



NEPAL PORTFOLIO PERFORMANCE REVIEW NPPR 2012

Portfolio Performance for Development Results

January 24, 2013

NPPR AGENDA

**PROGRAM FOR
12TH NEPAL PORTFOLIO PERFORMANCE REVIEW (NPPR) MEETING 2012-13**

(January 24, 2013)

Venue: Hotel Yak & Yeti

Opening Session: Chair – Hon. Member, Mr. Janak Shah, National Planning Commission		<u>Group Work GON Champions and Lead Agencies</u> Mr. Suresh Pradhan FCGO (PFM) Mr Teertha Dhakal, NPC (MfDR/M&E) Mr. Mukunda Raj Prakash Ghimire, PPMO (Procurement) Mr. Madhu Kumar Marasini/Bhuban Karki, MOF (MA) Mr.Mahendra Guragai, MOGA (Human Resources) Local Governance – Mr. Dinesh Thapaliya, Joint Secretary, MOFALD/NPC Roads and Transport Management – Hari Bhakta Shrestha,Joint Secretary, MOPPW/NPC Agriculture – Mr. Ram Prasad Pulami, Joint Secretary, MOAD/NPC Energy Sector – Mr. Sri Ranjan Lakaul, Joint Secretary, MOEn/NPC
08:30	Registration and Tea/Coffee	
09:00	Welcome Speech <i>Mr. Madhu Kumar Marasini, Joint Secretary, IECCD, Ministry of Finance</i>	
09:10	Opening Remarks on NPPR 2012 -13 Mr. Shanta Raj Subedi, Finance Secretary	
09: 20	Remarks by Representative of Development Partners <i>Ms. Tahseen Sayed, Country Manager for Nepal, The World Bank</i>	
09: 30	Key Note Address by Honorable Finance Minister Mr. Barsha Man Pun	
09. 40	Review of Progress of NPPR 2011 Action Plan Mr. Kailash Raj Pokharel, NPPR Coordinator, IECCD, Ministry of Finance	
10.00	Overview of Portfolio Review of Major Development Partners Mr. Kenichi Yokoyama, Country Director, ADB	
10:15	Chairman’s Remarks and adjourn of first session	
10: 30	Tea/Coffee Break	
10.30	WORKING SESSION – GROUP Discussion and Finalization of Action Plan	

	<p>Working Groups Splits into Breakout Rooms</p> <ol style="list-style-type: none"> 1. Public Financial Management- Group Leader : FCGO 2. Procurement – Group Leader, PPMO 3. MfDR/M&E – Group Leader NPC 4. Mutual Accountability – MOF, IECCD 5. Human Resource Management – Group Leader: MOGA 6. Local Governance – Lead MOFALD support NPC/DFID- Norway 7. Roads sub sector –Lead MOPPW support NPC/WB 8. Agriculture sector- Lead MOAD support NPC/USAID 9. Energy Sector- Lead MOEn support NPC/ADB- Norway 	
13.00	Lunch hosted by Finance Secretary	
14.00	Finalization of Action Plan by the Groups for Presentation in Plenary	
	<p>Plenary Session: “NPPR Action Plan 2012-13” Presentation by Groups: Chair: Mr. Leela Mani Paudyal, Chief Secretary, OPMCM</p>	
15:00	Presentation by the Five Groups (5 min presentation and 10 min for discussion for each group)	
16.15	Tea/ Coffee Break	
16.30	Continuation of the 4 Groups Presentation	
17.30	Chairman's Concluding Remarks	
17.45	Vote of Thanks by Mr. Madhu Kumar Marasini, Joint Secretary, IECCD, MOF	
18.00	Dinner hosted by Development Partners – USAID, Norway, JICA at Hotel Yak & Yeti	

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AusAID**

**ATTACHMENT 3
DANIDA**

**ATTACHMENT 4
DFID**

**ATTACHMENT 5
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**ATTACHMENT 6
IFAD**

**ATTACHMENT 7
JICA**

**ATTACHMENT 8
NORWAY**

**ATTACHMENT 9
UNCT (Nepal)**

**ATTACHMENT 10
US AID**

**ATTACHMENT 11
WORLD BANK**



Government of Nepal

Tel. No.: { 4259837
4259804

MINISTRY OF FINANCE
Singhdurbar
KATHMANDU, NEPAL

Message from Finance Secretary

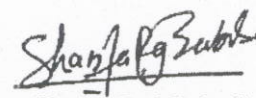
The main objective of Nepal Portfolio Performance Review (NPPR) Meeting, a dialogue mechanism between Government of Nepal and Development Partners working in Nepal, is to review ongoing projects, discuss the issues that come across during the course of implementation of development partners' supported projects and discuss the ways to overcome such issues, and come out with an agreed time bound Action Plan. NPPR is a joint forum where development partners are also equally accountable for achieving action plan's agreed actions and improving the portfolio performance for results. The number of core members of NPPR has reached to eleven this year. I am happy to note that four more DPs - Denmark, USAID, IFAD and Australia have joined the forum as core members. We are expecting more and more DPs join this forum in the days to come.

Aid commitment is not enough; we need to increase aid disbursement too. Also, we have to use aid money for intended purposes for results. Focusing on cross cutting issues is important but not adequate. We need to achieve sectoral results. I am happy to know that this year's NPPR theme is "**Portfolio Performance for Development Results**". Apart from five thematic areas, this year's NPPR has added four critical sectors for this purpose, namely, local governance, roads and transport management agriculture and energy.

I noted that the overall progress of NPPR - 2011 action plan implementation has been found satisfactory. Out of 26 actions and 52 performance indicators, 29 indicators are completed, 16 indicators are progressing and 7 indicators could not be completed. In this context, I have felt that additional effort is required for effective implementation of reform actions with enhanced ownership on the part of government and support on the part of development partners.

Ministry of Finance IECCD has been continuously leading this initiative. I appreciate Mr. Madhu Kumar Marasini, Joint Secretary for his leadership and particularly Mr. Kailash Raj Pokharel, Under Secretary who has been coordinating this mechanism for the last five years deserves special appreciation. I would also like to thank all relevant officials of various ministries/agencies particularly the Champions who have taken lead role for implementation of Action Plan. I thank those DPs who produced background paper this year, namely ADB, AUSTRALIA, DFID, DENMARK, EU, JICA, IFAD, NORWAY, UN, USAID, and WB which is a part of this publication

18 January, 2013


Shanta Raj Subedi

PART I

MAIN REPORT GOVERNMENT OF NEPAL BACKGROUND PAPER

NEPAL PORTFOLIO PERFORMANCE REVIEW 2012
PORTFOLIO PERFORMANCE FOR DEVELOPMENT RESULTS

January 24, 2013
Kathmandu

MINISTRY OF FINANCE
GOVERNMENT OF NEPAL

Portfolio Performance for Development Results

1. Background

Nepal Portfolio Performance Review (NPPR) is an annual event led by the Government of Nepal and jointly organized with its all Development Partners (DPs) for a meaningful dialogue on strengthening Portfolio Performance in Nepal. Initially started with four DPs as core members, the forum has been expanding over the years and now includes the latest addition, Denmark, IFAD, USAID and Australia this year, with a total of eleven DPs.

The forum has been very successful in sharing common experiences on project implementation, identifying constraints on project deliverables including cross-cutting issues, and developing common strategies to deal with the issues and constraints that are undermining the effective implementation of development programmes. The forum has also been very effective for the government to disseminate the measures it has taken to bring effectiveness in portfolio management.

Nepal has always been an active participant in international initiatives for aid effectiveness. Following the adoption of the first National Foreign Aid Policy in 2002, it has provided a strong policy support and guidance on aid modalities and priorities for Nepal. In order to incorporate lessons learnt during the last ten years on aid management and to bring effectiveness on aid operative mechanism, initiative has been taken to revise the policy. A revised version of the Foreign Aid Policy is under consultation with concerned government agencies and stakeholders, and will be further discussed with development partners.

In 2005, Nepal was among the original signatories of the Paris Declaration on Aid Effectiveness, which set a number of targets and objectives, for both DPs and recipient countries, in order to improve the development effectiveness of aid. Nepal volunteered to participate in conducting a Paris Declaration Evaluation in 2010 and Paris Declaration Monitoring Surveys in 2008 and 2011. Nepal also participated in various international seminars and forums including the 3rd High Level Forum in Ghana (2008) and the 4th High Level Forum held in Busan, Korea.

Improving portfolio performance has always been an important agenda for the Government of Nepal. Nepal's development indicators continue to improve, but largely due to lacking in timely procurement and in quality of services, desired outcome and impact of the project deliverables are yet to be achieved. In general, the overall development of key sectors including transport, agriculture, public finance, social, urban and water supply is satisfactory in terms of output delivery. Few sectors are still struggling for better results such as energy.

Increased focus on achieving results, greater transparency and increased accountability are among the most powerful tools for improving aid. In recent years, despite political transition, improvement in portfolio management has significantly contributed and helped the government

in establishing better aid predictability and aid transparency. Since last five years, there has been a substantial increase in amount of foreign aid received, largely contributed by our improved capacity in utilizing development aid. In this regard, the contribution of the strong coordination mechanisms established to mobilize and utilize resources in a more efficient and supportive manner, particularly in the field of education, health and local governance is worth noting. Encouraged by the success of this arrangement, the government intends to develop and extend Programme-Based approaches and Joint Financing Arrangements to other priority sectors where donor support remains largely fragmented.

Over the past ten years, the Government of Nepal has made significant efforts to strengthen the effectiveness of funding in crucial areas. Flagship initiatives include the education and health Sector Wide Approaches (SWAP), the Local Governance Capacity Development Program (LGCDP) and the Nepal Peace Trust Fund. According to the recent findings of Paris Declaration Evaluation Report 2010, Nepal has made some progress on the aspect of national ownership. In recent years, Nepal has given a high priority to participation and inclusion issues. They are at the heart of the recent development strategies and participatory mechanisms have also been put in place at all levels. However, the 2011 Paris Declaration Monitoring Survey notes that the national development strategy is not fully operationalized, which may be due to the political transition context. Nepal would come up with a long-term development strategy once a new constitution and corresponding institutions are in place. Last year, NPPR meeting included Mutual Accountability as one of the key areas of NPPR to work jointly with DPs taking joint ownership in order to improve overall aid performance.

Ministry of Finance has installed an aid management platform (AMP) to capture the aid data. It is fully operationalized and data analysis and public launch is on planned, with additional feature such as geo coding. Roll over to other agencies need further efforts particularly to get INGOs data and from non-traditional development partners. It has helped to enhance aid transparency and aid planning in Nepal.

There are some shortcomings that are affecting the overall performance of the development portfolio. Government is trying to monitor these shortcomings through result-based monitoring framework. Government's recent announcement on "**Short-term Plan of Action for Governance and Economic Reforms, 2069**" with explicit milestones provides a firm basis for driving economic growth and establishing an effective monitoring mechanism to improve overall portfolio performance and strengthen the service delivery mechanism. The specific challenges on aid effectiveness and government's plan of action are:

- a) Safeguard issues including availability of land: Safeguard issues specially the land availability and the resettlement have become a major concern for the implementing agencies. Government has already started work on revising the Land Acquisition Act, 2034 with the aim of addressing social safeguard issues. The resettlement policy is in the final stage for approval.
- b) Timely procurement and maintaining transparency: Delay in procurement is undermining the performance of the portfolio. To address this issue, the Government is placing emphasis on building capacity of the respective implementing agencies. As the government has already adopted a policy of making e-tendering mandatory for public procurements worth more than Rs 10 million, the number of bidders using e-

tenders for public contracts is gradually rising, and expected to rise further in the coming years. Public Procurement Monitoring Office (PPMO) is now engaged in developing e-GP system and also facilitating procurement capacity building in respective implementing agencies.

- c) Budget planning and timely release: Government has taken number of initiatives to carry out effective budget planning to ensure timely availability of funds for projects. Ministry of Finance, from time to time, has issued instructions/guidelines to the concerned Ministries and Departments to monitor the fiscal planning closely and seek any remedial intervention, if necessary, in a timely manner.
- d) Involvement of project stakeholders: In order to give a sense of ownership to the stakeholders and build consensus around interventions, thereby minimizing unnecessary delays seen in project implementation, concerned agencies have been given directives and necessary support for timely consultations with the project beneficiaries and stakeholders. With the policy of public display of project information, as mandated by the good governance practices, the situation has considerably improved.
- e) Maintaining project institutional memory and stability in organizational leadership: The Government is aware of issue of staff turnover and its effect on portfolio performance. It also realizes that this is largely a result of political transition. The Government is in a process of developing a strategy for building institutional memory at the project level and is also committed of carrying out HR audit as a means to mitigate adverse consequences to the projects. Moreover, motivation is a key to staff involved in the projects which comes not only through monetary things but non-monetary measure such as recognition of work and appreciation. Funding alone is not enough to get results.
- f) Start up delays is still an issue as it has been noted in various portfolio reviews which results implementation delay and ultimately demands project extensions. Project readiness filter is agreed by the government and its implementation needs to be effective with full compliance.

2. Overview of Development Results In Nepal

2.1. Conceptual

Results-based management is a life-cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, and accountability. The approach focuses on achieving outcomes, implementing performance measurement, learning and reporting performance.

The principle of Managing for Results requires assessing our development efforts from the perspective of the people, the ultimate beneficiaries. It requires us to articulate our intended

goals, measure our progress towards achieving them, and ensure that this information is used to improve decision making and performance. It is a principle that applies all the way from the management of individual aid projects up to the implementation of a national development strategy or a country assistance programme. As part of the change management, the government is taking initiatives at reforming systems and processes to change the traditional practice of measuring development initiatives through inputs (e.g., amount of money spent) or activities to outcomes and results.

In this regard, some of the areas where the government is paying attention include: strengthening the quality of policy design, implementation and assessment by improving information systems, developing cost-effect results management instruments, and better linkage between national statistical systems, planning, budgeting and monitoring; and strengthening national statistical capacity and information systems.

Three Year Plan, TYP (2010/11 – 2012/13) has adopted the strategy of strengthening the result-oriented and reformative monitoring and evaluation system tying-up the performance of evaluation of the agencies and human resources with the progress of the projects/program. It has made special reference on making the monitoring and evaluation process a result oriented and result based. In this context, in order to make monitoring and evaluation result-oriented, regular and reliable, directives for program formulating, budgeting and implementing have been issued and process improvement at the development ministries and departments is underway. The need to make results-based planning, monitoring and evaluation system can be taken as an opportunity for the effective implementation of development efforts because the public responsiveness increases towards the investment when the act of monitoring and evaluation becomes effective.

2.2 Strengthening Capacity for Managing for Development Results

In order to enhance the capacity of the government's system for development results, the government implemented series of projects on managing for development results (MfDR). The recently completed "Strengthening Capacity for Managing for Development Results project" has made the following achievements in operationalizing and internalizing MfDR practices in Nepal.

- Ministry of Physical Planning, Works and Transport Management (MoPPWTM), Ministry of Federal Affairs and Local Development (MoFALD), Ministry of Education (MOEd) and National Planning Commission (NPC) implementing MfDR approach in planning, budgeting, and monitoring their mandated responsibilities: the achievements include a) ministries have integrated business plans into the planning, budgeting and monitoring system through GoN (NPC & MoF) guidelines for budget formulation (FY 2010/11) and Results Based M&E guidelines as well as in the preparation of TYP; b) sectoral results frameworks and business plans were revised and updated (by the concerned focal units) for road, water supply, education and local development sectors alongside the finalization of TYP (2010/11 to 2012/13), and business plans prepared for DOR, DWSS, HSEB and MMD; and, c) proposal for streamlining results criteria in the existing project screening system of NPC was prepared in close consultation with the line ministries and NPC/MOF.

- Ministry of Agriculture Development (MoAD) and Ministry of Energy (MoEn) operationalized results framework, indicators, and business plans; the achievements include a) preparation of MfDR Status Reports of two ministries including DOA and DOED after assessing the status of MfDR practice in the two ministries using RA tools and reviewing their mandates, vision, mission, and goals prepared; b) development of sectoral results frameworks including performance indicators for Energy and agriculture and preparation of business plans for MoAD, DOA, MoEn and DOED alongside the formulation and finalization of TYP (2010/11 to 2012/13); and, c) integration of business plans into the planning, budgeting and monitoring system through GoN (NPC & MoF) guidelines for budget formulation (FY 2010/11).
- Two public agencies department of Transport Management and Metropolitan Traffic Police Division (MTPD) preparing results-based budgets; the achievements include a) ADB's MfDR readiness tool applied to assess the readiness of two public agencies namely DOTM and MTPD for results based budgeting (RBB) b) RBB modules for two agencies (DOTM & MTPD), with performance indicators on delivery of effective and efficient services were developed; c) MoF and NPC officials were retrained on RBB; and, d) baseline was established to assess the impacts of RBB pilots on service delivery by conducting baseline and monitoring surveys.
- Enhancement of capacity of staff in selected agencies approaches to apply MfDR: the achievements include a) baseline data on MfDR capacity collected; b) training needs of institutions (including scope/content of external training) specified and capacity-development programs and training materials developed; and c) officials trained for comprehensive capacity development.

2.3 Opportunities and Challenges

The following are some of the constraints that the government is trying to address while establishing functional result-based system in Nepal. In particular, undertaking fundamental reforms in result areas and rolling over reform measures to the government system is a challenge largely due to capacity constraints and systemic deficiencies:

1. Linking of annual plans with allocation supported by results of the previous year is yet to be fully practiced in the budgeting.
2. The quality of prioritization process is still an issue although partially addressed during the revision of MTEF.
3. Capacity to implement the result-based monitoring is limited in some Ministries and Department.

4. Result based budgeting is yet to be functional in a systematic way. Road and transport management sector were piloted with result-based budgeting, there have been encouraging results but needs more efforts to internalize within the system.
5. Awareness is weak among the public offices regarding the results approach, and a large number of staffs have to be trained in MfDR, and in result-based budgeting.
6. Selected sectoral ministries and departments have developed results frameworks and business plans, but they need to be fully internalized and utilized in actual operations while covering additional agencies and cascading down the system.

In this context, NPPR mechanism has extended its scope to the sectoral results areas that are ultimately essential to deliver benefits of development to the beneficiaries. To start with, local governance, roads and transport management, agriculture and energy have been selected to improve results framework in these sectors, particularly in planning, priorities, budgeting and monitoring.

3. Highlights of Key Areas of Nepal Portfolio Performance Review (NPPR) in Nepal

3.1 Reform in Public Financial Management

Public Financial Management (PFM) has become one of the key reform areas in developing countries in recent years. There has been a growing consensus about the importance of public financial management for both developed and developing economies. PFM system is crucial for improving service delivery across all sectors as well as to promote principles of good governance. Government of Nepal (GoN) is engaged in reforming public sectors with the aim of improving efficiency and effectiveness across all stages of the budget cycle – revenue generation, budget planning, execution, accounting, reporting and external control. Sound public financial management helps ensure that public services are delivered successfully and financial aid is used to best effect. And that in turns creates social and economic prosperity and builds confidence in aid donors. PFM is important element of use of country system in terms of aid effectiveness.

In the various reviews conducted in Nepal, weak Public Financial Management (PFM) practices were recognized. The Public Expenditure and Financial Accountability (PEFA) assessment carried out in 2007 concluded a high risk environment in financial management. Specifically, PEFA assessment report 2008 has concluded that Nepal's performance in Public Finance Management shows the existence of a system that is well-designed but unevenly implemented.

The assessment has identified a number of actions that constituted a Development Action Plan (DAP) where government is implementing as a continuous reform to reduce fiduciary risks and improve transparency and accountability. Following the PEFA assessment in 2007, with the support of the World Bank and DFID, the GoN formulated a Public Financial Management Reform Program (PFMRP) Strategy, Phase I (2010- 2013), with the objective of adopting a

holistic government-wide approach to PFM reforms encompassing both the institutional and technical aspects. This is intended to be a gradual and long-term process that requires strong political will and commitment which will contribute to reducing fiduciary risks as well as improve transparency and accountability of public financial management. It provides a framework in which all related reform initiatives can be incorporated under a single "umbrella" under which the development partners can provide their funding on a joint and "programmatic" basis.

PEFA is basically a framework for strengthening public expenditure system of a country. It pays high priority to transparency and accountability in utilizing and managing public funds. The core objective of PEFA is to enhance expenditure management of the public funds and reduce associated fiduciary risk. The GoN has established a PEFA Steering Committee and Secretariat to oversee the implementation of action plan. Nepal has assessed PEFA indicators and adopted action plan that serve as the national policy for the overall improvement in PFM system, process and institution. Effective implementation of action plan contributes to improve PFM performances that eventually help to achieve better service delivery and efficiency in public expenditure management. The ongoing reform initiatives undertaken by Financial Comptroller General Office (FCGO) are Treasury Single Account (TSA) reform, PEFA monitoring and new assessment preparation, implementation of Nepal Public Sector Accounting Standards and GFS based new budget and expenditure classification and codes. Internal Auditing is another area of focus, where FCGO has approved the internal audit manual and being implemented. Various training programs have been conducted on PEFA, TSA and Internal Auditing. Orientation and refresher trainings have also been provided to the accounting staff.

TSA Implementation: A Successful Reform

Treasury Single Account (TSA) system is introduced in Nepal in 2009. The modified TSA system was piloted in two districts – Bhaktapur DTCO in 2009-10 and since then TSA system has been extended to 60 districts (including additional 22 districts), which covers Kathmandu as well, that are rolled out in the NPPR 2011 period. The TSA regime was first implemented only for expenditure transactions. This has now been extended to revenue and deposits as well. The TSA regime is going to be extended to remaining 15 districts of Nepal from the next fiscal year (next NPPR cycle). This is a successful reform in PFM which NPPR mechanism also deserves credit.

As a result of TSA reform, 4000 spending units and about 16000 bank accounts of government system now will come down to 300-350 accounts from the next fiscal year. Budget execution reports are possible at the end of the month now under any given parameters. Earlier, 12 remote districts were allowed to spend their budget even in the first trimester of the next fiscal year. The system is now fixed and included in the budget of the concerned fiscal years. Budget caps in the last quarter ceilings have been prescribed (40% for the Quarter and 20% for the last month). There is a system of annual monthly allocation projection of expenditure that is to be submitted by spending units. Excess expenditure (beyond budget) is not possible now, as the District Expenditure Control System (DECS) is in place except the authority and budget allocation given by the concerned authority as per the approved budget. Real time data on aggregate and sectoral basis can be produced on daily basis for revenue and expenditure. DTCO staffs are better aware of the professional aspects of the PFM. Spending units' work is reduced

and simplified. Central government account information is instant for various usages. Basic and accurate accounting data is available with DTCO for transactions under the budgeted items. Ad hoc query and tailor made reports will be possible to generate in case of need. Full TSA (Phase 2) will allow cash and debt management by Treasury system.

However, there are some gap areas to be covered in PFM/TSA reform. Total public sector data is not available. Capacity needs to be strengthened in DTCOs. Spending Units- level computerization is still to be done. Line Ministries' monthly budget execution/account reports are missing or are late. Line agencies are not taking full advantage of FMIS of FCGO. Internal Audit focuses only on payment and compliance aspects by DTCO. It does not cater to the needs of line agencies or spending unit. Transactions other than budget book are not mapped. E-Payments are not possible due to lack of system and digital signatures. Bank reconciliation needs strengthening. Convergence of all information modules on PFM into IFMIS is necessary. Much work is to be done on debt management. Further reform in internal audit system is necessary. Similarly, there is need for the guidance to handle the government financial transactions based on the financial procedure act and regulation. The base line indicators for the government expenditure on sectoral and in aggregate (expenditure norms) is also need to be developed for better estimation and facilitation for the formulation of the program as well as the budget. The asset management and accrual accounting are the other aspects of future reform in the PFM area.

3.2 Reforms in Public Procurement

Public procurement is the fundamental and integrated part of the good governance and public financial management in the country. Sound procurement practices plays important role in the service deliveries and to produce timely result and accomplish the goals and objectives of the entities. Project portfolio improvement depends on the well planned procurement practices. Being a largest buyer of goods, consulting services and works, the government should give emphasis on improving procurement practices within its purchases. Public entities follow it. PPMO has multiple roles currently as a leader, regulator and promoter of procurement system in Nepal. Public procurement is one of the prime areas of reform of the Government of Nepal. As a part of this reform agenda, GON has promulgated Public Procurement Act and Regulation to make the procurement system transparent, fair, competitive and efficient. Also, as mandated by Regulation, Public Procurement Monitoring Office (PPMO) was established in 2007 under the Office of the Prime Minister and Council of Ministers (OPMCM). The overriding objective of the PPMO is to implement PPA effectively as well as to deliver efficiency and value for money in the use of public funds adhering to the principles of non-discrimination, equal treatment and transparency. In recent days, PPMO is focusing on system development and training activities to public and private sector entities but it has been felt that a lot more capacity development activities are needed as this is a technical matter to most of the stakeholders. PPMO has prepared a strategy which covers guidelines and standards, strengthening capacity of procurement entities, monitoring and evaluation, strengthening management of PPMO research and development system, strengthening partnership with private sector, improving complaint review system, applying ICT to procurement management. Based on this strategy, PPMO is implementation various activities to improve procurement system in the country. E- Bidding is an important function that PPMO is implementing successfully. Standard Bidding Documents have been

issues to various agencies. Various training activities are carried out and planned. Accreditation, CPI assessment, procurement audit, e-GP system are some of the reform areas that PPMO is heading towards.

3.3 Reforms in Human Resources Management

The most frequently raised issues regarding human resources, particularly in the context of project implementation by development partners are vacancy fulfillment of key project staff, retention of those staff, overlapping and handover takeover after transfer, motivation to work and capacity constraint. The impact of these issues, particularly through those key personnel who are directly involved in the project activities like project managers, accountant, procurement officer and other key staff, has sometimes been serious as this causes time and cost overrun of a project.

Some attempts are being done through NPPR mechanism since recent years, making MOGA on board, to reform these key areas. Personnel Information System is implemented in Civil Service Records Office which is successfully capturing the employee's situation of vacancy, transfer, training, disciplinary actions, etc. Data analysis part is planned by MOGA. Making transfer guidelines – master and sectoral – are underway. Management audit, targeting frequent transfers is carried out and continuing. Process of making these reports transparent and compliance of reports are on discussion. Need of comprehensive human resources plan is felt and MOGA is working on it, expected to complete next year. Training for all is realized and need assessment is being carried out. Performance based incentive concept is accepted and being implemented in few agencies. The further roll over is necessary including development projects. Vacancy fulfillment situation is improved particularly accountants. Government has accepted that that key post required for the projects will be fulfilled by service contracts in case of shortage within the government system. Despite these all scattered activities, effective systematic reform in overall civil service is needed. There is little commitment on the part of larger section outside of the government for civil service reform, such as to motivate staff to work and apply reward and punishment system effectively, attract capable people in the civil service, providing training frequently and link it with career path, which is necessary for complete reform in civil service. Project management is a part of it.

3.4 Reforms in Managing for Development Results

Government of Nepal has initiated several reform measures to build and strengthen result-oriented planning, budgeting, monitoring and evaluation system. Managing for development results (MfDR) is one of the measures that has been introduced and operationalized in various government institutions (ministries and departments) making development plans, programs and projects more effective, transparent, accountable and result-oriented. In this connection, 5 Ministries and 8 Departments had already prepared business plans and they are in the process of implementation. Similarly, community-managed irrigation project of Department of Irrigation, Department of Livestock, Peace Process Assistance Project of Ministry of Peace and Reconstruction, Ministry of Health and Population and Department of Health Services have

prepared their business plan. GoN is committed to allocate annual budget based business plan to these agencies.

Moreover, in the process of strengthening implementation of result-based budgeting, an assessment of RBB has been completed in two agencies (DOTM and MTPD). In the same way, Ministry of Physical Planning and Transport Management (MOPPTM), has developed an integrated result framework in 2012. Capacity development is one of the important and essential areas of MfDR actualization. Various training and capacity enhancement programs have been conducted by NPC and sectoral ministries. Around 116 government officials are trained by MOAD, MOE and MOPPTM and MoFSC and 46 officials were trained by NASC and NPC about RBME and MfDR. To make M&E system easier, effective and result-oriented, NPC is finalizing integrated and simplified M&E Procedures. It merges and integrates all M&E guidelines that were scattered in the past. In this process, NPC has acquired inputs from line ministries and development partners regarding review and revision of all guidelines and refinement of indicators. The 26th and 27th meeting of NDAC has decided to make M&E plan mandatory to all ministries. A task force has been formed to revise and update District Poverty monitoring and Evaluation System (DPMAS) software and its indicators. Officials from various district level offices are trained in different districts to use DPMAS effectively and productively.

NPC is also finalizing Project performance Information System (PPIS) with broader consultation with concerned authorities. Around 50 project details are already entered to the system. Third party evaluation of Free Medicine Distribution Program of Ministry of Health and Population and Sunsari-Morang Irrigation Project has been completed in 2012. Additionally, the reports of impact evaluations conducted by NPC in the past have been compiled and published through NPC website.

3.5 Mutual Accountability

A key strand of the aid effectiveness debate is the need for development partners and the government to hold each to account for their actions and work together to resolve issues relating to the management of Aid. This year three different areas of mutual accountability warrant more detailed discussion, the Aid Management Platform focusing on progress on a key tool to improve transparency, predictability and mutual accountability, Busan Follow-up – new partners, partnerships mechanisms and development results and new Foreign Aid Policy – status of the new policy and as how it will be reflected new aid relationships.

Aid Management Platform- Successful Story

The Ministry of Finance is mandated to coordinate foreign aid in Nepal, including its allocation in line with national priorities and oversee the aid coordination, harmonization and alignment. The International Cooperation Coordination Division (IECCD) of the Ministry is the focal point for this purpose. IECCD also acts as the Secretariat to the High Level Committee on Foreign Aid Coordination and Mobilization. For the purpose of aid transparency and aid predictability, the Aid Management Platform (AMP), an online web-based information system has been set up in the Ministry of Finance. All development partners have been given access to

this and require updating information on their projects and disbursements in line with the national budget cycle. AMP has been implemented with the support from UNDP and DFID since 2010. It has been fully institutionalized in the Ministry of Finance.

As access has been provided to all line ministries including National Planning Commission, they can use the information for their own coordination purposes. Similarly, access has been given to 13 INGOs to include information on INGO core funding to Nepal. Ministry of Finance is using this information to prepare the national budget and also to better reflect off-budget projects in the blue book. Moreover, aid transparency index is also prepared through AMP and reviewed periodically.

Ministry of Finance has also initiated some work on geo-coding, budget integration and launching of public website. All the three modules will be implemented by next year.

Ministry of Finance has been providing AMP training to Government focal points, 13 INGOs and donor focal points. Besides, about 400 government officials from various districts including central level officials were shared knowledge on aid effectiveness, resource mobilization, negotiation and various other areas.

The AMP is currently a very effective tool for the collection and dissemination of information related to foreign aid flows. It has been custom-made for Nepal to meet its particular development planning and information needs. It has filled significant gaps in government knowledge about trends in aid allocation by DPs, the amount of aid that is off-budget, particularly technical assistance (TA), the extent of fragmentation of aid and predictability of aid. The first Development Cooperation Report based on AMP data was published in March, 2012 giving broad scenario of foreign aid and some analysis of aid fragmentation, use of technical assistance and alignment of programs to national policy.

Busan Follow-up

The Busan High Level Forum on Aid Effectiveness recognizes the significant developments in the global aid landscape over the past 6 years. In particular the increasing importance of South-South, and public-private partnerships, and the role of civil society, includes private foundations. Busan made all development partners mutually accountable for adjusting to his changed landscape. Busan also emphasized the catalytic role that development assistance should play and marked a shift from “effective aid” to “cooperation for effective development”. This recognition led to the conclusion that capacity development and “effective institutions” are key if the impacts of development assistance are to be sustained. Busan also advocates a shift from ‘risk-avoidance’ to ‘risk-management’ practices from donors in the use of government systems. Busan also recognised the need for all countries to integrate resilience to shocks, including natural disasters and climate change in their national policies and strategies, as these shocks have the potential to reverse hard-earned development gains. Busan also demands greater transparency and accountability and to develop “*national results frameworks to assess performance based on a limited number of outputs/outcome indicators drawn from national development strategies*”, as mechanisms for mutual assessment. These issues need to be

charted out in Nepal's context and implement accordingly with the joint efforts from development partners and the government.

New Foreign Aid Policy

Ministry of Finance has prepared a draft foreign aid policy sometimes ago and disseminated it to all government agencies. Comments from line ministries have been compiled and it is yet to share again with development partners the revised draft. Ministry of Finance is planned to further revise this draft incorporating more inputs from agencies, academicians and political actors. Then, it will be circulated to development partners for their comments. Until this, DPs are expected to provide comments as how Nepal should bring a new policy in changing global and country context with new features to make aid more result oriented and effective.

4. NPPR Experiences – Lesson Learned and Future

The main objective of the Nepal Portfolio Performance Review (NPPR) 2012 is to build on the annual portfolio review exercise identifying key cross cutting issues that affect portfolio performance. The overall focus would be on finding ways to improve portfolio performance and the specific result indicators for the improved portfolio performance. NPPR has been focusing on five cross-cutting themes and they are, (i) Public Financial Management, (ii) Procurement Management, (iii) Human Resource Management, (iv) Management for Development Results, and (v) Mutual Accountability. Further, sectoral portfolio performance based on results framework of four critical sectors – local governance, roads and transport management, agriculture and energy will also be reviewed from NPPR 2012. Most of the generic implementation issues that affect portfolio performance are centered on these areas which include, delayed work program and budget approval process, delayed preparation of financial statements, weak internal auditing, delayed audits, increasing volume of irregularities, delay in procurement decisions, frequent turnover of staff, etc. During the past NPPRs, although discussions were centered around these themes, they were more input focused, process oriented, and short-term in nature which did not provide clear directions as to how they will lead to desired impact on expected results. The challenge, therefore, is how we can re-orient the NPPR instrument to focus on key result that is, improved portfolio performance, as an impact of some specific results under each theme. The general approach should be to take the NPPR approach to the next level in terms of measuring some specific results. Full restructuring of NPPR may be too ambitious for NPPR 2013, but an incremental shift to results based NPPR would be desirable. With this broader vision, NPPR 2012 has included four sectors namely, local governance, agriculture, roads and transport management and energy to start with preparing and focusing on sector results framework. The need of clear linkages of themes and results sectors with an aim of improving portfolio performance is also under discussion for future NPPRs.

The institutionalization of NPPR mechanism is a key for its continuity and sustainability. Moreover, linking between policy reform actions and portfolio performance and development results should be clearly defined. Some best practices during the implementation of the projects/programs could be shared in this mechanism beyond mere dialogue. Ministry of Finance is planned to arrange a discussion where DPs and GON will find a way to make this mechanism

more effective and result oriented. International Economic Cooperation Coordination Division (IECCD) is coordinating overall NPPR activities since the beginning. Now high level of government agencies is involved. Action Plan is endorsed by the Cabinet. Regular reviews are being held. Reporting to the Office of Prime Minister and Council of Ministers (OPMCP) is being done. Sectoral Champions are leading implementation in each thematic area. However, the ownership on the part of government, particularly at the higher level in respective government sectoral agencies needs to be further improved. Follow up of ongoing reform identified by the previous action plans is necessary.

5. Major Challenges in Key Areas

5.1 Challenges in Public Financial Management

Despite various reforms undergoing in PFM area and improving situation in fielding of accountants in project offices, there are several challenges noticed by the Government and development partners in relation to the improving portfolio performance and use of country system.

1. Though various training and awareness program is being implemented in recent years, still there is low level of understanding of PFM/PEFA framework and processes within the government system.
2. Internal auditing (IA) is weak aspect of overall PFM sector reform despite some attempts made making manual updated and circulated and training activities focused in IA. Currently, IA focuses only on payment and compliance aspects. Adequate staff still to be assigned in internal auditing activities after full TSA reform is completed.
3. Continue capacity constraint is an issue particularly motivation to work and ability to work. This has been visibly seen even after TSA reform is undergoing.
4. Various modules in information system such as BMIS, LMIS, FMIS, AMP is not linked yet each other so that consolidated information covering budget allocation, aid disbursement, overall expenditure areas are covered.
5. Local bodies at the district level PFM strengthening is a challenge as capacity is very weak and systems roll over is not fully operationalized to capture spending and results monitoring.
6. Longer time vacancy of Auditor General has given chance to question on accountability due to weaker management in external auditing.

5.2. Challenges in Public Procurement

Public procurement reform is relatively newer topic in Nepal. PPMO itself is a new entity struggling with various challenges – system development, organization and management issues

including budget and staffing, their capacity development. Specifically these are the immediate challenges in this area:

1. Absence of procurement plans – master and annual in the public entities.
2. Inadequate capacity of Public entities on public procurement.
3. Lower level of compliance in procurement law and regulation.
4. Lack of fairness in competitive biddings
5. Inadequate competency of PPMO

5.3. Challenges in Human Resources Management

Improving project management is a part of overall human resource management. Civil Service reform encompasses project management too. Despite attempts through several years, there is little progress in civil service reform, particularly in project management, in Nepal. Government has attempted several times by creating various committees but always the same issues are not fully resolved. Time and again and continuously, development partners are raising the same type of questions to the government and government is responding in a similar fashion. Frequent transfer in the projects is long awaited issues in Nepal. Though it is sometimes confused because of government's policy of transfer after the completion by 2 years tenure, it is unfortunate that time and again "transfer" issue has turn to become an "excuse" for non-performing too. It is more frequent in recent years without proper arrangements and justifications, which is noted as one of the fundamental reasons being project implementation delayed and cost overrun. This also affects the use of country system on aid provided by development partners. Specifically, these are some of the issues in this area:

1. Staff transfer issue remains unresolved yet despite continuously raising as issue by DPs.
2. Motivation to work in the government system is always been an issue – having lower salary, working in remote areas in the same salary structure, predictable career path.
3. Inadequate and unsystematic training to the civil service and project staff is hampering projects implementation.
4. Management audit is not effective.
5. Performance incentive mechanism is piloted in various government agencies but full analysis is not yet done whether it can be fully rolled over. The lead agency is not fixed and the role of lead agency is not defined for this work.

5.4 Challenges in Managing for Development Results

Government of Nepal has attempted through several reforms to build and strengthen result-oriented planning, budgeting, monitoring and evaluation system. Managing for development results (MfDR) is one of the measures that has been trying to introduce and operationalized in various government institutions (ministries and departments) making development plans, programs and projects more effective, transparent, accountable and result-oriented. Some progress have been achieved, however, it has not been done in a very comprehensive and systematic way. Scattered attempts are giving low fruits. These are some of the challenges in this area:

1. Comprehensive national results framework for sectors is not yet fully operationalized. MfDR practice is still to roll over to all government agencies.
2. Result based budgeting is not started in a systematic way.
3. Linking of annual plan and budget with results framework is still to be done.
4. Result based monitoring and evaluation is not fully in practices at the centre and the districts though training and software development activities are underway.
5. Awareness on managing of results is still in lower level in government system. The results culture is still far to realize from traditional learning by doing culture.
6. The challenge is to show progress on key development outcomes in one transparent results framework which clearly tracks progress on commitments from both government and development partners.

5.5 Challenges in Mutual Accountability

NPPR - 2011 has included this feature in Nepal, which was envisaged to use it as tools to follow up Busan commitments. There have been few agreed actions focusing on transparency, predictability, use of country system. However these actions are vague themselves and need to drill down further to measure their effective translation in Nepal. AMP is a tool to measure these features. It may need further refinement. The completeness of data in AMP needs further improvement, particularly covering the aid operations of non-traditional partners, and equally these data should be used widely in aid planning activities. Additionally, Bussan's expectation needs further discussion as how we can implement this agreement with division of labor among the partners and government in Nepal's context.

6. Way Forward

6.1. Public Financial Management

1. Complete the ongoing TSA roll over to all districts and continue further reform in TSA system.
2. Priority will be given to internal auditing making available more staff and training.
3. Further improvement in external auditing in terms of quality and timeliness by using risk based module will be continued.
4. Capacity building activities in PFM will continue.
5. Integration of BMIS, FMIS and AMP will be done.

6.2 Public Procurement

1. Preparation of public procurement plans will be continued in more and more government agencies.
2. Continue capacity building of PEs on various procurement components – e GP, bidding and contracting, etc.
3. Awareness program to bidders to generate compliance, accreditation framework preparation, CPI assessment will be done.
4. Procurement audit guidelines will be prepared and audit started.
5. Targeted PEs will use e-GP system.
6. Procurement Guidelines will be issued.
7. All vacant positions of PPMO will be fulfilled and continue strengthening of PPMO staff capacity.

6.3 Human Resources Management

1. Frequent transfer of projects related key staffs at the centre and the districts continues to be tracked and audited.
2. Preparation of human resources plan will be completed next year.

3. PIS data entry will be completed and data analysis will be done covering various aspects of civil servants records.
4. Transfer guidelines will continuously be prepared in various agencies targeting project implementing agencies.
5. MOGA is committed to make management audit transparent by publishing it in the website and follow up audit report's implementation. Follow up audit will continue.
6. After getting the assessment report for training for all, MOGA will initiate to implement it through the support of various agencies. Consultation will be taken place as how to implement it.
7. Clear government vision will come out about performance incentive mechanism and further roll over will be done in some agencies based on demand from the agencies.

