthquake reconstruction. Of the total pledged amount of USD 4.1 billion to date, about 66 per cent (USD 2.71 billion) was committed by various development partners, with India, China, the ADB, the World Bank and the UK as the largest contributors (Government of Nepal 2017: 38).

In general terms, it should be noted that the new development co-operation policy, introduced by the government in 2014, defines a strict framework for donor engagement and directs donor investment towards the productive sector of the economy. It excludes any form of co-operation that directly or indirectly affects social harmony or has a negative effect on the country's security policy (SDC 2015).

**FIGURE 3 // TOTAL ODA BY SECTOR, 2004-2015**



SOURCE: OECD CRS AID ACTIVITY DATABASE DATA 2017



## 5. Evaluations of aid

**For the past decade**, donors have strongly focussed on peacebuilding efforts and achieved good coherence with national aspirations. Impacts are also evident in the sectors of education, rural development, post-earthquake reconstruction and energy, and to a lesser extent regarding health. Problems remain in achieving gender equality and social inclusion as important cross-cutting issues.



PHOTO: BJØRNULF REMME

The following discussion of donor engagement in Nepal, based on the findings and conclusions of selected evaluation reports, is clustered into the main sectors of support: peacebuilding, education, health, local/rural development, energy, disaster relief and post-earthquake reconstruction, and cross-cutting issues.

### PEACE-BUILDING

The 2006 Comprehensive Peace Agreement (CPA) committed the conflict parties to pursuing inclusive recovery and rehabilitation, and to ensuring justice and reparations for victims of conflict. It also provided the framework for international peacebuilding interventions. Overall, the available evaluation reports present a generally positive picture of donor contributions to peacebuilding.

In 2007, two main mechanisms were established to aid the peacebuilding process: the Nepal Peace Trust Fund (NPTF) as a government-development partner funding mechanism specifically to support the peace process; and, based on Security Council Resolution 1740, the United Nations Peace Fund for Nepal (UNPFN) to finance projects solicited from UN organisations. The UNPFN was created to mobilise resources for activities of clear, short-term relevance to the peace process where they could not be funded or implemented through the NPTF or other instruments.



Young Nepalese men amidst Maoist symbols. PHOTO: KEN OPPRANN

The Nepal Peace Trust Fund was initially troubled by slow administrative procedures and lack of capacity, but soon emerged as the “most effective hub for development partner-development partner and development partner-government interaction and planning” (Danida 2013: 10). At the same time, the UN Peace Fund became the main funding instrument for UN peacebuilding interventions in the country. It also constitut-

ed a significant part of the overall international contribution to peacebuilding, which amounted to an estimated USD 300-400 million for the period 2007-2016, which was also the lifetime of the UNPFN. The Fund received contributions from the UK, Norway, Denmark, Canada and Switzerland, as well as from the global UN Peacebuilding Fund, which itself has more than 50 donors (UNPFN 2016).



## The delays in drafting the constitution had become an excuse for national actors not to focus on other key elements of the Comprehensive Peace Agreement

While Nepal's overall stability could not be directly attributed to the outcomes of the UNPFN (or any other initiative), the Fund made a strong contribution. Between them, the individual projects tracked the main social effects of the conflict and addressed key drivers of a potential resurgence of militant activity as they emerged. The UNPFN achieved important changes in social attitudes, and thus contributed to preventing a resurgence of violence. Moreover, the demobilisation process was successful as the People's Liberation Army – the armed wing of the Unified Communist Party of Nepal (Maoist) – was disbanded. However, the evaluation also noted some efficiency loss due to significant constraints in recruitment and the unavailability of capacity building support. In addition, the projects suffered from slow

implementation, due in part to political resistance, especially at local level (UNPFN 2016).