6.4 Managing for Development Results

1. National Planning Commission (NPC) is in the process of formulating 13th three-year, from next fiscal year plan, result-based one.
2. NPC will finalize the integrated M&E procedures. Then this will be widely distributed from central to district level. Massive awareness-building and training programs will be conducted amongst the users to impart knowledge and skills to use M&E forms and formats effectively and efficiently. All ministries will prepare ministry-wide M&E plan. NPC will prepare a national consolidated M&E plan based ministry's plan.
3. Project Performance Information System (PPIS) will be finalized and updated. This software will be a corner stone to build a strong record and report system of the development projects to multiple stakeholders such as project manager, concerned departments/ministries and NPC. A revised and updated version of DPMAS will be launched next year. It will be promoted to use DPMAS information on local level planning. A link will be established between DPMAS and PMAS so that national planning process will be also benefited with this system.
4. Three more programs and projects including Poverty Alleviation Fund (PAF) will be evaluated in 2013.
5. NPC will lead the work to make NPPR result-based, particularly guide and mentor the sector agencies to implement the agreed actions.
6. MfDR will be expanded to new government agencies and further strengthened in already implemented ones. A practice will be institutionalized to allocate annual budget based on business plan. Capacity building activities will continue.

6.5 Mutual Accountability

1. Continue few actions related to transparency, predictability, and use of national treasury system and discuss as whether these indicators are enough to measure aid transparency and use of national treasury system.
2. Discuss and agree new actions to make aid more results oriented, less fragmented and effective.
3. Discuss and agree on the various aspects of capacity development and effective institution as mentioned in the Busan outcome. Technical assistance issue also needs further discussion.
4. Integrate AMP with other software in PFM systems such as BMIS and FMIS.
5. Continue focus on completeness of aid data and disseminate data to the public.

6.6 Sectoral Results Frameworks

NPPR mechanism has added new feature from 2012-13 by including few sectors in order to make these sectors result oriented. The added sectors are local governance, roads and transport management, agriculture and energy. Key result Areas (KRA) will be defined with performance indicators and these indicators will be measured against progress and reviewed throughout the year. Sectoral agencies will lead the work with the guidance of National Planning Commission. Ministry of Finance will provide facilitation. Four sectors will prepare draft action plan and it will be discussed and finalized in NPPR meeting. Agencies are responsible for its implementation within targeted time.

PART II

IMPLEMENTATION STATUS OF NPPR 2011 ACTION PLAN

Implementation Status of NPPR 2011 Action Plan

Nepal portfolio performance review meeting 2011 was organized on 17-18 November, 2011 in Kathmandu. The following five key areas were discussed and NPPR Action Plan 2011 was approved by the Cabinet. Three progress review meetings were held in Ministry of Finance in the presence of all development partners.

- I. Improving Public Financial Management
- II. Reforms in Public procurement
- III. Improving Human Resources Management
- IV. Managing for Development Results
- V. Mutual Accountability

Twenty six actions and 52 performance indicators were agreed with measurable performance indicators, specific timeline, responsible agencies and targeted dates. Champions from concerned agencies were assigned to push the implementation in each area. Ministry of Finance issued a commitment paper which define the role of implementation and modalities of monitoring and review mechanism.

The overall progress of NPPR - 2011 Action Plan implementation has been found satisfactory. Out of 52 performance indicators 29 indicators have been **complied**, out of which 7 indicators are **partially complied**. Similarly, 16 Indicators are **work-in-progress**. Remaining 7 indicators are **due**. It has been felt during the reviews that these actions should be linked with specific results areas which are the final aim of the reform. Also, quality of indicators needs to improve. In terms of target dates and delayed progress, it is again observed that we need to be realistic in setting the target dates and once it is set, need to be complied.

Following is the overall sectoral scenario of progress under each of the key actions where progress has been rated as **highly satisfactory, satisfactory, moderately satisfactory and unsatisfactory**.

Improving Public Financial Management

Financial Comptroller General Office has led this area with five actions and **9 indicators**, of which **all indicators are complied**, out of which only one **indicator is partially complied**. Thus, the progress has been rated as **highly satisfactory**. PFM/PEFA awareness program was launched with various training activities which surpasses the NPPR target. Local level PMF strategy is also prepared. Though the internal auditing manual was revised, training on internal auditing could be done more. On the external auditing, risk based manual was approved to improve the quality of audit.

Reform in Public Procurement

Public Procurement Management Office (PPMO) has led this key area with **four key actions and 8 indicators**, of which **only one indicator is complied. Four indicators are Work in progress. Three indicators are due.** Thus, overall progress has rated as **unsatisfactory**. The progress on training is very encouraging where about five hundred employees were trained in the centre and the districts. On the e-GP system development work is a bit slow but moving ahead. The accreditation work is delayed and CPI assessment is not done. Capacity building at the satisfactory level is still not happening in PPMO office due to which the achievement in NPPR actions is affected. Despite other challenges such as enough budgets, PPMO is committed to move forward the procurement reform in the days to come.

Improving Human Resource Management

Ministry of General Administration has led HR areas with **7 actions** and **11 indicators**. **Two indicators are complied** out of which one indicator is **partially complied. Six indicators are work in progress** and **three indicators are due.** Thus, the progress has been rated as **unsatisfactory**. The dominant issue under this area was PIS data entry of various data such as transfer, vacancy, trainings and disciplinary actions. The data entry work is progressing very well and is expected to complete all employees' entry very soon. Data analysis framework is prepared and under discussion internally and is expected to complete in six months. Management audit is another important area where transfer situation was targeted. Though, management audit report is submitted to OPMCM, the process of approval, dissemination through web site and implementation of audit report is not clearly communicated by MOGA. Some progress in seen in transfer guidelines preparation. Progress on performance based incentive is slowly moving, where the role of MOGA is not clearly defined. The government is committed to implement this reform in key areas such as TSA, OAG, PPMO, and Civil Service Records Office. Human resource Plan for civil servants capacity development is being prepared. The assessment work for "Training for All" is also in the pipeline activities to be done by MOGA.

Managing for Development Results

National Planning Commission (NPC) has led this area with **five actions** and **10 indicators**. **Seven indicators are complied. Three indicators are work-in-progress.** Thus, the progress has been rated as **satisfactory**. In the area of business plan, results framework and result based budgeting, the reform is slow but moving. The progress in monitoring and evaluation is satisfactory particularly in training activities. Result based monitoring work is in progress. Two third party evaluations are completed.

Mutual Accountability

Ministry of Finance, International Cooperation Coordination Division (IECCD) has led this area, where five actions and 14 indicators were agreed. **Ten indicators are complied**, out of which five are partially complied. **Three indicators are work in progress, one is due.** Thus, the progress has been rated as **satisfactory**. This action was added from last year's NPPR meeting where actions and performance indicators were agreed with the participation of development partner's representative and the government (Ministry of Finance). This has focused mainly on transparency and predictability in aid activities in Nepal through aid management platform, which is being managed by IECCD with a reasonably good progress. Use of national budget system and use of parallel units were two topics of priority. However, in the absence of specific measurable indicators, tracking of progress could not be done objectively. Few indicators related to capital budget spending were tracked well. Few actions such as appointment of constitutional bodies remain an unresolved issue. Progress on actions related to budget announcement, program approval and authorization are seen as not encouraging progress in the donor community. Data on planned and actual disbursement is captured in AMP satisfactorily, however, in the last trimester; the ratio has fallen down compared to the previous trimester reporting. Planned disbursement reporting is weak. Two publications from the government – DCR and mid-term budget reports were on time. Annual budget publication is delayed but is on process.

NEPAL PORTFOLIO PERFORMANCE REVIEW (NPPR) 2011
Progress Report of Action Plan

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
1.Public Financial Management (PFM) Champion: Mr.Suresh Pradhan, Joint Comptroller General, FCGO Assist: Hari Prasad Phuyal, Under Secretary	Poor understanding of PFM reform process and not fully owned and acknowledged by the concerned stakeholders	1. Formulate Communication Strategy to raise awareness and Orientation Trainings on PFM/PEFA	FCGO and Line Ministries / Central Units, PEFA Secretariat	1. Formulate Communication Strategy to raise awareness on – PFM/PEFA	July 2012	<u>Complied.</u> PFM/PEFA Communication Strategy has been formulated (in Nepali)
					2. Ten PEFA orientation program conducted	
		2. Support Research and Analysis on high priority PFM areas	FCGO/MOF	3. Five Trainings/ workshop on PFM/PEFA conducted	Nov 2012	<u>Complied.</u> National PFM/PEFA Training has been conducted from June 13 to 16. TSA rolled out in 22 districts (including Kathmandu) from July 16 2012 where training was given. An Interaction Program organized by PEFA Secretariat and Society of Economic Journalists Nepal (SEJON) On Sunday, 11th November.
				4. Conducted Debt Sustainability Assessment	Nov, 2012	<u>Complied.</u> Final Report has been submitted(Debt Management Office and Debt Management study)
				5. Developed Local PFM Strategy	Oct 2012	<u>Complied.</u> LGs fiduciary Risk Reduction Action Plan is prepared by MLD and published.
				6. Conducted study on establishing Debt Management Office(DMO)	Nov 2012	<u>Complied.</u> Debt management office related study report is received.

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	Weak Internal Audit and inadequate Internal Control Mechanism	3. Capacity development of internal auditors	FCGO	7. Two Training programs for account staffs conducted on Internal Audit	June and August 2012	<u>Partially Complied.</u> One training program has been conducted in Biratnagar targeting Eastern Region.
		4. Revision of Internal Audit Manual	FCGO	8. Internal Audit Manual revised	Feb 2012	<u>Complied.</u> Internal Audit Manual has been revised, published and distributed.
	Weak Quality External Audit	5. Develop Risk-based Audit Manual	OAG	9. Manual prepared and approved	October, 2012	<u>Complied.</u>
2.Public Procurement Champion: Mr. Mukunda Raj Prakash Ghimire, Joint Secretary	Inadequate capacity on Public Procurement	6. Stakeholder Capacity Development on Public Procurement	PPMO/Public entities (PEs)	10. 15 training programs held and more than 300 employees trained on Public Procurement	Oct 2012	<u>Complied.</u> <ul style="list-style-type: none"> Five Trainings held and 109 employees were trained in Nepal Administrative Staff College (NASC). Remaining trainings are in process. Twelve trainings held in kathmandu (3), Khotang, Pokhara, Birjung, Janakpur, Lamjung, Mahendranagar, Bhairahawa, Jhapa, Ilam and approximately 472 employees were trained.
Assist: Keshav Prasad Acharya	Lack of fairness in competitive biddings	7.e-GP System Development (Phase I & II)	PPMO/DOR/ PEs\MOF	11. Software developed by DOR owned by PPMO and commenced its up-gradation/ New System development 12. e-Submission in selected sectors (Works & Goods) initiated 13. e-GP System for Phase I developed	Aug 2012 Sept 2012 Mar 2012	<u>Work in Progress</u> <ul style="list-style-type: none"> New e-Gp System is being Developed. System testing done and feedback provided to the consultant. <u>Work in Progress</u> E-GP system up to submission will be started when software work completed. <u>Work in Progress</u> Development of e-GP software I phase is in final stage.

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
				14. Roll over e-GP System Phase I in Public entities started	June 2012	<u>Due.</u> Delayed due to software development.
				15. Consulting firm recruited to develop e-GP system for Phase II	Oct 2012	<u>Due.</u>
	Lack of trained staffs in PPMO and PEs	8. Initiation of accreditation program	PPMO/MOF	16. Accreditation Framework prepared for staffs involved in PP with priority to PPMO staff	Jul 2012	<u>Work in Progress.</u> Process initiated.
	Low compliance with Public procurement law	9. Undertake Compliance Performance Indicator (CPI) and Agency Performance Indicator (API)	PPMO/PEs.	17. Completed assessment of National procurement system using OECD/DAC indicator (CPI/API)	Oct 2012	<u>Due.</u>
3.Improving Human Resources Management Champion: Mr. Mahendra Prasad Guragain Joint Secretary, MOGA Asst: Mr. Atma Ram Satyal, Under Secretary, MOGA	Incomplete Personnel Database System & Lack of networking	10. Complete PIS Data entry covering (i) transfer, (ii) vacancy, (iii) scholarship/trainings and (iv) disciplinary actions related information of all levels of staff.	MOGA/DOCPR	18. PIS database entry completed.	June 2012	<u>Work in Progress.</u> <ul style="list-style-type: none"> Progress of Complete PIS update as on 3rd Jan 2013 : 73613 Progress of Training Data entry as on 3rd Jan 2013 : 14166 Progress of Transfer entry as on 3rd Jan 2013: 15317 Upto 15th Aug. 2012 : 12301 16th Aug. 2012 to 3rd Jan 2013 : 3016 Progress of disciplinary actions entry as on 3rd Jan 2013: 2237
		11. Prepare data analysis framework	MOGA/DOCPR	19. Data Analysis Framework prepared	Aug. 2012	<u>Work in Progress.</u> Data Analysis Framework has been prepared by DoCPR and submitted to MOGA. It is under discussion, will be completed in 6 months.

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	Frequent Transfer of project staff	12. Management audit of development projects (focusing Transfer of project staffs.) 13. Prepare Transfer guidelines of five more ministries MOAC, MOLD, MOIrr, MOST, MOIn	MOGA/line agencies	20. First report of Management audit submitted to Cabinet and published in web site of MOGA 21. Follow-up of 3 previously audited Development Projects completed 22. Management audit of additional 5 Projects completed 23. Transfer guidelines of five additional ministries prepared	March 2012 Aug 2012 Sep 2012 June 2012	<u>Work in Progress.</u> Integrated Annual Mgmt. Audit report (F.Y. 068/69) has been prepared and submitted to Administrative committee of Office of Prime Minister and Council of Minister for discussion. MOGA has conducted 31 Offices of various level of management audit in the fiscal year 068/69 includes 8 Ministries, 6 Departments and 6 District level offices. Publishing Audit Report in the website is due. <u>Work in Progress.</u> Follow up is proposed in the programme of MOGA at fiscal year 069/70. Melamchi Water Drinking Project and Alternative Energy Promotion Centre are selected for that program. <u>Due.</u> <u>Partially Complied.</u> Four ministries namely Ministry of Education, Ministry of energy, Ministry of Science and Technology, Ministry of irrigation prepared transfer guidelines. MOGA has written letter to ten ministries for the preparation of transfer guidelines.
	Low motivation and incentive not linked with results and performance	14. Performance-based incentive plan will be rolled over, maintaining it in DOCPR, to more government agencies/projects including PPMO and districts with TSA system	MOGA/MOF/PPMO/FCGO	24. PBIS Rolled over to 5 development projects 25. Introduced PBIS in PPMO 26. Introduced PBIS in TSA districts.	October, 2012 Sept, 2012 Aug, 2012	<u>Due.</u> <u>Due.</u> <u>Complied.</u> PBIS is already rolled over to DOCPR.

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	Incoherent capacity development programs	15. Prepare and approve Human Resource Plan by MOGA 16. Develop Need assessment framework for "Training for All " policy	MOGA MOGA/ Concerned Agencies	27. Human Resource Plan approved. 28. Need assessment framework for "Training for All" focusing one of the services (e.g. Administrative or Judicial or Accounts, etc) developed	Feb 2012 Aug 2012	<p><u>Work in Progress.</u> Formulation of HRD plan is included in the programme of FY 069/70.</p> <p><u>Work in Progress.</u> Designed for Need assessment for training for all is included in the programme of 069/70 of MOGA.</p>

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<p>4.Managing for Development Results (MfDR)</p> <p>Improving results-based planning, budgeting and M& E system</p> <p>Champion: Mr. Teertha Raj Dhakal Joint Secretary, NPCS</p> <p>Assist: Krishna Prasad Dhakal, Under Secretary, NPCS</p>	<ul style="list-style-type: none"> Weak linkage of planning & budgeting 	17.Continue implementation of Business Plan already prepared for 13 agencies and replicate and expand it to 5 more agencies	NPC, MOF & concerned agencies	29. Annual budget allocated to 13 agencies based on their business plans	July 2012	<u>Work in progress</u> NPC has requested all line agencies to prepare budget based on their business plan.
		30. Business plans replicated and expanded to additional 5 agencies (Replication in DoLIDAR, DoE, DoHUD and expansion in DOHS and Department of National Parks and Wildlife Conservation)		July 2012	<u>Work in Progress.</u> Business plans Preparation of Community managed Irrigation Project of Department of Irrigation, Department of livestock, Peace Process Assistance Project of Ministry of Peace & Reconstruction, Ministry of Health & Population and Department of Health Service are accomplished so far. Preparations of Business plans of remaining entities are in final stage.	
		18. Strengthen implementation of Result based budgeting in existing two agencies – Department of Transport Management and Traffic Management Office	NPC/MOF/line ministries	31. Completed assessment of RBB implementation in two GON agencies – Department of Transport Management and Traffic Management Office.	July 2012	<u>Complied.</u> Assessment has been completed of RBB of DOTM and MTPD
19.Develop results framework in one GON agency		NPC, MOF and MOPPW	32. Prepared results framework for Ministry of Physical Planning and Works	July 2012	<u>Complied.</u> Integrated result frame works of MoPPTM has been received.	

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	<ul style="list-style-type: none"> Weak M&E system 	20.Continue M&E system strengthening measures	NPC / Line ministries	33. Increased percentage of budget allocation for M&E	July 2012	<u>Complied.</u> NPC requested and has been followed-up the ministries to increase budget allocation in M&E.
				34. Government officers trained in RBME (50)	June 2012	<u>Complied.</u> <ul style="list-style-type: none"> A training program of MfDR and RBM&E for 30 participants of various Ministries and Departments has been completed in mid June. A training organized by NASC on business plan for 16 participants completed.
				35. Government officers trained in MfDR (25)	June 2012	<u>Complied.</u> RBM&E training programs were organized in MOAD for 29 participants on June, MOE 31 participants and MoPPTM 29 participants on August and MoFSC 25 participants on September.
				36. One program and one project evaluated from third party evaluation	Sep 2012	<u>Complied.</u> Third party evaluation of free medicine distribution program of Ministry of Health and Population and Sunsari-Morang Irrigation Project has been done.
		21.Assess the implementation progress of RBME Guidelines in P1 and donor-funded projects	NPC/one agency under MPPW, MOEd, MOAC	37.Progress report covering the good practices and constraints prepared	Aug 2012	<u>Work in Progress.</u> Collection and review of progress report is going on.
				38.Prepared Action Plan to expedite effective implementation of RBME Guidelines based on the progress report	Sep 2012	<u>Complied.</u> <ul style="list-style-type: none"> NPC has already drafted integrated MfDR and M&E frameworks also acquiring inputs of line ministries and development partners. This includes review and revision of all guidelines and the refinement of the indicators as well as the simplification of M&E formats. Once the framework is finalized, it will be institutionalized with implementing time-bound action plan.

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
<p>5. Mutual Accountability</p> <p>Champion: Mr. Bhuban Karki, Under Secretary, FACD, MOF</p>	<p><u>Aid transparency</u> AMP reporting requirements about transparency are not met.</p> <p>(Baseline: October 2011: 35% of DPs fully meet AMP reporting requirements)</p>	<p>22.70 % of DPs report planned disbursements for the next 3 Fiscal Years</p> <p><u>December 2012 status:</u> 50% (60% in August)</p> <p>23.70 % of DPs report actual disbursements trimesterly and for the mid-term budget review</p> <p><u>December 2012 status:</u>60% (65% in August)</p>	<p>MOF/DPs</p> <p>MoF/DPs</p>	<p>39. Development Cooperation Report published by GON in December- January.</p> <p>40. Publication and presentation of mid-term budget report by GON within 30 days of second trimester</p> <p>41. Publication and presentation of annual budget report by GON within 5 months of year end</p>	<p>Trimesterly + for mid-term budget review (January)</p> <p>Jan 2012</p> <p>Nov 2012</p>	<p>Complied. DCR was published online and disseminated in hard copies to DPs, GON ministries and agencies and concerned Parliament committees in March 2012.</p> <p>Complied. Midterm budget report was published in January, 2012.</p> <p>Working Progress.</p>
	<p><u>Aid predictability</u> Aid is less predictable</p> <p>(Baseline: 25 % gap between planned and actual disbursements)</p>	<p>24. Maximum 20% gap between planned and actual DP disbursement by end of FY</p> <p><i>After 3 trimesters, planned disbursement is only 50% of actual disbursement. The planned disbursement is not adequately reported resulting higher gap between planned and actual disbursement.</i></p>	<p>DPs/GON MOF Cabinet Parliament</p>	<p>42. Maintain maximum 20% gap between Planned and Actual disbursement amount by DPs in FY end.</p> <p>43. MOF submits budget before the end of FY 2012 and parliament approves budget on time</p> <p>44. Line ministries and NPC to approve program budget within 30 days of budget tabled to the Parliament</p>	<p>July 2012</p> <p>July, 2012</p> <p>July 2012</p>	<p>Partially Complied. The gap is higher than 20%. It is 50% after third trimester.</p> <p>Complied. One third budget approved by Ordinances.</p> <p>Partially Complied. Program of one third budgets approved. Time limit still needs improvements.</p>

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
				45. Line ministries issued budget authorization for DP funded projects within 15 days of receipt of NPC approval	Aug 2012	<u>Partially Complied.</u> Budget authorization process is improving. Regarding the time limit, it is to be tracked, particularly authority from line agencies.
				46. DPs submit the planned disbursement figure to MOF	Jan 2012	<u>Partially Complied.</u> As per the aid transparency indicators, 50% DPs met reporting requirements on planned disbursement.
	<p><u>Use of National Budget System</u> Lack of Compliance of national budget system</p> <p>Baseline: 45% of total external aid through treasury.</p>	<p>25. Improvement in the use of national system- total external aid using the treasury, national procurement and audit system increase</p> <p><i><u>December 2012 status:</u></i> <i>58% of disbursements amount reported went through national treasury.(61% in August)</i></p>	<p>DPs/ GON MOF (budget Division) Constitutional Council</p>	<p>47. Non-use of national systems to be systematically reviewed for new projects, project renewals and DPs to provide written justification if national systems not used</p> <p>48. 40% of capital budget executed by the end of second trimester</p> <p>49. 75% of capital budget executed by year end</p> <p>50. Timely appointments in Constitutional Bodies</p>	<p>Continuous</p> <p>Jan 2012</p> <p>July 2012</p> <p>Oct 2012</p>	<p><u>Work in Progress.</u> Usually the justification is given for the new projects for non use of national system by some of the DPs who are not using national budget system. However, tracking mechanism is not yet established.</p> <p><u>Partially Complied.</u> 31% capital budget was executed by the end of second trimester.</p> <p><u>Complied.</u> 75.21% cash budget was executed by year end.</p> <p><u>Due</u></p>

Key Areas	Challenges	Agreed Actions	Responsible Agencies	Performance Indicators	Target Dates	Progress
	<u>Use of Parallel Implementation Units</u> Prevalence of Parallel PIUs Baseline: 68	26. Reduce parallel PIUs in DP supported projects in government sector	DPs/GON	51. Parallel PIUs to be systematically reviewed for new projects and project renewals, and DPs to provide written justification for parallel PIU 52. Key staff including project coordinators and accountants in DP supported projects stay in post at least 2 years, in compliance with CS Act	Continuous Continuous	<u>Work in Progress</u> Usually the justification is given for the new projects for use of parallel PIUs by some of the DPs who are using parallel PIUs. However, tracking mechanism is not yet established. <u>Partially Complied.</u> Accountant's retention situation is much improved. Status of retention for other key staff in each project funded by DPs is yet to track.

Aid Transparency Index

Donor Group	Actual Disbursement	Planned Disbursement	Combined score
% of DPs in green	60%	50%	55%
Asian Development Bank	83%	60%	71%
Australia	50%	75%	63%
Canada	100%	100%	100%
China	100%	0%	50%
Denmark	80%	82%	81%
European Union	95%	12%	54%
Finland	50%	78%	64%
Germany	100%	75%	88%
Global Fund to Fight AIDS, Tuberculosis and Malaria	0%	50%	25%
Japan	89%	83%	86%
Korea	100%	100%	100%
Netherlands	38%	40%	39%
Nordic Development Fund	100%	100%	100%
Norway	68%	91%	80%
Organization of Petroleum Exporting Countries	100%	100%	100%
Switzerland	100%	95%	98%
USAID	0%	87%	43%
United Kingdom	87%	89%	88%
United Nations	70%	79%	75%
World Bank Group	19%	68%	43%

UN details per agency

UN Agency	Actual Disbursement	Planned disbursement	Combined Score
Average score for all resident UN agencies	72%	52%	55%
Food and Agriculture Organization	36%	33%	35%
Global Environment Facility	60%	Insufficient Data	Insufficient Data
International Fund for Agricultural Development	0%	80%	40%
International Labour Organization	100%	100%	100%
UNOPS	50%	50%	50%
United Nation Office of High Commissioner for Human Rights	100%	100%	100%
United Nations Capital Development Fund	100%	100%	100%
United Nations Children's Fund	28%	50%	39%
United Nations Development Fund for Women	100%	0%	50%
United Nations Development Programme	95%	83%	89%
United Nations Educational, Scientific and Cultural Organization	100%	Insufficient Data	Insufficient Data
United Nations Environment Programme	Insufficient Data	Insufficient Data	Insufficient Data
United Nations High Commissioner for Refugees	0%	100%	50%
United Nations Human Settlements Programme	100%	100%	100%
United Nations International Strategy for Disaster Reduction	100%	0%	50%
United Nations Office of Drugs and Crime	100%	Insufficient Data	Insufficient Data
United Nations Peace Fund	80%	67%	73%
United Nations Population Fund	100%	67%	83%
World Food Programme	100%	100%	100%
World Health Organization	100%	0%	50%

Notes on methodology:

- Scoring based on reporting requirements outlined in the Aid Management Platform guidelines, and NPPR 2011 Action Plan. A donor is considered compliant if the score is 80% or more, partially compliant if between 50 and 79% and non-compliant below 50%.
- **For actual disbursements:** for each donor, % of projects for which disbursements has been reported at the end of the 3rd trimester (or more recently).
- **For planned disbursements:** for each donor, % of projects which have planned disbursement information for the next 3 fiscal years or until the end of the project if it ends before 3 years.
- If a project is managed by one donor on behalf of others, the managing donor is accountable for reporting.

PART III

BACKGROUND PAPERS

ATTACHMENT 1

ASIAN DEVELOPMENT BANK



**ASIAN DEVELOPMENT BANK
NEPAL COUNTRY PORTFOLIO REVIEW
2012**

ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
APA	-	Audited Project Accounts
AFS	-	Agency Financial Statement
CPRM	-	Country Portfolio Review Mission
CPS	-	Country Partnership Strategy
EA	-	Executing Agency
EU	-	European Union
IA	-	Implementing Agency
JICA	-	Japan International Cooperation Agency
MOF	-	Ministry of Finance
NPPR	-	Nepal Portfolio Performance Review
NRM	-	Nepal Resident Mission
NRT	-	Net Resource Transfer
OAG	-	Office of the Auditor General
OCR	-	Ordinary Capital Resources
O&M	-	Operation and Maintenance
PCR	-	Project Completion Report
PPA	-	Public Procurement Act
PPMO	-	Public Procurement Monitoring Office
PPR	-	Public procurement Regulation
PPRR	-	project procurement related review
QCPR	-	quarterly country portfolio performance review
SRP	-	Sector Results Profile
SWAP	-	Sector-wide Approach
TA	-	Technical Assistance

NOTES

- (i) The fiscal year (FY) of the Government ends on 15 July.
- (ii) In this report, "\$" refers to US dollars.

I. INTRODUCTION

1. Asian Development Bank (ADB) Nepal Country Portfolio Review Mission (CPRM) 2012 was fielded during 27-28 Nov 2012. The CPRM was undertaken noting the difficult project implementation environment in 2012, including the frequent bandh in April-May, untimely budgetary release, and implications arising from the dissolution of the Constitutional Assembly in May 2012. As a result, annual contract awards and disbursements slowed down. The 2012 CPRM aimed to (i) assess the portfolio performance against key portfolio indicators, (ii) assess progress of development results (including thematic results) (iii) review status of implementation of all projects and programs with the concerned line ministries; (iv) examine country-specific common project implementation issues; (iv) assess progress in implementing the CPRM action plan for 2012; and (v) agree on a time-bound action plan for 2013 with quantifiable monitoring targets to improve portfolio performance and delivery of results on the ground.

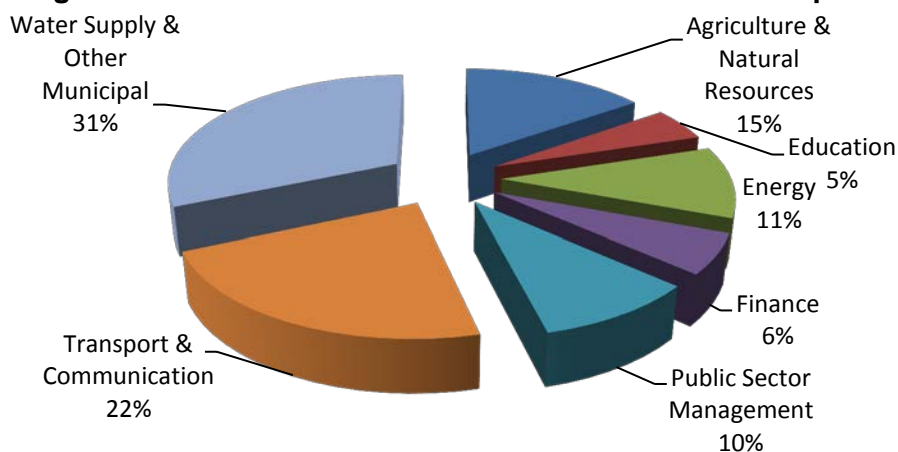
2. The Nepal Portfolio Performance Review (NPPR) will be conducted on 24 Jan 2013. It will be led by the Ministry of Finance (MOF) with support of the Asian Development Bank (ADB), the Department for International Development of United Kingdom (DFID), Japan International Cooperation Agency (JICA), the World Bank (WB), the European Union (EU), the Embassy of Norway, the United Nations Country Team (UNCT), the United States Aid Agency (USAID), the International Fund for Agriculture Development (IFAD), the Embassy of Denmark and the Embassy of Australia. This paper summarizes the performance of the ADB portfolio in Nepal to facilitate the NPPR process.

3. In Sept 2012, the Government and the core development partners reviewed the progress in implementation of the action plan developed during NPPR in 2011. They will make its final assessment during the NPPR scheduled on 24 Jan 2013. The key thematic areas to be discussed during the NPPR are: (i) human resource management; (ii) public procurement; (iii) public financial management; (iv) managing for development results; and (v) mutual accountability and also focus on three sectors (i) agriculture; (ii) roads; and (iii) local governance community development program. The main theme of the NPPR is Portfolio Management for Development Results. The Government will prepare its own thematic paper.

II. PROJECTS AND PROGRAMS

4. The active ADB-financed portfolio in Nepal amounts to \$1,322.5 million, with 33 investment projects in seven sectors. The sector-wise distribution is summarized in Figure 1.

Figure 1: Sector-wise Distribution of ADB Portfolio in Nepal



5. **Agriculture and Natural Resources:** ADB as the key development partner (DP) in the sector is presently supporting (i) agriculture commercialization, (ii) rural infrastructure development, and (iii) small- and medium-scale farmer-managed irrigation systems. Agriculture commercialization is supported through value chain development and empowering small farmers and catalyzing private investments. Rural infrastructure has focused on environmentally friendly and sustainable structure works involving vulnerable groups. Providing quality infrastructure and establishing participatory management systems to sustain equitable and efficient water distribution are the focus of irrigation projects. Building on ADB's long-term partnership, ADB is taking a lead role in assisting the preparation of the agriculture development strategy co-financed by 10 DPs.

6. **Education:** ADB is supporting the government's School Sector Reform Program (SSRP). The SSRP supports the restructured school education system (grades 1–12), enhancing access and equity (including gender parity), improving quality and relevance, and strengthening institutional capacity, contributing to the internal efficiency of the school education system. ADB has also supported the Skills for Employment Project, which contributed to increasing skilled workers. The project also supported policy reforms and capacity building, including developing a regulatory and institutional framework, and expanding demand-based short-term skills training.

7. **Energy:** ADB is supporting the electricity transmission and distribution improvements through two ongoing projects. Based on the detailed engineering design work of Tanahu (Upper Seti) Hydropower project financed by ADB, project preparation is presently ongoing. Also Scaling up Renewable Energy Project is also under preparation. ADB continues its support for regulatory, institutional and policy reforms, including operational and financial restructuring of Nepal Electricity Authority and reducing system losses.

8. **Finance and Governance:** ADB's assistance program comprise: Rural Finance Sector Development Cluster Program (RFSDCP), and Capital Market and Infrastructure Capacity Support Project. RFSDCP helped to develop an enabling rural finance sector framework through policy, legal, regulatory and institutional reforms, and promote a conducive sector environment, expand sound rural finance, and facilitate private sector participation.

9. **Public Sector Management:** ADB is assisting this sector through Governance Support Program (GSP). GSP has supported, in collaboration with five partners through a joint financing arrangement, the implementation of the Government's flagship Local Governance and Community Development Program.

10. **Transport and Communication:** ADB is supporting two projects each in subsectors of roads and air transport to expand and enhance the quality of road networks and air transport services. The Air Transport Capacity Enhancement Project is on improving operational capacity of the Tribhuvan International Airport and strengthening institutional capacity of the Civil Aviation Authority of Nepal to facilitate future reforms and private sector participation. Several domestic airports in key tourist destinations are also being upgraded. In addition, ADB assists the implementation of two projects in Information and Communication Technology subsector.

11. **Water Supply and Other Municipal Infrastructure and Services:** There are eight ongoing investment projects in this sector, accounting for the largest share (31%) of ADB's operation in Nepal. ADB assistance is focused on timely implementation of the Melamchi Water Supply Project and associated projects to extend distribution systems in the Kathmandu Valley. Providing water supply and sanitation and other urban infrastructure in secondary towns and small towns is also prioritized. The assistance also provides support for the improvement and capacity development of urban service providers and user committees.

Substantial progress has been made in ADB-assisted secondary and small towns in terms of user financing of operation and maintenance. Also partial capital cost recovery by users, along with mainstreaming GESI in urban sector operations is a significant achievement. ADB is also helping to address the relatively slow progress in achieving some of the Millennium Development Goals relating to hygiene and sanitation.

III. PORTFOLIO PERFORMANCE OVERVIEW

12. **Overall Portfolio:** ADB's ongoing portfolio as of 31 Dec 2012 comprises 33 investment projects spread across 15 loans and 26 investment grants. Of the ongoing portfolio, \$609.2 million (46%) has been contracted and another \$411.0 million (31%) disbursed. Five projects were financially closed in 2012¹.

13. **Contract Awards and Disbursements:** Nine projects fielded mid-term review and special project administration missions to review status of implementation progress and prepared revised contract award and disbursement projections. The revised 2012 contract award and disbursement projections are \$153.0 million and \$109.0 million, respectively. The contract award and disbursement achievement as of 31 Dec 2012 is \$138.3 million (90% against revised target) and \$90.7 million (83% against the revised target). Contract award ratio and disbursement ratio were 18.1% and 9.5%, respectively, lower than previous years reflecting the difficult environment for project implementation in 2012.

14. **Net Resource Transfer:** The net resource transfer as of 30 September 2012 is \$2.1 million after a repayment of \$58.4 million, including grant projects. Further to maintain the positive net resource transfer, the disbursement achievement in 2012 should exceed \$90.2 million in relation with the similar projected amount of loan payment services.

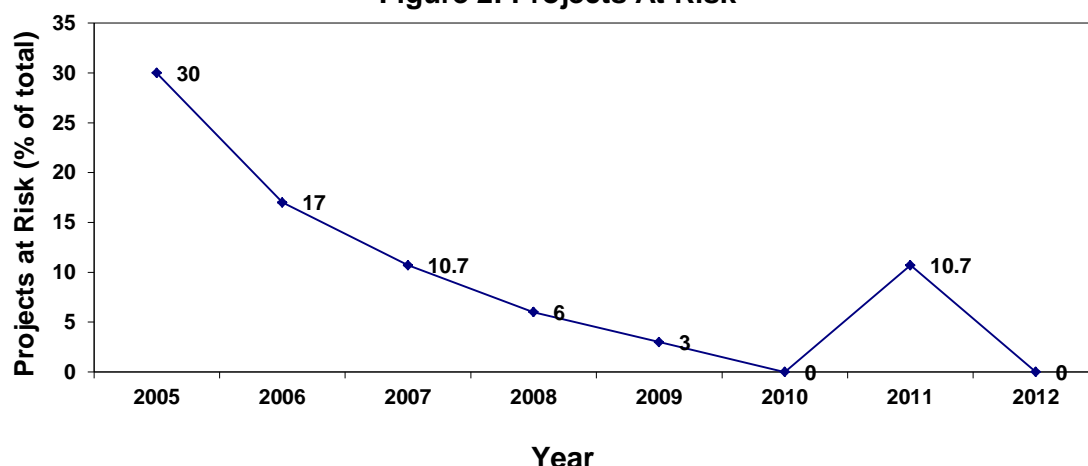
15. **Projects at Risk:** The overall risk ratio of the portfolio has increased from 2011, with the introduction of new portfolio performance indicators and ratings by ADB. The project performance ratings in the last quarter of 2012 (31 Dec 2012) has improved with zero project's rated as "at risk". However, the portfolio consists of 9 projects rated as "potential problem" lagging behind in implementation,² which account for 32% of the investment project portfolio. These projects require intensive monitoring and concerned executing agencies (EAs) and implementing agencies (IAs) must take proactive initiatives to prevent them from falling into "at risk" category.

16. **Submission of APA/AFS:** There has been a substantial improvement in submission of audited project accounts and agency financial statements (APA/AFS) from 25% of projects complying late in 2011 compared to 70.6% in 2010. Due to close follow-up the performance in 2012 has improved, and 94% of APAs/AFS were submitted before the deadline in 2012. However, quality of APAs/AFS still needs to be substantially improved.

¹ Grant 0105: Education Sector I Project, Grant 0059: Rural Finance Sector Development Program, Grant 0094: Rural Reconstruction and Rehabilitation Sector Project, Loan 2092: Decentralized Rural Infrastructure and Livelihood Project, and Loan 2111: Skill for Employment

² Loan 2143: Gender Equality and Empowerment of Women Project, Grant 0063: Commercial Agriculture Development Project, Grant 0267/Loan 2796: Decentralized Rural Infrastructure and Livelihood Project-AF, Grant 0227: Transport Project Preparatory Facility, Grant 0099: SASEC Information Highway Project, Loan 2587: Energy Access and Efficiency Improvement Project, Loan 1820: Melamchi Water Supply Project, Loan 2776: Kathmandu Valley Water Supply Improvement Project; and Loan 2851/Grant0284: Integrated Urban Infrastructure Development Project

Figure 2: Projects At Risk



17. **Completion Report–Projects/Programs:** During 2012, Project Completion Reports (PCR) for three loans, all rated successful, were circulated to the Board³. A total of twenty one PCRs have been circulated to the Board from 2005 to 2012, of which fourteen were rated successful (63.5%), seven were partially successful (32.0%) and one was unsuccessful (4.5%).

18. **New Additions:** In 2012, ADB approved four ADF loans and grants totaling \$103.8 million. These are the following.

- (i) **Integrated Urban Development Project:** A grant of \$12 million along with a loan of \$44.8 million was approved in Feb 2012. It aims to enhance access to water supply, sanitation, drainage, solid waste management, and urban roads in Dharan, Janakpur, Nagalgunj, and Siddhathanagar municipalities. Also it consists of Institutional strengthening of municipalities and sector agencies, including gender empowerment and social inclusion.
- (ii) **Water Resources Project Preparation Facility Project:** The \$11 million grant project was approved in July 2012. It will assist the investment project preparation and associated multidisciplinary capacities for upgrading irrigation infrastructure, improving irrigation efficiency, and mitigating the risk of water-related disasters.
- (iii) **Strengthening of Public Management Program:** ADB in partnership with United Kingdom approved the program in Sept 2012. The program provides ADB's support for implementing public financial management reforms that are critical to spur the post-transition economic development. The specific areas include public procurement systems (introduction of e-procurement), strengthening capacities for public financial management at local levels, and municipal administration revenue system, among others. ADB is providing a grant and technical assistance (\$21.5 million). A co-financing grant of \$6.5 million from the Government of the United Kingdom will be administered by ADB.
- (iv) **Sub-regional Trade Facilitation Program:** The \$15 million grant program was approved in Nov 2012 aiming to facilitate smooth movement of goods in the region covered under South Asia Sub-regional Economic Cooperation (SASEC) involving Bangladesh, Bhutan, India and Nepal. It finances customs modernization and harmonization, and improved networking of the government and trading agents.