Generally, the international support to peacebuilding was found to be well aligned with the objectives of the Comprehensive Peace Agreement, and thus achieved good coherence with national peace aspirations. In particular, donors crucially contributed to the constitutional process and supported the preparation, organisation and conduct of the 2007 and 2013 elections. Even though the elections were not perfect, they were broadly free and fair, and the results were accepted by all political parties. The success of the 2007 elections in particular facilitated the implementation of other elements of the CPA, and had a crucial positive effect on the peacebuilding process as a whole (Danida 2013, UNDAF 2011). Likewise, the promulgation of the constitution in 2015 marked an important juncture. The constitution is not as inclusive or equitable as many of Nepal's ethnic groups expected, and the proposed federal structure was greeted with resistance from key political actors, and even sparked violence. The document is, nevertheless, a significant achievement towards creating a just and inclusive democratic society. Within this context, donors provided “the material and technical support [...] enabling national actors to achieve their goals” (International IDEA 2015: 40).

At the same time, many observers considered that, for several years, the delays in drafting the constitution had become an excuse for national actors not to focus on other key elements of the CPA, including those around land reform and the economy. Generally, as the peace process was beholden to national political interests and developments, certain elements of the peace agreement, such as social and economic development, were side-lined by the two peace funds, NPTF and the UNPFN. To some extent, smaller interventions, such as the Danish Human Rights and Good Governance Programme (HRGGP), filled the gap. The joint evaluation described the HRGGP as an example of programming that successfully addressed issues that the NPTF was not engaging with – notably relating to human rights. In particular, HRGGP ensured that relevant stakeholders engaged in the state transformation process and the implementation of international human rights standards, with a focus on impunity and reconciliation (Danida 2013). The EU was also credited for the expansion of human rights monitoring in the country and, to some extent, the reduction of human rights violations and discrimination against women and vulnerable people (European Commission 2012).



PHOTO: KEN OPPRANN



PHOTO: KEN OPPRANN

Access and some aspects of equity improved at most levels of education, notably in Early Childhood Development Education, primary, basic, secondary and non-formal education

## EDUCATION

In recent years, the Government of Nepal embarked on several large reform processes, not least in the education sector. Despite several points of divergence in vision and agendas, the country's political parties share a common ground on the need to improve the education system. Education is the largest employer in the public sector and has the highest budgetary allocation of any sector (12 per cent in 2015) (European Commission 2016). The World Bank, ADB, EU and Japan are the largest donors in the education sector, accounting for 77.6 per cent of the total amount of USD 1433.38 million committed in the FY 2015/16. The School Sector Reform Plan (SSRP) 2009-2016 was the largest programme in terms of donor support, with

the World Bank taking the lead (Government of Nepal 2017). SSRP followed the objectives of expanding access and equity, improving quality and relevance, and strengthening the institutional capacity of the entire school system. The programme helped address existing disparities linked to caste, ethnicity, religion and geography, but also contributed to averting potential conflicts and political divisions. Access and some aspects of equity improved at most levels of education, notably in Early Childhood Development Education, primary, basic, secondary and non-formal education (European Commission 2016). However, the School Sector Reform Plan did not do as well on other dimensions of equity. No improvements were evident in the educational out-

comes for children who are disabled, who do not speak Nepali, or who belong to caste/ethnic groups that face social discrimination. Despite good results overall, the poor quality of education still produced school-leavers who had not acquired the necessary competencies to improve their economic situation. However, the programme was pro-poor and resulted in the removal of fees, while at the same time providing in-kind and cash incentives to poor families. Both measures increased the economic equity of school education in Nepal (Norad 2015a).

Furthermore, SSRP helped education to become a priority sector for the government, with investments steadily increasing over recent decades. Education represented around 14 per cent of the



Government budget in 2014, and public investments in education increased from 2.9 per cent of GDP in 1999 to 4.2 per cent in 2014. The funding share of development partners decreased from 22 per cent to 13 per cent during the same period. However, despite assuming more funding responsibilities, the Government of Nepal was not expected to have the ability to take over the whole funding of the SSRP once donors had withdrawn (European Commission 2016).

## HEALTH

Infectious diseases related to malnutrition and sanitation are the leading causes of ill health in Nepal. Out-of-pocket expenditure in health care (direct payments made by individuals to health care providers at the time of service use) is over 80 per cent, perpetuating poverty and worsening the ill-health trap. In early 2009, the government adopted the “New Nepal: Healthy Nepal” initiative, with provision of free essential healthcare packages. The US and the UK dominate the health sector, with a combined share of 85.4 per cent of the total amount of USD 501.6 million committed in the FY 2015/16 (Government of Nepal 2017).

Reports and studies describe several problems in the implementation of policy initiatives, as well as in the efficient use of aid, mainly due to



Kathmandu University Hospital. PHOTO: KEN OPPRANN

a shortage of trained health workers, corruption, politicisation, and inequitable access to healthcare. The poor utilisation of aid, plus an overlap and duplication of services, are also frequently mentioned (see, for example, Karkee/Comfort 2016). In a similar vein, the Mid-Term Review of the 2013-2017 WHO Country Co-operation Strategy stressed limited WHO engagement with professional societies, academic institutions and civil society, and described weaknesses in the organisational and administrative structure of the country office as the main factor in reduced effectiveness of WHO's work in Nepal. According to the

review, WHO was considered by all stakeholders as a trusted partner, working closely with the Ministry of Health and Population (MoH). At the same time, the organisation was perceived by partners as having difficulties in challenging the government when needed: “Many stakeholders, both within the Government, UN and other stakeholders, suggested that WHO could play a more significant role in providing leadership on matters critical to health, co-ordination and partnerships” (WHO 2015: 5).



Bustling market life. PHOTO: KEN OPPRANN

## LOCAL/RURAL DEVELOPMENT

In the fiscal year 2015/16, the World Bank was the largest donor in the Local/Rural Development sector, followed by the EU, the UK, India, ADB, Switzerland and the UN. These seven development partners contributed nearly 89 per cent.

In past years, the International Fund for Agricultural Development (IFAD) - Nepal partnership made important contributions in this sector (Government of Nepal 2017). For the period 1999-2012, the IFAD country programme evaluation assessed the partnership to be “moderately satisfactory” (IFAD 2013: vii). IFAD’s country programme contributed to easing the poverty of many rural households, but it made only a relatively modest contribution to sustained poverty reduction in terms of helping people

escape poverty for good. The programme contributed to the formation of thousands of beneficiary groups, but – at the time of the evaluation – the majority were still institutionally and financially weak, with limited management capacity, capital and turnover, and dependent largely on project support.

IFAD support had a very wide spread, geographically and thematically. The Integrated Rural Development and Poverty Alleviation Projects in Western Terai and the Western Uplands had both features. The evaluation found that this approach resulted in dilution, and major management and governance challenges – with weak government implementing institutions working in a conflict or politically unstable situation. Implementation and supervision of many small infrastructure investments and agricultural support activities, scattered over large and hard-to-access areas, proved difficult (IFAD 2013).

Japan is another traditional donor in the field of rural development. During the period 2006-2013, under the programme of poverty alleviation in rural areas, Japan directed approximately 26 per cent of total assistance to Nepal to the two development challenges of “improving the lives of rural residents” and “improving education and health services.” Overall, the support did not

produce substantial results. Projects were numerous, but too small, and lacked integration into an overall sector approach to achieve impact. Moreover, since the lion’s share of agricultural support was used for food assistance for poor farmers, no structural improvements were achieved (MFA Japan 2013).

Using the international poverty line of USD 1.25 per day, rural poverty has decreased at a faster pace than urban poverty and has declined continuously – from 43.3 per cent (1996) to 35.0 per cent (2004) and to 27.4 per cent (2011). However, overall, poverty incidence is still predominantly a rural phenomenon. Among the five development regions, poverty is most severe and worsening in the far western development region, and in the mountains (ADB 2013b: 1, 3). Evaluation reports neither present evidence for donor contribution to the overall decline in rural poverty, nor elaborate on the question of whether development partners could have done more or used different approaches in their quest to reduce rural poverty. It should also be noted that, unrelated to aid, the inflow of remittance from migrant workers was one of the “key factors in reducing poverty, improving human capital and financing imports” (Sharma 2017: 285). Approximately 3 million Nepalese (10 per cent of the population) are classified as migrant workers. In 2015,



remittances amounted to USD 6.6 billion, or 29 per cent of GDP (Sharma 2017: 285).