³ Loan 1996: Urban and Environmental Improvement Project; Loan 2008: Community Based Water Supply and Sanitation Sector Project; and Grant 0059: Rural Finance Sector Development Program

19. Six technical assistance (TA) grants totaling \$6.0 million were also approved in 2012: three capacity development TAs for supporting public management reform program, enhancing portfolio managing capacity and the government's economic development vision, and three project preparatory TAs for the Bagmati River Basin Improvement Project and for supporting sustainable hydropower development.

III. PERFORMANCE MONITORING

20. In order to strengthen project implementation and portfolio performance, NRM has intensified its focus on (i) streamlining project processing with a focus on early establishment of project management offices by the EAs; (ii) development of detailed procurement plans and close monitoring of the implementation of the plan; (iii) strengthening engagement with the government through Quarterly Country Portfolio Review (QCPR) meetings; (iv) enhancing capacity development in procurement and financial management of relevant agencies and NRM. QCPR meetings review project performance in seven sector groups with the participation of NRM, all project teams and relevant government agencies. CPRM is conducted on an annual basis with a wider participation of the ADB, all the project teams, and the relevant government agencies and MOF. CPRM develops an annual action plan to address all individual sector issues and crosscutting issues. The progress made in implementation of the CPRM Sector Action Plans for the year is monitored through QCPR. Of a total of forty five actions agreed during the 2011 Annual CPRM, thirty two actions have been complied with and thirteen actions are being complied with (as of 30 Nov 2012).

IV. PORTFOLIO PERFORMANCE ISSUES

21. Although the project implementation has been gradually improving since the end of the civil conflict in 2006, the project implementation has been slow. Year 2012 posed particular challenges, due to the security problems in the first half of the year, followed by uncertainties and difficulties associated with timely budget release and a concern on reduced oversight mechanisms due to the dissolution of the Constitutional Assembly. NRM's assessment on the impact of the country's overall security situation on the portfolio as of 30 Jun 2012 revealed that political stalemate and frequent bandhs in Far-Western, Mid-western and Eastern development regions slowed the project implementation. Three projects indicated to have been affected moderately⁴. Further, five projects have been seriously affected by these issues⁵. During the second half of 2012, several projects particularly those initiated in 2011 and 2012 faced challenges due to the delayed allocation and release of the budget. There has also been continued concern on the procurement and fiduciary risks associated with projects in particular those having miscellaneous contracts implemented in remote districts, for which an action plan was formulated and initiated in September 2012 (see below). CPRM 2012 has identified sector specific and systematic issues continuously affecting performance.

A. Quality at Entry

22. **Start-Up Compliance:** The Nepal portfolio consistently experiences start-up delays, which carry over into broader implementation delays, resulting in inevitable project extensions. With ADB's expanding Nepal assistance portfolio every year, it is critical that the quality of projects at entry improved to ensure effective and efficient resource use. The revised project readiness filter to ensure quality at entry has been extensively discussed and

⁴ Grant 0063: Commercial Agriculture Development Project; Grant 0233: Raising Income of Small and Medium Farmers Project; Loan 2143: Gender Equality and Empowerment of Women Project

⁵ Grant 0225/Loan 2685: Subregional Transport Enhancement Project, Grant 0051: Road Connectivity Sector I Project, Grant 0093: Rural Reconstruction and Rehabilitation Sector Development Project, Grant 0157: Second Small Towns Water Supply and Sanitation Sector Project and Loan 2650: Secondary Towns Integrated Urban Environmental Improvement Project

agreed between ADB and MOF to assess readiness against the filters. The filter indicates the actions for different stages of project design, preparation, fact-finding, and loan or grant negotiations. The revised filter endorsed by the MOF was presented to the EAs processing new investments in 2013. There is a need to institutionalize the readiness filter with the Government and more systematically apply such filters during project processing and preparation by project teams.

23. **Projects at Risk:** The overall risk ratio for Nepal portfolio has increased from 2011.⁶ As of 31 Dec 2012, two projects were rated as “at risk” and eight projects as potential problem. These projects require close monitoring and concerned EAs and IAs must take efforts to prevent any projects from falling into “at risk” category. These efforts require establishing (i) procurement plan and monitoring tables for all procurement; (ii) physical and financial progress planning and monitoring tables; (iii) system of timely submission of audit reports with pro-active planning and monitoring; (iv) system of monitoring and ensuring safeguards compliance; and (v) prior detection of projects that may fall under potential or at risk category.

B. Human Resources

24. **Frequent Transfer of Project Staff:** The issue of transfer of project implementation staff at the center and district levels without proper handing over of responsibilities has been a major concern repeatedly raised in past. Although the Government reiterates that the staff transfer has been carried out in accordance with the Civil Service Act, frequent changes of key implementing staff have resulted in further implementation delays, disruption in project implementation momentum and loss of institutional memory⁷. Similarly, frequent changes of the local development officers in the districts, chief executive officers in the municipalities, sectoral district chief and district technical officers and associated staff have significantly hampered the implementation of projects⁸.

25. **Inadequate Staffing:** Inadequate staffing is a persistent issue that is adversely impacting the performance of projects, especially the ones at the district level⁹. The existing staff is overloaded and lack motivation to carry out required activities. A strong commitment from the Government is required to fulfill the vacant positions at the central and district levels as an increased number of projects are adopting decentralization.

C. Public Financial Management

26. **Fiduciary Risk:** Low accountability at implementation level due to uncertain political environment and absence of local bodies in the central and district level have increased fiduciary risk. This is particularly an issue for programs providing budgetary support to the Government such as School Sector Reform Program and Local Governance and Community Development Program. ADB has initiated its support to the Government in addressing the fiduciary risk through Strengthening Public Management Program, with cofinancing of DFID. It consists of (i) implementation of public expenditure and financial accountability and fiduciary risk reduction action plan; (ii) strengthening local bodies accounting system; (iii)

⁶ ADB's Project risk rating is done on the basis of the project performance in terms of procurement, disbursement, compliance with safeguards, project audit, and technical and other implementation related performance.

⁷ It was noted that there has been frequent changes of project directors of Loan 2656/Grant 0212: Kathmandu Sustainable Urban Transport Project; Grant 0051: Road Connectivity Sector Project, Grant 0157: Second Small Towns Water Supply and Sanitation Sector Project, and the Executive Director of Loan 1820: Melamchi Water Supply Project.

⁸ Eg. Loan 2650: Secondary Towns Integrated Urban Environmental Improvement Project

⁹ Grant 0179: South Asia Tourism Infrastructure Development Project and Loan 2650: Secondary Towns Integrated Urban Environmental Improvement Project have been affected due to many vacant key positions in implementation staff

public and social audits to strengthen management and accountability of user groups; (iv) improving local planning and civic oversight by enhancing ward citizens forum and community awareness centers; (v) enhancing transparency by developing websites to disclose revenue and expenditures of local bodies; and (vi) strengthening external and internal audit of local bodies, including risk based internal audit. Similarly, ADB is also supporting initiatives that have been taken under School Sector Program through (i) internal control measures at the Ministry of Education and the Department of Education; (ii) enhancement of financial management information system; (iii) detailed line-item budget codes for better tracking; (iv) direct payment of teachers' salaries through their individual bank account; (v) improvements to financial and social audits; (v) improved expenditure management for text book printing, construction and scholarship; and (vi) recovery of ineligible funds.

27. **Project Audit Effectiveness:** As per the loan/grant agreements, certification and submission of project accounts to ADB within the stipulated time (for ADB projects approved after 2006, submission needs to be within six months from the closing of fiscal year) is crucial for sound public financial management. There has been significant improvement in the submission of audited project accounts (APAs) in 2012. However, there are issues such as capacity constraints, lack of adequate staff at the field level, lack of orientation on requirement of project account, and poor monitoring and reporting systems. Also, the quality of the APAs needs to be improved with the inclusion of (i) management letter; (ii) financial covenant compliance; (iii) status on statement of expenditure and imprest account; and (iv) status on the action of previous year's APA management letter. Hence, it is vital to coordinate with the Office of the Auditor General, Nepal to further improve timeliness and quality of APAs submission. To enhance transparency, it has been now made mandatory for ADB-supported projects to disclose their fiscal year APAs in the website¹⁰.

28. **FY2012/13 Annual Budget:** Only one-third of the annual budget was approved at the beginning of FY2012/13 and later an interim partial budget was announced. This has adversely impacted implementation of newly approved projects, timely distribution of compensations and shortfall of counterpart funding for some projects¹¹. Also disbursement was affected in comparison with the target in 2012.

D. Procurement Management

29. **Implementation of Public Procurement Act and Regulations:** Procurement management has been one of the key issues as it influences the quality of performance in all aspects of project implementation. ADB is strengthening the capacity of public procurement entities through different technical assistance programs and collaborating with the World Bank and JICA to carry out reviews to assess, develop and implement remedial actions to improve public procurement management system. Three joint ADB-World Bank reviews have been fielded since 2010. These missions assisted the Government to effectively implement the Public Procurement Act (PPA) and Public Procurement Regulations (PPR)– through the strengthened capacity of the Public Procurement Monitoring Office (PPMO). In 2012-2013, the Government is in the process of rolling out e-government procurement (e-GP) phase 1 to automate the process up to bid submission, with technical assistance of ADB. Its second phase is also envisaged to be implemented under the SPMP with DFID cofinancing. PPMO needs to ensure establishing sufficient human resources and capacities to roll out and operate e-GP along with its monitoring and regulatory functions. The requisite actions include recruitment of staff with IT knowledge, and procurement experts through

¹⁰ This requirement is applied to projects for which invitation to negotiate has been issued on or after 2 April 2012

¹¹ (i) Loan 2587: Energy Access and Efficiency Improvement Project; (ii) Loan 2851/G0284: Integrated Urban Development Project; (iii) Grant 0218: Community Irrigation Project; (iv) Grant 0233: Raising Income of Small and Medium Farmers Project; (v) L0248: Highland Mountain Agribusiness and Livelihood; and (vi) Loan 2685/Grant 0225: Subregional Transport Enhancement Project.

outsourcing by introducing accreditation systems to ascertain staff eligibility. Amendment of PPA and PPR has also been recommended to meet these new requirements.

30. Procurement Planning and Progress Monitoring: Inadequate procurement planning has been a major concern for monitoring the implementation of projects. Also there is a lack of institutional capacity and designated staff in preparing robust procurement plan and hence the capacity of the EAs and IAs in this aspect needs to be strengthened. Further, the procurements of works, goods and services are increasing both at the central and district levels due to the increased portfolio size. To strengthen procurement planning of the EAs and IAs, NRM has undertaken capacity development programs and initiated use of automated software on procurement and disbursement for most of the projects administered by NRM.

31. Transparency in Procurement: In recent years there has been an indication that risks in public procurement, including intimidation, collusion and forming cartels amongst the bidders in Nepal are on the rise at the central and district levels. Cases have not only been reported in the media but also seen when the bidders are blocked from bidding because of intimidation and the use of physical force by individuals and groups. To address this issue ADB needs to adopt mechanisms at the project level such as independent spot checking, third party monitoring system and strengthening of procurement review mechanism. In this regard spot checking of procurement activities and third party monitoring has been established for Emergency Flood Damage Rehabilitation Project. Further, OAG, Nepal has agreed with the Ministry of Education and development partners to conduct a third party monitoring of education Sector-wide Program (SWAP). An action plan based on lessons from the project procurement related review (PPRR) of Loan 2092: Decentralized Rural Infrastructure and Livelihood Project have been developed and it will be applied to eight projects with decentralized activities¹². The action plan intends to address issues related to capacity building of EAs/IAs on procurement, financial management, internal control, and monitoring. Orientation on PPRR findings will be provided to staff at district level through review missions and regional training programs. Spot checking will also be conducted by consultants during bidding process. NRM has also initiated briefing staff at district level during review missions for urban and rural road projects.

V. CONCLUSION

32. In order to tap the country's enormous development potentials and achieve higher annual growth rate (of 7-8%), enhancing the implementation capacity of development programs with delivery of quality outputs in an accountable and transparent manner remains an essential first step in its pathway. Nevertheless, the portfolio performance faced challenges in 2012, due to external factors such as frequent strikes during the second quarter and partial budget provided for the project implementation, as well as internal factors including untimely budget release, and generic implementation constraints that have been tackled under past CPRMs and NPPRs. Critical needs include (i) enhancing the performance of energy sector portfolio of which performance has been low; (ii) enhancing project readiness of investment projects at project approval; (iii) effective planning and monitoring of procurement and physical and financial progress; (iv) deployment and retention of competent project staff; (v) timely and quality project audits, and (vi) effective fiduciary risk management and integrity. ADB is also promoting result-oriented portfolio management, with a stronger

¹² (i) Loan 2796: Decentralized Rural Infrastructure and Livelihood Project- Additional Financing; (ii) Loan 2851: Integrated Urban Development Project; (iii) Loan 2143: Gender Equality and Empowerment of women Project; (iv) Loan 2656: Kathmandu Sustainable Urban Transport Project; (v) Grant 0063: Commercial Agriculture Development Project; (vi) Grant 0233: Raising Incomes of Small and Medium Farmers Project; (vii) Grant 0219: Community Irrigation Project; and (viii) Grant 157: Second Small Towns Water Supply Sanitation Sector Project.

focus on the progress and achievements outputs, and outcomes including sustainability of created infrastructure and institutions.

33. Portfolio performance in Nepal over the past 10 years has seen progressive improvements. However, there remain systemic and overall project implementation and portfolio management issues, relating to (i) quality at entry; (ii) human resources; (iii) public financial management; and (iv) public procurement management. These continue to constrain the portfolio performance. Renewed efforts are needed to work with the Government and other key development partners through the NPPR, where meaningful actions that will directly result in critical performance indicators should be discussed and agreed upon. Stronger efforts in addressing these generic constraints are needed in order to accelerate portfolio performance improvement (such as an exemplary level of project disbursement ratio of 20-25% with substantially reduced percentage of at risk and potential problem and projects) while generating intended results (in terms of outputs and outcomes including sustainability) and reach its full potential in Nepal.

34. 2012 CPRM focused on the overall systematic issues to improve portfolio performance, and the key issues identified for necessary action during 2013 are:

- (i) **Frequent transfer of project staff and executive officers of municipalities:** Frequent changes of key project staff have resulted in implementation delays, disruption in project implementation momentum and loss of institutional memory. The recommended action includes relevant ministries and government agencies to issue directives to prepare norms and adhered to them addressing this issue, with strict monitoring of the staffing and prior information to ADB in case of changes.
- (ii) **Weak accountability and transparency:** An action plan has been developed to address the concerns raised in the Project Procurement Related Review report of a rural infrastructure project (Office of Anticorruption and Integrity, April 2012). The action plan will be implemented and monitored in eight projects with similar decentralized procurement and implementation activities. Further, it was proposed to widely disseminate the role and responsibility of the sector agencies and local bodies in implementing project objectives; and EAs and IAs to maintain an updated project websites/media/signs, and disclose/display all relevant information including procurement related activities.
- (iii) **Procurement management:** Procurement efficiency will be improved by expanding the e-procurement system presently being piloted, to eight institutions, as planned, which is expected to result in more efficient procurement in terms of bidder participation and timeliness of evaluation. Mechanism will also be developed to monitor the time lag for review of procurement documents to award of contract in order to identify where improvements needed.
- (iv) **Result-based Portfolio Management:** The progress on achieving outcomes and outputs have been monitored towards results-based management at the sector level through a bottom-up monitoring with the use of the existing sector results framework. The sector outputs are reviewed on a quarterly basis and the sector outcomes annually.
- (v) **Timely availability of funds for project implementation:** The approval of only one-third of the annual budget at the beginning of FY2012/13 and later the announcement of interim partial budget, has adversely impacted implementation of newly approved projects, and timely distribution of compensation. Actions were agreed upon to ensure adequate allocation of budget.

- (vi) **Delay in compliance of key covenants and policy reforms:** It was highlighted that there has been significant delay in compliance of key covenants and policy reforms. ADB requested MOF to facilitate and monitor progress of line ministries to ensure timely compliance of covenants and policy reforms as agreed in the loan and grant agreements.
- (vii) **Project readiness filter:** Project readiness filter was extensively addressed during the 2011 CPRM and agreement was reached with the Government to assess readiness against agreed filters, which was endorsed by MOF on 15 March 2012. It was agreed that the filter be effectively used and monitored by project teams for new investment projects to minimize start up delays.

ATTACHMENT 2

AUSAID



Australian Government

AusAID



NEPAL

Portfolio Performance Review (NPPR) 2013

AusAID Background Paper



1. OVERVIEW

This background document on the Australian Aid Program in Nepal forms part of the Government of Nepal's Nepal Portfolio Performance Review (NPPR) for 2013. Full information on Australia's development assistance to Nepal can be found at www.aisaid.gov.au.

Australia is committed to close partnership with the Government of Nepal. Over more than 50 years of Australian-Nepal Development Cooperation has seen great success. This includes the Community Forestry program, which Australia helped initiate with more than 40 years of assistance and has now expanded across the country. Key approaches developed in this program have also since been replicated across the world. Australia has also contributed to alleviating avoidable blindness through support to the Tilganga Institute of Ophthalmology.

In recent years, in line with the Paris, Accra and Busan frameworks, Australia has been working through the Government of Nepal system in support of its health and education sector programs. Australia also works with the Government in supporting micro-entrepreneurs with the objective of alleviating poverty. Australia also supports access to clean water and basic sanitation for the people of Nepal.

Since 2008, Australia's aid program in Nepal has almost tripled. Australia's official development assistance to Nepal was over \$30.5 million in 2011-12, and will be \$31.5 million in 2012-13.[†]

To guide this growing program, Australia is developing a Country Strategy for Nepal (2013 to 2017) which is being prepared in consultation with the Government of Nepal and other stakeholders.

NPPR Process

AusAID has participated in the NPPR process since 2007 and now joins in the process as a core member in 2013. AusAID sees the NPPR process as an important tool to address systemic implementation issues that are cross-cutting in nature and beyond the capacity of one sectoral program to address; and in bringing these issues high up in the development agenda and seeking collective solutions to ameliorate them.

Focus on Results


AusAID has developed a [Comprehensive Aid Policy Framework](#) which plans for further growth of the Australian aid program. This may include future increases to our program in Nepal.

The Government of Australia is increasingly focused on the impacts / results achieved from Australia's aid and reporting these in a way that ensures transparency and accountability to both the Nepali and Australian public. Future growth in Australia's aid to Nepal will depend primarily on results achieved. We will also need to see increased levels of accountability to ensure ongoing and emerging risks are managed appropriately. An assessment of the National Systems of Nepal undertaken for our Program highlights that risks are 'very high' if our investments are implemented through the Government system in Nepal.

Governance

Australia is concerned about the potential negative development impact the current political uncertainty is having. There is a risk that gains in service delivery to the poor and marginalised are being eroded and that Nepal may lose momentum in reform and economic growth.

[†]All monetary figures are in Australian Dollars unless otherwise noted. The Australian Financial Year runs July 1 to June 30.



The dissolution of the Constituent Assembly, the prospect that elections may not be held until the later part of 2013, which would mean a gap of more than five years between general elections and delay in completing a new constitution, and the caretaker nature of the Government raise serious concerns for the Government of Australia. Concerns include:

- How the ongoing political uncertainty will affect the broader accountability of systems of Government – for example there will no longer be a sitting Public Accounts Committee.
- Absence of elected local representatives since 2002 which is having detrimental effect on efficient and transparent delivery of state services, including in health and education.
- The impact that further political disruptions is having on budget and planning processes. The partial budget has seen expenditure slow due to high levels of budget uncertainty. The lack of a full budget has resulted in: a lack of reform initiatives being undertaken by Government; progress on MDGs being threatened; and, possible decreased access to basic services by those who need them most.
- That development issues may take a back seat due to an ongoing focus on political consensus and elections.
- How momentum can be maintained in policy reform and legislative enactment. In particular, the need for amendments to the education act and an updated health policy are delaying long anticipated reforms.

2. AUSAID PERFORMANCE IN NEPAL 2011-12

In 2011-12, AusAID's total contribution to Nepal was over \$30.5 million. This included a bilateral program which totalled \$15.7 million. Other assistance through AusAID's regional and global programs and through other Australian government agencies brought Australia's total official development assistance (ODA) to an estimated \$30.5 million.

Some key results achieved through AusAID development programs in 2011-12 include:

- 11 400 children of below 12 months of age immunised with basic essential vaccines.
- 4 600 deliveries at health posts, centres or hospitals attended by skilled birth attendants.
- 39 729 children provided with textbooks.
- 59 Nepalis receiving tertiary education in Australia in 2012 under AusAID Australia Awards.
- An additional 1030 individuals with increased income through micro-entrepreneurship development—of them 700 (68 per cent) were women.
- An additional 31,800 individuals have access to safe and adequate drinking water.

3. AUSAID NEPAL PROGRAM STRATEGY & 2012-13 COMMITMENTS

Development of the 2013-2017 Australian-Nepal Aid Program Strategy is currently underway. While the development partnership will remain open to emerging priorities of both governments, Australian aid in Nepal will be focused on three pillars— Saving Lives, Promoting Opportunities for All and Sustainable Economic Development.



Saving lives

Australia will work with the Government of Nepal's national health program to support improved nutrition, child survival rates and maternal health, with a special focus on women, the poor and those difficult to reach (marginalised).

Promoting Opportunities for All

Australia will continue to support the Government of Nepal's School Sector Reform Program together with other donors. Australia has taken an interest in improving early reading. In 2012-13, Australia will assist more than 35,200 girls and *dalit* children from poor families and children with disabilities to receive scholarships to attend school.

Sustainable Economic Development

Australia will work with other donors to help Nepal diversify rural livelihoods. We will help increase the incomes of poor families through our support to the Micro Enterprise Development Programme. Our program will target people from under the poverty line, and more specifically women, ethnic minorities and *dalits*. From 1998 till 2010, the program has developed more than 50,000 micro-entrepreneurs (68% of them women).

Australian aid to Nepal in 2012-13

In 2012-13 Australia has committed \$31.5 million in ODA to Nepal. Of this, the country bilateral program manages \$15.1 million. Regional and global AusAID-managed initiatives receive \$15.5 million and other Australian Government Departments manage \$900,000.

Below are some key commitments and goals for the Australian aid program in Nepal in 2012-13.

- 13600 children below 12 months of age will be immunised with basic essential vaccines.
- 5940 pregnant women will be delivered at health institutions in attendance of skilled birth attendants.
- 30 Nepalis will attend tertiary education in Australia in 2013 under AusAID's Australia Awards.
- An additional 2490 micro-entrepreneurs will have access to financial service.
- An additional 3320 micro-entrepreneurs will have increased incomes.
- An additional 36,510 individuals will have access to safe and adequate water and an additional 27,043 individuals will be using improved/hygienic latrines.

Annex A: MAJOR AUSAID INITIATIVES IN NEPAL

INITIATIVES	PARTNERS	Total project funding & duration	Disbursements		2012-13 Commitment	Performance	Risk Assessment	Audit Report status	Staff movements
			2010-11	2011-12					
Nepal Health Sector Program II (NHSP II)	Government of Nepal (DfID, World Bank, KfW, GAVI)	\$26m (2010–15)	\$5.2m	\$6.74	\$3.7m	Satisfactory	Very High	Delayed qualified audit reports	
Nepal School Sector Reform program (SSRP)	Government of Nepal (and nine pooling donors) Asian Development Bank for school safety	\$21m (2011–14)	\$7m	\$3.9m	\$4m	Satisfactory	Very High	Delayed qualified audit reports	Change at the Secretary level twice in a year
Micro-enterprise Development Program III (MEDEP III)	UNDP (and Government of Nepal)	\$9.7m (2006–2012)	\$1.5m	\$3.1m	\$3.2m	Satisfactory	Medium		Change in National Programme Director twice in a year
Rural water supply and sanitation for improved health	WaterAid	\$7.4m (2009-13)	\$2.65m	\$2.4m	\$2m	Satisfactory	Medium		



INITIATIVES	PARTNERS	Total project funding & duration	Disbursements		2012-13 Commitment	Performance	Risk Assessment	Audit Report status	Staff movements
			2010-11	2011-12					
Public Financial Management Multi-Donor Trust Fund	World Bank (DfID, Denmark, Norway, Government of Nepal)	\$2.8m (2011-16)	\$1.5m	\$0.8m	\$0.55m	Implementation slow	Medium		
Scaling up of Nutrition Initiative Technical Assistance (SUNITA)	World Bank	\$2.8 m (2011-13)	\$1.6m	\$0.4m	\$0.8m	Implementation slow	Medium		
Rights, Democracy and Inclusion Fund	DfID (SDC, Denmark)	\$7.3m (2006-2012)	\$0m	\$0.04m	\$0	Satisfactory	High		
AusAID's Australia Awards	Government of Nepal and Australian Institutions	Ongoing	\$2.4m	\$3.7m	\$4.9m	Satisfactory	Medium		



Annex B: AUSAID PORFOLIO SUMMARY 2011-12

Disbursements	
AusAID Bilateral Aid	\$15.8m
AusAID Regional Aid	\$13.8m
Other Australian Government Departments Aid	\$0.9m
Total Australian Aid to Nepal 2011-12	\$30.5m
Funds disbursed through Government of Nepal	\$10.24m <i>(64.81% of Bilateral Aid)</i>
AusAID Bilateral Aid	
Number of projects and programmes operational	7
Projects and programmes completed during the year	1
New projects and programmes started during the year	0
Programmes implemented with GoN	3
Programmes implemented with Multilateral Agencies	3
Programme implemented by INGO's and NGO's	1
Programmes rated as 'Very High' OR 'High' Risk	3

ATTACHMENT 3

DANIDA

Background paper on the Danish engagement in Nepal for
Nepal Performance Portfolio Review (NPPR) 24 Jan 2013

EMBASSY OF DENMARK

DANIDA |

**INTERNATIONAL
DEVELOPMENT COOPERATION**

DENMARKS PRIORITIES AS PART OF NPPR IN NEPAL

Denmark welcomes this opportunity to participate for the first time as a full member of the Nepal Portfolio Performance Review (NPPR). Denmark considers NPPR to be an important strategic dialogue forum between the Government of Nepal and development partners on issues of tracking key development results, aid effectiveness and improving overall Public Financial Management. The new initiative of working groups in key sectors shows the Government's commitment to better connect NPPR actions with concrete development results on the ground. Denmark looks forward to contribute to this joint effort of strengthening development, governance and public financial management.

The links between the political situation and development efforts in 2012: In the last years, there have been some positive developments in Nepal with regards to the Millennium Development Goals and in some aspects of the Comprehensive Peace Agreement, where notably the process of dismantling cantonments and the integration/reintegration process for Maoist combatants stands out. However, the political situation with a dissolved Parliament, a pending Constitution and lack of political agreement on the way forward has detrimental effects on development and governance. It weakens institutions and has direct negative consequences for the effectiveness of development cooperation as public investment is low and accountability lacking. Elections at local and national level and a functioning and representative parliament are crucial for the wider legitimacy to political decision making and government accountability.

Management of the economy: It is important to maintain focus on growth and prosperity in Nepal, where Denmark in 2013 are planning to commit USD 70 million (DKK 400 million) for inclusive growth and continue to support the government in accelerating access to renewable energy. In the last year, the lack of a full budget has been damaging for the macro economy. It has limited the allocation for development and slowed the rate of its expenditure, especially on capital investments, which are needed to address the many infrastructure challenges, in e.g. energy sector. It also has a negative impact on planning and reforms in the public sector. It is critical that budget implementation is prioritised.

Use of government systems: Denmark wants to channel its development cooperation through government as much as possible, and is already doing this in education, local governance, Nepal Peace Fund and energy. But it is increasingly difficult without a parliament to ensure accountability and transparency. NPPR discussions in the coming year will have to tackle some of the critical issues, which are important for development partners in regards to the use of government systems. Concrete progress on reforms of government systems and their performance is needed if funding through government channels is to increase, which the NPPR could monitor and report on.

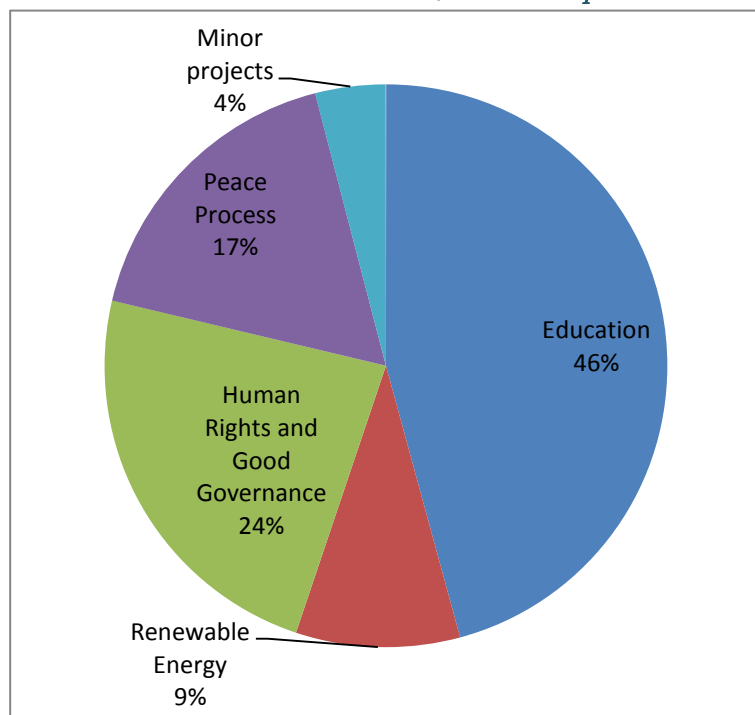
Focus on results: Key Danish priorities also include greater focus on development results in one transparent results framework, which can track progress from both government and development partners. Improved financial management is also needed to ensure better results and efficient use of funds. Development partners still face major challenges in disbursing funds due to shortcomings in basic financial reporting, delays in audit reports and limited follow up. Nepal's oversight and accountability mechanisms have been severely weakened as a result of the political situation, which also

has a negative impact on corruption. The Government of Nepal's focus on fighting corruption is needed to further pave the way towards sound economic growth. Denmark welcomes further progress on public financial management and anti-corruption reforms. Furthermore, there is a special Danish focus on supporting better financial management and addressing the issue of insufficient staff at local level through the local governance and decentralization programme.

DENMARKS PERFORMANCE IN 2011/2012

In 2011/2012 Denmark disbursed DKK 175 mio. For the Gregorian year of 2012, the Danish disbursement was DKK 204 mio. Below is a short highlight of the results which have been achieved together with the government and development partners in the different sectors, where Denmark was engaged:

Total DANIDA disbursement 2011/2012 in Nepal:



Support to rural energy: The Danish support to rural energy in Nepal began in the late 1990s. Since then, about 1 million rural households, equivalent to about 5 million people, have received support to renewable rural energy. 533.000 households have installed new cooking stoves, 290.000 households now have electricity from solar panels, and 70.000 households now have electricity from small hydropower plants. The effects of the programme include improved air quality in the houses, better health of the families, light for studying and electricity for small scale enterprises etc.

Renewable Energy

- In 2011/2012 15,000 households were connected to mini-grids from small hydropower plants, which generated 1.5 MW, 126,000 improved cooking stoves were constructed and 46,000 solar home systems and 10,000 small solar home systems were installed.
- The economic impact of the renewable energy technologies installed is the establishment of approximately 60 small businesses and the creation of approximately 300 jobs.
- Capacity development of regional service centres and private sector has resulted in better outreach of renewable energy technologies.
- Institutionally, the joint agreement on the National Rural Renewable Energy Programme was an important step towards more government ownership and long term sustainability. The agreement

on establishing a financial institution under the programme will scale up credits for renewable energy.

Education

- In 2011/2012 the total net enrolment of children has increased to 95.2 per cent in primary level, 72.2 per cent in lower secondary level, 54.3 per cent in secondary level and girls' enrolment constitutes almost 50.5 per cent.
- The number of student enrolment by extremely disadvantaged janajati has increased to 90,405 at primary level compared to 81,814 the year before. In lower secondary level the number is 31,513 compared to 23,872 last year.
- The student-teacher ratio has fallen to 38:1 in primary level compared to 40:1 last year.
- Research studies have been undertaken for improving MoE capacity in: textbook printing and distribution, literacy module and modality development and identifying out-of school children.
- MoE Electronic/IT administration system capacity development has included Online Result System for School Leaving Certificate, Teacher Pension Management and Asset Declaration Software, Personal Information Software for Human Resource Management, digitalization and database archiving of all Donor Programme related documents, online application and result management system for MoE scholarship programme and establishing MoE firewall/security protocols/internal network and e-mail service hosting.

Peace support

- Through support to the Nepal Peace Trust Fund and UN Peace Fund Nepal the process of dismantling cantonments and the integration/reintegration process for Maoist combatants stand out as critical to the sustained momentum of the peace process.
- On security related issues, the programme has contributed to increased cooperation between the Nepal police and the private sector as well as between vulnerable groups and local police in 10 districts across the country. Some results are increased trust, increased security and better cooperation on identifying initiatives to respond to the security needs.
- On transitional justice, Nepali lawyers have been capacitated to conduct strategic litigation as well as joint identification of emblematic cases for litigation at central and district levels. Also victims have increased ability to articulate their demands and participate in debates around the transitional justice processes.

Dalit rights: Denmark's protracted engagement in supporting human rights organisations and sector programmes focusing on discriminated and marginalized groups in combination with an active voice against caste-based discrimination have contributed to increased inclusion of Dalits and focus on Dalits' rights. The capacities of Dalits to participate in and influence democratic processes is enhanced, and they now play a more active and vocal role throughout the political landscape.

Human Rights and Good Governance

- In Local Governance Community Development Programme, communities are increasingly participating in local bodies' decision making, and more than 97 per cent of Village Development Committees (VDCs) and Municipalities have established local Ward Citizens Forums. Nevertheless, there is room for

improvements on areas such as participatory planning process while selecting projects and conducting village councils locally, in the village.

- For the funds provided among others, Local Bodies have constructed 31,650 community infrastructure projects benefiting more than 1.2m households.
- 72 civil society organisations are involved in improving accountability through expenditure grant reviews, public hearings and community based monitoring at local level throughout the country with support from LGAF (Local Government Accountability Facility).
- The Fiduciary Risk Reduction Action Plan has been approved by the Ministry and the implementation has been initiated.
- The support to the Election Commission has enabled the Commission to register a total of 10 million eligible voters. The voter registration campaigns have ensured that women and men from highly marginalized segments of society have obtained citizenship certificate which should allow them to register as voters. The support has also contributed to the establishment of a warehouse to store equipment and essential data for elections.
- Through the support to local NGO partners more than 150 initiatives have been implemented to promote human rights and justice, and more than 179 initiatives to promote inclusive democratic reforms.

DENMARKS PARTNERSHIP FOR PROMOTING PEACE AND DEVELOPMENT

The overall vision of Denmark's engagement in Nepal is to support the Nepali people in their right to a better life characterised by peace, stability, democracy, social and economic progress and respect for human rights. Based on this, there are two strategic objectives for Denmark's engagement in Nepal:

- Contribute to the consolidation of peace through promotion of the implementation of the Comprehensive Peace Agreement, and to strengthening the respect for human rights and democratic governance through promotion of rule of law, access to justice and democratic governance.
- Contribute to reducing poverty through support to green and inclusive economic growth with a focus on agriculture, rural infrastructure and renewable energy.



The objectives are to a large extent based on the Government of Nepal's priorities of poverty reduction, support to human rights, democracy, peace and stability and economic development and the strategy for Denmark's development cooperation "The Right to a Better Life". Denmark's priorities are closely coordinated with the EU, and Denmark continues to actively engage in formulating the EU's policies towards Nepal.

- It is a priority to ensure Nepalese ownership and empowerment as well as harmonisation of Denmark's engagement in Nepal with other development partners' engagement. Denmark is constantly seeking to improve coherence and complementarity between the different policy areas and fields of engagement.
- Denmark applies a human rights-based approach to development. Thus, human rights is a core value in our partnerships, and the principles of non-discrimination, participation, transparency and accountability will be integrated in all aspects of our policy dialogue and development cooperation. Focus will be on the underlying power relations and fundamental causes of discrimination and poverty, giving priority to actions aimed at benefiting the poorest. This includes focus on equal rights and opportunities for all, distribution of resources, strengthening of capacity and sustainable and inclusive growth.
- Denmark is engaged in both policy dialogue at all levels and effective implementation of the programmes, and works towards harmonising the programmes with national objectives, plans and structures in Nepal's development strategy. The development programmes are designed to be flexible and can adjust to the potentially changing context, challenges and risks in the country. They are balanced in their choice of partners and modalities, and sensitive to ethnicity and social divisions.
- Denmark underlines the importance of engaging in a conflict-sensitive manner in Nepal, which involves assessing and understanding the complex context, processes and dynamics in the country in order to maximize the positive impacts of engagement.
- Denmark has a targeted approach to ensure that gender and inclusion is an integral part of all development programmes and key issues in political dialogue with the Nepali Government and other relevant partners.
- Denmark bases its monitoring process as much as possible on the national monitoring systems and the indicators defined for each development programmes. Denmark will increase its participation in overall performance reviews and other possible exercises to strengthen the Government's effective and efficient management by results.
- Denmark continues to strongly advocate for enhancing the Nepalese Government's focus on fighting corruption in order to further pave the way towards sound economic growth. Denmark is strongly raising it's voice against corruption at the policy and at the programmatic level.

Focus area 1: Peace building, human rights and democracy

Denmark is addressing the objectives of consolidating peace and strengthens the respect for human rights and deepening democracy through three action areas:

- **Contribute to peace building:** Political dialogue and support to Peace Trust Funds and state and non-state actors on and local level peace building.
- **Strengthening respect for human rights:** Support to relevant national actors (state, human rights institutions and civil society) for the promotion and strengthening the respect for human rights, especially regarding rule of law and access to justice.

- **Democratic Governance:** Support to local government and democratic institutions, and promoting public debate on democracy. Support to free and fair elections.

In 2013 the above action areas will be addressed through The Danish Peace Support Programme and the Human Rights and Good Governance Programme. These two programmes will be merged from 2014, in order to ensure a holistic and long term support to lasting peace, democratic governance and respect for human rights.

The **Peace Support Programme** (commitment of DKK 70 mio., 2011-2013) includes support to the Nepal Peace Trust Fund (NPTF), which is the principal Government vehicle for directly supporting the peace process, and support to the UN Peace Fund for Nepal (UNPFN), a multi-donor trust fund intended to channel support to areas of the peace process not addressed by the NPTF. The Peace Support Programme is also strengthening public security and service delivery, and has supported media programming and radio in order to mitigate conflict and open channels for dialogue and communication.

The **Programme for Human Rights and Good Governance** (commitment of DKK 170 mio., 2009-2013) focuses on the promotion of an inclusive and democratic political culture through support for reforms, enhanced public dialogue, human rights monitoring, reporting and advocacy, and enhanced access to justice for poor and marginalized groups. The programme includes strong support to a national and multi-donor programme on local governance and community development (LGCDP), support to state institutions and strategic partnerships with local NGOs. Accountability will continue to be a key concern for Denmark when supporting the Government's decentralisation efforts. A close dialogue with civil society, where Denmark continues to be a strong and visible partner, will be a key tool in advancing issues of democratic change, access to justice, human rights and an inclusive peace process at local level.

Focus area 2: Poverty reduction through green and inclusive economic growth

Denmark will actively advocate for a strong Nepalese focus on **poverty reduction through green and inclusive economic growth**. Inclusive growth as a tool to poverty reduction is focusing on not only the pace of growth, but also the pattern of growth. The green aspect of growth relates to the priorities of using the natural resources in a sustainable way and support better use of the huge potential for renewable energy in Nepal. This will be done through two action areas:

- **Green Growth through Renewable Energy:** Support to improving access to renewable energy in rural areas, including productive use of energy.
- **Inclusive Growth and Employment:** Support to develop agriculture value chains, rural infrastructure and policies for inclusive growth and private sector led development.

Denmark will continue its strong commitment in renewable energy in Nepal. This is done through the support to a national rural and renewable energy programme, NRREP, where Denmark is the lead donor, and through being the lead country in Nepal on the Norwegian initiative Energy Plus. This

initiative, together with the UN initiative SE4ALL, will support the government and development partners in developing a more coordinated energy sector strategy based on gaps identified and with emphasis on clear results.

The new “**National Rural and Renewable Energy Programme**” (commitment of DKK 205 mio., 2012-2017) is a single programme approach to which both the Government and development partners have agreed. It will enable higher effectiveness of provided resources, lower transaction costs and more transparency. Engaging in the rural renewable energy programme is expected to lead to a larger market for renewable energy technologies; a higher number of poor and remote households getting access to affordable and effective energy solutions; and hence improved living standards for both women, men and socially excluded groups. In the programme, there is a focus on stimulating end use production, reaching poor and marginalised groups and expanding the use of credits for financing renewable energy technologies. Linkages between NRREP and the coming Danish programme on inclusive growth will be explored in order to maximize the effect of improved access to energy on economic growth and employment in rural areas.

From end 2013/beginning 2014 it is expected that a new Danish five year programme for **Growth and Employment** (tentative commitment of DKK 400 mio.,) will support Nepal in stimulating inclusive economic growth by creating better access to markets for small-scale producers, better employment opportunities and improved living conditions. The programme will focus on increasing productivity and manufacturing in the agricultural sector through a value-chain approach and improving infrastructure, especially local roads. There will be a geographical focus on the Eastern part of Nepal to obtain focused impact and gather experience, which can be expanded later, both in terms of geographical areas and value chains selected. Denmark will also use this new engagement to target the policy level for stimulating and improving the framework for private sector development and inclusive growth and be part of improved coordination in the sector. Denmark’s engagement in supporting inclusive growth and employment through private sector development in Nepal is an important tool for reducing poverty also among women and marginalised groups. The Growth and Employment programme will go hand-in-hand with “**Danida Business Partnerships**” (DBP), which focus on creating new or improved jobs locally as well as promoting strategic CSR/responsible business practices. DBP offers advisory services and financial backing to the establishment of long-term, commercially oriented partnerships between Danish companies and a wide range of Nepalese partners: private enterprises, civil society organisations, universities, research institutions and public authorities. Partnerships may revolve around e.g. introduction of cleaner technologies, increase in local productivity/efficiency, increased competitiveness for the local partner, better linkage between primary production and processing or between manufacturing and service providers.

Denmark has for many years been a key development partner in the sector wide **School Sector Reform Programme** (commitment of DKK 125 mio., 2012-2013), which has focused specifically on the education of children facing exclusion due to geographic and socio-economic disadvantages. Denmark is phasing out of the education sector as a bilateral donor by the end of 2013, but Denmark will continue to support education globally through the “Global Partnership for Education”.

ANNEX 1: Denmark-Nepal Portfolio information for 2012

	Programmes	Total DANIDA Commitment (DKK)	Total DANIDA Expenditure for 2012 (DKK)	Disbursed fully or partial through GoN
EDUCATION Phase I: (commitment of DKK 220,000,000; 2009 to 2012)				
1.	School Sector Reform Programme (SSRP)	220,000,000	17,888,651	√
EDUCATION Phase II: (commitment of DKK 125,000,000; 2012 to 2013)				
2.	School Sector Reform Programme (SRRP)	115,000,000	89,438,768	√
3.	Institutional Development for MoE	8,000,000	1,935,956	√
4.	Technical assistance, review and others	2,000,000	406,640	
RENEWABLE ENERGY- Energy Sector Assistance Programme: (commitment of DKK 150,000,000; 2007 to 2013)				
5.	Institutional strengthening of the rural energy sector programme	27,540,000	6,268,767	√
6.	Rural Energy Fund	86,700,000	0	√
7.	Technical assistance to energy technology, incl. review	35,760,000	736,295	√
HUMAN RIGHTS AND GOOD GOVERNANCE III: (commitment of DKK 170,000,000; 2009 to 2013)				
8.	Inclusive Democracy Programme	32,800,000	5,597,568	
9.	Local Governance and Community Development Programme (LGCDP)	70,920,400	47,618,487	√
10.	Human Rights and Justice Programme	35,473,300	6,505,259	
11.	Technical assistance, PIU and others	30,806,300	3,540,091	
PEACE SUPPORT PROGRAMME: (commitment of DKK 70,000,000; 2011 to 2013)				
12.	Nepal Peace Trust Fund (NPTF)	30,000,000	8,000,000	√
13.	United Nations Peace Fund for Nepal	10,000,000	0	
14.	Transitional Justice Basket Fund	2,550,000	2,550,000	
15.	Nepal Police under Ministry of Home Affairs	12,000,000	0	√
16.	International Alert, Safer World and Search for Common ground	11,500,000	4,831,417	
17.	Technical assistance and others	3,950,000	2,252,379	
MINOR PROJECTS: (total commitment of DKK 19,685,443; 2011 to 2014)				
18.	Local Grant Authority (LGA)	19,685,443	6,763,286	
	Total Commitment and Expenditure	754,685,443	204,333,564	

ATTACHMENT 4

DFID



Department
for International
Development



NEPAL

PORTFOLIO PERFORMANCE REVIEW

2013

24 JANUARY 2013

Background Paper

Department for International Development (DFID)
Government of the United Kingdom of Great Britain and
Northern Ireland

1. OVERVIEW

This document is part of the Government of Nepal's Nepal Portfolio Performance Review (NPPR) 2013. Full information on DFID's development assistance to Nepal can be found at www.dfid.gov.uk.

2012 was a difficult year for development and governance in Nepal. The dissolution of the Constituent Assembly, subsequent political impasse and the limited budget has had a negative impact on development outcomes and reduced opportunities for meaningful governance reforms. Some progress has been made in public financial management reform with input from the programme that DFID and others are supporting through the World Bank, but much more work is needed to maintain confidence in national systems.

The implementation of DFID's Operational Plan 2011-15 has slowed down as a result of long delays in receiving approvals from the Government of Nepal, especially in Disaster Risk Reduction, Family Planning and the new phase of the Rural Access Programme all of which took more than six months to receive approval once submitted, we are hoping to regain the lost time in the coming year but further delays like this will delay development outcomes in Nepal.

The debate between the Government and development partners on the use of government systems continues but there has been insufficient dialogue on the main issues that make it difficult for donors to extend their use of national systems. We hope that the NPPR 2013 will reinvigorate this debate. Similarly the new, draft Foreign Aid Policy has not yet been shared with the donors, without this a meaningful discussion cannot be had with development partners. We know that concrete progress on government systems reforms and performance is needed if funding through government channels is to increase, which the NPPR could monitor and report on.

Greater Focus on Results

Results, transparency and accountability are critical to ensure we can demonstrate value for money for development assistance. The NPPR process could be used to strengthen the focus of both Government of Nepal and development partners on achieving results. Demonstrating results build public confidence in development and maintain public support for aid in donor countries. The next step for Nepal is to show progress on key development outcomes in one transparent results framework which clearly tracks progress on commitments from both government and development partners.

Tackling Corruption and Improving Financial Management

Nepal's oversight and accountability mechanisms have been severely weakened as a result of the current political situation; there is now no Parliamentary Accounts Committee in addition to continuing absence of substantive heads of the Auditor General's Office and the Anti-Corruption Commission. In order to maintain donor confidence in the use of national systems to disburse, the Government of Nepal needs to give greater confidence that they are tackling the major obstacles. Development programmes still face major challenges in disbursing funds due to shortcomings in basic financial reporting, delays in production of audit reports and limited follow up. Weaknesses in procurement remain a major concern and capacity enhancement of the Public Procurement Monitoring Office is vital for concrete improvements in this area. The UK, along with other development partners in Nepal, would

welcome further progress on public financial management and anti-corruption reforms which will benefit from stronger government leadership.

DFID regards transparency as fundamental to improving its accountability to both UK and Nepali citizens. We publish clear, concise information about our programmes; support civil society and non-government organisations to be more transparent; and promote greater accountability of the Government to its citizens and support improved financial management systems and financial reporting.

Impact of partial budget on development

The most damaging factor for development over the last year has been the lack of a full budget. This has limited the allocations for development spending and slowed the rate of its expenditure as officials have been unclear on their authorised budgets. As a consequence resources have been disbursed slowly. Already expenditure in the social sectors of health and education has been reduced in real terms, threatening the good progress Nepal has made on key MDG indicators.

It is likely that this fiscal year will also pass without parliamentary oversight and that next year's budget will suffer a similar fate. These factors all hamper the Government's ambition for more development assistance to be channelled through national systems. Without evidence of improved government system performance, it will be impossible for donors to increase their use of government systems to deliver the development results we all want to see.

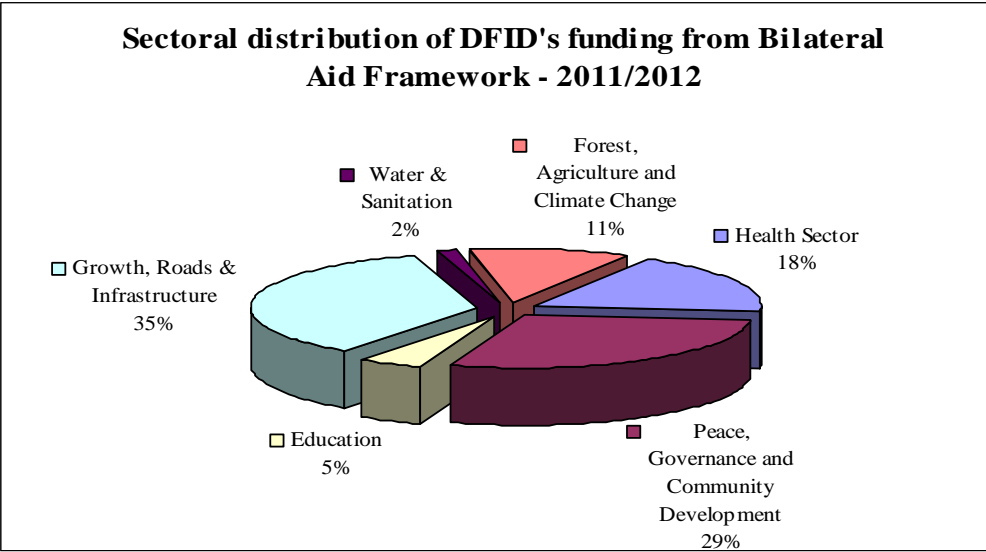
It is therefore critical that for the remainder of this fiscal year and in planning the budget for next year that budget implementation is prioritised and line ministries are supported to spend their resources in a timely and effective manner. Equally important is that the funds are promptly accounted for and the results achieved well monitored. This work needs to start now. Planning and implementation for next year's budget needs to be given top priority by government leaders to prevent the political impasse having the same impact on Nepal's development in a few months' time.

2. DFID NEPAL PERFORMANCE IN NEPAL 2011/12

Here are some of the results that DFID achieved through its development programme during the year 2011/12:

- 45,100 jobs created
- 52 km of new roads and 357 km maintained
- 76,000 people lifted out of poverty through DFID's forestry programme
- Training & reintegration support to 1375 minors & late recruited former combatants
- 85 percent of local government bodies conducted public audit for every project
- 32,000 unintended pregnancies averted
- 30,053 people benefitted from safe latrines

DFID disbursed £62.2m of bilateral development assistance. The UK also disbursed £3.56m as debt relief and £147k from the UK Government Conflict Prevention Pool. The 2011/12 bilateral framework was divided as follows:



All of the annual reviews and project completion reports for DFID's projects are available in full at www.dfid.gov.uk

DFID Nepal's Operational Plan 2011-2015

DFID Nepal's Operational Plan was prepared during 2010 and commits up to £331 million of UK development assistance during the period 2011-2015. Our Operational Plan is set around four pillars that we believe are critical to secure long term peace and development in Nepal; (1) Governance & Security (2) Inclusive Wealth Creation, (3) Service Delivery (4) Disaster & Climate Change Resilience. Gender and Social Inclusion is a major cross-cutting theme throughout all of our work and is reflected in our results. By 2015 we will achieve following results:

- Create 230,000 jobs, 50% of them for women
- Build 532 km and maintain 3,700 km of road
- Reduce the climate and disaster vulnerability of four million poor people, of which 2.19 million will be women
- Lift 570,000 people out of poverty through the forestry programme, of which 313,500 will be women
- Support 2100 minors and late recruited former Maoist combatants given training and reintegration support
- 98 percentage of local government bodies that conduct public audits for every project
- Avert 108,000 unintended pregnancies
- Ensure 110,000 people (55% women) benefit from safe latrines, partly through our support to the Gurkha Welfare Scheme

3. DFID IMPACT IN NEPAL IN THE LAST DECADE

Support to the Peace Process

The UK Government has supported Nepal's peace process since 2007. Supporting the secretariat of the AISC to monitor cantonments and prepare for integration/rehabilitation of combatants, reconstruction of 100 police posts damaged during the conflict, and rehabilitation of those wounded during the conflict. DFID is also providing support for the preparation of future elections including development of a new electronic voter roll with close to 70% targeted voters registered. DFID has also provided support through UNDP for consultations on drafting of the new constitution which included training 400 CA members from marginal groups.

Local Governance and Community Development

DFID is supporting Government's LGCDP programme to improve local governance and service delivery and through support to the CSP (Community Support Programme) which have achieved the following results: i) drinking water provided to 110,000 households¹, ii) 28,500 community infrastructure created that includes 2350 kms of road, 2000 classrooms built and 171 bridges and also 24203 ward citizens forums with 45% membership of women in 70 districts², and iii) 80% of local government spending publically audited³.

Improved Public Financial Management

Alongside the World Bank, we have funded the introduction of a single government account in 60 Districts, resulting in the closure of 12,500 out of 14,000 spending unit bank accounts. Over 95% of government expenditure and 98% of government revenue of the national budget now goes through the more corruption-proof single account system. A PEFA Secretariat has also been established and support to the Office of the Auditor General has also commenced

Access to Justice and Security

Through the Women's Paralegal Committee Project we have supported the training and establishment of over 14,000 paralegals (98% of whom are women) and 1,023 paralegal committees (PLCs). To date, they supported an estimated 25,000 cases, benefitting over 13,000 women in Nepal. Almost 90% of cases dealt with by the PLCs directly involved women, with the majority of cases focusing on domestic abuse (36%) and social violence (18%).

Supporting Economic growth

The *Centre for Inclusive Growth* has continued to tackle the critical constraints to economic growth in Nepal. The centre focused on analytical and legal support to unlock power development agreements to assist Nepal get a fair deal for its hydro resources. This contributes to ongoing work on investment climate reform which DFID supports through the International Finance Corporation⁴. DFID is also working with the International Finance Institutions to develop a broader programme of support focused around macroeconomic risks.

¹ Through DFID's Community Support Programme (CSP) - Impact Assessment Report

² Through jointly funded Local Governance and Community Development Programme (LGCDP) – Status report , September 2011

³ MLD Departmental monitoring report, June 2011

⁴ The Nepal Investment Climate Reform Programme

Infrastructure, Jobs and Skills

Over 1 million people in remote districts have been connected to the national road network through the construction of 1224km of rural roads and 246 pedestrian bridges⁵. In doing so, 16 million days of employment were provided for 10,000 poor and disadvantaged people. In addition 43,000 households have improved drinking water sources, 15,000 households with improved sanitation facilities and 7,000 rural households with basic electricity supply⁶. Through skills training programmes 10,000 people have been supported to obtain long-term employment⁷. In addition 21,669 had their incomes improved by the DFID supported Market Access for Small Holder Farmers Programme and 718 tourism entrepreneurs had their business skills developed.

Forestry livelihoods and climate change

DFID has increased the incomes of 550,000 people and lifted 130,000 out of poverty through support to agriculture and forestry programmes. Through sustainable forest management, DFID's support has lifted 1,326,000 people out of poverty, helped creating 1.5 million days of employment per year for poor and socially excluded people and capturing 700,000 tonnes of carbon annually⁸.

Health

DFID's substantial support to Nepal's health sector⁹ has contributed to, among others continued free birth care and an incentive payment for mothers to deliver babies in health facilities. Deliveries by health workers have increased from 23% (2005/06) to 48% in 20011/12, of which 39% are by skilled birth attendants, and institutional delivery from 14% to 39% over the same period¹⁰. The UN's 2010 MDG Progress Report judges that Nepal is likely to meet targets on under-5 mortality (which has fallen from 118 deaths per 1,000 live births in 1996 to 54 in 2011), maternal mortality (falling from 539 deaths per 100,000 live births in 1996 to 281 in 2006)¹¹, HIV/AIDS prevalence (judged to be stabilising at 0.49% of the adult population)¹², and both TB detection and treatment success rates consistently above WHO standards since 2002/03¹³.

Education

DFID's commitment in the education sector is to contribute to the increased net enrolment in basic education to 85%¹⁴; rates of completion to grade 8 increased to 66%; secondary

⁵ Through DFID's Rural Access Programme (RAP) and the jointly funded Rural Reconstruction and Rehabilitation Sector Development Programme (RRRSDP).

⁶ Through RAP, RRRSDP, DFID's Community Support Programme (CSP) and the jointly funded Local Governance and Community Development Programme (LGCDP).

⁷ Through the jointly funded Helvetas Employment Fund Programme.

⁸ Through the DFID funded ten year Livelihoods and Forestry Programme (LFP).

⁹ Includes financial and technical assistance provided mainly to the Nepal Health Sector Support Programme – NHSP - (2004-2010) and NHSP-2 (2010-2015) of the GoN, and HIV/AIDS programme (2005-2011) delivered through UNDP.

¹⁰ Target by 2015 for delivery by skilled birth attendant is 60%. Given data are tracked by Health Management Information System (HMIS) and published in Annual Report 2005/06 and 2009/10 of Department of Health Services/Ministry of Health and Population (DoHS/MoHP)

¹¹ Target by 2015 is 38 for under-5 mortality and 134 for maternal mortality (Data source: Nepal Family Health Survey 1996, Nepal Demographic and Health Surveys 2006 and 2011).

¹² Target is to halt and reverse the trend. Latest data available for prevalence in general adult population are from 2007. Based on fairly stabilized prevalence among the most-at-risk-populations, it is judged that general prevalence has also stabilised (Data source: UNGASS Country Progress Report Nepal 2010).

¹³ Target is 70% for TB case detection and 85% for successful treatment (Data source: Trend analysis given in the Annual Report 2009/10, DoHS/MoHP).

¹⁴ By 2014 in line with Government's objective as set out in Support to Schools Sector Reform Programme.

pass rates to rise to 71%; and for DFID funding to directly pay for 350 teachers to be trained to a basic level, 800 extra schools improved and 65,000 marginalised or excluded students retained in school¹⁵.

4. FUTURE OF THE NEPAL PORTFOLIO PERFORMANCE REVIEW

The NPPR is an important accountability mechanism of the aid architecture in Nepal. It has historically focused on key portfolio implementation issues but in the last few years has included discussions on strategic issues; tracking development results and aid effectiveness commitments. The NPPR has failed, however, to sufficiently accelerate key public sector reforms in human resource management, procurement and public financial management. It is important that NPPR 2013 DFID wants to see more of this result/impact driven emphasis in future, to measure impact and improve transparency and accountability.

In DFID's view, in addition to reviewing portfolio performance the NPPR needs to:

- Become more strategic, focussing on the delivery of development results.
- Provide clear and transparent tracking of key indicators of Government and development partner commitments

The Government of Nepal's commitments that we would like to see tracked through the NPPR in future are:

- Budgetary performance
- Economic management
- Service delivery
- Governance (including anti-corruption and public financial management)

In summary, the UK would like to see the NPPR become more strategic and development orientated and is keen to support the future development of the NPPR and the broader evolution.

¹⁵ Calculated by estimating the proportion of overall education sector budget (Support to Schools Sector Reform Programme) that is funded by DFID.

Annex A: DFID NEPAL PORTFOLIO INFORMATION for 2011/12

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
GOVERNANCE AND SECURITY										
1	Nepal Peace Support	NPTF (GoN) & UNPFN	£20,000,000	1,082,861		Nationwide		Medium	<ul style="list-style-type: none"> • 2149 verified minor and late recruits (VMLRs) had enrolled in one of the four rehabilitation packages. • 56,779 jobs were created through infrastructure development, skills enhancement training, youth led-enterprises and projects and cooperative reinforcement. • More than 10 million people out of expected 11.1 million Nepali citizens have been registered in the digital voter list. 	Operational (started Jan 2012)
2	Peace and Development Strategy fund	UN & Consultants	£950,000	£85,586		Nationwide	N/A	Medium	<ul style="list-style-type: none"> • Nepal Peace Trust Fund capacity on Public Financial Management strengthened. • UN Peace building work supported • Aid Management Platform developed 	Operational (will end Jan 2013)
3	Risk Management (RMO)	RMO Office	£1,496,000	£167,982		Nationwide	N/A	Medium	<ul style="list-style-type: none"> • Ability of DFID & partners to continue operating effectively 	Operational (will end Mar 2013)

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
4	Enabling State Programme	DFID appointed Service Provider (SP) GRM International	£33,000,000	£4,342,278		Nationwide	A+	Medium	<ul style="list-style-type: none"> • Over 78% of 7,356 cases registered at mediation groups in six terai districts were successfully mediated. • 9,000 students from 41 secondary and higher secondary schools are being mobilised to promote peace in their communities. • Contributed to purchase 1,000 voter registration kits and 75 servers for the Election Commission of Nepal, 9.8 million voters were registered on an updated voter registration list. 	Operational (will end Dec 2013)
5	Social Inclusion Action Programme (SIAP)	WB	£2,700,000	£504,563		Nationwide	A+	Medium	Over 50,000 people in local communities took part in an awareness raising activities around violence against women and discrimination	Completed July 2012
6	Support to UNICEF Women's Para Legal Committee	UNICEF	£6,510,000	£1,510,000		Nationwide	B	Low	<ul style="list-style-type: none"> • 1,002 Para Legal Committees established, 95% of 19,500 PLC members are women • 18,039 cases related to violence against women and children recorded out of 18,704 cases recorded by PLCs, 85% of cases solved at the local level and 15% referred to district level. • 550 service providers (e.g. Public Prosecutors, Police Officers & Judges) are trained on child and gender sensitive procedures. 	Operational

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
7	Public Financial Management (PFM)	World Bank	£3,600,000	£1,300,000		Nationwide	B	Medium	<ul style="list-style-type: none"> Treasury Single Account rolled out in 38 districts about 7,000 spending unit bank account closed. 	Operational
			£68,256,000	£8,993,270	£0					
SERVICE DELIVERY										
8	School Sector Reform Programme	GoN, EC	£12,520,000	£2,874,136	2,700,000	Nationwide	B	High		Operational
			£12,520,000	£2,874,136	£2,700,000					
9	Support to National Health Sector Programme II	GoN & DFID appointed SP Options	£55,200,000	£10,547,714	£7,000,000	Nationwide	A	High	Numbers of births attended by skilled personnel attributed to DFID = 14,994. Number of additional women using modern methods of family planning attributable to DFID = 38,557. Number of pregnant women and children reached with nutrition interventions attributable to DFID = preg women, 33,514 and kids 193,341	Operational
10	National HIV/AIDS Programme (DFID contribution)	UNDP	£16,600,000	£940,000		Nationwide	A	Low	Number of intravenous drug users reached by HIV/AIDS prevention programme (harm reduction) = 20,881	Completed Mar 2012
			£71,800,000	£11,487,714	£7,000,000					

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
11	Local Governance and Community Development Programme (LGCDP)	GoN	£12,150,000	£3,201,262	£3,000,000	Nationwide	B	High	<ul style="list-style-type: none"> • Ward Citizen Forums (WCF) with 514,601 members established (45% women & 30% from disadvantaged groups) to strengthen community-based planning. • 2,639 Citizen Awareness Centres (CAC) established with 67,641 members, (53% are women & 69% are from disadvantaged groups) to access earmarked local governance spending for the poor and disadvantaged communities. • 45 % of the infrastructure projects were spent on projects proposed by women, children and disadvantaged communities. 	Operational
12	Community Support Programme -Phase 2 (CSP)	CARE Nepal & RRN	£18,130,000	£5,555,029		All districts of Far and Mid western region, Gorkha from western region, Sarlahi, Mahottari and Dhanusha from Central Region, all districts of Eastern Region (44 districts)	A+	Medium	<ul style="list-style-type: none"> • 349 school buildings constructed benefitted 47,963 households. • 88 health institution buildings benefitted 60,750 households. • 64 market centres buildings have opened up livelihood alternatives for economic growth to more than 30,000 households. 	Operational

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
13	Rural Water and Sanitation Programme	Gurkha Welfare Scheme	£3,539,873	£1,009,732		Myagdi, Parbat, Kaski, Lamjung, Gorkha, Dhading, Dolakha, Solukhumbu, Khotang, Sankhuwasabha, Taplejung, Terathum, Panchthar, Dhankuta, Ilam, Morang, Sunsari, Bhojpur, Okhaldhunga, Ramechhap, Chitwan, Nawalparasi, Tanahun, Palpa, Syangja, Arghakhanchi, Dang, Gulmi, Pyuthan, Rolpa & Baglung (31 districts)	A+	Low		Completed June 2012
			£3,539,873	£1,009,732	£0					
INCLUSIVE WEALTH CREATION										
14	Support to the Employment Fund	Helvetas	£9,000,000	£2,385,117		Nationwide	A	Low	10,500 trained (50% are women)	Operational
15	Adolescent Girls Employment Initiative	World Bank	£2,000,000	£0		Nationwide	A	Low	2,000 trained - all girls (already paid for in previous year)	Operational (will end Feb 2013)
16	RAP Phase II	DFID appointed SP International Management Consulting (IMC)	£36,700,000	£9,589,859		Doti, Achham, Dailekh, Sankhuwasabha, Terahatum, Bhojpur & Khotang (7 districts)	A	Medium	1.8 million days of employment created for the poorest and women; 420 km road built and maintained; 138 numbers of small infrastructure built; assisted local government to maintain 1000 km road.	Operational (will end Sept 2013)

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
17	Rural Reconstruction and Rehabilitation Sector Development Programme (RRRSDP)	GoN/ADB	£10,200,000	£4,490,973	£4,490,973	Dhankuta, Ilam, Jhapa, Morang, Panchthar, Sunsari, Bhaktapur, Chitwan, Dolakha, Kavre, Kathmandu, Lalitpur, Sindhuli, Sindhupalchowk, Manang, Mustang, Parbat, Rolpa, Rukum & Dadeldhura (20 districts)	B	Medium	2 million person days of employment created (DFID share), 130 km of roads built and rehabilitated, 1 motorable bridge built	Operational (will end June 2013)
18	Trail Bridge Sector Wide Approach Support Programme	GoN & Consultants	£2,200,000	£6,173		Nationwide	A	Low	Project Impact/Socio economic evaluation done	Completed June 2011
19	Centre for Inclusive Growth	DFID appointed SP Adam Smith International (ASI)	£12,800,000	£1,593,174		Nationwide	A+	High	Approval by Government of a template Project Development Agreement (PDA), which sets out the principles for large Scale hydro development in Nepal.	Operational
20	Nepal Investment Climate Reform Programme	International Finance Corporative (IFC)	£4,679,843	£1,612,772		Nationwide	A	High	Regulatory Reform Unit within GoN established; SEZ Project Office established in the Mol; 17 reforms tabled and advanced through PPD forum.	Operational
21	Great Himalayan Trail Development Programme	SNV	£2,450,000	£732,042		Taplejung, Solukhumbu, Gorkha, Dolpa & Humla (total 5 districts)	A+	Medium	GHT established as an iconic tourism product for Nepal; 800% increase in international media coverage; 663 SMEs & tourism entrepreneurs trained in business skills (47% women);	Operational (will end June 2013)

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
22	Market Access for small scale Farmers	IDE & Practical Action	£2,500,000	£1,693,131		Saptari, Siraha, Dhanusha, Bara, Rautahat, Rupandehi, Kapilbastu, Palpa, Syangja, Kaski, Tanahu, Nawalparasi, Gulmi, Chitwan, Dhading, Gorkha (16 districts)	A+	Medium	Increased in income of 22,700 vegetable farmers by Rs 16,600 & 12,400 dairy farmers' incomes increased by Rs 52,700 and 1,400 jobs created.	Completed June 2012
			£82,529,843	£22,103,241	£4,490,973					
RESILIENCE AND RESULTS										
23	Livelihoods and Forestry Programme (LFP)	DFID appointed SP University of Wolverhampton Corporate Services Ltd. (CIDT)	£26,172,400	£3,348,906		Dang, Baglung, Myagdi, Parbat, Kapilbastu, Rupandehi, Nawalparasi, Bhojpur, Sankhuwasabha, Dhankuta, Taplejung, Tehrathum, Pyuthan, Rolpa, Rukum (15 districts)	A+	Medium	76,000 people lifted out of poverty from DFID's forestry work (cumulative result); Deforestation and degradation avoided in 2700ha of land (cumulative result)	Completed Dec 2012
24	Nepal Climate Change Support Programme	MoSTE	£11,600,000	£1,376,835	£1,000,000	Humla, Mugu, Dolpa, Bajura, Jumla, Jajarkot, Rukum, Achham, Dailekh, Rolpa, Kailali, Bardiya and Dang (13 districts)	B	Medium	28,000 people with improved access to clean energy (solar home systems)	Operational (Design Phase during 2011/2012)
25	Multi-Stakeholder Forestry Programme	SDC	£20,000,000	£172,526		Bajhang, Achham, Kalikot, Dailekh, Jajarkot, Rukum, Salyan, Dang, Rolpa, Pyuthan, Baglung, Myagdi, Parbat, Kapilbastu, Rupandehi, Nawalparasi, Ramechhap, Okhaldhunga, Khotang, Bhojpur, Sankhuwasabha, Dahnkuta & Terahatum (23 districts)	C	High		Operational

	Programmes/projects	Recipient	Total DFID Commitment	Total DFID expenditure for Apr 11 - Mar 12	Disbursed through GoN	Programmes/projects Location	Latest Output Score	Risk	Results 2011/12	Comment
26	Support to Build Earthquake Resilience in Nepal	UNDP & INGO consortium	£20,000,000	£2,109,402		Kathmandu, Lalitpur, Bhaktapur, Kaski, Taplejung, Panchthar, Kailali, Kanchanpur, Accham, Bajhang, Bajura, Doti, Baitadi, Dadeldhura, Darchula, Kalikot, Jumla, Humla, Dolpa, Mugu, Dailekh, Jajarkot, Surkhet, Rukum, Pyuthan, Dhankuta, Terathum, Olkhaldhunga, Udayapur, Gorkha, Dang, Banke, Salyan, Rolpa, Bardia, Ilam, Jhapa, Morong, Sunsari, Sankhuwasabha, Bhojpur, Solukhumbu, Khotang, Siraha & Saptari (45 districts)		Medium		Operational (started Apr 2011)
			£77,772,400	£7,007,669	£1,000,000					

UK Multilateral Debt Relief Initiative

27	UK Multilateral Debt Relief Initiative	Government of Nepal		£3,566,570	£3,566,570					
			£0.00	£3,566,570	£3,566,570					

UK Conflict Prevention Pool

28	Conflict Pool Funding	Nepal Institute of Peace Studies	£147,267	£146,502				Medium		Completed
			£147,267.00	£146,502	£0					

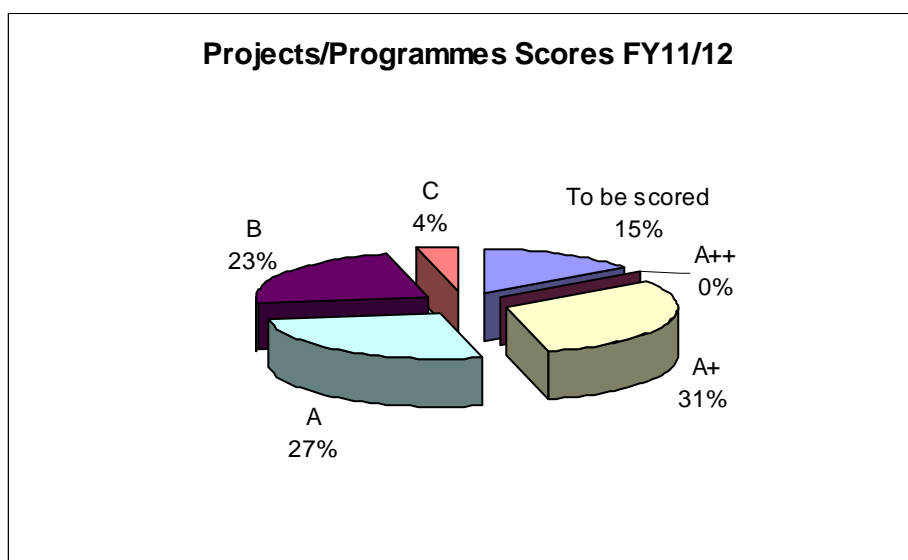
Bilateral Framework	£62,232,053	£18,190,973
UK Multilateral Debt Relief Initiative	£3,566,570	
UK Conflict Prevention Pool	£146,502	
Total UK Aid 2011/12	£65,945,125	

Annex B

DFID PORTFOLIO SUMMARY APRIL 2011 TO MARCH 2012	
Disbursements	
DFID Bilateral Aid	£62,232,053
UK Multilateral Debt Relief Initiative	£3,566,570
UK Conflict Prevention Pool	£146,502
Total UK Aid to Nepal during 2011/12¹	£65,945,125 <i>\$108,809,456</i>
Funds disbursed directly through GoN	£18,190,973 <i>29% of Bilateral Aid</i>
<small>¹based on the UK Fiscal Year</small>	
DFID Bilateral Aid	
Number of projects and programmes operational	20
Projects and programmes completed during the year	6
New projects and programmes started during the year	2
Programmes implemented with GoN	7
Programmes implemented with Multilateral Agencies	9
Programme implemented by INGO's and NGO's	6
Programmes rated as 'High Risk'	6
Number of Annual Reviews conducted to assess performance	22

Annex C

DFID projects and programmes are scored annually for their **likelihood of success** by examining progress against the outputs and outcomes.

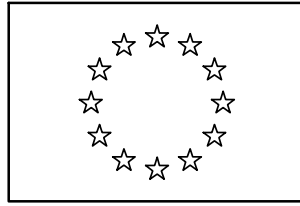


Output Description	Scale	Outcome Description
Outputs substantially exceeded expectation	A++	Outcome substantially exceeded expectation
Outputs moderately exceeded expectation	A+	Outcome moderately exceeded expectation
Outputs met expectation	A	Outcome met expectation
Outputs moderately did not meet expectation	B	Outcome moderately did not meet expectation
Outputs substantially did not meet expectation	C	Outcome substantially did not meet expectation

DFID PORTFOLIO RISK RATING	
Low	Risks may lead to tolerable delay in the achievement of objectives or minor reduction in quality/quantity and/or an increase in cost.
Medium	Risks may lead to some delay and/or loss of quality/quantity and / or an increase in cost.
High	Risks may cause loss of some or all aspects of objectives in relation to time, quality/quantity.

ATTACHMENT 5

EUROPEAN UNION



European Union

Nepal

Portfolio Performance Review

NPPR 2012

Delegation of the
European Union
to Nepal

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1. Introduction

The EU welcomes the opportunity to contribute to the Nepal Portfolio Performance Review (NPPR) for the first time. As it brings together the Government of Nepal (GoN) and some of the main development partners – namely the Asian Development Bank (ADB), the UK Department for International Development (DFID), the European Union (EU), the Japan International Cooperation Agency (JICA), the United Nations (UN) and the World Bank (WB) – on an annual basis, not only does it provide a necessary and valuable tool for the overall, joint evaluation of development efforts in Nepal but it can also help identify and address major bottlenecks of development co-operation.

Since the EU is highly committed to more co-ordination, harmonisation and co-operation among Donors and between Donors and the Government of Nepal, it strongly appreciates and supports the efforts made by all institutions in this exercise.

This background paper provides both a general introduction to the work of EU development co-operation in Nepal and a review of the previous and current portfolios. Since this is the first time the EU contributes to the NPPR, it will start with an overview of the previous – pre 2007 – and current multi- and bilateral development co-operation programmes. It will then present a summary of the portfolio of the previous Country Strategy Paper (CSP) 2001–2006 and of the current one covering the years 2007–2013. Finally, it gives an insight into the findings of the latest evaluation of (1) the overall impact of EU co-operation strategies in Nepal in general and (2) the impact of co-operation in the specific sectors the EU focuses on.

2. The EU Assistance Strategy:

A. Evolution of EU co-operation in Nepal

2.1 Introduction

EU assistance to Nepal started in 1977 and, by 2006, it amounted to some € 240 million, all aid included. Since the beginning of the new millennium, the EU has been providing development aid to Nepal in two ways: on a bilateral basis through the formulation of successive Country Strategy Papers (CSP) in close partnership with the Government of Nepal, and on a multilateral basis, including all actions outside the CSP mainly funded from sectoral programmes and thematic budget lines with a view to complementing interventions carried out under the bilateral programme. Multilateral aid is further discussed under Section 3.

The first EU Country Strategy Paper (CSP) 2001-2006 had a financial envelope of € 70 million and focused on the sectors of 1) Poverty Reduction, 2) Consolidation of Democracy and Conflict Mitigation and 3) Integration into the International Economy. The implementation of the CSP 2001-2006 was, however, delayed following the suspension of EU activities between 2005 and 2006 after the royal takeover. Therefore, some programmes scheduled for the first CSP are only now approaching their closing date.

With the ratification of the Lisbon Treaty in 2009 by all 27 Member States of the European Union and the creation of the European External Action Service in December 2010, the European Union has ushered into a new era of cooperation and the strengthening of European institutions. With these changes has come a change of name and responsibility. The Delegation, which formerly represented the European Commission to Nepal, is now a fully-fledged diplomatic mission and has become the Delegation of the European Union to Nepal, with its first accredited resident Ambassador-Head of Delegation.

The European Union, including the EU Delegation and the EU Member States, is the biggest provider of development aid to Nepal. There has been a significant increase in the volume of aid over the last four decades of bilateral relations between the EU and Nepal. Through the years, important changes have occurred, reflecting the constant assessment and adaptation of the EU development cooperation strategies, as required to maintain an effective and relevant development agenda. This has resulted, among other things, in a move from individual projects to a more holistic sector budget support, which the EU is currently pursuing in Nepal.

2.2 The first CSP 2001-2006

The overarching objective of the EU co-operation with Nepal under the first CSP was to support the country's efforts to improve the people's living conditions, particularly the rural poor, and to improve economic performance. This objective was to be achieved through the following specific goals:

- I. Promote Long-term Poverty Reduction.
- II. Consolidate democracy through Conflict Mitigation.
- III. Support Nepal's integration into the International Economy System by strengthening the domestic economy.

The first CSP also addressed a number of horizontal issues such as: gender equality, environmental protection, human rights, good governance, and anti-corruption. It finally developed along the line of several key principles, namely: (1) coherence with EC policies and complementarity with other donors; (2) alignment with Nepal's socio-economic development objectives, as stated in the 10th Five-Year Plan (2002-2007), so as to make for maximum impact on Nepal's own development agenda; (3) conditionality of EU assistance upon Nepal's continued commitment both to i) a development strategy that addresses the root causes of the Maoist conflict and the necessary reforms towards this end, and to ii) demonstrable progress in the field.

B. Current Assistance

2.3 Framework for Present Assistance

The current EU development assistance is based on (1) its fundamental principles to achieve peace, stability, democracy, human rights and prosperity and on (2) the 2006 EU Consensus for Development, which aims to define the framework of common principles within which the EU and its Member States will implement their development policies in a spirit of complementarity, and which further sets out their development agendas. The overarching objective of the EU is the eradication of poverty in the context of sustainable development against the backdrop of the Millennium Development Goals. In addition to these internal guidelines, development assistance is also extensively informed by the 2005 Paris Declaration on Aid Effectiveness.

2.4 The second CSP 2007-2013

The CSP 2007-2013 brought about a policy shift from individual rural development projects towards a sector support programme in education, thus supporting the Government's education reform agenda, good governance and effectiveness, always with a view to ensuring that more systematic attention is paid to 'targeting the poor' and to the 'sustainability' of results within a context of synergy with other development partners.

The current CSP 2007-2013 has three broad focal sectors: "Education", "Stability and Peace Building", and "Trade Facilitation and Economic Capacity Building".

Education

As one of the least developed countries in the world, Nepal needed sizable support for its relatively recent education sector programme.

Although education had officially not been included in the CSP 2001-2006, owing to an arrangement to support the Basic and Primary Education Programme – II (BPEP-II), it was finally supported by the EU through a multi-donor arrangement with four other contributors.

Education has been one of the key components of the EU's financial assistance, representing approximately 60% of the budget foreseen in the CSP 2007-2013. EU's assistance has been coordinated and pooled with EU Member States and other donors in line with the policies and priorities of the Government of Nepal.

In the past, the EU has supported the first national programme Education for All (EFA), which aimed to alleviate poverty by increasing access to education and attainment of primary education for all children, with supportive interventions in early childhood education. In view of the good results obtained, the EU is now supporting the School Sector Reform Programme (SSRP) by supporting a more inclusive and efficient elementary education system of satisfactory quality and by creating a capacity-building environment. The total amount allocated in the Multi-annual Indicative Programme 2011-2013 is €33.5 million, which follows two commitments of a total of €51 million for both the EFA and the SSRP programmes (including a DFID contribution amounting to €13 million).

Moreover, since early 2010 the Delegation has been providing grant funding to four projects in inclusive education with a view to complement the results achieved under the above-mentioned programmes. The four projects implemented by national and international NGOs aim to promote increased access and inclusion for all children, including girls, children with disabilities and Dalits.

Stability and Peace Building

This sector has been a constant and important component of both CSPs, although differently labelled: Consolidation of Democracy and Conflict Mitigation in CSP 2001-2006; Stability and Peace Building in CSP 2007-2013. The first CSP consolidated and developed the initial short term activities that had been funded for six months under the Rapid Reaction Mechanism (RRM), through the Conflict Mitigation Package I (CMP-I): "Support for Local Communities and Civil Society Voice". The CMP-II: "Support to the Judicial System and Human Rights", under the same CSP, undertook to support the development of some of the main national institutions in the judicial and human rights systems. Complementary thematic support was provided under a number of additional instruments outside the scope of the bilateral programme.