## ENERGY

Years of underinvestment in Nepal's electricity generation, transmission and distribution facilities led to acute supply shortages and network bottlenecks, posing a severe infrastructure constraint to the country's economic growth and the daily life of the population. Against this backdrop, two ODA flagship programmes – the ADB's Nepal India Electricity Transmission and Trade Project, and the World Bank's Energy Access and Efficiency Improvement Project – have addressed the existing shortcomings and problems and supported various government policies and strategies. The ADB is the largest donor in the sector, and its Country Partnership Strategy (CPS) 2010-2012 had a strong focus on energy, aimed at improving access to electricity, increased energy efficiency, development of clean energy, strengthening sector governance, and promoting private sector participation. The final review of the CPS found that while the access-to-electricity outcome target (percentage of households with access to electricity) had been exceeded, the electricity generation target had not been reached. The CPS contributed to “notable progress in policy and institutional reforms” (ADB 2013a: 11). Inter alia, important

reforms were initiated, concerning a reconstitution of the Electricity Tariff Fixation Commission to achieve more effective regulation, adjustment of the electricity tariffs, and the reconstruction of the Nepal Electricity Authority for more efficient management of generation, transmission, distribution and electrification (ADB 2013a).

India and China are the main bilateral players in Nepal's energy sector, with investments in large-scale infrastructure projects – particularly hydropower. OECD donors were also active, but on a much smaller scale. Norway has played a key role by helping ensure the structural inclusion of gender equality and social inclusion in the national single programme approach, which ensured its inclusion across all energy sector initiatives. While not initially intended as part of the project goals, this has also played a role in bringing women together and strengthening their social standing (Norad 2015b).

The EU supported the increased use of renewable energy in remote areas of Nepal. The achieved increase in access to electricity has had “a high social impact”, although the impact on economic development and the environment has been more limited (European Commission 2012). In view of the serious power shortage situation in Nepal, JICA announced on several occasions hydropower development as being one of the




Engineer Til Rana at the Kali Gandaki Hydroelectric Plant. PHOTO: ASIAN DEVELOPMENT BANK

priority areas for Japanese ODA, but no strategy or programme evaluations are available yet. The ADB and the World Bank will likely remain the dominant providers of aid in the years to come, focusing on building more transmission lines and facilitating electricity trade between India and Nepal to increase the supply of power in Nepal.

## DISASTER RELIEF AND POST-EARTHQUAKE RECONSTRUCTION

Nepal is still struggling to recover from the 2015 earthquake. As of April 2017, tens of thousands of earthquake victims were still living in temporary shelters, while less than 1 per cent had received more than the first tranche of compensation from the Government of USD 475 (The Guardian, 2017). The World Bank

All evaluations of  donor responses to the earthquake judged the engagement of the respective organisations to be at least adequate and effective, and in many cases described it as exceptional

estimates that the earthquake may have pushed an additional 2.5 to 3.5 per cent of the country's population into poverty, translating into more than 700,000 additional poor and demonstrating the vulnerability of Nepali households to shocks (Australian Government 2017). All evaluations of donor responses to the earthquake judged the engagement of the respective organisations to be at least adequate and effective, and in many cases described it as exceptional. As far as the donor response is concerned, immediate disaster relief needs to be distinguished from measures in support of the reconstruction of damaged infrastructure and the rehabilitation of livelihoods of people affected by the earthquake.



Earthquake damage in Bhaktapur, 2015. PHOTO: LAXMI PRASAD NGAKHUSI / UNDP NEPAL

Many organisations – including the UN, bilateral donors, and large NGOs such as Oxfam – had significantly strengthened Nepal's disaster preparedness over recent years. For example, the evaluation of Oxfam's project on mainstreaming disaster risk reduction and enhancing response capability (2010-2013) identified enhanced district-level disaster planning activities and the implementation of the

early-warning system and preparedness activities as valuable achievements of the intervention. While mainly focusing on floods, this also strengthened disaster awareness in more general terms (Oxfam 2014).

These investments in disaster preparedness played an important part in the rapid and effective initiation of the national and interna-



tional response in the first days after the earthquake. The initial Nepal Flash Appeal, released around 29 April 2015, appealed for USD 415 million to reach over 8 million people with life-saving assistance and protection over the next three months. A subsequent second major earthquake of magnitude 6.8 occurred in May. The revised Flash Appeal, released on 2 June, was for USD 422 million to reach 2.8 million people in need of humanitarian assistance for a five-month period. Early communications from UN agencies raised concerns about the level of funding for the Flash Appeal, but funding, ultimately, was not a limitation (UNPFN 2016).