With a view to supporting further deepening and consolidation of democracy in Nepal, a project worth € 8.5 million has been designed and contracted in December 2012 to assist core electoral stakeholders with a focus on the Election Commission (ECN) to secure a peaceful, fair, and transparent electoral process. The project will go beyond the support to the specific upcoming elections, drawing lessons learnt from the event and supporting the ECN to adequately retain them to ensure a smooth transition towards greater ownership and, ultimately, a non-donor funded electoral management.

Finally, the EUD has decided to contribute € 10 million to a PFM Multi Donor Trust Fund and to a programme to address PFM issues at the local level,

administered by the WB and the ADB respectively, contributing to good governance in Nepal through assisting the Ministry of Finance (MoF) and other relevant authorities in the achievement of a more effective and efficient Public Finance Management (PFM) system. The specific objective of the project is to improve expenditure control and enhance government accountability and transparency.

Trade Facilitation and Economic Capacity Building

This focal area has been part of both CSPs. In CSP I it was named: "Integration into the international economy" and two actions were carried out: Support to the Trade policy that aimed at providing specific assistance in preparing Nepal for accession to WTO, and Economic Co-operation and Capacity Development.

The main trade-related project under the current CSP II, for a total budget of € 6.2 million (including an EU contribution of € 6 million) is currently under a quality control review by the EU headquarters. Implementation start is expected in September 2013. Its overall objective is to contribute to the Government of Nepal's efforts to reduce poverty and to stimulate trade-led economic growth by strengthening trade competitiveness in Nepal. This objective will be achieved through three specific objectives aimed to 1) "enhance the capacity of the Ministry of Commerce and Supplies and related agencies for the formulation, implementation and coordination of trade policy, trade negotiations and trade promotion"; 2) to strengthen the system of quality infrastructure, particularly the institutional capacity for sanitary and phytosanitary standards and technical barriers to trade; and 3) to support value chain development with a specific focus on coffee.

2.5 MIP 2007/10

Within the framework of the CSP 2007-2013, action was subdivided into two Multi Indicative Programmes (MIP). The first MIP 2007-2010 included actions on three fronts:

- I. Action to promote stability and peace through the Government of Nepal's instrument (the Nepal Peace Trust Fund);
- II. Action to implement the Comprehensive Peace Agreement (CPA) and subsequent peace-related agreements;
- III. Action to improve education in Nepal, via the School Sector Reform Programme (SSRP).

One of the key lessons from the MIP 2007-2010 implementation was that the EU needed to stay proactively engaged in the development and peace-building processes. The experience gained by donors in providing budget support in the education sector is being shared with those supporting the peace-building process. Two other lessons focused on (1) the importance of strengthening the implementation capacity of key stakeholders, such as implementing partners in non-focal areas, to make them fully responsive to the specificities of the EU's rules and regulations, and (2) the need to include good governance and public

finance management (PFM) as cross-cutting issues, and (3) the need to promote political consensus so that development can proceed efficiently.

2.6 MIP 2011/13

In the evaluation of the MIP 2007-2010, the EU concluded that no major adjustments were required to the CSP in order to address Nepal's development challenges. The MIP 2011-2013 has, thus, followed the three-pronged approach of "Education", "Stability and Peace Building", and "Trade Facilitation and Economic Capacity Building".

3. EU Portfolio Summary and Composition

A. Financial Framework for Aid

3.1 EU Development Cooperation Instrument (DCI)

Launched in 2007, the financing instrument for development co-operation (DCI) replaced a wide range of geographic and thematic instruments created over time and as needs arose. The overarching objective of the new regulation was, hence, the simplification and increase in effectiveness of the EU development co-operation. The regulation emphasises that the Community's development co-operation policy is guided by the MDGs and that the "European Consensus for Development" provides the general framework for action by the Community on development matters. The DCI covers two major components:

1. **Geographic Programmes** (bi-lateral): support a wide range of areas of co-operation such as poverty eradication, education, health, democracy, human rights, governance, trade and regional integration, environmental protection, etc. The specific measures finally implemented in the country vary according to the latter's specific needs. They are determined by the Commission (EU Delegation) on the basis of the CSP, the MIP and relevant Annual Action Programs (AAPs). The Geographic Programmes hence provide the main basis for the delivery of bilateral co-operation under subsequent CSPs (See also Table I & II).
2. **Thematic Programmes** (multi-lateral): complement the geographic programmes. They cover a specific activity of interest to a group of partner countries not determined by geography, or target co-operation activities focusing on various regions or groups of partner countries, or an international operation that is not geographically specific. The regulation provides for five thematic programmes namely: (1) Investing in People (including education, human rights and health), (2) Environment and the sustainable management of natural resources, (3) Supporting non-state actors and Local Authorities, (4) Improvement of food security, (5) Co-operation in the area of migration and asylum (See also Table III).

3.2 Additional Financial Instruments (multi-lateral)

In addition to the development aid provided by the EU under the Development Cooperation Instrument, Nepal is also eligible to receive EU assistance under the following complementary financial instruments:

1. **European Instrument for Democracy and Human Rights**
The key objectives of the European Instrument for Democracy and Human Rights (EIDHR) are: enhancing All projects funded under the EIDHR in Nepal have promoted the respect for human rights and fundamental freedoms and have contributed to 1) strengthening civil society in promoting human rights and democratic reforms, 2) building confidence in democratic processes in particular through election

monitoring, and 3) supporting EU guidelines on human rights nationally, regionally and internationally. Their ultimate goal was to improve the lives of the poorest and most marginalised sections of society. Those projects are selected on a competitive basis. They are thoroughly scrutinised during the selection process and during implementation to ensure that project activities do not violate others rights and do not challenge social coherence.

2. Instrument for Stability

The Instrument for Stability (IfS) is a strategic tool to help stabilise countries in crisis or emerging crisis. It is also useful to build the capacity for tackling specific global and trans-regional threats, such as the proliferation of weapons of mass destruction, terrorism and organised crime, and to ensure adequate preparedness for addressing pre- and post-crisis situations.

In Nepal, in addition €22 million from the CSP 2007-2013, the EU has committed another €6 million from the IfS to support the Government of Nepal in the implementation of the Comprehensive Peace Agreement in the areas outlined through the Government-led, multi-donor Nepal Peace Trust Fund (NPTF). The NPTF has played an important role in strengthening the role of the state to consolidate the peace process.

The NPTF is providing a critical contribution to make the process irreversible. As one of its major donors, the EU is supporting activities under four different areas, including cantonment management and rehabilitation of combatants; conflict affected persons and communities; security and transnational justice; and, constituent assembly and peace building initiatives at national and local levels. The programme supports the development of a new inclusive and equal society and encourages dialogue and cooperation between all stakeholders in Nepal.

The NPTF also receives bilateral EU support from several Member States, namely the United Kingdom, Finland, Germany and Denmark.

3. Food Facility:

The Food Facility (FF) was designed to provide a rapid response to soaring food prices in 50 developing countries. Operating over a 3-year period from 2009 to 2011, the instrument aimed to provide a short and medium term response to agricultural production and to provide access to food for the most vulnerable populations by supporting:

- measures to improve access to sustainable agricultural inputs and services including fertilizers, seeds and training
- safety-net measures to maintain or improve sustainable agricultural production capacity and help meet the basic food needs of the most vulnerable populations, including children
- other small-scale measures such as microcredit, investment, equipment, infrastructure and storage as well as vocational training and support for agricultural professionals.

A total of € 23.5 million were earmarked for Nepal to run food security related projects in 18 food insecure districts in the country's eastern, central, mid-western and far-western regions. The Food and Agriculture Organization (FAO) and the World Food Programme (WFP) received a total € 17.5 million to deliver a joint programme of short and medium term interventions focusing on:

- productive safety nets, with aim of maintaining and improving agricultural infrastructure in order to raise agricultural productivity;
- quick impact support to increase staple food availability for extremely vulnerable households;
- support to farmers to adopt improved sustainable agricultural practices through capacity building of both farmer and the Ministry of Agriculture and Cooperatives – Extension Services; and
- monitoring system for food security and disaster risk management.

Four I/NGOs namely Oxfam GB, Save the Children, Dan Church Aid and Practical Action, selected through competitive bid, receive a total of € 6 million to carry out integrated food security projects aimed at increased food production through better access to high quality agro-inputs and extension services, improved farming practices through extensive training, small-scale technology transfers, etc.

Through the various instruments, the EU covers a wide range of areas aimed at consolidating the results achieved under the three focal sectors covered by the CSP. Nepal was made eligible to all calls for proposals in February 2005, a decision of the EU that resulted in a significant number of EU-funded projects in the country.

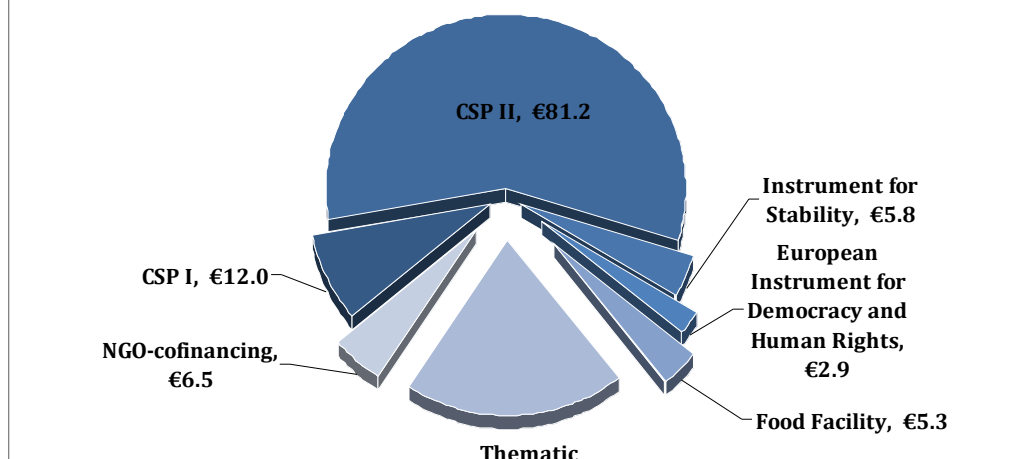
3.3 European Community Humanitarian Office

Due to Nepal's post-conflict situation, its high vulnerability to natural disasters and climate change, and given the presence of a large number of Bhutanese refugees, humanitarian assistance has been and is still provided through the EU Humanitarian Aid Department (ECHO). Interventions worth a total budget of € 68 million have been carried out from 2001 onwards, including € 35 million for humanitarian operations, € 21 million in support of the Bhutanese refugees and € 12 million to strengthen the country's disaster preparedness under the DIPECHO programme. The latter is becoming the most important component of ECHO's humanitarian assistance portfolio in Nepal.

3.4 Distribution of Instruments in Current Portfolio

In total, the 2012 EU Portfolio contained 83 distinct on-going projects. This splits into 7 from CSP I and 12 from CSP II plus 33 under the DCI Thematic Instruments, 20 under the European Instrument for Democracy and Human Rights, 8 under the NGO-co-financing instrument from the previous CSP period 2001-2006, 2 under the Food Facility and 1 under the Instrument for Stability. Figure 1 shows the distribution of the current portfolio of projects by CSP and Additional Financial Instruments.

Figure 1: Distribution of funds in the current (2012) portfolio by CSP and Instrument (active projects)



B. Financial Envelopes and Disbursements

3.5 CSP I – 2001-2006

The first CSP 2001-2006 had a financial envelope of € 70 million. Table 1 provides an overview of the CSP 2001-2006 sectors with the amounts allocated for each of them.

Table1: Financial envelopes by sectors (CSP 2001-2006) - in € million

Sector I: Promote Long-term Poverty Reduction	56
Action 1: Renewable Energy and the Environment	15
Action 2: Strengthening Rural Development and Governance ¹	41
Sector II: Consolidate democracy through Conflict Mitigation	10
Action 1: Conflict Mitigation Package I: Support for Local Communities and Civil Society Voice	3
Action 2: Conflict Mitigation Package II: Support for The Judicial System and Human Rights	7
Sector III: Integration into the International Economy	4
Action 1: Trade Policy (Accession to WTO)	2
Action 2: Economic Co-operation and Capacity Development (Support to SME)	2
Total	70

In addition, a budget reallocation allowed for (1) a € 4.8 million human rights monitoring mission, implemented by OHCHR, and (2) a project aimed at

¹ Action 2 in Sector I was not implemented. Some of the fund were, however, added as additional funds to the portfolio of the CSP 2007-2013 and are now part of the Support for the School Sector Reform Programme under Sector I. These funds are not part of the initially planned envelope of the CSP 2007-2013 but rather stand as additional funding on top of the planned 120 million.

developing private sector capacities through training (TVET) instead of the project to support to SME originally planned under Sector III .

3.6 CSP II – 2007-2013

For the period 2007 to 2013, the CSP II initially provided for a budget of € 120 million namely approximately € 20 million per year. The budget under each MIP was, therefore, planned at € 60 million. The budget for the second one was, however, reduced and is now amounting to € 56.1 million. The three sectors of the CSP 2007-2013 and the allocation of funds are shown in Table 2 below:

Table 2: Financial envelopes, allocated amount, contracted and disbursed amounts (CSP 2007-2013) - in € million

Sector	Financial Envelope (2007-2010/ 2010 -2013)	Amount Allocated	Amount Contracted	Amount Disbursed
Sector I: Education: Support for School Sector Reform Programme	67.6	51.4	50	42.75
Sector II: Stability and Peace Building	40.5	30.5	27.6	10.5
Support to Stability and Peace building	22	22	19.2	9.6
Public Finance Management	10	0	0	0
Support to the Electoral Cycle	8.5	8.5	8.4	0.9
Sector III: Trade Facilitation and Economic Capacity Building Programme	6	0	0	0
Trade and Private Sector Development (TPSD)	6	0	0	0
Total	114.1	81.9	77.6	53.25

NB: Disbursements are up to December 2012 and not for the entire period covered by the CSP 2007-2013. Moreover, some of them are currently under processing and have not been taken into account in the table.

3.7 Disbursements under multilateral co-operation 2001 - 2012

The envelope of multilateral co-operation amounts to € 47 million over the CSP I period 2001-2006 and to € 51 million over the CSP II period 2007-2013. In the current period, Nepal has received development aid from all DCI Thematic Instruments and from all additional Financial Instruments (e.g. EIDHR, IFS, Food Facility). Table 3 summarises the amounts contracted and disbursed under the various instruments in the periods 2001-2006 and 2007-2013:

Table 3: Contracted amounts and disbursements outside the CSP over the period 2001-2012 – in € million

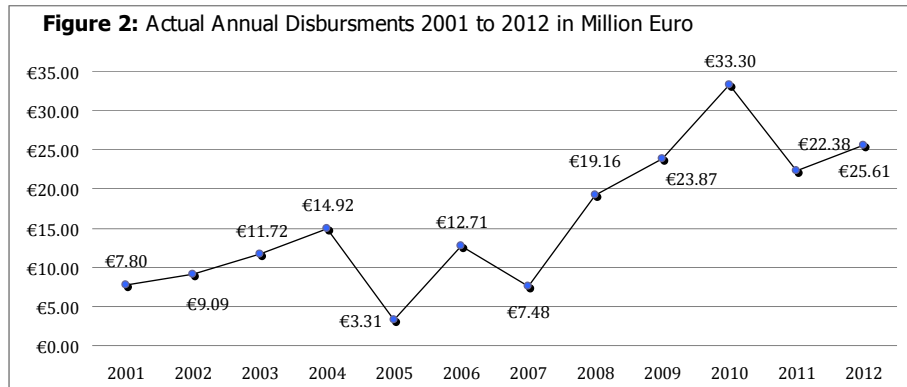
Instrument	Domain	Sector	Amount Contracted	Amount Disbursed
CSP I 2001 - 06				
European Instrument for Democracy and Human Rights	DDH	Human Rights and Democracy	6	6
Instrument Non State Actors – Developing Countries	ONG-PVD	NGO Co-financing	18	17.5
	REH	Rehabilitation	13.1	13.1
Instrument Health	SANTE	Health	1.6	1.6
Instrument Environment	ENV	Environment	1	1
Sub Total 2001 - 06			39.7	39.2
CSP II 2007 - 13				
DCI Thematic Instruments	DCI-EDUC	Education	1.5	0.9
	DCI-ENV	Environment	8.1	1.1
	DCI-HUM	Human Rights	5	3.2
	DCI-MIGR	Migration	1.1	0.7
	DCI-NSAPVD	Non-State-Actor co-operation	9.6	5.7
	DCI-SANTE	Health	2.8	1.9
	DCI-FOOD	Food Security	9.8	7.2
European Instrument for Democracy and Human Rights	EIDHR	Human Rights and Democracy	7.5	5.8
Instrument for Stability	IFS-RRM	Instrument for Stability	5.8	5.8
Sub Total 2007 - 13			51.2	32.3
Total			90.9	71.5

NB: Disbursements are up to December 2012 and not for the entire period covered by the CSP 2007-2013. Moreover, some of them are currently under processing and have not been taken into account in the table.

3.8 Annual Disbursements over the CSP period 2007/2013

The EU Delegation disbursed a total of €189.5 million over the current CSP period 2007-2013, the majority of which was spent in the second half of the CSP period, that is from 2010 onwards. The higher disbursement levels in the second half come as a result of the suspension of programming activities in response to the royal takeover in 2005. The EU suspended the formal preparation of the Country Strategic Paper 2007-2013 as well as of projects that were planned to be launched in this period (except some projects related to human rights and conflict mitigation as these were seen as having a potential direct positive impact on the situation). This decision caused delays in the implementation of the EU cooperation strategy. However, by mid-2006, the

later was restored and normalised. Consequently, most activities and payments where either delayed to June 2006 when co-operation was reactivated or postponed to the CSP 2007-2013. Figure 2 shows the *actual* disbursement of funds between 2001 and 2012.



3.9 Disbursements by DAC Sector

Table 4 in Annex A shows disbursements by DAC sector between the periods 2001–2006 and 2007–2012. The EU holds that providing data that uses DAC coding will contribute to improved comparability with the work of other donors and, thus, hopefully reduces unintended overlap and improves co-operation. Although information is provided for both time periods, DAC coding has only really been used after 2007, which means that, consequently, statistics for the previous years are mostly missing and coded as Not Available.

4. Portfolio Evaluation

A. Overall Implementation of EU Strategy

Political instability has been a major issue throughout the period of CSP I 2001-2006 and, to a lesser extent, of CSP II 2007-2013, sometimes negatively impacting on the accountability and ownership of national stakeholders. As previously mentioned, the EU suspended its development co-operation in Nepal between 2005 and 2006. From 2006 onwards, several disturbances directly related to the unstable political context such as general strikes, road blocks, high levels of fiduciary risk, the postponement of political dialogue and a lack of strategic planning and accountability from the Government of Nepal continued to hinder the programming and implementation of the EU support.

In this difficult context and changing political conditions, the EU formulated some good responses. Moreover, the EU support strategy has remained fully in line with the Government of Nepal's priorities, a major objective of EU co-operation.

The choice of aid delivery methods and financing instruments used by the EU has been very different in each focal area of co-operation. Overall, a good mix of instruments and aid modalities was used within the portfolio. Good examples of synergy between the various financing instruments and aid modalities used were identified, as illustrated in the Peace Building and Consolidation of Democracy sector (with an adequate use of EU geographic and thematic instruments) and in the Education sector (with an interesting combination of budget support and of project approach).

Over the years, the EU has put increasing efforts on co-ordination activities with the Government of Nepal and other Development Partners, following an overall positive trend towards donor harmonisation and alignment in Nepal in line with the 2005 Paris Declaration. The EU has also ensured coherence between its development interventions in Nepal and European Union policies, especially in the trade and environment sectors. Furthermore, the EU co-operation activities have benefited from a continuous dialogue between the EU - be it through its Delegation in the field or through the EU headquarters - and the Government of Nepal.

The establishment of a fully-fledged EU Delegation to Nepal in 2010 has greatly contributed to improving the EU's ability to be more pro-active on donor coordination in full compliance with the spirit of the Lisbon Treaty.

B. Nepal Country Level Evaluation

An external evaluation of the EU co-operation with Nepal over the period 2002-2010 was carried out in 2011.

The objective of the evaluation was to assess:

- the relevance and coherence of the EU's co-operation strategies, all instruments included, for the period covered;
- the consistency between programming and implementation;
- the value added of the EU's interventions;
- the coordination and complementarity of those with other donors' interventions with a focus on EU Member States, and the coherence between those interventions in the fields of development and cooperation and other Commission policies likely to affect the partner country;
- the implementation of the EU's co-operation, focusing on impact, sustainability, effectiveness and efficiency as well as on its intended effects for the period under the programming cycle 2007-2013;
- the attention paid to relevant cross-cutting and key issues at both programming and implementation stages together with the resulting impact.

More precisely, the thematic scope of the evaluation concentrated on the following co-operation areas:

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

The main findings of the evaluation are summarised below according to focal sectors and main cross-cutting issues:

4.1 Peace building and consolidation of democracy

The EU support has helped ensure the fair and transparent election of the Constituent Assembly, which has resulted in a strengthening of democracy in the country. The EU has directly contributed to expanding the outreach of human rights monitoring in Nepal and, to some extent, to the reduction of human rights violations and discrimination against women and vulnerable people. However, the impact of EU support on the institutional capacity of the judiciary has been incomplete, in particular with regard to increased access to judicial services.

4.2 Empowering Women and Excluded Groups

The EU has contributed to empowering women, poor and excluded people. However, integration of projects as part of a strategic framework of broader efforts for structural change and clear links with key government bodies, could

have increased projects' potential impact. Target groups' access to services and livelihood opportunities has remained limited as few and only small interventions were implemented in productive sectors.

4.3 Poverty Reduction

By staying engaged with the Government of Nepal in fighting poverty, the EU has helped keep the Government's poverty reduction strategy on track in achieving the MDGs. The EU-supported interventions improved the conditions for further poverty reduction. However, direct interventions to increase production, employment and incomes have remained few.

4.4 Education

In the education sector, recent EU budget support has been influential on the implementation of sector policies, and, during the period 2001–2010, there have been upward trends in the key performance indicators related to basic education. The EU has contributed to major improvements in access and gender parity through its support to the Basic and Primary Education Programme – Phase II (1999-2004), the Education for All programme (2004-2009) and the School Sector Reform Programme (2009-2015). Following a much needed focus on access to education, greater attention must be paid now to improve the quality of inputs, as well as the quality of learning outcomes. Increased efforts are also needed to achieve a significant improvement in the management of public resources.

4.5 Trade facilitation and integration in the international economy

EU's trade-related assistance has been fully in line with the Government of Nepal's policies and priorities, albeit focused on building up the capacity of the public sector. The EU support has contributed significantly to realising the specific objective of Nepalese laboratories obtaining international standards and an increased compliance with WTO requirements. However, the limited budget dedicated to the sector in general has prevented from addressing in a more significant way the needs of the private sector. The EU Generalised Scheme of Tariff Preferences has been beneficial, but the overall impact – measured in Nepalese exports to the EU – has remained limited.

4.6 Rural Development and Irrigation

Although the implementation of the rural development/irrigation programme that was initially planned under the poverty reduction concentration area of the first CSP did not materialise, the EU managed to contribute to decreasing rural poverty and food insecurity under the € 23.5 million Food Facility through increased production, productivity, rural incomes and food security in selected food insecure and vulnerable areas in eighteen district in Nepal.

4.7 Renewable Energy

The EU has supported an increased use of renewable energy in 21 mountainous and remote districts in Nepal through a recently completed €15 million

Renewable Energy Project. The latter resulted in the installation of about 1000 Solar Photovoltaic systems at rural health posts, schools, community communication centres, agro grinding mills and *water* pumping system sites together with solar dryers and hot water systems for tourism businesses. Increased access to electricity has unambiguously had a high social impact while contributing to increased economic development as well as to environmental protection although rolling out renewable energy-based technologies throughout the country is still required to achieve a critical mass likely to result in a more tangible impact countrywide.

4.8 Policy Dialogue

The EU has actively participated in the policy dialogue with the Government of Nepal in line with the size of its support. Whereas policy dialogue was and still is an explicit part of the cooperation in the education sector, in other sectors the policy dialogue is still only emerging, such as trade related assistance environment as well as migration and development. In the specific context of Nepal, where there has been rather poor governance and political instability, strong commitment to policy dialogue is what matters most.

Annex A: Disbursements by DAC Code

Table 4: Disbursements between 2001 – 2012 by DAC Code

DAC Code and Sector	Paid Amount (2001/06)	Paid Amount (2007/12)	Total Paid Amount
11110 - Education policy and administrative management	€0	€20,634,372	€20,634,372
11120 - Education facilities and training	€0	€367,473	€367,473
11220 - Primary education	€0	€23,248,152	€23,248,152
11330 - Vocational training	€0	€1,594,223	€1,594,223
11420 - Higher education	€145,781	€382,505	€528,286
12110 - Health policy and administrative management	€0	€1,883,038	€1,883,038
12191 - Medical services	€1,446,774	€0	€1,446,774
12220 - Basic health care	€1,191,115	€2,458,250	€3,649,365
12230 - Basic health infrastructure	€0	€142,056	€142,056
12261 - Health education	€0	€1,115,455	€1,115,455
13010 - Population policy and administrative management	€0	€346,607	€346,607
13020 - Reproductive health care	€0	€1,102,413	€1,102,413
13030 - Family planning	€631,023	€0	€631,023
13040 - Std control including hiv/aids	€427,648	€679,092	€1,106,740
14020 - Water supply and sanitation - large systems	€48,919	€0	€48,919
15111 - Public finance management	€0	€369,709	€369,709
15130 - Legal and judicial development	€0	€1,371,882	€1,371,882
15150 - Democratic participation and civil society	€837,791	€1,101,536	€1,939,327
15151 - Elections	€0	€292,543	€292,543
15160 - Human rights	€7,994,292	€8,172,561	€16,166,853
15170 - Women's equality organisations and institutions	€0	€1,868,101	€1,868,101
15220 - Civilian peace-building, conflict prevention/ resolution	€0	€15,449,241	€15,449,241
16010 - Social/ welfare services	€1,182,550	€1,325,133	€2,507,683
16020 - Employment policy and administrative management	€0	€342,867	€342,867
16050 - Multisector aid for basic social services	€374,275	€4,142,023	€4,516,298
16061 - Culture and recreation	€0	€1,572,770	€1,572,770
22040 - Information and communication technology (ict)	€0	€63,552	€63,552
23067 - Solar energy	€1,218,941	€11,041,705	€12,260,646
31120 - Agricultural development	€0	€1,001,920	€1,001,920
31220 - Forestry development	€0	€316,583	€316,583
32130 - Small and medium-sized enterprises development	€164,539	€22,302	€186,841
32140 - Cottage industries and handicraft	€0	€565,146	€565,146
32182 - Technological research and development	€129,841	€0	€129,841
33110 - Trade policy and administrative management	€0	€1,777,423	€1,777,423
33120 - Trade facilitation	€0	€363,362	€363,362
41010 - Environmental policy and administrative management	€600,000	€697,967	€1,297,967
41081 - Environmental education/ training	€0	€493,222	€493,222
43010 - Multisector aid	€2,322,857	€827,119	€3,149,976
43040 - Rural development	€263,692	€1,929,550	€2,193,241
52010 - Food aid/food security programmes	€230,567	€7,034,818	€7,265,385
72010 - Material relief assistance and services	€1,600,000	€2,178,882	€3,778,882
72050 - Relief co-ordination; protection and support services	€0	€49,356	€49,356
88020 - Private sector & assist. economic dev.	€0	€19,115	€19,115
88210 - Civil society and democratisation	€147,575	€471,727	€619,302
88260 - Humanitarian, food and critical aid	€900,000	€0	€900,000
91010 - Administrative costs	€0	€30,517	€30,517
92020 - Support to international ngos	€126,184	€379,991	€506,175
99810 - Sectors not specified	€0	€5,237,624	€5,237,624
N/A - Not available	€37,551,909	€163,530	€37,715,439
Total	€59,536,273	€124,627,410	€184,163,684

ATTACHMENT 6

IFAD

**NEPAL PORTFOLIO PERFORMANCE REVIEW
NPPR 2012**

ATTACHMENT TO GON MAIN REPORT

**International Fund for Agricultural Development (IFAD)
Nepal Country Office
Asia and the Pacific Region Division**

January 2013

ABBREVIATIONS AND ACRONYMS

APR	Asia and the Pacific Region Division
COSOP	Country Strategic Opportunities Programme
GON	Government of Nepal
HVAP	High Value Agriculture Project
IFAD	International Fund for Agricultural Development
LFLP	Leasehold Forestry and Livestock Programme
LFUG	Leasehold Forest User Group
LLP	Local Livelihoods Programme
NGO	Non-Governmental Organization
NLSS	Nepal Living Standards Survey
PAF	Poverty Alleviation Fund
PRSP	Poverty Reduction Strategy Paper
SO	Strategic Objective
TA	Technical Assistance
TYP	Three-Year Plan 2010-2013
WUPAP	Western Upland Poverty Alleviation Project

1. IFAD COUNTRY PROGRAMME

1.1 Nepal became a member of IFAD in 1978 and was among the first countries to benefit from IFAD. The main strategic thrusts of the IFAD financed projects in Nepal are poverty alleviation and improvement of household food and income security of the rural poor especially the rural women, the landless, the indigenous groups and small and marginal farmers from the disadvantaged areas of the country.

1.2 IFAD's strategy in Nepal is focused on supporting the development policies and programmes of the government and other partners, especially in relation to peace building, reconciliation, reconstruction and economic recovery. More than ever, IFAD's interventions in Nepal underscore these efforts by addressing the issues of poverty, inequality and social marginalization that lie at the heart of the conflict. In particular IFAD continues to direct its support towards the hill and mountain areas, where poverty levels are very high and access to infrastructure, services and markets is extremely limited. IFAD interventions in Nepal are designed to a) help provide infrastructure and services b) Target the most marginalized ethnic and social groups c) Improve income-generating opportunities d) Promote good governance and peace building and e) Support interventions that promote community cohesion and resilience.

1.3 The current Country Strategic Opportunities Programme (COSOP) for Nepal was approved by the International Fund for Agriculture Development's (IFAD) Executive Board in December 2006. It covers a six year period from 2007 to 2012. A new COSOP under design during the current year 2013 and will cover 2013-2018. The first COSOP monitoring and evaluation note of the Nepal country programme draws from the COSOP annual review conducted in December 2011 and december 2012 and existing M&E data provided by the projects. In the future the annual COSOP M&E notes are however expected to feed into the annual reviews of the COSOP. This note is the first monitoring note prepared by the Country Office to monitor the performance of the Nepal Country Programme of IFAD. The quality of the notes will improve with time as the projects improve their M&E systems integrating also the COSOP indicators to their systems. Only through reliable information provided by the projects will it be possible to produce comprehensive country programme notes and thus to monitor and evaluate the overall performance of the country programme.

The Country Programme is guided by a Country Strategic Opportunities Programme (COSOP: 2007-2012) and was in the last year of implementation in 2012. Since, IFAD became a core member of NPPR process in the country in December 2012, this background paper is the first of its kind and provides an overview of the IFAD operations in Nepal.

2. IFAD PORTFOLIO OVERVIEW

A. PORTFOLIO SIZE AND COMPOSITION

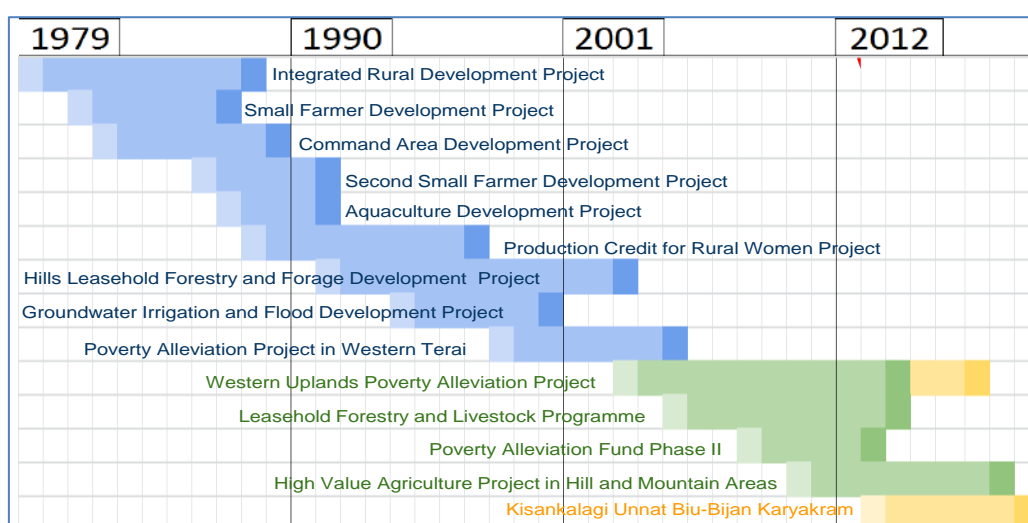
2.1 Since the establishment of IFAD Nepal in 1978, a total of 16 projects have been approved for a total cost of US\$ 435 million (including co-financing). With US\$152.8 million in loans and US\$36 million in grants from IFAD, these projects have directly benefitted 809,853 households in rural Nepal to improve their living conditions. The loans IFAD provides to Nepal are highly concessional and have particularly favorable conditions for repayment. These loans are interest-free, match with service commission of 0.75% per annum, a repayment term of 40 years and a grace period of 10 years. Further, within the Debt Sustainability Framework, Nepal benefits special conditions as all new IFAD financing are split into 50% loan and 50% grant.

2.2. COSOP strategic objectives: the current IFAD COSOP in Nepal has three strategic objectives as follows: i) Increased access to economic opportunities by poor farmers and producers in hill and mountain areas; ii) Improved community infrastructure and services in hill and mountain areas; and iii) A reduction in gender-, ethnic- and caste-related disparities through greater inclusion of disadvantaged groups in development. In addition there is a cross-cutting theme to support improvement of local governance and peace-building. The strategic objectives correspond to the Poverty Reduction Strategy Pillars of the Government of Nepal at the time of drafting the COSOP in 2006.

B. CURRENT PROJECTS

2.3 There are currently five ongoing projects at the end of December 2012. The Western Uplands Poverty Alleviation Project (WUPAP) started in 2003 and entered into third phase since July 2012. The Project covers seven districts from Far- and Mid-Western Nepal in the third phase. The Leasehold Forestry and Livestock Project started in 2005 and operational into 22 districts across the mid-hills is expected to close in 2014. The Poverty Alleviation Fund Phase II (PAF II), covering 59 districts mainly funded by the World Bank, started in 2008. The potential PAF III is currently being discussed. The High Value Agriculture Project in Hill and Mountain Areas (HVAP) started in 2010, and is operational in seven districts of the mid-western region. Kisankalagi Unnat Biu-Bijan Karyakram (Improved Seeds for Farmers) is signed on 2 December 2012 and is in the starting phase.

Table 1 : Portfolio timeline



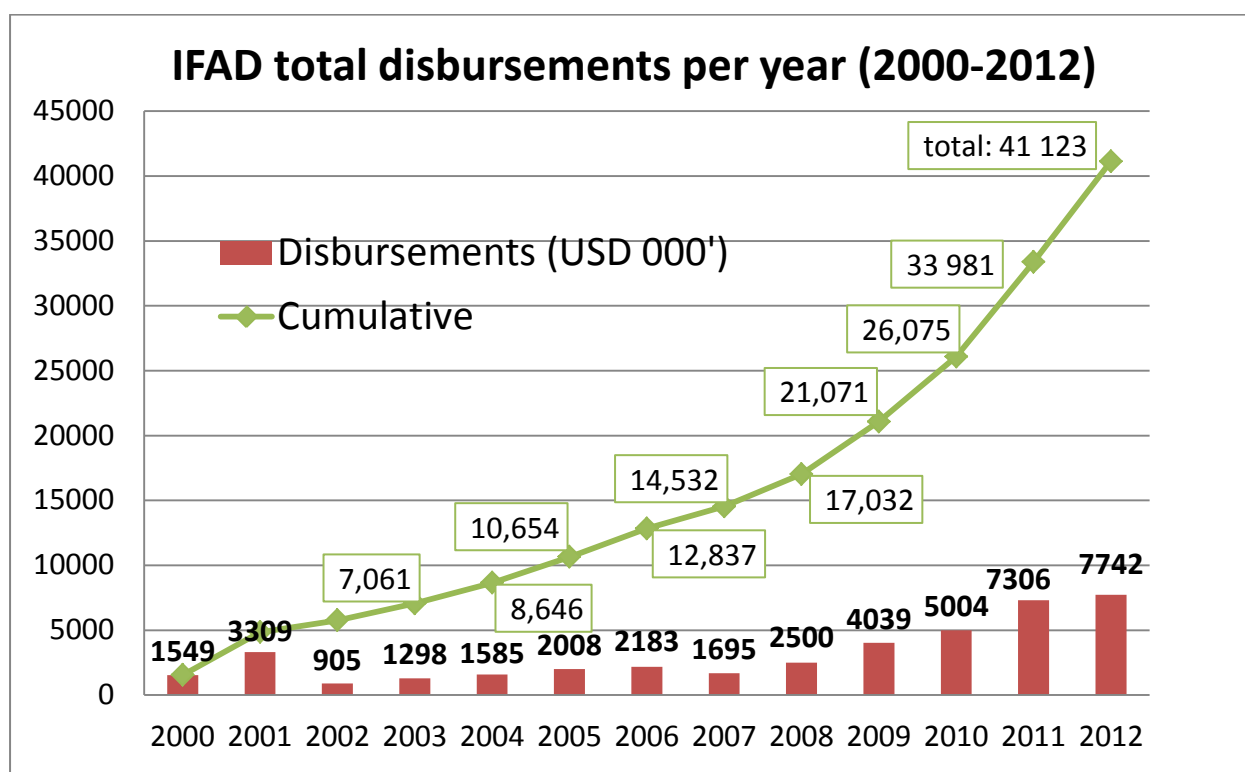
C. DISBURSEMENTS

2.4 IFAD disbursements in Nepal have been growing over time reaching almost US\$ 7.3 million in 2011 and US\$ 7.7 million in 2012. The disbursement of fund was low during 2000's decade reflecting the unstable political situation in the country when many development activities came to a halt. After 2007, however, the size of the country portfolio and its delivery has been growing significantly.

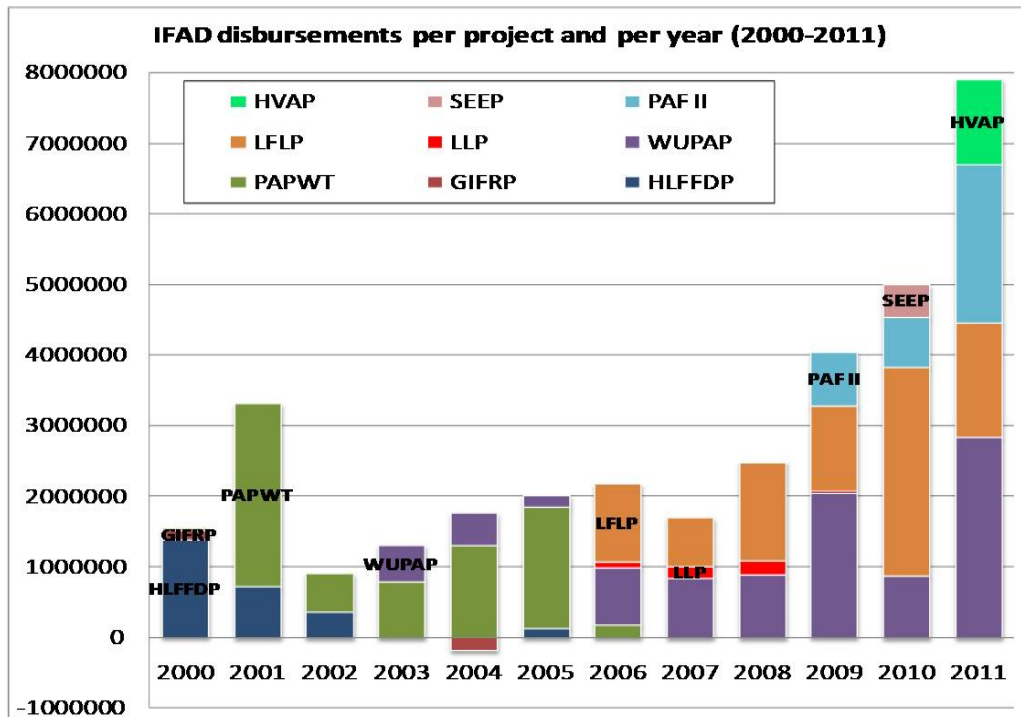
2.5 During the 2007-2012 COSOP, WUPAP and LFLP received the largest amount of disbursements. While IFAD disbursed US\$3.7 million to PAF, it is to be noted that the project receives most of its funding from the World Bank, amounting to US\$ 100 million, making it a good example of inter-agencies cooperation.