As for individual organisations, the evaluation of UNICEF's actions assessed the response as outstanding overall and characterised by a significant initial field presence and early mobilisation of pre-positioned contingency supplies, funds and partners. By the end of the year, UNICEF had largely achieved its targets under the Humanitarian Action for Children. The Education programme ensured the safe return to school for 179,300 children from the communities affected, while the Child Protection programme supported data collection activities that were a first for vulnerable children and were key to strengthening child protection systems (UNICEF 2016).

In a similar vein, the WHO's response, working with the government and other partners, was considered very satisfactory by all stakeholders. Efficient deployment of experienced WHO staff from the country office, the Regional Office for South-East Asia and other offices shortly after the earthquake, and effective co-ordination with the Ministry of Health and Population (MoHP) and other partners, were seen as main reasons for this achievement. The evaluation noted that the WHO had taken on board the lessons learnt from previous disasters (WHO 2015).

The humanitarian assistance of the Red Cross and Red Crescent had been foreseen and prepared for, including through the organisation of regular simulation exercises for large-scale natural disasters. The evaluation found that there was an established and well-functioning co-operation between the Partner National Societies, the International Committee of the Red Cross, and the Nepal Red Cross: "Many key informants from the RC Movement felt that the Nepal response was in many ways a model of a well-coordinated response" (Red Cross 2015: 1).

However, this is where the success stories end. Problems beyond the control of donors soon emerged. The delivery of relief took place in highly challenging conditions. Assistance was

hampered by a largely inaccessible geographical operating environment, the destruction of roads and bridges, and monsoon rains from June to September. Low clouds suspended many air operations, and hundreds of villages could be reached only by foot (UNICEF 2016; Red Cross 2015). Beyond topographical and climatic challenges, the momentum of the effective early response could not be sustained as the government had asked aid agencies and communities to wait until a national recovery and reconstruction plan had been developed and communicated before proceeding with large-scale reconstruction efforts (Red Cross 2015). Furthermore, around four to five weeks into the response, customs duties were imposed for goods brought in by agencies other than the UN and Red Cross, closing the door on duty-free imports. These delays severely compromised the abilities of Oxfam, World Vision and other organisations to continue their support efficiently and effectively (Oxfam 2015, World Vision 2015). The situation worsened due to India's economic blockade of Nepal in late 2015, which hampered implementation at all levels. In addition, "gaps in the legal framework and operational guidance contributed to a situation where districts tended to interpret and apply rules differently, further complicating an already complex politically-charged operating environment" (Red Cross

2015: 7). The evaluation of the UN Peace Fund for Nepal even noted that the good relations between donors and the government that had been established and fostered during the peace-building process “loosened” after the earthquake (UNPFN 2016: 7).

Comprehensive evaluations of the reconstruction efforts are not yet available as donor interventions have been held up, mainly due to delays in the process of forming the National Reconstruction Authority. (Government of Nepal 2017: 38).

## CROSS-CUTTING ISSUES

### Gender equality

Gender equality and social inclusion is the most prominent cross-cutting issue that was mainstreamed into the programmes and projects of almost all donors. The donor approach to gender equality and social inclusion has been in line with government policies since 2004, which have called for the full inclusion of women, the disabled, oppressed, and low caste people into interventions (MFA Finland 2012). The continued exclusion of these groups was identified as one of the major causes of the slow progress towards achievement of the MDGs (UNDAF 2011). Donors therefore placed prominent emphasis on improving the conditions for economically marginalised and socially



Woman holding a sign to raise awareness about gender equality in Nepal.  
PHOTO: STEPHAN BACHENHEIMER/WORLD BANK

excluded groups. While most donors claim to have systematically integrated the special needs of women and girls into their projects, evaluations tend to be more critical. For example, the evaluation of UNICEF’s Response and Recovery Efforts to the 2015 earthquake found that the “programme design was broadly equity and gender sensitive, but specific measures to assist these groups were not always implemented in practice” (UNICEF 2016: 28). Similarly, the cross-cutting approach to gender sensitivity gave the UNPFN “a certain commonality, a shared “genetic code” that was, however, not systematically reflected in project implementation (UNPFN 2016: 66). Some success is reported for a small number of programmes and projects, such as Norway’s support, which was found to have helped strengthen cohesion

While Nepal has made declaratory progress towards promoting gender equality through its legislation, there is no hard evidence available that gender equality and social inclusion have improved nationwide.

among women from different walks of life and different political parties, helping to align priorities and strengthen their voice at both national and local level (Norad 2015b).

While Nepal has made declaratory progress towards promoting gender equality through its legislation, there is no hard evidence available that gender equality and social inclusion have improved nationwide. With a Gender Inequality Index (GII) value of 0.497, Nepal ranks only 115th in the world (out of 159 countries) (UNDP 2017). Most disturbingly, women and girls in Nepal are exposed to a variety of forms of violence. According to studies quoted in

the evaluation of Norway's support to women's rights and gender equality, 48 per cent of women have experienced violence at some time in their lives, with 28 per cent reporting experience of violence in the last 12 months. An estimated total of 200,000 Nepali girls and women have been sex trafficked to India. Half of them were under 16 years of age when trafficked, and a quarter were below 14 years of age. It is estimated that some 13,000 girls are being sexually exploited in Kathmandu. The context of gender-based violence, driven by social, cultural, religious and gender norms, has been compounded by years of political conflict, which have increased the risk of violence – particularly through rape, trafficking, sexual slavery, displacement, and economic hardship (Norad 2015b).

There is little indication that donor support has had an overall impact on the violence against women and the continuing discriminatory practices towards Dalits and other marginalised groups (Danida 2013). At least with regard to child rights, the institutionalisation of state mechanisms in this area was reported as a major achievement (Save the Children 2013).

### **Environment and climate change**

Some donors mainstreamed environment, and particularly climate change, into their interven-

tions, but most did not. For example, the ADB has developed and applied disaster risk and climate change screening tools in infrastructure projects since 2010 for “climate proofing” ADB investments. As such, environmental safeguards and sustainability have been integrated in project design and implementation.

In partnership with the World Bank, the ADB prepared the Pilot Programme for Climate Resilience and Strategic Programme for Climate Resilience, integrating climate change risk mitigation, adaptation and resilience into core development planning (ADB 2013a). Finland mainstreamed climate change adaptation in programme support for disaster risk reduction and regional flood warning systems (MFA Finland 2016). While support to the environmental sector was allocated only a minor place in the EU co-operation strategy, it was approached as a cross-cutting sector of co-operation. However, apart from one relatively large intervention in renewable energy in remote rural areas (EUR 15 million) as part of the “poverty reduction” concentration area, no other major environmental actions were implemented (European Commission 2012).

### **Anti-corruption**

Corruption in Nepal is entrenched in politics and business. Funds, including aid money, are routinely stolen at all levels of government.

Political parties continuously dispense patronage to members and supporters, both in terms of material resources and administrative favours. “The result is a self-perpetuating system: Endemic corruption results in weak rule of law, which in turn renders corruption a matter both of necessity and convenience for parties, civil servants, citizens and businesses” (Bertelsmann Stiftung 2016: 11). Anti-corruption efforts were mainstreamed into some interventions. Despite the declared global donor investment in anti-corruption measures in at least the last 15 years, has not been able to substantially reduce corruption. In 2016, the Corruption Perceptions Index compiled by Transparency International ranked Nepal 131st out of 176 countries. The score of 29 on the scale from 0 (highly corrupt) to 100 (very clean) had worsened compared with the score of 31 in 2013, and indicates that corruption continued to be a most serious problem.



## 6. Lessons learnt

**Donor support** has been well aligned with national reform agendas. A constructive partnership has characterised relations between the government and aid agencies. However, a lack of progress towards gender equality and social inclusion constituted a weakness of many interventions. Nepal will continue to need assistance to recover from the 2015 earthquake for some time to come.