Table 2 : Disbursements

	2007	2008	2009	2010	2011	2012	Total
LFLP	694,240	1,382,271	1,201,463	2,945,261	1,612,159	1,789,703	9,625,097
WUPAP	837,385	891,070	2,039,142	878,333	2,846,373	4,657,363	12,149,666
PAF II			750,000	717,231	2,247,701	285,068	4,000,000
HVAP					600,000	1,009,409	1,609,409
SEEP		28,175		463,375			491,550
LLP	163,047	198,216	47940				409,203
Total	1,694,672	2,499,732	4,038,545	5,004,200	7,306,233	7,741,543	28,284,925



2.6 The graph below illustrates the longer-term trend in the country portfolio disbursements. Year 2007 saw a small decrease in disbursements compared to the two previous years reflecting the unstable political situation in the country when many development activities came to a halt. After 2007 the size of the country portfolio has been however growing fast. The graph also illustrates the proportion of disbursements to each project.



D. TOTAL OUTREACH

2.7 The figures below however make an attempt to present the total outreach of the current four ongoing loan projects within the country including the pilot project that preceded the start of HVAP. The figures are presented as per the project RIMS reports and in the case of PAF as per information provided by PAF in May 2012 when requested. The average size of household is assumed to be 4,7 as per the 2011 census in Nepal.

2.8 As illustrated in the table below the total outreach of the Nepal country programme during the fiscal year 2010/2011 thus was 524,000 households. Without taking into account the PAF beneficiaries (as PAF is for the main part funded by the World Bank) the number would be 178,000 people. LFLP and WUPAP have both reached close to 230,000 beneficiaries during the implementation of the current phases of the projects. The total number of beneficiaries reached by the ongoing IFAD projects in Nepal is more than 2 million people. This accounts to approximately 8 percent of the rural population in the country. Excluding the PAF outreach the ongoing IFAD projects have reached approximately 2 percent of the rural population in the country¹. During the fiscal year of 2010/2011 the projects reached approximately 2 percent of the rural population in Nepal. Excluding the PAF beneficiaries the IFAD funded project reached 0,7 percent of the rural population in Nepal.

¹ With calculation done with the most recent census figures. Rural population is 83 percent of total population thus rural population would amount to 22,095,271.

Table 3 : Target groups and beneficiaries

Project	Target at appraisal (beneficiaries)	Outreach by end of 2010/2011 (beneficiaries)	Outreach during 2010/2011 (beneficiaries)
Western Uplands Poverty Alleviation Project (WUPAP) ²	610,000	228,309	174,064
Leasehold Forestry and Livestock Programme (LFLP)	264,471	229,463	3,827 ³
Poverty Alleviation Fund II (PAF II) ⁴	2,209,000	1,619,206	345,892
High Value Agriculture Inclusive Business Pilot Project (HVAP-IB) ⁵	6,580	6,580	0
High Value Agricultural Project (HVAP) ⁶	245,810	0	0
Total	3,335,861	2,083,558	523,783

E. IFAD INVESTMENT PER CAPITA

Table 4 : IFAD investment per capita

2.9 The graph on the left gives an estimate on the IFAD investment per household in USD in relation to the ongoing loan projects funded by IFAD in Nepal. ⁷It is to be noted that the figures are estimates as the reliability of the data on the total outreach is not good. In case the financing from

² Target for WUPAP is presented for all the three phases of the project. However, the outreach figure is only for phase II

³ The figure is under revision by LFLP M&E officer. It is expected that the figure will be around 35,000 more.

⁴ Original outreach given by PAF in HHs, the number are : 470 000 HHs, 344 512 HHs and 73 594 HHs. Beneficiaries number calculated assuming that HH average size is 4,7 people and that all members benefit.

⁵ 1,400 Households. Assumption is that HH average size is 4,7 people and that all household members benefit.

⁶ 52,300 Households. Assumption is that HH average size is 4,7 people and that all household members benefit.

⁷ IFAD Investments from IFAD (as per Withdrawal Applications) up to July 2011, HHs from RIMS 2010/2011 as reported by the projects except in the case of PAF as reported by PAF separately. Other financing estimates for the Finnish fund for LFLP and for World Bank fund for PAF.

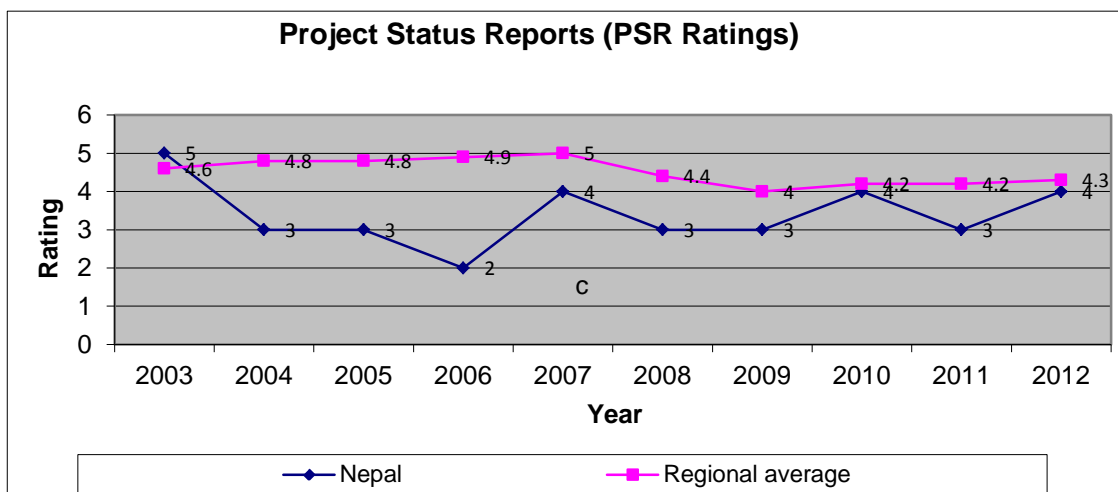
other donors is not taken into consideration the IFAD investment per household is the lowest for PAF with IFAD investment both in WUPAP and LFLP being approximately 40 USD. In case the funding from the Finnish grant to LFLP and the World Bank funding to PAF is taken into account it can be noted that WUPAP and PAF invest approximately the same per capita (40 USD) whereas LFLP per capita investment is around 10 USD higher compared to PAF and WUPAP. HVAP has been excluded from the analysis as it is yet to start the activities with its beneficiaries.

F. OVERALL PERFORMANCE OF COUNTRY PORTFOLIO

2.10 The annual performance ratings the country portfolio of Nepal has several ups and downs in the last decade. There is an ongoing concerted effort on behalf of the whole country programme team to improve the situation.

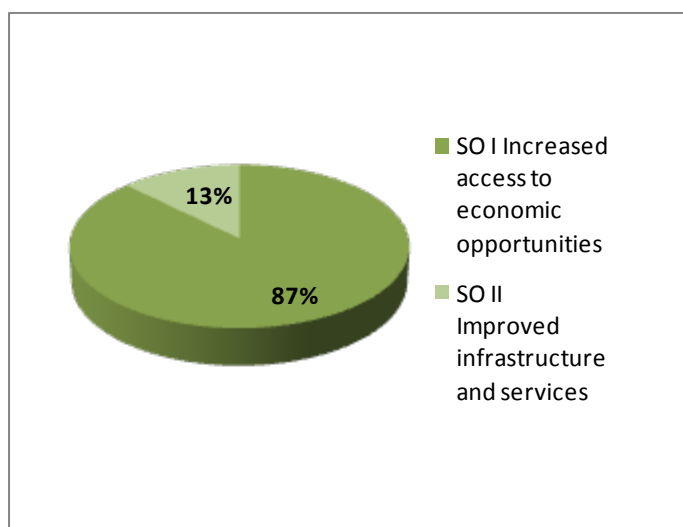
2.11 These ratings are established during each supervision for a series of 15-20 indicators of performance. They are reviewed annually among each countries at the time of the annual portfolio review. They form the basis together with key demographic data and governance indicators of the Performance Based Allocation System which form the basis of allocation of fund by IFAD to Nepal.

Table 5 : project status ratings



G. COMPONENT-WISE EXPENDITURE

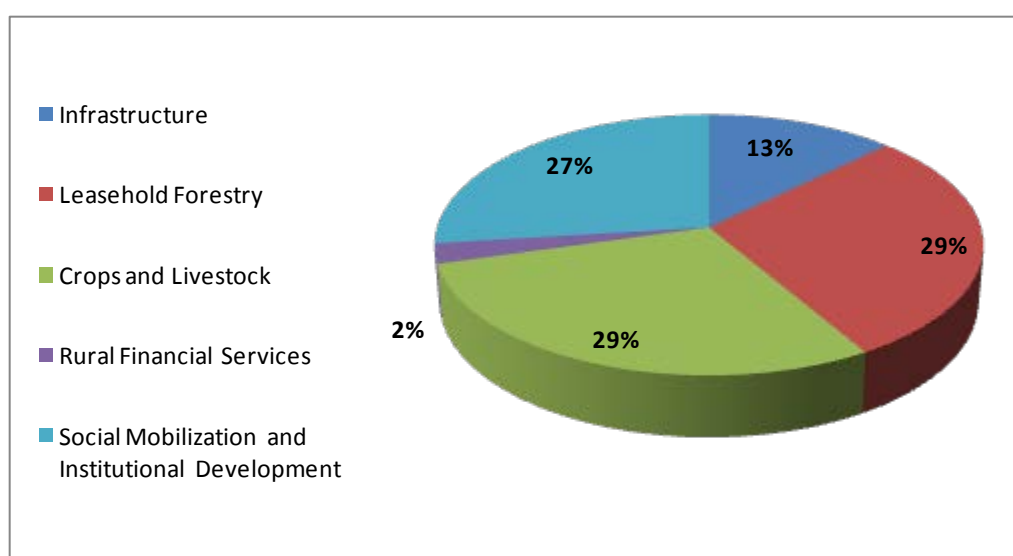
2.12 A rough component-wise analysis of investments of LFLP, WUPAP and PAF between the two first Strategic Objectives as seen in the chart below shows that most of the IFAD investments in



Nepal is utilized to meet the first strategic objective of the COSOP on increased access to economic opportunities. 87 percent of the expenditure under the ongoing IFAD funded projects for implementation of project activities is used to increase access to economic opportunities whereas 13 percent of investments are used for improved infrastructure and services. Out of the three projects only WUPAP uses IFAD funds for infrastructure development in the form of community buildings, drinking water schemes, wooden bridges and small irrigation schemes. It is to be noted that

PAF also works on infrastructure development, but all IFAD investments directed to PAF are used for capacity building of the community groups and the partner organizations. In order to know what percentage of the investment is used for the third strategic objective for reduction of gender, ethnic and caste-related disparities and the fourth cross-cutting objectives of local governance and peace-building and activity-wise analysis should be conducted.

2.13 As especially the first strategic objective is quite broad, a component-wise analysis categorizing the components of the project into broad types is presented below to further illustrate what type of activities the projects use the IFAD funds in Nepal.



2.14 The analysis reveals that leasehold forestry as well as crops and livestock activities that are carried out under LFLP and WUPAP counted for almost 60 percent of the expenditure of the ongoing IFAD funded projects. After these two, the most expenditure has been made on social mobilization and institutional development by WUPAP and PAF. A more detailed activity-wise analysis would be needed to capture the expenditure done by LFLP on social mobilization as currently expenditure

done in relation to social mobilization would fall under leasehold forestry component. An interesting finding is that only 2 percent of the expenditure in the ongoing IFAD funded projects has incurred on rural financial services, although both LFLP and WUPAP have separate rural finances components.

3. STRATEGIC OBJECTIVES PROJECT-WISE ACHIEVEMENTS

3.1 Below some selected achievements of the ongoing IFAD funded loan projects in relation to the strategic objectives of the IFAD COSOP are presented. For PAF, only limited information in relation to social mobilization is discussed as the IFAD investment is used for social mobilization and not for other activities. It should be noted that there is only very little data at the outcome level of the projects, which would help in assessing the country portfolio performance against the COSOP strategic objectives.

Table 6 : COSOP strategic objectives

Strategic Objective N° 1 Increased access to economic opportunities by poor farmers and producers in hill and mountain areas

Leasehold Forestry

3.2 WUPAP has supported formation of approximately 800 Forest Users Groups and handing over of about 12,000 hectares of forest land as leasehold forest, whereas LFLP has supported formation of 4080 Forest Users Groups and handing over of almost 20,000 hectares of forest land as leasehold forest. Jointly the IFAD funded projects in Nepal have thus supported formation of almost 5,000 Forest Users Groups and have supported in the transfer of approximately 32,000 hectares of forest land as leasehold forest to community.

3.3 According to the LFLP annual report greenery coverage of Leasehold Forest has increased with 38 percent of the user groups reporting increase in the forest coverage up to 25 percent. Majority of the leasehold forest plots are also supplying forage and count for 25 percent of annual fodder requirement of users.

Livestock and Crops

3.4 LFLP has supplied almost 66,000 goats and 3,500 bucks to the LFUG members. According to

PRS Pillar	COSOP Strategic Objective
SO I. High and broad-based economic growth	I. Increased access to economic opportunities by poor farmers and producers in hill and mountain areas
SO II. Social sector development	II. Improved community infrastructure and services in hill and mountain areas
SO III. Social inclusion and targeted programmes	III. A reduction in gender-, ethnic- and caste-related disparities through greater inclusion of disadvantaged groups in development
SO IV. Good governance	IV. Cross-cutting theme: support improvements in local governance and peace-building

LFLP annual report the herd size of the goats has increased from two to five a household.

3.5 LFLP also reports that approximately 1,000 farmers have up to 2011 July benefited by taking grass and seed production training and goat raising training. Similarly approximately 500 JTAs received training on grass and seed production, animal feeds and breeding and social mobilization. Local resource technicians were also trained; 139 farmers of the LFUG took Village Animal Health Worker (VAHW) training and 219 farmers were trained in HIV awareness. LFLP reports that due to these activities the technical personnel became qualified and well-oriented towards the implementation of the programme activities, so that it made easier to achieve project objectives.

3.6 WUPAP has implemented several activities (e.g. capacity building through trainings at various levels, technology dissemination through demonstrations and extension services, kitchen gardening and participatory on-farm adaptive research) in relation to crop production. The activities implemented under this subcomponent according to WUPAP have supported to increase the nutrition and food security of the project beneficiaries through increased production and crop diversification.

3.7 In addition, WUPAP has implemented several activities (e.g. goat exchange program, trainings to farmers, Village Animal Health Workers and Government staff, sapling and varietal seed kit distribution) in relation to livestock Production. According to WUPAP the livestock sub component activities have supported on improving nutrition, food security and income generation of the project beneficiaries through improved animal husbandry.

3.8 HVAP will contribute to the SO 1 of the COSOP. However, due to the fact that the project is just starting the project's only direct activities up the end of Fiscal year 2010/2011 were workshops and consultations based on which 12 value chains were selected for detailed analysis. Out of the 12 value chain analysis three, namely ginger, apple and vegetable seeds were completed.

Social Mobilization

3.9 WUPAP has supported formation of altogether 2,641 community organisations. Similarly 16,819 have both registered and signed agreement with PAF. Both PAF and WUPAP have provided various trainings to the COs in for example account-keeping, social mobilization, enterprise development and savings and credit fund management and other technical training.

Strategic Objective N° 2

Community infrastructure and services improved in hill and mountain areas

3.10 WUPAP has up to July 2011 implemented 594 community infrastructure schemes in two phases (target of 750 in three phases) such as irrigation, drinking water, school construction. In 2010/11 about 127,000 persons benefited from 175 schemes, most of them being community schemes in irrigation, drinking water, school construction and some in micro-hydropower.

3.11 It is also worth noting that with PAF, the communities involved in the project had undertaken a total of 2 750 infrastructure sub-projects, benefiting an estimated 165 293 households or 777,000 people assuming the average size of household is 4.7. Investments included micro-irrigation; link roads; culverts and bridges; ropeways; solar electricity and micro-hydro power supply; water mills; drinking water supply; sanitation facilities; and school and health post building.

Strategic Objective N° 3

Gender, ethnic and caste-related disparities reduced through greater inclusion of disadvantaged groups in development

3.12 Under the third strategic objective data is available on number of women and disadvantaged groups represented in the groups formed and supported by WUPAP, LFLP and PAF. Any further analysis on how this may have decreased the disparities in for example poverty levels is not available.

3.13 WUPAP. 2641 Community Organisations were established with a total membership of 68 541 covering 67 774 households. About 49 percent of the members of these organizations were women. Dalits and ethnic groups (janajatis) represented 21 percent and 13 percent respectively of the total membership. Compared to their proportion in membership, women are under-represented in decision making positions: 33 percent of all chairpersons of COs are women and women managers make up 24 percent of all managers. 20 percent of chairpersons and 17 percent of managers are Dalits.

3.14 LFLP. The project supported to form 4 080 LFUGs with a total membership of 38 436 households from below the national poverty line. It is estimated that 33 percent of the members are women. In terms of positions of decision-making, women consist 32 percent of the office holders and 40 percent of treasurers. A sample survey found that 9 percent of group members were Dalits, 66 percent Janajatis and 25 percent belonged to other social groups. In meetings Dalits represented 13 percent, Janajatis 55 percent and others 32 percent of those present.

3.15 PAF II. The participation of poor is ensured in the activities of PAF through its poverty criteria which examines the food security profile of the participants. It was estimated that of the more than 400,000 households in the COs, 66 percent were “hardcore” poor, 26 percent were medium poor and 9 percent were poor . The project has a strong gender focus and 74 percent of members are women, who hold 62 percent of the management positions in the COs. Dalits and Janjatis represent 56 percent of members and 51 percent of office holders.

Strategic Objective N° 4

Cross cutting issues, Peace Building and support for local governance

3.16 The cross-cutting issues are not properly reflected in the regular reporting system indicating a need in improving the M&E system.

4. MONITORING AND EVALUATION

4.1 Starting from 2012, the IFAD country programme in Nepal has taken important steps towards improved Monitoring and Evaluation systems in the IFAD funded projects within the country. The new and refined system is providing basis for better knowledge management and improvement of the overall performance of the country portfolio.

4.2 An improved M&E and knowledge management system is in place to monitor the performance of the new COSOP. In order to manage better for results there is a need to learn from previous experiences and use the existing knowledge to improve performance in the future. Therefore, the new M&E system adopts the value-chain approach towards knowledge building. As illustrated below, the system works to improve dissemination of the knowledge acquired among all the stakeholders involved at the various stages and levels of the IFAD projects and programmes towards effectively achieving the poverty reduction objectives.

4.3 IFAD Nepal will also make use of the knowledge pyramid. The knowledge pyramid works to ensure effective collection and flow of information in order to stimulate better design and policy dialogue. All projects funded by IFAD have their own knowledge pyramids that feed into the knowledge pyramid of the Country Programme of IFAD in Nepal.

4.4 For a more efficient and effective knowledge management system, it will be ensured that all projects have carefully identified COSOP indicators. The IFAD Results and Impact Management System (RIMS) will be also further strengthened at project level and integrated to the project M&E systems to aid progress reports.

4.5 In addition, IFAD Nepal country office will set up a simple website under IFAD Asia platform that will host documents and various analysis produced by the country programme. The COSOP and RIMS data will be annually analysed at the country programme level and presented in the IFAD Nepal website as well.

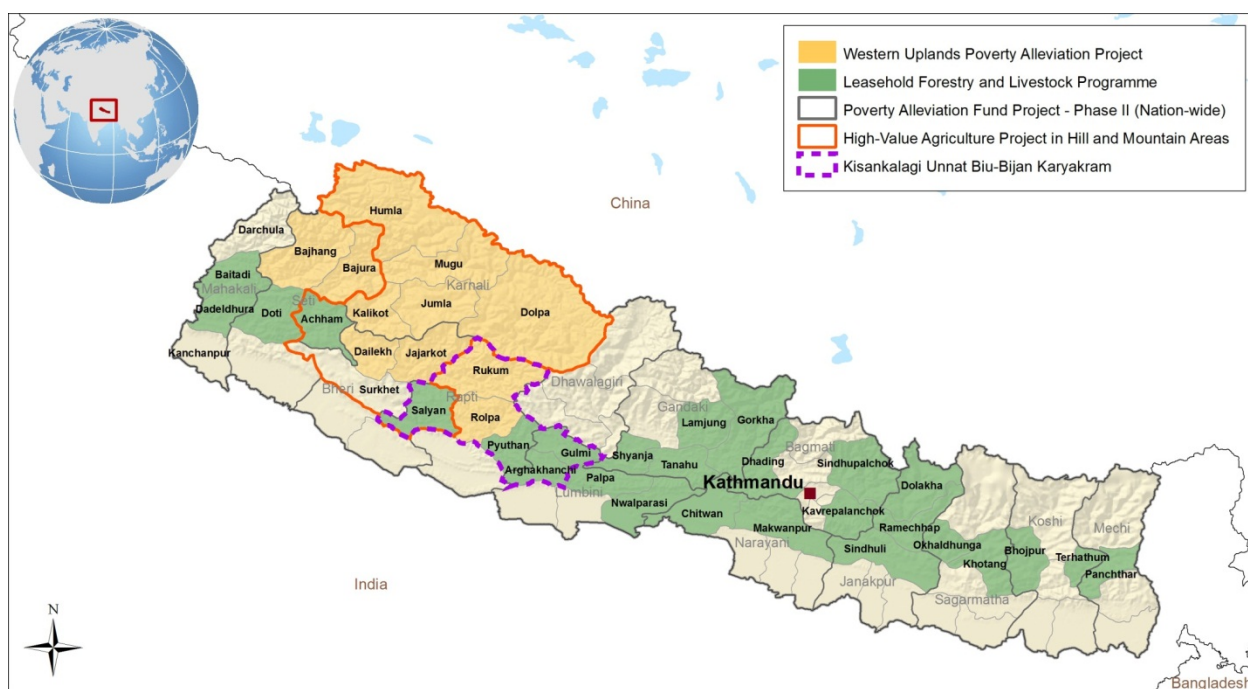
5. CONCLUSION

5.1 A country programme evaluation was conducted in 2012 which was concluded on 23 January 2012 with a workshop in Kathmandu and confirmed an overall performance rating of 4 (on a scale of 6). An agreement at completion point is being signed between IFAD and the Government taking into account the key recommendations and their follow-up measures. These points will be included in the new COSOP 2013-2018 in order to enhance the performance and delivery of the country programme.

5.2 IFAD is fully aligned with international aid effectiveness agenda by structure and by processes, within our dual mandate as an International Finance Institution and as a specialized United Nations agency. In 2013 we will continue to strengthen fiduciary systems and continue using strengthened government systems.

5.3 The challenge for the years ahead are to improve performance of the projects at grassroots level, measure appropriately their impact on the livelihoods of the poor households and give life to the country programme concept by developing more interaction among existing projects and with other institutions. This will be done through enhanced team building and participatory approach with development partners from public and private sector and civil society organisations.

Table 7 : IFAD funded project – area of intervention



ATTACHMENT 7

JICA

Nepal Portfolio Performance Review 2012

24 January 2013

Attachment to the Main Background Paper

“Beyond the Money” & “Hito-Zukuri*”

Japan International Cooperation Agency

Country Office Nepal

January 2013

Acronyms / Abbreviations

CDFWCP	Community Development and Forests/Watershed Conservation Project
DDC	District Development Committee
DSCWM	Department of Soil Conservation and Watershed Management
GoN	Government of Nepal
HRM	Human Resources Management
JFY	Japanese Fiscal Year
JICA	Japan International Cooperation Agency
M&E	Monitoring and Evaluation
NPPR	Nepal Portfolio Performance Review
ODA	Official Development Assistance
PFM	Public Financial Management
PWMLGP	Participatory Watershed Management & Local Governance Project
SABIHAA	Samudayik Bikas tatha Hariyali Ayojana
TA	Technical Assistance
VDC	Village Development Committee

*Hito zukuri in Japanese literally refers to preparing person, but its essence is broader comprising of capacity building of human resources, motivating them, coaching/mentoring, caring them and providing them the environment to learn, groom, and develop the sense of belongingness with their work/organization. Only after this they – the human resources – can produce the product i.e. the mono in Japanese. Hito-zukuri precedes Mono-zukuri.

The currency used in the document is Japanese Yen. For indicative purpose, the exchange rate of 2011 December is as follows:

1 US \$ = Japanese Yen 77.95

= Nepali Rupees 82.21

Background

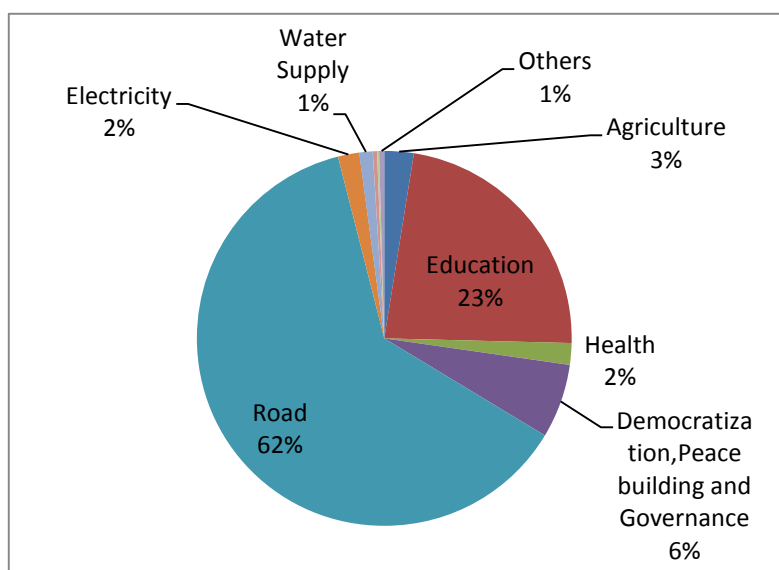
Japan International Cooperation Agency (JICA) has been operating in Nepal since 1978. As the Japanese government development agency providing Official Development Assistance (ODA) to Nepal, JICA Nepal, in collaboration with the Embassy of Japan, works closely with the Government of Nepal (GoN) for the country's growth and development. JICA (in the beginning Japan Bank for International Cooperation – JBIC) has been a part of NPPR process since its start. This background paper is an attachment to the GoN main document of NPPR Annual Meeting 2012. It aims to briefly account on JICA's assistance areas, ongoing assistance and its performance, viewpoints on ongoing policy reform through NPPR forum, sharing good practices from its operation that could be helpful expediting the development process of Nepal, and viewpoints on the future of NPPR process.

JICA's Assistance and its Performance

Giving continuity to its country assistance key focus areas, JICA has been extending its cooperation under the following priority areas and programs through the new strategy 2012.

Priority Areas for Assistance	JICA Cooperation Programs
Infrastructure and institutional development for sustainable economic growth	Transport Infrastructure Development Program
	Power Generation, Transmission and Distribution Capacity Improvement Program
	Urban Environment Improvement Program
	Private Sector Development Program
Consolidation of peace and a steady transition to a democratic state	Democratization Process Support Program
	Public Administration Capacity Development Program
Rural poverty reduction	Agricultural and Rural Development Program
	EFA: Education for All Program
	Community Health Situation Improvement Program

A total of 5.31 billion Japanese Yen has been extended in the JFY 2011¹. The economic infrastructure development area has received almost 2/3rd of the allocation (65%), followed by rural poverty reduction area 28% and the democratization support 6%. Figure below presents the sectoral distribution, which depicts that the road has received highest cooperation followed by education.



Sectoral distribution of JICA's assistance

All the projects/programs planned for JFY 2011, except three, have been implemented successfully as planned; two grant projects (Community Access Improvement Project and Forest Preservation Project) and one loan project (Melamchi Water Treatment Plant) have been delayed. Those delays are mainly because of the weak capacity of the local contractors involved, coordination among the government agencies, and delay in implementation of the tunnel construction.

Viewpoints on Policy Reform

JICA acknowledges the policy reform initiatives through NPPR Process and finds the achievements towards positive direction. The compliance level of the policy actions

¹ Japanese fiscal year starts on 1 April and ends by 31 March { JFY 2011 refers the period of 1 April 2011 to 31 March 2012}

agreed during the NPPR '11 Annual Meeting is satisfactory. However, the effect of the implementation of those actions is yet to be visible. Moreover, it also supports the JICA's learning from field operation that only the technical solutions such as preparation of guidelines and issuing directives are not sufficient to realize the desired changes.

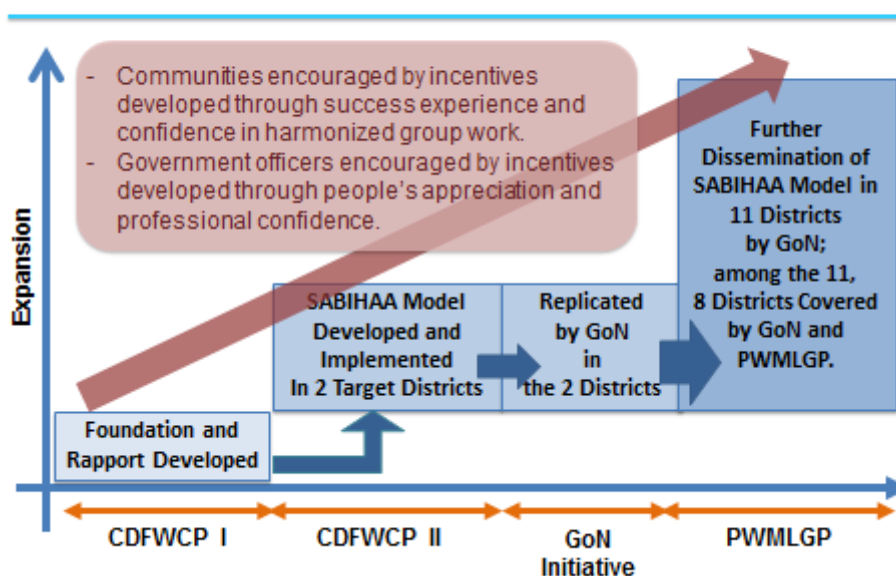
Cooperation beyond the Money Matters: Learning from JICA's Operation

It is often said and realized that the real shortcomings in Nepal's development is not because of the lack of policies or poor policy settings, but is of poor implementation. Again focusing on the issue of poor implementation, it has been a consensus that there lacks the motivation to the implementers. One of the common features of the NPPR '11 agreed actions in all policy reform areas (PFM, HRM, Procurement, MfDR/M&E) is the proposition of actions for enhancing motivation of officials. Another issue, often raised from different stakeholders is the issue of corruption. In this context, JICA tried to learn from its field operations to come up with the doable options of development interventions. Some encouraging observation has been made and trying to share it with the wider audience. A case of its cooperation in the area of watershed conservation and community development has been presented to share the learning as a representative case.

JICA had begun its cooperation in watershed management and community development in 1994. The first phase of the Project (1994-1999) had followed Users' Group based sub-projects implementation approach covering 10 VDCs of two districts. While implementing the Project, it was learned that the ownership and accountability of the Users' Group remained only for sub-project implementation. Sustainability of the approach came under question mark. Based on the learning from the first phase second phase of the Project (1999-2004) was designed mainly with two changes – permanent institution at the ward level, called Ward Coordination Committee (WCC); and program approach, means the WCC was made capable and responsible to look after the long-term program within their wards unlike the Users' Group made responsible to implement the sub-project. The Project SABIHAA (referring *Samudayik Bikas tatha Hariyali Aayojana*) was implemented in 10 VDCs of the two districts. As an outcome of the two phases, SABIHAA Model evolved up receiving high ownership from both the communities and the government. The government continued replication of the SABIHAA Model during the period of 2004-2009. Currently, new Project – namely Participatory Watershed Management and Local Governance Project, PWMLGP (2009-2014) is under implementation based on SABIHAA Model and further expanding its scope to link with the local governance. The Project is covering 34 VDCs of eight

districts, whereas the government, from its own resources, has been replicating the Model in the remaining VDCs of those eight districts and three additional districts. The schematic diagram presented below summarizes the process of SABIHAA Model development and expansion. It can be argued that the Model is now matured enough to cover the whole country, if the financial and human resources were made available to the implementing agency.

Process of SABIHAA Model Expansion



Key features of the assistance in watershed management and community development

- Long involvement to **“learn the methods together”** while implementing in the field rather than **“teaching the methods”**
- **Well packaging of activities** – Capacity Development, Preparation of Tools, Support of Financial Resources, Continuous Technical Support, Built-in Follow-up, etc.
 - Capacity building of the government staff through training as well as actual field practicing, “OJT”
 - Capacity building of the communities through training and actual field practice starting from the prospects planning to the sub-project implementation and monitoring (practicing of whole program cycle)

- Development of clear guidelines on the project activities, planning, implementation and monitoring including public auditing and implementing those guidelines
- Financial Support to the communities to implement sub-projects prioritized and designed by themselves, although the volume was very nominal (NRs. 80,000 per ward)
- Logistics support to the government staff – transport means and field allowance while visiting the field
- Continuous coaching to the communities and follow-up from the government staff
- Transparency of the project activities as well as transparency of the sub-project implementation by the community groups

Achievement from the watershed management and community development projects

- Well recognized model from both stakeholders – the communities and government agency.
- Numerous sub-projects, with good quality and in a cost-effective way, carried out under the initiatives and leadership of the local communities mobilizing their own resources, resources from the local bodies with the catalyst nominal amount of financial resources from the project (Rs. 80,000/ per ward)
- DSCWM has been replicating the model to more VDCs within the project districts and more districts

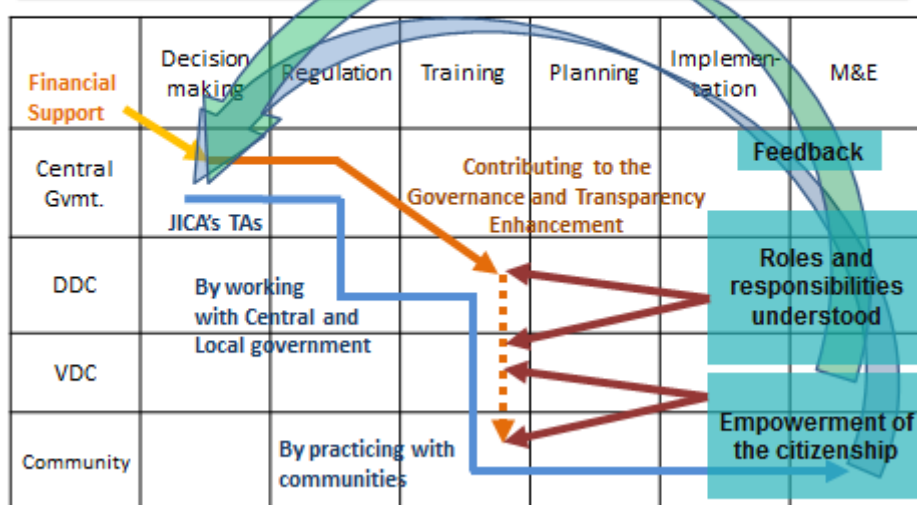
Lessons Learnt / Conclusion

- Japanese philosophy of development – *hito zukuri* followed by *mono zukuri* – is applicable and effective development approach to Nepal.

Hito zukuri in Japanese literally refers to preparing person, but its essence is broader comprising of capacity building of human resources, motivating them, coaching/mentoring, caring them and providing them the environment to learn, groom, and develop the sense of belongingness with their work/organization. Only after this they – the human resources – can produce the product i.e. the mono in Japanese.

- “Beyond the Money”** type of cooperation is still necessary to the present context of Nepal. Financial resource is necessary, but is not the sufficient cooperation element to address the present development level of Nepal. *Motivation to the staff involved comes mainly from the appreciation of their work from the target communities and is not necessarily limited only to the financial incentives.* Well packaging of the financial resources, policies, guidelines and workable mechanism to implement at the ground seems to be the most suitable approach of development to Nepal. *Well harmonized cooperation projects aligned with long-term clear development goal seems to be the best transition in the way to realize a fully-budget supported aid mechanism.*
- The schematic diagram presented below represents the strengths and limitations of aid modalities – the budget support and technical cooperation project. The budget support has the strength of having flow of substantial financial resources, but is struggling to reach down to the community level (gaps shown as dotted line in the schematic diagram presented below). On the other hand, the technical cooperation project has very strong presence at the lower level to learn and develop sustainable model as its strength, but is lacking to mobilize sizable financial resources to cover the whole country. Therefore, *well mixing of both modalities by capitalizing the strengths of those modalities to address the limitations is the best option rather than over emphasizing to particular modality.*

What JICA's TAs aim at:



Future of NPPR

JICA recognizes the NPPR in terms of an evolving process and finds it moving towards the right direction. It has been improving in terms of prioritizing the “pillars” of policy reform and designing “actions” within those pillars. Compliance level of the implementation of agreed actions has been continuously improving. However, two improvements can be suggested in the future course of NPPR to make it more contextual and result-oriented. First, linking the policy reform actions “vertically” upwards in order to check whether the effects of those actions to “portfolio performance” are happening or not and further trying to see the correlation of the improved portfolio performance with the improvements in “development results”? Second, mixing of “policy dialogue” and “sharing of good practices” as the core components of NPPR process in order to make it more realistic and result-oriented rather than making it more rigid and too formal forum of dialogue between the government and development partners.

ATTACHMENT 8

NORWAY



NORWEGIAN EMBASSY

**NEPAL
PORTFOLIO PERFORMANCE REVIEW
2013**

24 JANUARY 2013

Background Paper from
Royal Norwegian Embassy, Kathmandu

1. Overview

Norway has been a committed development partner to Nepal since the early 1970's. Norway aims at assisting Nepal in reaching its objectives of sustaining peace, reducing poverty and building an inclusive society based on democratic principles, human rights, and social and economic equity.

2012 was a challenging year for Nepal and development because of the dissolution of the Constituent Assembly in May, the failure of the constitution-writing process, and the subsequent setbacks for the peace and democratization process. Furthermore the political impasse and the limited budget has made it difficult to achieve the development outcomes agreed upon in some of our joint programmes.

Issues regarding accountability, transparency and public financial management within national institutions and at local level are still of great concern. Even though the Norwegian policy is to seek, whenever possible, support to assistance to Nepal through programme and budgetary support, it would be a bleak prospect for this if Nepal faces being blacklisted by the Financial Action Task Force. If this is implemented it could result in serious consequences for the country and also for the donor community. However, there is a slight improvement in recent months according to the Corruption Perception Index for Nepal. This is good news.

Norway is in the process of signing a MoU with the Nepali government which will define the overall framework and priorities for cooperation between the two countries for the period 2013 - 2015.

A draft Foreign Aid Policy is still to be shared with the donors, and Norway would encourage the Government of Nepal to find a common platform for these discussions to take place. The recent governance reform with more focus on performance based results systems within the government system itself is very encouraging and very much needed for the donor community to start a constructive dialogue with the government on funding through the government system.

The Norwegian development strategy

Norwegian development cooperation aims at supporting Nepal's actions to realise the vision and main objectives put forward in the Three Year Interim Plan of the Government of Nepal. Based on these and other relevant policy documents, the identified key areas of cooperation are:

Democracy and Inclusive Governance

The cooperation will contribute to democracy consolidation, both at local and national level, and also to the enhancement of the constitutional process, human rights and rule of law, with due emphasis on gender equality and children/youth and the inclusion of marginalised groups including indigenous peoples and sexual minorities.

Objectives for 2013 within the democracy consolidation and inclusive governance:

- *Contributing to strengthening democratic processes and institutions and increasing the respect for human rights.*

Subsidiary objectives:

- Contributing to the implementation process of reforms in local governance, strengthening financial management (centrally and locally) and fighting corruption.
- Contributing in bringing the peace process to a conclusion in line with international standards and the 2006 peace agreement.
- Contributing to the promotion of respect for human rights with particular emphasis on women and vulnerable groups.

Education

The Cooperation will contribute to efficient and effective implementation of the Nepal's School Sector Reform programme, with special emphasis on gender, inclusion of disadvantage groups and quality of service delivery.

Objectives for 2013 within the sector of education:

- *Contributing to social equity and poverty reduction through universal education*

Subsidiary objectives:

- Contributing to the implementation of educational reforms to ensure the right to a free primary education for all children (1-8th grade).

Clean Energy

The cooperation within the energy sector will focus on the development of hydro power and rural electrification to contribute to economic growth. Emphasis will be placed on sustainable environmental management of resources.

Objectives for 2013 within the field of energy

- *Contributing to an inclusive economic growth model based on increased investment in hydropower and low-emission growth.*

Subsidiary objectives:

- Contributing in developing a national energy strategy.
- Contributing to improved living conditions in rural areas through increased access to sustainable electricity and energy solutions.
- Improving knowledge on climate change and increasing resilience against the effects of climate change.

Cross-cutting issues of importance for all sector cooperation areas:

- **Peace and human rights:** All projects supported should be sensitive to the peace and democratization process. This includes focus on issues like benefiting deprived areas, social inclusion of marginalized groups, increasing the peace dividend for ordinary people and contributing to democratization.
- **Environment:** Environmental aspects should be considered in all projects supported.
- **Gender and equality:** Promotion of gender equality is a goal in all projects and programmes. Support is also given to projects aimed specifically at promotion of women's rights, including participation in political processes. Women's participation in the peace process and the implementation of the National Action Plan for SCR 1325/1820 will be given special attention.
- **Anti-corruption:** A sound system for corruption control is a priority. Special activities will be considered in selected projects.