Rice planting season in Nepal. PHOTO: NARENDRA SHRESTHA / EPA

## STRENGTHS

### Aligned with national reform agendas

There can be little doubt that donors aligned their interventions well with national reform agendas and policy strategies. This has been visible throughout all supported sectors, but was probably most prominent within the context of peacebuilding. Donors made substantial efforts at understanding and appreciating the historical and political framework conditions and treated the peacebuilding process in a holistic way, going beyond usual development programme and project approaches. Donors strongly and positively supported peacebuilding, focusing equally on processes, structures, stakeholders at different levels of decision-making, and society at large. While providing overall guidance, donors have not tried to impose external models on Nepal and have supported nationally-owned processes. Against the backdrop of the country's violent past between the mid-1990s and mid-2000s, today's achievements towards political stability and domestic order are remarkable. The donor-supported elections and the promulgation of the landmark constitution were crucial steps along the way. However, this has not yet led to a solid basis for a stable and democratic political order.



A woman voting during the first national election under the new constitution, November 2017. PHOTO: AFP PHOTO / PRAKASH MATHEMA

### Donor contribution to achieving development objectives

Beyond peacebuilding, the evaluations provided ample and robust evidence for substantial donor contribution to the achievement of development objectives, especially in the education and energy sectors, but the picture was somewhat less clear with regard to local/rural development and health. Initial donor responses to the 2015 earthquake were efficient and effective overall, benefiting from well-established disaster preparedness. In the

case of most organisations, information management systems provided regular, accurate, good-quality information. This allowed the response teams to do better evidence-based programming. Emergency communications were quick to use multiple media, including social media, to promote public awareness about the crisis. Problems and hurdles, which later hindered a further effective implementation of relief efforts, were largely beyond the control of donors.





Local shop in Darbang. PHOTO: ASIAN DEVELOPMENT BANK

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and ethnicity.

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economic empowerment is not accompanied by social empowerment. Since 2006, numerous reforms have highlighted the growing importance of gender equality in the national context, starting with the resolution to ensure 33 per cent participation of women in all state structures, and the constitution's guarantee that no person should be discriminated against on the basis of sex (Norad 2015b). However, donors and the government have yet to find a way of transforming the Government's declaratory commitment to the gender equality and social inclusion agenda into tangible results in improving equality and inclusion.

### **Constructive partnership**

Although the post-earthquake situation brought about some disturbances in their relations, a good and constructive partnership between the government and development partners was a strong feature during the period of assessment. Equally important, despite a rather fragmented donor landscape, evaluation reports generally painted a picture of working donor co-operation and co-ordination.

### **WEAKNESSES**

#### **Lack of progress towards gender equality and social inclusion**

While Nepal's progress towards achieving MDG 3 (promote gender equality and empower women) was assessed as being "fair" (WHO

2015: 16), the documented lack of progress towards gender equality and social inclusion constituted a weakness of many interventions. At the same time, little evidence has filtered through on how social inclusion should work and could be achieved in practice, given persistent patterns of discrimination based on gender, caste and ethnicity. Culturally-promoted traditions and practices are also among the major concerns with regard to child rights, with practices such as child marriages, early pregnancy, trafficking, and similar forms of gender-based violence.

This situation clearly not only affects minorities and vulnerable groups, but negatively impacts on Nepal's overall productivity as long as

#### **Political instability, poor governance and corruption**

Political instability has been a major interfering factor in the implementation of interventions throughout the period since 2010, leading sometimes to limited accountability and ownership of national stakeholders. Furthermore, poor governance and corruption have hindered Nepal's socio-economic development and, not least, constituted stumbling blocks in building a stable political system. During the last few years of political transition, governments and political parties have not been able to effectively address issues related to corruption and lack of accountability and transparency.



### **Overly complex project designs**

Several evaluation reports also highlighted overly complex project designs and limited implementation capacities as important hindering factors. Capacity development and exit strategies were often found to be highly dependent on the individual projects and the implementing agencies. There was also limited handover to Government-led programmes, due to a continued shortage of public funds in many cases.