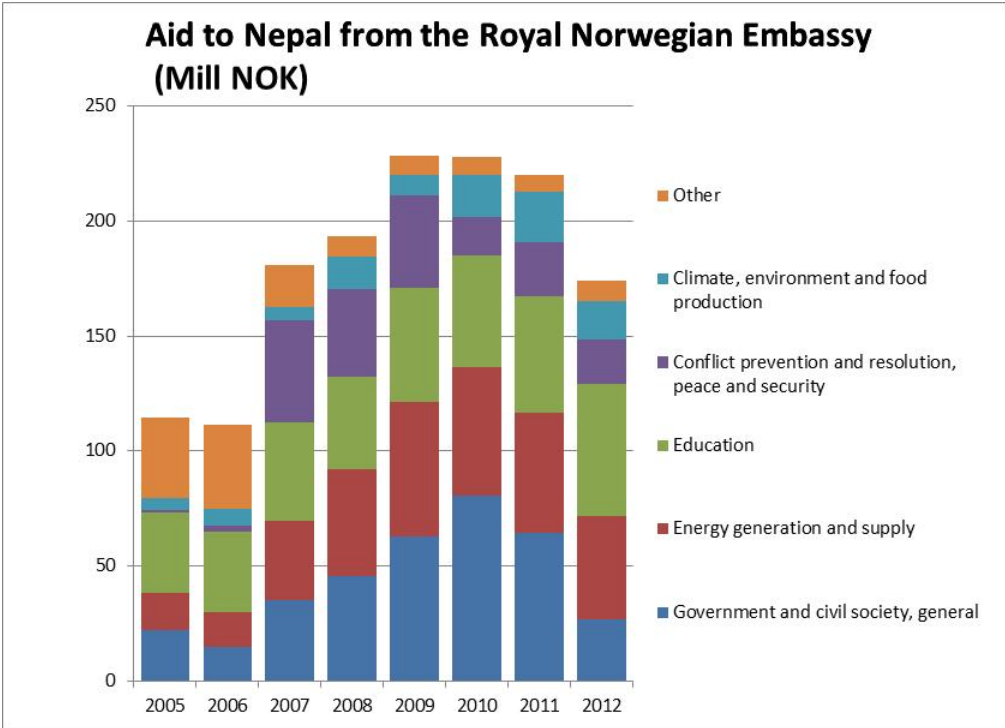
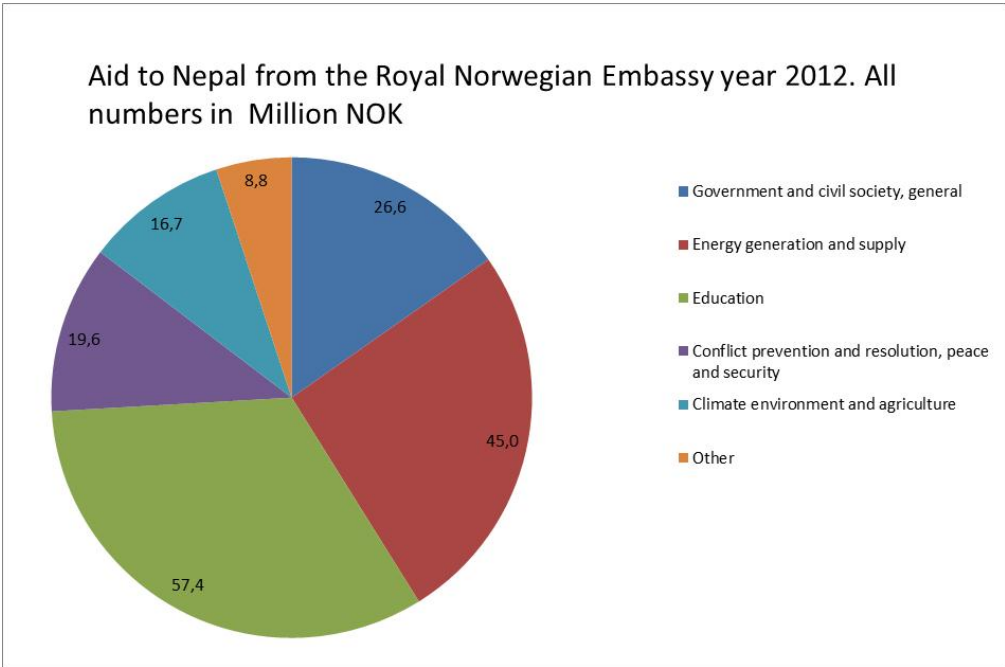
Norwegian development performance in Nepal 2012

Listed below are some of the main achievements of the Norwegian Embassy's development program in 2012. It has to be taken into consideration that the Royal Norwegian Embassy collaborates with several partners and donors, for example government programs, multilaterals, the World Bank, the Asian Development Bank, civil society and other international non-governmental organizations. Hence the achievements listed are most often the result of collaboration and pooled funding with the above mentioned institutions.

- Reintegration of former Maoist combatants completed. 11 200 ex-combatants received job-related/skills training, of these 2272 women.
- 25 000 internally displaced families have received financial support and counseling.
- 10, 8 million constituents out of 16 million have been registered as formal voters.
- 33 000 Ward Citizen Forums and approximately 4 000 Citizen Awareness Centers have been established.
- 60 districts have been implemented in a financial control system for the Ministry of Finance on how the funds delegated to district level are used.
- 52 000 more households have gained access to electricity.
- 111 000 households have received modern cooking stoves.
- Increased access for Nepali children to school, lower dropout rates and improved quality of education.
- Introduction of a project financing the building of a new transmission line together with the Asian Development Bank.
- Commencement of a five year National Rural Renewable Energy Programme (NRREP).
- Introduction of music as a compulsory subject in primary school.
- Norwegian support to human rights for sexual minorities has contributed to institutionalize non-discrimination means of these groups.
- Contribution to the establishment of a graduate program within the field of glacier study.

Of Norway’s total official development assistance to Nepal, approximately 75% is channeled through the Embassy in Kathmandu. The remaining 25% is directed from the Ministry of Foreign Affairs and Norad in Oslo and covers humanitarian support, peace and reconstruction, human rights, institutional cooperation, support via Norwegian NGOs, research and FK Norway (the Norwegian Peace Corps).

Norwegian Aid in Numbers



Norwegian impact in Nepal in previous years

1. Important progress in the peace process

The former Maoist combatants are now either integrated back in civil society or given the opportunity to pursue a career in the Nepal Army. The ex-combatants counted more than 17,000 soldiers who all shared an uncertain future following the peace accord in 2006.

With support from the Royal Norwegian Embassy and other contributors, over 3,000 former child soldiers and 1,000 other disqualified soldiers were released from the UN-monitored camps. And in partnership with others, for instance, the National Peace Trust Fund (NPTF), UN's Peace Fund and the German GIZ, Norway provided relevant support for the successful reintegration of the ex-Maoist combatants back to civilian life. More than 80 per cent of the soldiers have gained some form of competence through academic, vocational or other training. Together with IFES, Norway has assisted in drafting the new election law and with IDEA provided technical expertise on the draft constitution.

2. Support for local governance, election process and a more open financial management

In the period 2008-2011 Norway supported the national decentralisation program "Local Governance and Community Development Programme" (LGCDP) with a total of 80 million NOK. 26,000 local planning committees counting 548 000 members have been set up. These planning committees and their members influence decisions affecting local life such as road construction, sanitation, health and education.

- 45 per cent of the local planning committee members are women and 70 percent stem from marginalised groups.
- In communities most affected by poverty, 2 800 community centres have been established
- 3 700 planning committees and community centers of a total of 3915 have received training in information sharing and organisation.

Norway also supports a World Bank initiative to improve public finance management, including create greater transparency. Support to this fund has positive ripple effects for all sectors where the Norwegian embassy is involved and helps prevent corruption in the public sector.

3. Clean energy

On-grid. Norway is co-funding a transmission project with Asian Development Bank. ADB has an agreement with GoN. The project will leverage hydro power development. The Norwegian co-funding with ADB, rather than entering into a separate agreement with GoN, also contributes to reducing GoN transaction costs and is also an important step towards donor co-ordination.

Off-grid. Norway has, together with other donors (Denmark, UK and Germany) and the Nepali Government, contributed to the previous Energy Sector Assistance Programme (ESAP) and now through the National Rural and Renewable Energy Programme (NRREP). NRREP is an important step towards sector and donor coordination.

These programs have provided electricity to almost 300,000 households generated from micro power plans and solar installation, in addition to supplying more than 300,000 households with improved cooking stoves.

Norway has also contributed to capacity building of universities and research institutions.

4. Education

Norway has worked closely with other donors to reach the targets for the education programme School Sector Reform Programme (SSRP) since 2009.

Some of the achievements attributed to this programme are:

A ten per cent increase in children attending Early Childhood Education and Development. Enrolment in first grade extended to 95 per cent of school-age children in 2011. Enrolment in 9th -12th grade has increased to 30,6%. All permanent staff have received basic teacher education. Norwegian support through UNICEF and Save the Children has increased the number of girls attending school. There are now 50-50% enrolment between boys and girls from 1-10th grade. Norway has focused on securing access to education for marginalized groups in the society. Minimum enabling conditions defined by UNICEF and Save the Children has been made compulsory for public schools.

5. Human Rights, Women and Gender Equality

Norway contributes through different international and national players to document and bring to light violations of human rights. It has repeatedly taken up the issue of injustice with the Nepalese government. This relates in particular to sexual minorities and impunity in reconciliation process in the Truth Commission and the Commission of Inquiry on Disappeared Persons.

Political participation of women and equal representation of women in all state mechanisms is closely followed up by supporting two alliances: one through the civil society alliance and one through the political women's alliances.

The issues of women, peace and security are followed up in project proposals submitted to the Nepal Peace trust Fund for funding. By being an active member of the Peace Support Working Group on Women, Peace and Security Norway has contributed by ensuring that projects are not duplicated and policy level discussion takes place with the government authorities related to women, peace and security.

For more information, please see the embassy's [webpage](#) or the Norwegian Agency for Development Cooperation ([NORAD](#)).

Future of the Nepal Portfolio Performance Review

The NPPR has been an important instrument for strengthening portfolio performance and aid effectiveness in Nepal with more accountable and transparent state mechanism. The last year NPPR had good deliberation and practical action points for 2012 in the five key strategic areas: i) PFM reform, ii) reform in public procurement, iii) reform in human resource management, iv) reform in managing for development results and v) mutual accountability. With clear improvements in the iv) and v). However, the first three which are critical for aid management and public sector reform need more attention. Norway would encourage the Government of Nepal to pay special attention and prioritize further the performance based systems at both national as well as district level and to make concrete and visible results in all five areas in 2013 in a comprehensive and coordinated way. Norway welcomes and supports the four sectors (local governance, roads and transport management, agriculture, and energy) included in the 2013 NPPR which have a direct impact on people's livelihood. In absence of the parliament and local government including non-existence of officials in key constitutional oversight bodies, Norway strongly argues to conduct local elections as soon as possible or to ensure the alternative mechanism for addressing ownership, transparency and accountability of the aid management, performance and effectiveness at national as well as local level.

In addition to reviewing portfolio performance of 2012, the NPPR in 2013 needs to:

- Get political commitment of major parties for sectorial policies and budget cycle making periodic plan as a working document
- Be more strategic and collective commitment of the MoF, FCGO and OAG together with the sectorial ministry for making the PFM and Procurement work more transparent and non-corrupt
- Strengthen integrated bottom up planning process and delivery of basic services (including of sectorial agencies) under the leadership of local bodies at local level
- Strengthen M & E system and mechanism in each sector for development results including a third party monitoring at all levels in the leadership of the NPC
- Integrate different action plans of each sector into a comprehensive governance reform (including anti-corruption measures) action plan with sanctions.

Norway wants to align with the country system as far as possible provided that there is a strong focus on results and transparent and public financial management system with proper monitoring and oversight system in place.

Budget report from the core projects financed by the Royal Norwegian Embassy in 2012

Project title	Disbursed amount in 2012 - NOK
1 Hydro Lab Phase II	500 000
2 Decentralised Action for Women and Children (DACA)W) 2008-2010	1 300 000
3 Integrated Pest Managem II	2 843 500
4 School Sector Reform 2009 -2013	57 345 989
5 Research fund social inclusion and nationbuilding - Institutionalisation	9 200 000
6 ICIMOD national and regional	10 200 000
7 Nepal Peace Trust Fund	10 000 000
8 INSEC	2 500 000
9 Support to Constitution Making and Implementation	7 000 000
10 Support to Center for Constitutional Dialogue	4 500 000
11 Multi Donor Trust Fund for Public Financial Management (WB)	3 000 000
12 Transparency Nepal	350 000
13 Fish Farming Development in Nepal	3 600 000
14 NRREP-National Rural Renewable Energy Programme	44 000 000
15 MIREST	2 200 000
16 Carter Center - Observing Nepal's Peace Process and Constituion Drafting	2 500 000
17 Music collaboration through Nepal Music Center	400 000
18 Support to Himal South Asia Magazine 2012	500 000
19 Kathmandu Mountain Film Festival	186 600
20 Support to election commission on CA and legislation	1 790 881
21 Support to Transitional Justice efforts in Nepal	1 300 000
22 support to DPA's Liaison Office in Nepal	2 800 000
23 GIZ	4 000 000
24 Consultancy services	379 000
25 Promoting Gender Responsive Security Sector...(PROGRESS)	500 000
26 Support to BDS for HR, media and core fund	550 000
27 Sankalpa - Empowerment of Women for Political and Social Justice	1 000 000
28 IPWA Ensuring Equal Representation in Policy and Decision Making	306 000

ATTACHMENT 9

UNCT (NEPAL)

UNITED NATIONS COUNTRY TEAM (NEPAL)

**NEPAL PORTFOLIO PERFORMANCE REVIEW
2012**

BACKGROUND PAPER

24 JANUARY 2013

Nepal and United Nations Development Context 2012

Progress on Millennium Development Goals

Nepal continued to make progress on the majority of the Millennium Development Goals (MDGs) despite continued political instability and low economic growth. Under MDG 1, NLSS 3 shows that while progress across social groups has not been equitably shared, reducing the average poverty rate to the targeted 21% is within reach. The hunger target, however, is well out of reach due in part to the country's weak agricultural output. As a result, Nepal has one of the highest stunting rates in the world (49%). Under MDG 2, there have been significant improvements in net primary school enrolment, from 64% in 1990 to more than 90% today. Concerns remain nevertheless about the quality of primary school education and low school completion rates. Under MDG 3, there have been significant gains shown by the indicators for girls' school enrolment and women's representation in the dissolved Constituent Assembly (33%), despite the reality that Nepalese women continue to face multiple levels of discrimination with regards to control over resources and political decision making. Violence against women widespread serious issue in Nepali society. Under MDG 4, child survival interventions, such as vitamin A distribution, immunization and pneumonia treatment have contributed to the impressive halving of the under-5 mortality rate in the last 10 years. Today's priority is addressing the mortality rate among newborns, now accounting for 50% of all under-5 deaths. According to Nepal MDG progress report 2010, under MDG 5, the maternal mortality rate has fallen by approximately 50% from the mid-90 to 229 cases per 100,000 births. However, still only 1 out of every 4 births is attended by a skilled birth attendant, which is also clearly linked to the high mortality rate of newborns. Under MDG 6, a slight reduction in the prevalence of HIV has been achieved (0.49% in 2007); Nepal's HIV epidemic remains concentrated among high-risk groups such as injection drug users, female sex workers, homosexual men, and migrants. Strides have also been made in reducing the prevalence of malaria and tuberculosis which have been steadily decreasing over the past fifteen years and the target is 'on track'. Under MDG 7, while rural sanitation coverage remains a concern, the overall coverage of water and sanitation facilities has improved significantly and this target is also considered 'on track'. As part of its continued commitment to achieving the MDGs, Nepal has recently rolled out an MDG Acceleration Framework (MAF). The National Planning Commission, with the support of UNDP and UNICEF has developed a MAF action plan to accelerate progress in access to sanitation facilities according to the targets set out in the Sanitation and Hygiene Master Plan 2011. Regarding environmental sustainability factors such as internal migration and the encroachment of forests for livelihood purposes threaten further development gains and to eliminate the progress made in improving forest cover and the number of protected areas over recent years.

Efforts towards better UN coordination:

Late 2011 and 2012 were marked by several important milestones on the path to strengthening UN coherence: the finalization of an innovative Country Analysis (CA) with people at its core; the formulation of the next UNDAF (2013-2017); and a further consolidation of the integrated Resident and Humanitarian Coordinator's Office and the products and services it delivers under the UN Country Team's Transition Support Strategy (TSS).

The new UNDAF (2013-2017) is built on a solid country analysis which focused in particular on identifying vulnerable groups in Nepal and the structural reasons for their vulnerability. The design

and consultation process for the UNDAF generated good debate on pertinent development issues and Nepal's inclusion agenda, an issue at the very heart of the peace-process. The UNDAF was linked closely to the Peace and Development Strategy thanks to which peace-building, conflict-sensitivity and Do-No-Harm principles were effectively streamlined into this strategic framework.

The UNDAF design process was strengthened by a number of special measures. First, the UNCT adopted an innovative methodology to prepare the Country Analysis, emphasizing a human rights based approach and taking the transitional context into account. UN Field Coordination Offices based in the regions also ensured that voices from all over the country were incorporated in the Country Analysis and subsequent UNDAF design and validation. The Country Analysis identified structural reasons for vulnerability. The ensuing UNDAF was developed with an aim of tackling these structural causes of vulnerability and is built around ten outcomes within three main components: advancing equality through equity; protecting development gains; and enhancing international cooperation. This latter component is a pro-active effort to involve non-resident UN agencies much more actively in the UNDAF process. A specific outcome on integrating Nepal's institutions and economy into inter-governmental economics and normative dialogues was crafted which allowed International Atomic Energy Agency, International Trade Centre, United Nations Conference on Trade and Development, United Nations Environment Programme, United Nations Commission on International Trade Law, United Nations Industrial Development Organization to find a more meaningful space in the UNDAF.

Secondly, to ensure greater national ownership and alignment with GoN's priorities, a joint GoN-UNCT UNDAF Steering Committee was set up to lead the UNDAF design process. It continues even after signing of the document and will guide the UNDAF implementation process throughout its cycle. It is co-chaired by the Hon. Vice Chairman of the National Planning Commission and the UN RC/HC.

Beyond the UNDAF, the UNCT continued its efforts in the area of joint programming (JP) in 2012. The UNCT mobilized resources for three new JPs on Strengthening Rule of Law; on providing Support on Land Issues; and on Fostering Collaboration among Stakeholders to Resolve Disputes along with Improving Security at the Community Level. Additionally, three other JPs, namely on Bonded Labor; Community Based Development Program and Economic Empowerment of Rural Women are in the pipeline. Implementation of ongoing JPs on improving service delivery through decentralized local governance, on the prevention of gender based violence, on renewing efforts against child hunger and nutrition, on supporting the rehabilitation of the Maoist army Verified Minors and Late Recruits (VMLRs), and on delivering essential services to conflict affected vulnerable women and adolescent girls continued in 2012.

Under the *UNCT Transition Support Strategy (TSS)*, the Resident and Humanitarian Coordinator's Office (RCHCO) continued to provide coordination, planning, advocacy, analysis, information management and communications support, to the UNCT, the GoN and the wider development community, on a wide range of peace-building, humanitarian and development issues

The *UN Peace Fund for Nepal (UNPFN)*, a multi-donor trust fund supported by contributions from the global UN Peace-building Fund and the governments of Canada, Denmark, Norway, Switzerland and the United Kingdom, continued to serve as an important tool for advancing UN support to peace-building in Nepal. By the end of 2012, through the UNPFN, US\$ 35.5 million has been

programmed through 19 projects (eight of which were joint projects) implemented by 13 participating UN organizations. A total of 7 new projects (3 of which will be joint projects) were approved in principle in 2012 for a total of US\$ 8.9 million. Importantly, the new funding round will ensure that the UNPFN will meet the UN Secretary General's 'Seven Year Action Plan' target that 15% of all UN peace-building funding goes to gender-responsive peace-building. In addition, the UNPFN 2012 funding round was implemented using enhanced project design and assessment criteria to promote greater conflict-sensitivity, gender-responsive peacebuilding and inclusion of vulnerable groups. The website has been an important vehicle to ensure coherent advocacy for peace, development and humanitarian issues. All UN agencies have profiles on the website and are regularly uploading reports and news. The website also incorporates and interlinks with social media. The website had 167,175 hits in 2012.. A communications strategy for the 2013-2017 UN Development Assistance Framework is under development.

Implementation of all five of the flagship programs of the *Nepal Risk Reduction Consortium (NRRC)* are also progressing well under the joint leadership of the Ministry of Home Affairs and the RC/HC. The unique institutional arrangement of the NRRC is bringing together 13 Ministries of the GoN together with international financial institutions, development partners, the Red Cross/Red Crescent Movement and the UNCT to focus on disaster risk management (DRM). In addition to the Governments of the United States, United Kingdom and Australia and the European Commission, the Japanese Embassy joined the NRRC in 2012 and the Government of India became a standing observer member. Examples of progress achieved in 2012 include: ongoing projects in 582 Village Development Committees in community based disaster risk reduction; repairs to an especially vulnerable spur of the Khosi River Basin prior to the monsoon season; completion of Disaster Preparedness and Response Plans in 75 districts; securing of funds for 300+ schools to be retrofitted in the Kathmandu Valley; and work commencing on the first-ever hospital retrofit in the Valley funded with Government resources.

United Nations' contributions to development results

UNCT support to Nepal's development results is delivered through the framework of the UNDAF (2008-12)

UNDAF Priority Area A, Consolidating Peace, co-chaired by UNDP and UNICEF, covers UNCT support to consolidating peace. With UNDP support, continued citizen participation was promoted in the constitution building process through a series of dialogues on key issues such as state restructuring, electoral and judiciary systems. Technical and financial support was provided by UN Women to the National Women's Commission (NWC) to advocate for a gender-responsive constitution and to produce position papers to promote gender equality under a new federal arrangement as well as affirmative action in electoral assistance design. Voter registration was completed in 2012, enumerating 10.8 million voters, of which 51% were women. UNFPA and UNICEF in 2012 documented cases of sexual and gender based violence across 14 districts; some of which may be eligible for a transitional justice process.

Through UNICEF support, Nepal gained 'improvised explosive device (IED) field-free' status in 2012. UNDP strengthened the capacity of more than 200 leaders from government, political parties, youth and women's groups to work more collaboratively through dialogue. With UN Women and UNFPA support, various government ministries integrated UN Security Council Resolutions (UNSCR)

1325 and 1820 into their plans, the first annual report on the National Action Plan (NAP) on 1325 and 1820 was developed and disseminated, and it also became mandatory to include women and victims in District Coordination Committees that implement the NAP. UNFPA also supported the NWC to compile information on the implementation of international women's rights instruments in 48 districts, and oriented more than 500 women on the NAP. The UN Interagency Rehabilitation Programme (UNIRP) implemented by UNDP, UNICEF, UNFPA and ILO continued to support the social and economic rehabilitation of the Maoist army Verified Minors and Late Recruits (VMLRs). By the end of 2012, 2,231 (or 73%) of registered VMLRs who could be reached had contacted the programme. Of the 1,631 graduates to date, 59% are now employed or running their own business and 40% of these are women. Nearly 500 VMLRs have received psychosocial support. In 2012, the Unified Communist Party of Nepal-Maoist (UCPN-M) was delisted from the UN Secretary-General's Annual Global Report on Children and Armed Conflict after successful implementation of the Action Plan for the discharge and rehabilitation of disqualified Maoist army personnel that was signed between the UCPN-M, the Government of Nepal and the United Nations in late 2009.

UNHCR supported a number of civil society initiatives to support access to citizenship certificates. This resulted in 12,515 individuals obtaining citizenship certificates in the mid and far west regions, and 200 VDCs and 50 CDOs being trained on citizenship law and policy.

2012 also saw the RCHCO, UNDP and UNICEF inter-agency conflict sensitivity initiative further develop, in particular by applying a conflict sensitive lens to the country analysis, the new UNDAF , and by embedding it in the selection criteria for the 2012 UNPFN funding round. Staffs from the majority of UNCT agencies were trained on conflict sensitive approaches, and relevant principles were embedded into various agencies' strategies and processes.

UNDAF Priority Area B, on Quality Basic Services is co-chaired by WHO and UNICEF. UNFPA, UNICEF and WHO supported the Ministry of Health and Population (MoHP) to establish around the clock birthing centres in the most disadvantaged VDCs and build partnerships with local health committees. Deliveries by Skilled Birth Attendants (SBAs) increased from 19% in 2006 to 36% in 2011. Monitoring and onsite coaching throughout 2012 further strengthened the capacity of these SBAs.

UNICEF and WHO supported micro planning, cold chain and social mobilization components of the immunization programme, resulting in there being only 15 districts with less than 80% of DPT-Hep-Hib 3 coverage. UNICEF and WHO also supported MoHP in expanding the community-based newborn care package (CBNCP) and in-service monitoring and training of female community health volunteers as part of the birth preparedness package and the CBNCP. The improvement in newborn care is highest among Dalits: institutional delivery increased from 33% to 64.5% and care of newborns within four weeks of delivery increased from 43% to 72% (CBNCP Endline Survey 2012).

With support from the WASH Development Partners Group, which includes UNICEF, WHO and UN Habitat, the GoN rolled out a successful nationwide hygiene and sanitation social movement. More than 500,000 people gained access to improved sanitation in 27 districts as a result. 109 Village Development Committees and Tanahun District were declared as Open Defecation Free. In the urban sector, 22 municipalities and 10 small towns were supported for pro-poor WATSAN governance, access to water and sanitation facilities, and improving sustainable service delivery.

WHO and UNICEF supported the MoHP to expand the Prevention of Mother-to-Child Transmission (PMTCT) and paediatric HIV services to 72 sites in 32 districts. Around 33 % of pregnant women received PMTCT services, and transmission dropped from 8% in 2011 to 3.1% in 2012 in 32 districts. UNICEF and WHO, along with Sath Sath project of Family Health International supported the MoHP to draft new National Anti-Retroviral Treatment (ART) guidelines, incorporating the WHO new recommendations for ART. UNAIDS, UNDP, UNICEF, UNODC and WHO supported a new 5-year “National HIV/AIDS Strategy 2011–2016”, with a rights-based and multi-sectoral approach, focusing on achieving Nepal’s targets that were set at the June 2011 UN General Assembly’s High Level meeting on HIV/AIDS.

In the education sector, Development Partner advocacy resulted in a comprehensive equity strategy. UNESCO and UNICEF contributed to improving education options for out-of-school children. A framework, and commitment by partners in capacity development resulted in planning integrated ECD and implementation in 5 model districts. An international conference on Schools as Zones of Peace was held in Nepal led to promote children’s right to uninterrupted education.

In relation to nutrition, WFP provided midday meals on every school day to 200,000 primary school children in Nepal’s most remote areas. It also provided nutritious food to 26,000 pregnant or breastfeeding mothers and their children under 3 years old.

Through a UN Joint Programme comprising UNDP, UNICEF, UNFPA, UNCDF, UNV and UNWomen on support for the GoN’s Local Governance and Community Development Programme (LGCDP) local service delivery was enhanced, providing citizens and communities - including the most neglected and marginalized groups - opportunities to hold local government accountable for quality basic services. UNDP, UNICEF and UNFPA supported a revision of the District Poverty Monitoring and Analysis System and capacity building of DDCs in all 75 districts.

UNDAF Priority Area C, Sustainable Livelihoods, co-chaired by ILO and FAO, focused in particular on food security, job creation and economic opportunities, and disaster preparedness. The UNCT continued to implement employment focused programmes, including vocational training, local economic development projects and labour intensive public works. More than 3,500 people established themselves as micro-entrepreneurs (79 percent women and 61 percent youth, 33 percent Dalit, and 41 percent Indigenous Nationality) with assistance from UNDP. Through several on-going projects IFAD continued working with more than 26,000 community groups in 2012. Substantial contributions were made in the area of accessing micro-finance to poor people by providing micro-capital grants to some 8,000 poor and vulnerable individuals (of which 94% women) for income generating activities. WFP in turn created work opportunities for about 95,000 people and provided food and cash transfers to their families.

In relation to food security, important progress was made towards building national and local capacities through execution of food security and livelihood improvement centred projects and programmes. WFP and FAO provided employment opportunities and restored agriculture activities for vulnerable people in Mid- and Far-West and in total supported more than 41,000 households. A significant contribution has been made to enhance the capacity of the Government and development partners for better decision making and programming in the area of food security interventions by introducing a standardized food security classification and analysis system as well

as institutionalising the Nepal Food Security Monitoring and Analysis System (NeKSAP) into the government structures with a road map to become a nationally owned system.

FAO and IFAD supported the GoN in the formulation of the Agriculture Development Strategy, which outlines a 20 year vision and, at the request of the Government, FAO formulated the National Food and Nutrition Security Plan of Action

Focused interventions were piloted by ILO aiming at fostering innovative approaches to prevent trafficking of women and girls for domestic work. Actions increased the knowledge on risks of trafficking, safe migration channels and rights at work of 400 women and girls in Nepal, and strengthened the capacity of government officials, trade unions and domestic worker organizations and other key stakeholders to detect and prevent trafficking and forced labour of domestic workers. The Foreign Employment Policy was endorsed by the Ministry of Labour and Employment (MoLE) in 2012. It has specific components that address the specialized needs of women migrant workers. UN Women facilitated the coordination between the MoLE and Ministry of Federal Affairs and Local Development to prepare a handbook to orient the work of local officials with migration governance responsibilities. This has resulted in the institutionalization of a safe migration campaign within the regular programming of the District Development Committees, in particular in the 15 most migration prone districts.

UNDAF Priority Area D, on Human Rights, Gender Equality, and Social Inclusion was co-chaired by UNFPA and OHCHR until the latter's departure in mid 2012. Building on sustained advocacy for the promotion and protection of human rights and the mainstreaming of gender and social inclusion the UN agencies continued to support the National Human Rights Commission (NHRC) in 2012. Consequently, the NHRC was able to investigate 394 cases, undertake 212 monitoring missions and issue recommendations on 104 cases for compensation, prosecution, departmental actions and interim relief. Similarly, the NHRC was enabled to issue 35 recommendations related to the revisions of legislation, compliance with human rights conventions and policies. With support of the UN, the Nepal Police developed a Gender Policy to mainstream gender in the recruitment and working environment. Furthermore, UN support to the Supreme Court of Nepal contributed to a significant increase in the ratio of implementation of court decisions.

A joint UNFPA, UNICEF and UN Women project on Eliminating Violence against Women (VAW) enhanced coordinated action for the prevention and response to GBV in four districts. With UN support, the SOP for the protection of right to confidentiality in special cases - including cases related to VAW and cases in which children and HIV/AIDS infected/affected persons are involved as parties - was endorsed by concerned agencies including the Supreme Court, the Attorney General's office, and the Nepal Police. In the education sector, the curricula for pre-service teachers' training were reviewed from gender, social inclusion and human rights perspectives and a mother tongue based literacy programme on Maithili and Awadhi was initiated with support from UNESCO. The Ministry of Women, Children and Social Welfare started to mainstream the former UNICEF supported Paralegal Committees - which have been recognized as a valuable platform for protecting women and children from different forms of violence and promoting women's empowerment – as part of their regular government program.

Still in relation to GBV, UNHCR continued to enhance efforts to prevent and respond to sexual and gender based violence in the refugee camps, including through support to the police, capacity

building of the District Women and Children's Development Office, and access to multi-sectoral support to survivors. 79 new cases of SGBV were reported to UNHCR during the course of the year. All survivors received multi-sectoral support, which included legal representation for 17 survivors who chose to pursue legal action.

The National Planning Commission together with members of the UN Adolescent Girls' Task Force Group, nine ministries and five NGOs, organized district level consultations with 2,000 adolescents and celebrated the first International Day of the Girl Child. The recommendations from the consultations will feed into a National Plan of Action on holistic adolescent development. With UNCT support to Gender Responsive Budgeting (GRB), the direct gender responsive budget was 19.05% in 2011/12. GRB was introduced in a web based information management system and all donors and development partners are now mandated to analyze their support programme in terms of GRB criteria.

In 2012 the Humanitarian Country Team (HCT) supported the strengthening of the GON's institutional capacity in Disaster Preparedness and Response. The National Emergency Operation Centre (EOC) in Kathmandu became fully functional and 5 Regional EOCs came on line. A National Disaster Response Framework was finalized, defining how international humanitarian partners will coordinate with Government structures during any large scale disaster. The Government strategy on Urban Search and Rescue (USAR) was formulated and fire services within the Kathmandu Valley benefited from technical training from international fire experts. Civil-military trainings and various simulations exercises were conducted heightening the collaboration between State Ministries, security forces and the humanitarian community. Under the Central Emergency Relief Fund (CERF) \$5 million in humanitarian funding was released for WASH, Health, Nutrition and Food Security activities in the most vulnerable communities in the country. The HCT assisted a number of disasters at the district level, the Seti River Flood and the Siraha Fire incidents being the most prominent.

With regards to refugees, in 2012 UNHCR and IOM resettled 16,732 Bhutanese refugees to the USA, Canada, Australia, Denmark, New Zealand, Norway and the UK. The current camp population has gone down from 108,000 in 2007 to 40,971 persons by the end of 2012. In addition, Khudunabari refugee camp was closed, bringing the total number of refugee camps to two from the original seven. UNHCR also supported the GoN to conduct a registration exercise which resulted in 1,800 refugees from Bhutan being registered as refugees by the Government. WFP provided on average 50,000 Bhutanese refugees with a daily food ration that included all six commodities that make up the food basket.

4. Aid and Development Effectiveness

In recent years, aid effectiveness and co-ordination has significantly improved with the implementation of an online Aid Management Platform, and capacity building programmes in key line ministries. There has been some progress on harmonization, with more donors joining existing pooled funds, and better coordinated programmes. However, these positive developments on the harmonization side have not yet been translated into better alignment with national systems. Foreign aid plays an important role in Nepal's socio-economic development, representing approximately 26% of the national budget. Nepal receives official development assistance from

over 40 donors. About half of aid resources use national systems such as the budget or procurement systems.

At central level

- Ensure oversight and accountability institutions are adequately staffed and benefit from stable leadership;
- Implement and monitor the implementation of staff transfer guidelines in order to facilitate the capacity development. Minimize as much as possible frequent changes in key positions that are required for the implementation of development programmes;
- In line with the Three Year Plan approach paper, step-up efforts to systematically consider the needs of excluded and vulnerable groups in GoN programmes, strengthen monitoring mechanisms (such as pro-poor budgeting, gender responsive budgeting and youth responsive budgeting), and ensure that corresponding monitoring results are fed in to the decision process for new programmes in specific line ministries and across ministries;
- Although significant progress has been made toward a sound policy-based budget with the adoption of the Medium Term Expenditure Framework (MTEF) and the creation of “business plans” for several sectors, there is need of strong support to encourage and involve the political leadership, middle and lower level of government level officials, and create linkage between annual budget and MTEF and sectoral business plans.
- Put in place a realistic, short to medium term capacity development strategy for results-based management. Although new guidelines for results-based monitoring and evaluation have been issued, national capacities to implement these guidelines (e.g. for selection of appropriate indicators, development of metadata, setting of annual targets) remain weak, especially at local level and in some sector ministries. The coordination and use of data gathered by different government ministries and institutions also needs to be enhanced for more effective results based planning and reporting.
- Continue to update the data in Aid Management Platform (AMP) and use of Development Cooperation Report for preparation of national budget to reflect off-budget project in the blue book. The system have been rolled out at ministry level however there is need to include the INGOs in AMP. The system should be extended for public access to enhance the transparency and Aid effectiveness.

At sector level

- Strengthen Government-donor coordination mechanisms in non-SWAp sectors. Government may wish to start with sectors receiving or expected to receive significant amounts of aid (this includes Ministry of Environment and other ministries heavily involved in climate change related programming) – or sectors where there are significant numbers of actors but where coordination could be strengthened such as around gender. Development partners should provide the required support to strengthen national capacities to lead such sector mechanisms. It is specially important over the course of Nepal’s post-CPA transition as the key peace and development coordination instrument and link it more directly as a cross-cutting area with other sectors and the NPPR. The GoN-Donor Group mechanism could be used more effectively to: consolidate and review development programmes and resources; provide advice on issues and challenges in programmes, as well as feedback on development partner programmes.

- As part of sector coordination arrangements, encourage line ministries to lead capacity assessments, prioritize capacity needs and engage donors on the coordination of capacity development in their respective sectors. The focus should be on eliminating redundancies, achieving operational and organisational efficiencies, effective planning. There is need of pooling resources where possible, and prioritizing institutional and organizational capacity development, as opposed to an approach mostly focused on individual and organisational level capacity development. This is particularly important in the context of Nepal, where transfers in the civil service are very frequent.

At local level

- Issues mentioned above regarding staff transfers are even more acutely felt at the local level. Specific attention should be given to the implementation of the Civil Service Act provisions on staff transfers at local level (e.g. for local development officers). Transfers should be planned in such a way that positions do not remain vacant for extended periods of time, as this negatively affects service delivery;
- Strengthen financial management and auditing capacities at the local level, to enhance accountability, transparency, accurate financial reporting and reduce fiduciary risk;
- Downward accountability has been an issue in the absence of elected local governments. Support for the piloting and scaling-up of downward accountability mechanisms should be encouraged as a way to promote the involvement of beneficiaries to enhance transparency and public engagement for the effective development interventions.

UNCT Funding Fact Sheet 2010-2012 per agency, source of funding and type of funding.