### **GAPS**

The main gap in programme and project designs and implementation identified by the evaluations is a very common criticism in the assessment of development co-operation in general: the lack of, or weaknesses in, monitoring systems that are based on well-elaborated success indicators. In particular, insufficient approaches to monitoring the mainstreaming of cross-cutting factors need to be mentioned. Generally, and apart from gender equality and social inclusion, crucial cross-cutting issues such as environment/ climate change and the anti-corruption agenda were not adequately addressed in many programmes, constituting a major strategic gap. The earthquake highlighted the need for systematically mainstreaming disaster preparedness into programmes and projects. As also recommended by some evaluations, the disaster preparedness component should function as a cross-cutting

sector that incorporates and collaborates with the other core sectors. This would result in making projects multi-dimensional and holistic.

### **LOOKING AHEAD**

Nepal's new development plan is targeted towards the Sustainable Development Goals (SDGs) and provides manifold opportunities for donor-supported deepening of social and economic progress. Overcoming capacity constraints to accelerate public spending will remain a key challenge.

The earthquake of 2015 has exacerbated some of the economic challenges of the country, and Nepal will continue to need assistance to recover from this natural disaster for some time to come. Rebuilding homes, resettling the internally displaced, restoring the infrastructure, and rehabilitating the livelihoods of hundreds of thousands of people affected constitute pressing needs. However, large-scale, decisive and effective initiatives towards this end had initially been hindered by poor governance and the lack of a comprehensive government strategy. The government's Post-Disaster Recovery Framework 2016-2020 was published a year after the earthquake, and it will be crucial for donors to intensify efforts towards joint planning and implementation. It is particularly important that reconstruction is conducted

in a transparent and accountable manner. Good governance is the cornerstone of Nepal's efficient and effective post-disaster recovery.

As outlined, donors played a central role in Nepal's constitution building process from 2006 to 2015. Overall, the material and technical support of international stakeholders has played a decisive role in terms of enabling national actors to achieve their objectives of establishing a stable political system. However, the constitution is far from being a perfect document. It is contested, and not an end in itself. Successful implementation of the constitution and, ultimately, further democratisation, rule of law and the development of a just and inclusive society will require the international community to assist the government in bringing all disaffected groups to the table and create a state as close to national unity as possible. Efforts will have to be made to secure and consolidate the achievements that have been made to date.

At the same time, the donor landscape is changing. Few doubt that the increased presence of new donors, such as China and India, will reduce the leverage of OECD donors – particularly with regard to the good governance agenda. However, there is little indication that donors actively reflect on the ongoing process of donor diversification and the related emergence of new patterns of external influence.

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# Abbreviations

<b>ADB</b>	Asian Development Bank	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>CA</b>	Constituent Assembly	<b>PPP</b>	Purchasing Power Parity
<b>CIA</b>	Central Intelligence Agency	<b>RC</b>	Red Cross
<b>CPA</b>	Comprehensive Peace Agreement	<b>SDC</b>	Swiss Agency for Development and Co-operation
<b>CPS</b>	Country Partnership Strategy	<b>SSRP</b>	School Sector Reform Plan
<b>CRS</b>	OECD Creditor Reporting System	<b>UN</b>	United Nations
<b>EU</b>	European Union	<b>UNDAF</b>	United Nations Development Assistance Framework
<b>FY</b>	Fiscal year	<b>UNDP</b>	United Nations Development Programme
<b>GDP</b>	Gross Domestic Product	<b>UNICEF</b>	United Nations Children's Fund
<b>GII</b>	Gender Inequality Index	<b>UNPFN</b>	United Nations Peace Fund for Nepal
<b>GNI</b>	Gross National Income	<b>WHO</b>	World Health Organisation
<b>HDI</b>	Human Development Index		
<b>HRGGP</b>	Human Rights and Good Governance Programme		
<b>IDEA</b>	Institute for Democracy and Electoral Assistance		
<b>IDMC</b>	Internal Displacement Monitoring Centre		
<b>IFAD</b>	International Fund for Agricultural Development		
<b>JICA</b>	Japan International Co-operation Agency		
<b>MDGs</b>	Millennium Development Goals		
<b>MFA</b>	Ministry of Foreign Affairs		
<b>NGO</b>	Non-Governmental Organisation		
<b>NPTF</b>	Nepal Peace Trust Fund		
<b>ODA</b>	Official Development Assistance		

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