UNCT Expenditure for 2011						
Agencies	Total Regular Resources USD	Total Other Resources USD	Total Expenditure 2011	Development Total	Humanitarian Total	Total Expenditure 2011
FAO	\$ 1,851,648	\$ 5,956,243	\$ 7,807,891	\$ 3,557,693	\$ 4,250,198	\$ 7,807,891
IFAD	\$ 7,244,595	\$ -	\$ 7,244,595	\$ 7,244,595	\$ -	\$ 7,244,595
IOM	\$ 113,085	\$ 28,971,106	\$ 29,084,191	\$ 190,712	\$ 28,893,479	\$ 29,084,191
ILO	\$ 116,768	\$ 1,636,290	\$ 1,753,058	\$ 1,753,058	\$ -	\$ 1,753,058
OHCHR	\$ 4,777,000	\$ -	\$ 4,777,000	\$ -	\$ 4,777,000	\$ 4,777,000
RCHCO	\$ 261,800	\$ 2,446,461	\$ 2,708,261	\$ 2,708,261	\$ -	\$ 2,708,261
UNCDF	\$ 698,833	\$ 552,282	\$ 1,251,115	\$ 1,251,115	\$ -	\$ 1,251,115
UNDP	\$ 9,556,016	\$ 21,059,334	\$ 30,615,349	\$ 30,615,349	\$ -	\$ 30,615,349
UNICEF	\$ 6,627,643	\$ 19,392,392	\$ 26,020,034	\$ 23,916,783	\$ 2,103,251	\$ 26,020,034
UN HABITAT	\$ 429,592	\$ 700,852	\$ 1,130,444	\$ 951,444	\$ 179,000	\$ 1,130,444
UNHCR	\$ 11,995,525	\$ -	\$ 11,995,525	\$ -	\$ 11,995,525	\$ 11,995,525
UNIC	\$ 24,000	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ 24,000
UN WOMEN	\$ 375,909	\$ 831,447	\$ 1,207,356	\$ 1,207,356	\$ -	\$ 1,207,356
UNV	\$ -	\$ 222,206	\$ 222,206	\$ 222,206	\$ -	\$ 222,206
WFP	\$ 65,979,554	\$ -	\$ 65,979,554	\$ 9,692,259	\$ 56,287,295	\$ 65,979,554
WHO	\$ 710,000	\$ 2,916,000	\$ 3,626,000	\$ 3,626,000	\$ -	\$ 3,626,000
UNAIDS	\$ 152,500	\$ -	\$ 152,500	\$ 152,500	\$ -	\$ 152,500
UNESCO	\$ 207,076	\$ 496,332	\$ 703,408	\$ 703,408	\$ -	\$ 703,408
UNFPA	\$ 4,350,000	\$ 3,333,042	\$ 7,683,042	\$ 5,381,066	\$ 2,301,976	\$ 7,683,042
UNODC	\$ -	\$ 2,084,113	\$ 2,084,113	\$ 2,084,113	\$ -	\$ 2,084,113
Total	\$ 115,471,542	\$ 90,598,099	\$ 206,069,641	\$ 95,281,917	\$ 110,787,724	\$ 206,069,641

UNCT Expenditure for 2012						
Agencies	Total Regular Resources	Total Other Resources	Total Expenditure 2012	Development Total	Humanitarian Total	Total Expenditure 2012
FAO	\$ 571,000	\$ 2,221,000	\$ 2,792,000	\$ 2,142,000	\$ 650,000	\$ 2,792,000
IFAD	\$ -	\$ 6,064,560	\$ 6,064,560	\$ 6,064,560	\$ -	\$ 6,064,560
IOM	\$ 76,451	\$ 29,917,238	\$ 29,993,689	\$ 565,748	\$ 29,427,941	\$ 29,993,689
ILO	\$ 638,354	\$ 484,514	\$ 1,122,868	\$ 1,122,868	\$ -	\$ 1,122,868
UN HABITAT	\$ 850,819	\$ 1,261,123	\$ 2,111,942	\$ 1,864,699	\$ 247,243	\$ 2,111,942
UN WOMEN	\$ 485,368	\$ 791,773	\$ 1,277,141	\$ 1,277,141	\$ -	\$ 1,277,141
UNAIDS	\$ 38,400	\$ 17,000	\$ 55,400	\$ 55,400	\$ -	\$ 55,400
UNCDF	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 1,600,000	\$ -	\$ 1,600,000
UNDP	\$ 9,159,228	\$ 22,315,102	\$ 31,474,329	\$ 31,474,329	\$ -	\$ 31,474,329
UNESCO	\$ 59,272	\$ 617,000	\$ 676,272	\$ 676,272	\$ -	\$ 676,272
UNFPA	\$ 4,150,637	\$ 607,354	\$ 4,757,991	\$ 4,757,991	\$ -	\$ 4,757,991
UNHCR	\$ 10,486,327	\$ -	\$ 10,486,327	\$ 699,000	\$ 9,787,327	\$ 10,486,327
UNIC	\$ 23,652	\$ -	\$ 23,652	\$ 23,652	\$ -	\$ 23,652
UNICEF	\$ 6,821,107	\$ 20,109,921	\$ 26,931,028	\$ 24,030,001	\$ 2,901,027	\$ 26,931,028
UNODC	\$ -	\$ 522,000	\$ 522,000	\$ 522,000	\$ -	\$ 522,000
UNV	\$ -	\$ 375,000	\$ 375,000	\$ 375,000	\$ -	\$ 375,000
WFP	\$ 360,480	\$ 45,461,414	\$ 45,821,894	\$ 8,605,934	\$ 37,215,960	\$ 45,821,894
WHO	\$ 1,419,138	\$ 4,282,895	\$ 5,702,033	\$ 5,451,565	\$ 250,468	\$ 5,702,033
Total	\$ 36,740,232	\$ 135,047,893	\$ 171,788,125	\$ 91,308,159	\$ 80,479,966	\$ 171,788,125

UNCT Estimated Funds for 2013						
Agencies	Total Regular Resources	Total Other Resources	Total Expenditure 2013	Development Total	Humanitarian Total	Total Expenditure 2013
FAO	\$ 827,000	\$ 2,500,000	\$ 3,327,000	\$ 3,327,000	\$ -	\$ 3,327,000
IFAD	\$ -	\$ 9,800,000	\$ 9,800,000	\$ 9,800,000	\$ -	\$ 9,800,000
IOM	\$ 201,202	\$ 33,109,220	\$ 33,310,422	\$ 619,085	\$ 32,691,337	\$ 33,310,422
ILO	\$ 749,745	\$ 9,000,000	\$ 9,749,745	\$ 9,749,745	\$ -	\$ 9,749,745
UN HABITAT	\$ 576,099	\$ 2,971,698	\$ 3,547,797	\$ 3,516,597	\$ 31,200	\$ 3,547,797
UN WOMEN	\$ 418,582	\$ 2,232,074	\$ 2,650,656	\$ 2,650,656		\$ 2,650,656
UNAIDS	\$ 58,000	\$ -	\$ 58,000	\$ 58,000	\$ -	\$ 58,000
UNCDF	\$ 1,394,800	\$ -	\$ 1,394,800	\$ 1,394,800	\$ -	\$ 1,394,800
UNDP	\$ 6,336,500	\$ 26,009,234	\$ 32,345,734	\$ 32,345,734	\$ -	\$ 32,345,734
UNESCO	\$ 75,000	\$ 1,500,000	\$ 1,575,000	\$ 1,575,000	\$ -	\$ 1,575,000
UNFPA	\$ 4,610,000	\$ 1,500,000	\$ 6,110,000	\$ 6,110,000	\$ -	\$ 6,110,000
UNHCR	\$ 9,354,384	\$ -	\$ 9,354,384	\$ -	\$ 9,354,384	\$ 9,354,384
UNIC	\$ 24,000	\$ -	\$ 24,000	\$ 24,000	\$ -	\$ 24,000
UNICEF	\$ 4,638,000	\$ 20,538,000	\$ 25,176,000	\$ 25,176,000	\$ -	\$ 25,176,000
UNODC	\$ -	\$ 450,000	\$ 450,000	\$ 450,000	\$ -	\$ 450,000
UNV	\$ 40,000	\$ 160,000	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
WFP	\$ 375,720	\$ 66,234,043	\$ 66,609,763	\$ 45,949,913	\$ 20,659,850	\$ 66,609,763
WHO	\$ 1,705,000	\$ 4,450,000	\$ 6,155,000	\$ 5,845,000	\$ 310,000	\$ 6,155,000
Total	\$ 31,384,032	\$ 180,454,269	\$ 211,838,301	\$ 148,791,530	\$ 63,046,771	\$ 211,838,301

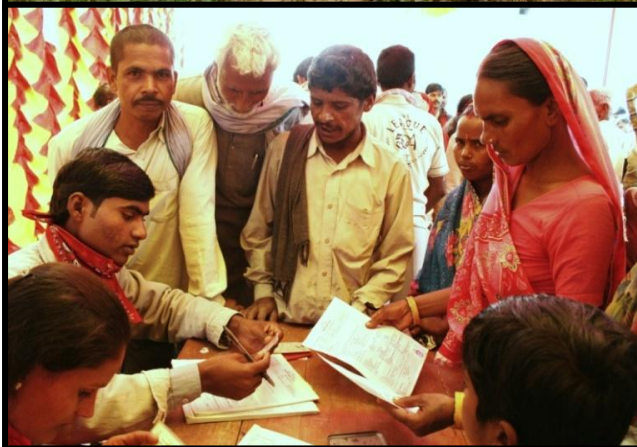
ATTACHMENT 10

US AID



USAID | NEPAL

FROM THE AMERICAN PEOPLE



Government of Nepal National Portfolio Performance Review January 2013

Background

On January 23, 1951, the United States and Nepal signed an agreement that began a 60 year relationship of trust, mutual respect and commitment to the people of Nepal. With that signing, the United States became the first bilateral donor. Sixty years ago, the average life expectancy of Nepalis was 28 years, the literacy rate was 2 percent and malaria was endemic with an estimated 25 percent of the population infected. There is no disputing the positive impact of development on the everyday life of Nepali citizens. To date, the U.S. has provided more than \$1.2 billion in development assistance.

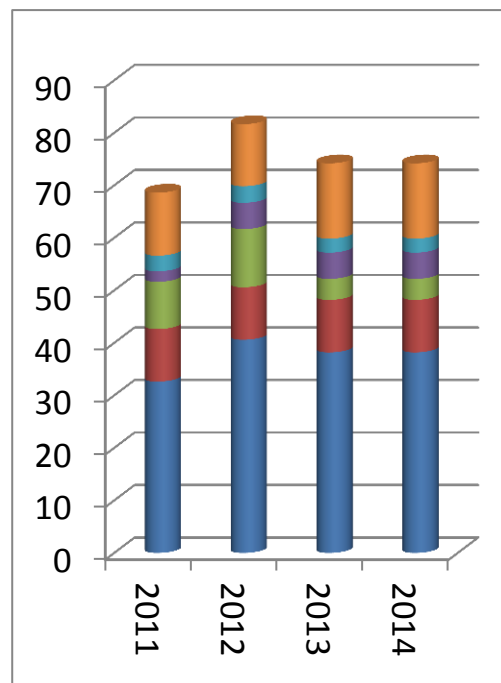
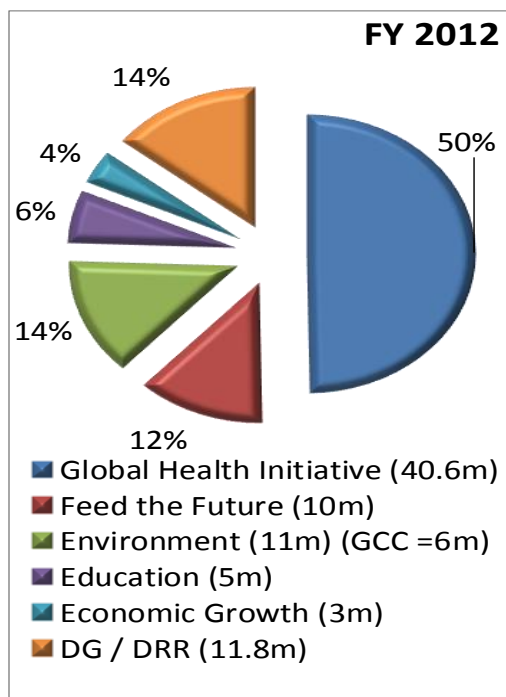
This first-time report to the National Portfolio Performance Review (NPPR) touches on the entire U.S. Agency for International Development (USAID) portfolio. USAID considers building the capacity of the Government of Nepal (GON) and private sector development to be an integral component of every project, in every sector. The direct and indirect support to GON is highlighted in the results narratives that follow. Direct funding to the government is also noted in a table below, with the hope that the success of current efforts will result in increased direct support to the government in the future as systems are strengthened.

The United States is proud of being a major partner of the Government of Nepal, and proud to join the community of international donors in this National Portfolio Performance Review. USAID is looking forward to deepening the collaboration with the Nepali government and improving the effectiveness of our mutual development efforts – to the benefit of its citizens. If the hard work and high spirit of the people of Nepal is any indication, there will be great progress in this next year for a more prosperous future.

Direct Support to the Government of Nepal

Mechanism Name	Ministry	Fiscal year	Total Commitment	Total Disbursement
Support to Peace Fund Secretariat - Track 2 (Procurement)	Ministry of Peace and Reconstruction/Peace Fund Secretariat	2012	400,000	
Support to the Nepal Peace Trust Fund - IL	Ministry of Peace and Reconstruction/Nepal Peace Trust Fund	2012	1,000,000	119,000
GON Redbook Support	Ministry of Agricultural Development	2010	392,917	392,917
GON Redbook Support	Ministry of Agricultural Development	2011	490,000	0
GON Redbook Support	Ministry of Health and Family Planning	2010	1,000,000	1,000,000
GON Redbook Support	Ministry of Health and Family Planning	2011	1,000,000	621,977
GON Redbook Support	Ministry of Health and Family Planning	2012	1,000,000	
Total			3,882,917.00	2,014,894.00

USAID Budget for Development in Nepal



Mission Objectives

The narratives that follow summarize the challenges and key accomplishments of U.S. Government investment in Nepal toward four overarching Mission objectives. Nepal is the recipient of three U.S. Presidential Initiatives for development: the Global Health Initiative, the Feed the Future Initiative and the Global Climate Change Initiative. Other sectors covered by the Mission include democracy and governance, education and economic growth. The Mission Objectives include:

- Citizen participation in the democratic transition strengthened.
- Sustainable management of natural resources under changing climate conditions strengthened.
- Inclusive economic growth expanded and food security improved.
- Health and well-being of Nepalis improved and sustained.

Mission**Citizen participation in the democratic transition is strengthened****Objective:****Challenges:**

Future programming targeting local governance and district-level service delivery will be affected by decisions made through the new constitution, especially the implementation of a federal system. Key democracy and governance outcomes – the credible and legitimate election of a representative legislature and local-level elections, as well as the coordination between national and local government structures – remain future milestones for determining the effectiveness of USG assistance in Nepal.

Achievements:

With direct support from USAID the Government of Nepal (GON) succeeded in advancing the Comprehensive Peace Agreement's terms for closure of 21 cantonments of Maoist troops and the integration or retirement of 19,600 qualified former combatants. In September 2012, the last of the cantonments were closed and the Nepal Army accepted 1,388 ex-combatants as the army level recruits and 75 ex-combatants as officer-level cadets, including four women as officers. Despite their acceptance, less than 400 of the former People's Liberation Army troops opted to integrate. The remainder joined the 15,600 former combatants who chose two lump-sum cash payments for voluntary retirement. Another 2,460 abstained from the process, due to outmigration, death, misinformation, or rejection of conflict-era ties. The emptying of the cantonments and the ex-combatants' return to civilian life marks a major step in Nepal's post-conflict transition and strengthens the country's long-term stability and future security. The process has begun to provide direct assistance to GON to support the Ministry of Peace and Reconstruction's Nepal Trust Fund.

USAID's "Monitoring Nepal's Peace Process and Constitution Drafting Process" program surveyed 1,350 individuals across 74 of 75 districts for their opinion on the peace, constitutional, and electoral processes. The Carter Center produced bimonthly reports and presentations in English and Nepali and reached more than 1,700 key stakeholders in government, civil society, and the international community. These reports have been instrumental in improving ECN programs for greater outreach and facilitating dialogue between decision makers.

The Strengthening Political Party, Electoral and Legislative Project (SPPELP) provided technical assistance to the Election Commission of Nepal (ECN) offered by the International Foundation for Electoral Systems demonstrated significant progress in a non-election year. Training provided to ECN and District Elections Offices increased their capacity in the legal, management and technical aspects of elections. In 2011 the GON began fresh voter rolls and registered 10.9 million citizens to date. Continued USG support to the ECN substantially enhances the likelihood of technically sound, credible and legitimate elections.

Human Rights (HUR)**Challenges:**

Discrimination on the basis of caste, gender, ethnicity, and sexuality is remains ubiquitous; and domestic violence, forced labor, and forced prostitution are pervasive. Investment in activities

have strengthened rule of law and human rights-related practices among Nepali government and non-government institutions. This initial assistance will help Nepal enforce international human rights conventions.

Achievements:

Support to the Nepal Armed Police Force and Nepal Police included human rights training that developed a greater awareness and respect for basic human rights principles within Nepal's key law enforcement bodies. In addition to this support was given to legal representation for 23 anti-trafficking court cases (out of 80 targeted), provided legal aid and psychosocial counseling to 143 (111 women) human trafficking victims (compared with a target of 150), and trained 207 judges and prosecutors (compared with a target of 200) on standard operating procedures for investigation, prosecution and adjudication.

Eighteen successful convictions, including two landmark decisions, were attributed to sub-grantee legal defense organizations and judges who received USG counter-trafficking prosecution and adjudication training.

Investment was made in efforts to curb the worst forms of child labor by targeting commercial sexual exploitation, domestic labor, port labor, brick factories, mines, and embroidery factories. The support included a Kathmandu drop-in center for women and girls working in the night entertainment industries. The center helps victims transition to safer lifestyles.

Disabilities

USAID provided physical rehabilitation services to 6853 persons, including 1082 who received orthopedic devices and 824 persons who received mobility aids. With the help of ten new community disability workers, the program identified twice as many people with unaddressed physical mobility needs as targeted, reaching 3,699 new persons through mobile camps and field visits of community workers. Clients received 34,195 center-based and 24,602 community-based physical rehabilitation sessions. USAID supported the provision of reconstructive surgery to 68 persons. The rehabilitation centers negotiated with local hospitals to establish standard rates for reconstructive or corrective surgery.

Two additional rehabilitation centers were support to leverage dedicated funding from the Ministry of Women, Children, and Social Welfare to sustain and expand service coverage. Four of the five centers initiated rehabilitation treatment services with funding from the Ministry of Peace and Reconstruction targeted to ex-combatants and other conflict-affected people living with disabilities.

Gender Equality and Social Inclusion

Gender inclusion in Nepal continues to face challenges, as evidenced by the #Occupy Baluwatar movement. The Prime Minister's office has been supportive of the women's concerns and the opportunity for continued dialog hold hope for future policy measures and tangible change. Nepal currently holds Tier 2 Status in the U.S. State Department's Annual TIP Report for 2012. While Nepal's tier ranking for several years remained the same, Nepal risks slipping from Tier 2 to Tier 2 Watch List if the Government of Nepal (GON) cannot demonstrate significant progress in combatting human trafficking this year.

All U.S. Government programs address the issues related to gender both at the policy and implementation levels. The Ministry of Health and Population (MOHP) has adopted a strong and comprehensive policy on Gender Equality and Social Inclusion (GESI) to reach populations that formerly had poor access to health services supported by other donors.

The Education for Income Generation (EIG) program provided vocational and literacy training to 1,756 youth, more than 50 percent of whom were women. This program specifically targeted rural populations that lacked access to education, training, or employment opportunities. In FY 2012, the average annual income of the micro-entrepreneurs who were EIG beneficiaries, increased by 294 percent, from \$261 to \$1,029. These interventions transformed the lives of 58,179 young rural women. Empowered and trained women significantly increased their income by being employed or self-employed in non-traditional vocations, such as masonry, carpentry, electrical house wiring, and mobile repair.

With USAID support, the Government of Nepal's Department of Education provided refresher training on early childhood education development (ECED) philosophy and pedagogy to 10,723 female ECED facilitators. The training helped build their capacity to conduct learning activities effectively.

The Saath-Saath HIV/AIDS activity worked with female sex workers, transgender and men who have sex with men to identify and reduce gender-related socio-cultural barriers to preventative behaviors as well as counseling and treatment. Some of the barriers include: reluctance to use condoms, being forced to not use condoms, gender-based violence, and stigma and discrimination that reduces likelihood of seeking services or counseling. Saath-Saath is addressing these barriers through counseling for most-at-risk populations, community outreach and training for providers to reduce stigma and discrimination. The project provided HIV testing and counseling services to 6,936 female sex workers in FY 2012. Of the total of 5,953 HIV positive adults and children the project provided clinical services to, 3,077 were women.

To support the GON and the capacity of female Election Commission officials, 39 women participated in three elections trainings and 749 women youth and minority activists from different grass roots organizations participated in leadership development training. Additionally 250,000 women received voter and civic education through USAID programs. The USG program educated 294,000 women on voter registration. USG-supported community help desks at voter registration centers assisted 32,707 women to check their voter registration in FY 2012. Nepal's voter registration will continue into FY 2013 with the registration of women voters and the participation of women political party members as a focus of the Strengthening Political Party, Electoral and Legislative Process program.

The majority of the USG-supported Combating Trafficking in Persons (CTIP) program's beneficiaries are women, as the program strengthens Nepal's trafficking prevention, victims' protection, and trafficker prosecution. The program provided training to 207 judicial and law enforcement officials, including 46 women, on the rights-based conceptual and operational framework required to effectively investigate, prosecute, and adjudicate trafficking cases and ensure that victims' rights are protected throughout the legal process. In FY 2012, the CTIP program trained judges and supported legal organizations that prosecuted 143 trafficking cases; all the victims were women. In efforts to prevent trafficking, the USG funded skill-upgrade training

or entrepreneurship training for at-risk women in order to increase economic options and reduce trafficking vulnerabilities. Out of 2,501 community members trained, 2,000 were female.

USAID's Nepal Economic Agriculture and Trade (NEAT) activity trained 45,439 (including 18,564 women) producers, agrovets, and traders in productivity or business skills to strengthen the agriculture value chains of tea, ginger, lentils and vegetables and to increase outputs, sales and thereby incomes. NEAT promoted sustainable improved production practices in targeted food insecure districts and in specific commodities. It trained 20,424 farmers in agriculture productivity and livestock management, of which 70 percent are women.

Understanding Nepal's challenges, the latest USAID Combatting TIP (CTIP) program in Nepal addresses the three "P's" prescribed in the annual TIP report: prevention of trafficking; prosecution of traffickers and protection of victims. In an effort to prevent trafficking by increasing economic options and reducing trafficking vulnerability, CTIP supports skill-upgrade training or entrepreneurship training for at-risk women. Training exceeded targets in FY 2012, with 2,501 community members trained, 2,000 of which were women. Prevention methods extended through TIP awareness campaigns. CTIP exceeded its target of 10,500 with 21,733 reached through the USG-funded mass media campaign using documentary screenings, street dramas and public rallies at the Village Development Committee level. Unexpectedly large audiences participated at the local level, including targeted vulnerable populations, law enforcement, health care providers, and educators.

In FY 2012, the GON achieved success with 18 successful Trafficking in Persons convictions, including three landmark decisions. Through U.S. technical assistance and support to sub-grantee legal defense organizations and judges who received counter-trafficking prosecution and adjudication training. Law enforcement officers' heightened awareness of human rights standards and judges' increased professional capacity contributed to responsive governance, mitigating potential conflict between citizens and government within the context of a peaceful transition following 10 years of violent conflict. In 2011, only five cases were convicted. The USG supported the establishment of four shelter/safe houses in 2012, which met the target set for the year.

To support systematic and sustainable change in the area of victim protection within the GON, the U.S. contributed technical assistance to the GON's development of its National Minimum Standards on victims' care and protection, the Standard Operating Procedures for rehabilitation facilities for victims of trafficking and witness protection processes, and the National Action Plan related to anti-trafficking. The inter-agency policies demonstrated strong GON commitment to coordinate efforts and combat TIP. The Ministry of Women, Children and Social Welfare now leads the implementation of these policies and works to standardize and align government and non-governmental services to TIP survivors with a victims' rights-based approach. The new policies and procedures informed various CTIP program and Ministry training modules for district court judges in FY 2012.

Disaster Risk Reduction (DRR)

In few countries is the importance of Disaster Risk Reduction (DRR) more evident than in Nepal. Nepal is subject to a high risk of natural disasters, globally ranking 30th in terms of

water-induced hazards such as flooding and 11th in terms of seismic vulnerability. Nearly every Nepali, either directly or indirectly, will be impacted by some type of disaster during his/her lifetime. Once a colossal earthquake occurs, Kathmandu will suffer enormous losses of life and property, and will be unlikely to be able to function as the capital of Nepal. Most likely, adverse effects of the earthquake will be felt throughout Nepal and cause long-term stagnation of its development. As such, earthquakes are one of the biggest obstacles for sustainable development in the Kathmandu Valley and Nepal as a whole.

The USG has taken a whole-of-government approach to integrate investments across agencies and leverage private resources, thereby maximizing results within limited budgets. In FY 2011, the U.S. Embassy in Nepal established an interagency DRR Office and in FY 2012 developed mechanisms for coordination, including an Interagency Five-Year DRR Strategic Framework and an Interagency Disaster Working Group that meets regularly.

Mission	Sustainable Management of Natural Resources Under Changing Climate
Objective:	Conditions is Strengthened

Challenges:

Nepal boasts 118 ecosystems, 75 categories of vegetation, and 35 types of forests. These resources are increasingly at risk due to political instability, social inequalities, extreme poverty, illiteracy, and population pressures. The people of Nepal, particularly the rural poor, are directly dependent on biodiverse natural resources for survival. Approximately 80 percent of Nepal’s economy comes from climate-sensitive industries such as agriculture, forestry, and tourism. According to the 2012 Climate Change Risk Atlas published by Maplecroft, Nepal is ranked as the 13th most climate change vulnerable country on the planet.

Achievements:

Building on the successful community forestry program that engages 35% of Nepal’s population in 18,000 forestry user groups, the USG’s environment-related objective in Nepal is to strengthen the ability of the Government of Nepal (GON) authorities and local communities to take ownership and manage their resources according to local and international best practices that reduce adverse impacts of GCC and biodiversity risks. The Mission will achieve this objective primarily through the implementation of three projects: Hariyo Ban (Green Forests), the Nepal Tiger Genome Program (NTGP), and the Initiative for Climate Change Adaptation (ICCA).

Through the Hariyo Ban program, USAID aims to reduce threats to biodiversity in target landscapes and build structures, capacity, and operations for effective sustainable landscapes management, especially Nepal’s readiness for REDD. Hariyo Ban also is increasing the ability of targeted human communities and ecosystems to adapt to the adverse impacts of climate change. These objectives are complemented by three cross-cutting issues: good governance, livelihood improvement, and gender and social inclusion.

The Hariyo Ban program helped to bring 711 hectares of biodiverse forest area under improved management against its target of 1,000 hectares and reduced/sequestered 63,000 metric tons of CO2 equivalent through the application of sustainable forest management practices and

installation of 483 biogas plants and 385 improved cooking stoves, reducing pressure on biodiverse forest resources. For these and other climate change and/or biodiversity results, the program provided 5,592 person hours of training on natural resources management and biodiversity conservation (surpassing its target of 2,432) and 39,474 persons hours of training in climate change adaptation and sustainable landscape (exceeding its target of 35,277). Moreover, the program supported 224 people to increase economic benefits derived from sustainable natural resources management and conservation against the target of 575; results are yet to come since the livelihoods implementation is still in progress. The program also assisted in conducting climate change vulnerability assessments in 14 sites surpassing the target of 10 sites and helped to improve 197 institution's capacity to address climate change adaptation and sustainable landscape management capabilities against its target of 200 institutions.

Additional results for Hariyo Ban include reaching 45,413 people (55 percent women) covering 155 Village Development Committees (VDCs) and 10 municipalities. The program has held 1,201 events, including trainings, workshops, campaigns, and orientation programs encompassing biodiversity conservation, REDD+ readiness, and GCC adaptation. Hariyo Ban's other key achievements include sample collection for a snow leopard assessment, an assessment of elephant habitat occupancy, population dynamics, and human-elephant conflict, and a non-invasive genetic study on rhino population monitoring. 27 blackbucks, a highly threatened species, were translocated to Shukpaphanta Wildlife Reserve. To address human-wildlife conflict, 13 kilometers of new and 43.2 kilometers of existing electric fencing were constructed and repaired, which benefited 726 households. Furthermore, a joint collaboration was established between the GON's National Agricultural Research Council (NARC) and the Agricultural Research Service (ARS) in Florida to address biological control of the invasive species water hyacinth.

The ongoing Nepal Tiger Genome Program (NTGP) is building local capacity for genetic research in the conservation of wild Bengal Tigers. This program is the result of collaboration between a Nepali non-profit research organization, the Government of Nepal, and two leading U.S. universities in the application of scientific non-invasive genetics technology. To date, 14 out of 17 project milestones (eight in FY 2012) have been achieved, including training on non-invasive sampling, wildlife genetics and bioinformatics for conservation professionals from the GON, for-profit, non-profit and community-based organizations in Nepal. Tiger scat samples have been collected from the tiger habitats throughout the Terai Arc Landscape. These samples are currently being analyzed in a local genetics lab to obtain information on population size, geographic distribution, genetic diversity, and gene flow. By the end of the project, Nepali conservation professionals will have a much better understanding of the state of tigers in Nepal and how best to manage them, thereby helping Nepal reach its stated goal of doubling the number of tigers by 2020. Furthermore, NTGP offers the potential to be replicated and applied to conservation of habitats and migratory corridors for other endangered species in Nepal and around the world.

Mission**Inclusive Economic Growth is Expanded and Food Security is Improved****Objective:****Challenges:**

As Nepal strives to more actively participate in the global market, there has been growing need to create an economic environment more conducive to domestic and international trade and business. Despite the concerted efforts of the Government of Nepal (GON) to improve and facilitate trade, Nepal's trade performance, especially export growth, remains unsatisfactory. The trade deficit is increasing and is currently at 25 percent, which is the highest since 2005. Key challenges continue to be market access, domestic capacity, and supply side constraints. Some measures undertaken by the GON to address these issues include a Structural Adjustment Program during the mid-eighties and early nineties, successive rounds of trade liberalization and accession to the World Trade Organization (WTO) in 2004, enactment of the Trade Policy (2009) and the Nepal Trade Integration Strategy (NTIS) in 2010.

The main factors that affect the business environment are the lengthy process (number of days) for business registration, trading goods across the border, complying with taxes, and WTO compliance. The key policies and acts needed to improve the business environment and trade are: Industrial Enterprise Act, Foreign Direct Investment Policy and Act, Intellectual Property Rights Policy and Act, Competition Promotion and Market Protection Act, and Export Import Act. Due to progress made since the end of the insurgency, **Nepal is being considered for a threshold program by the U.S. Millennium Challenge Corporation (MCC)**. An economic constraints analysis is underway which will further pave the way for economic progress and inter-donor cooperation.

Achievements:

USAID is providing direct funding to MOAD to improve cereal seed production and livestock breeding. The program produced 20 tons of source seed of rice, wheat, and maize on 320 hectares of land in 10 districts. This direct funding reinforces the GON's priorities and advances host country systems, as specified in the Paris Declaration on Aid Effectiveness.

The Nepal Economic, Agriculture and Trade (NEAT) project is addressing key trade constraints and directly contributing to the Nepal Trade Integration Strategy in the areas of trade negotiations and improved Government of Nepal (GON) technical capacities. NEAT's main objectives are to strengthen the foundations of rapid, sustained, and inclusive economic growth and enhance the competitiveness of agro-exports such as ginger, lentils, vegetables, and tea. The U.S. Government provided technical assistance and training to several GON ministries to improve the enabling environment for trade and investment, including the Ministries of Finance, Commerce and Supplies, Agricultural Development, and Industry. Key accomplishments included establishment and operationalization of the Trade Policy and Analytical Wing at the Ministry of Commerce and Supplies, two training courses on trade analysis and capacity for GON officials which were created and delivered to 65 officials, and recommendation that the government create a Trade Committee.

NEAT supports the GON in drafting several key policies: Foreign Direct Investment (FDI) and Intellectual Property Rights (IPR) policies and the Industrial Enterprise Act and New Export Import

Act. USAID also supported the drafting of procedures and guidelines in taxation, seed registration, and compensation. Thirty-two public-private high-level discussions were held on related topics. In addition, a Research and Revenue Forecasting Unit was established in the Inland Revenue Department of the Ministry of Finance. The Any Branch Banking System (ABBS) tax system was piloted with large taxpayers. These are significant achievements in improving taxation and revenue forecasting in Nepal.

In partnership with the Ministry of Commerce and Supplies, the U.S. conducted detailed studies on trade relations with India, China, and the U.S. Assessments on the South Asian Free Trade Area (SAFTA) and South Asian Association for Regional Cooperation Agreement (SAARC) were also completed. USAID supported creation of an Invest Nepal Portal to encourage foreign direct investment. The program organized Nepal's first mobile financial services summit, bringing together stakeholders from the microfinance sector. As a result, Nepal Rastra Bank announced a new e-regulation and affirmed support for the microfinance sector. An MOU was signed between service providers and five financial institutions. Eight new microfinance branches were established in areas lacking these services.

Productivity and business skills training were provided for 45,439 producers, service providers, and traders engaged in the lentils, ginger, tea, and off-season vegetables value chains. In addition, 20,424 farmers, (12,224 of them women) on 6,663 hectares were trained to increase agriculture productivity, including production of maize, wheat, rice, vegetables, and management of small livestock such as poultry and goats. Farmer sales totaled \$8,544,238, which is a 70-percent increase over the original target of \$5,000,000

The Hill Maize Research Project (HMRP) is improving incomes and increasing the productivity of 50,000 rural families, particularly poor and disadvantaged farmers, in 20 remote hill districts. This program is designed to meet national maize seed needs, support implementation of national seed policies, develop new maize varieties and technologies, and enhance seed production, technology and marketing. USAID is co-funding this program with the Swiss Agency for Development and Cooperation (SDC). In FY 2012, HMRP provided support to the GON for adaptive research and release of four new Open Pollinated Varieties (OPV) of maize, including nutritious Quality Protein Maize (QPM). Approximately, 36,000 farmers utilized the new OPV, which is higher than the planned target of 35,000 farmers, and 10,000 households are using the nutritious QPM. The new varieties have exhibited tolerance to drought and resulted in higher, more stable yields, thereby improving incomes and enhancing food security.

Mission Health and Well-Being of Nepalis Improved and Sustained
Objective:

Challenges:

Nepal remains home to one of the worst indices of chronic malnutrition in the world, with 41 percent of children under five suffering from stunting. An estimated 29 percent of children under five are underweight, and 11 percent are wasted. A considerable challenge for Nepal's development is to decrease the high levels of under-nutrition, which are widely driven by cultural, economic, and social factors that determine food-related practices and food scarcity. USAID's investment has focused on providing evidence-based technical assistance in the area of nutrition

and food security programs, with a special emphasis on health, agriculture and other community workers/volunteer training and community-based interventions.

Nepal's topography, its susceptibility to natural disasters, and the weak state of the infrastructure tasked with responding to those natural disasters means that the logistics system is vulnerable to supply disruptions in some of the most isolated areas of the country. Furthermore, the eventual signing of a new Constitution and the proposed redrawing of district boundaries would undoubtedly affect all levels of the health and logistics systems.

Achievements:

The United States Government (USG) approved the Global Health Initiative (GHI) Country Strategy for Nepal, designating it as one of eight "plus" countries. The purpose of U.S. foreign assistance in health is to accelerate Nepal's progress in achieving the Millennium Development Goal (MDG) targets in child mortality (MDG 4), maternal health (MDG 5), and HIV/AIDS (MDG 6).

Since the approval of the Feed the Future (FTF) Initiative Country Strategy for Nepal in FY 2011, USAID has aligned investments in nutrition, agriculture, local governance and income generation to support GON efforts to reduce chronic malnutrition and reach MDG targets in hunger reduction (MDG 1c) and safe drinking water and basic sanitation (MDG 7c). By engaging the Government of Nepal (GON), civil society organizations, external development partners (or donors) and private firms in health and food security, the USG has laid a comprehensive, collaborative foundation for the achievement of significant gains in combating chronic malnutrition.

To track progress toward the health-related MDG targets, in FY 2012, USAID and GON collaborated in analyzing the results of the 2010 Nepal Demographic and Health Survey (NDHS) conducted in FY 2011. Secondary analysis of the NDHS is ongoing and will continue to examine key issues such as the determinants of fertility and unmet need; newborn survival; and adolescent reproductive health. The GON will use the NDHS data to inform its health sector review and measure progress toward achieving the MDGs.

Technical assistance and support was provided for the Ministry of Health and Population (MOHP) Logistics and Management Division and National Center for AIDS and STD Control to improve logistics management systems and to train district- and community-level staff in procurement, store and stock management. This technical assistance paid big dividends as fewer than 25 percent of health facilities in Nepal experienced stock-outs for essential drugs and less than 2 percent of health facilities experienced stock-outs for family planning methods in FY 2012, as compared with last year's achievements when 21% of health facilities experienced stock-outs of essential medications and 2.2% for family planning methods.

On the private sector side, development assistance helped expand the existing network of providers of medical products to pharmacies that deliver injectable contraceptives, covering 3,091 providers in all 75 districts. Through public-private partnerships, USAID will continue to support the GON and private firms to help meet the national demand for medical products and reach isolated, marginalized areas. USAID further supported the scale-up of the web-based Logistics Management Information System and MOHP's inventory management "pull" system to all 75 districts.

In an important move towards country ownership and sustainability, the GON pledged 60 percent of the funding required for this scale-up in FY 2012 and nearly 100 percent of the required FY 2013 commitment.

GON priorities in the area of family planning and reproductive health were supported with the effective integration of both U.S./Nepal programs to target greater availability of family planning methods to those who need them and a means of preventing new HIV/AIDS infections. The U.S. Government trained 952 service providers (against a target of 592) in the area of voluntary use of family planning products and services. The integration of family planning and HIV/AIDS has not been easy, given the vertical stove piping of both programs in the Government of Nepal. However, support to the Family Health Division and National Center AIDS and sexually transmitted disease control in their attempt to integrate family planning and HIV/AIDS for the first time in the country has led to greater communication and collaboration between the two agencies. USAID's support has strengthened the family planning/HIV Integration Task Force and led to a key national workshop on integration.

Important strides were made in supporting GON efforts to improve water, sanitation, and hygiene practices for approximately 45,640 (target of 17,060) persons. These efforts are directly aligned with Nepal's Sanitation and Hygiene Master Plan and its goal of achieving open defecation free status and improved health outcomes for the target communities. In addition, the new integrated health and nutrition program built the capacity of all project staff to deliver effective water, sanitation and hygiene messages for twenty districts.

The Health programs met their targets and trained 7,691 people (health workers, local NGO, civil society people and private sector) through targeted training on nutrition topics. The trainees also included female community health volunteers who educate women of reproductive age in their communities and deliver basic services for mothers, newborns, and children through regular meetings, home visits, and interpersonal communication.

As the populations most at risk for HIV are difficult to reach with public health services, USAID continued to strengthen the human and institutional capacity of local civil society organizations to deliver HIV services in FY 2012. As part of this effort, 93 organizations were trained, including six national beneficiary group networks, in technical areas (e.g., testing and counseling, prevention with positives, case management, community/home-based care) and management capabilities (e.g., advocacy, finance, strategic information). These organizations applied such training to implement preventive interventions and provide testing and counseling services to 19,430 clients (10,538 men and 8,892 women). In addition, eight new testing and counseling sites were added in targeted areas to provide expanded coverage to key populations.

Utilizing cutting-edge Geographic Information System technology to map, target and open 1,498 new condom outlets in the 'hot zones' specifically chosen for their potential to expand access to prophylaxis. Support for the sale and distribution of contraceptive methods, such as these condoms, directly contributed to USG couple years of protection (CYP) goals. In FY 2012, while the estimated level of protection provided by all contraception sold or distributed to clients is below the total expected target (1,985,366 CYP) and in the public sector (1,616,449 CYP), USG achieved above the expected level (368,917 CYP) in the private sector (351,685 CYP).

For more than 10 years, USAID has provided **direct financial support to the MOHP** to implement family planning and maternal and child health and nutrition activities. In FY 2012, USAID also reinforced the knowledge, skills and abilities of approximately 250 health sector accountants via four regional trainings. These trainings aimed to build capacity within the MOHP to manage increased direct funding from USAID but also benefited the financial system more broadly by reinforcing GON rules and regulations on financial management and improving overall audit capacity.

District health officials were assisted in efforts to expand and strengthen Health Facility Operations and Management Committees. Comprised of community leaders and citizens, including women, disadvantaged castes and minority groups, these committees have worked to improve the quality of health services and the ability of citizens to become more involved in governance issues at their local health service delivery point. A full 60 percent of the committees have active participation from Dalit (historically oppressed) members, and 90 percent leveraged resources for health facility improvements in 2012.

Drinking Water Supply and Sanitation (WSSH)

USAID is improving drinking water supply, sanitation, and hygiene for approximately 82,000 people in the two project districts. The projects follow Nepal's Hygiene and Sanitation Master Plan which calls for community-led total sanitation as the national approach to achieve open defecation free status and improved health outcomes across the country. Approximately 36,000 persons have gained access to sanitation, and almost 10,000 have gained improved access to water supply. Student clubs of 54 schools disseminated hygiene messages through community events and household discussions. One partner experienced pride that its district had no reported diarrhea incidents while three neighboring districts had heavy summer season diarrhea outbreaks.

Suaahara is a five-year integrated nutrition program to improve the health status of pregnant women and children less than two years of age and reduce stunting among children less than two years of age. Suaahara has trained all project staff in twenty districts on water, sanitation and hygiene promotion. The project staff has initiated district-level water, sanitation, and hygiene (WASH) committees that are engaged in planning, message dissemination, social mobilization and community-led total sanitation activities, as needed. The program plans to achieve open defecation free status in 68 administrative areas by 2015. The program will also address safe preparation of complementary foods for young children and hand washing by caregivers. The target for the number of persons to be addressed through the Essential Hygiene Actions (EHA) program strategy is currently being determined by negotiation between the Suaahara team and local governments and other stakeholders.

The USAID provides direct financial assistance and bilateral technical assistance to the Government of Nepal's (GON) nutrition and food security programs in health, agriculture and other community workers/volunteer training and community-based interventions. USAID investments aim to accelerate Nepal's progress in Millennium Development Goal (MDG) 1 to eradicate extreme poverty and hunger, which will also address MDGs 4 and 5—to reduce child mortality and to improve maternal health, respectively.

In FY 2012, USAID's programs met their targets and trained 7,691 people (health workers, local

NGO, civil society people and private sector) through basic and refresher courses on nutrition. The trainees also included Female Community Health Volunteers (FCHVs), who educate women of reproductive age in their communities and deliver basic services for mothers, newborns, and children through regular meetings, home visits, and interpersonal communication.

Additionally, the USAID-supported programs mobilized FCHVs for the bi-annual vitamin A supplementation of children from six months to five years old. Vitamin A deficiency contributes to diarrheal diseases, viral infections and immunity. Nearly 3.4 million children under five were reached, exceeding the target (3.1 million). These campaigns helped reduce under-five mortality by approximately 15,000 children per year.

Support was provided for the development of the National Multi-Sectoral Nutrition Plan for improving maternal and child nutrition and reducing chronic malnutrition. This plan was prepared by five key government ministries (Agriculture, Education, Urban Development, Federal Affairs and Local Development, and Health) under the lead of the National Planning Commission. It offers a package of activities/interventions with priority strategic objectives by sector that, over a period of five years, should contribute to a reduction by one-third the current prevalence rates of chronic malnutrition, and help Nepal significantly reduce this problem within the next 10 years.

To increase the impact of its HIV/AIDS and family planning programs, USAID supports the MOHP's Family Health Division and National Center for AIDS and STD Control, which is integrating family planning and HIV/AIDS for the first time in the country. A workshop held by the National Center for AIDS and STD Control and the MOHP's Family Health Division, in coordination with other like-minded organizations, resulted in the formation of a family planning/HIV integration Task Force chaired by Deputy Director General for the Department of Health Services. Subsequently, family planning was integrated into HIV/AIDS outreach and peer education training manuals, behavior change communication materials for most at-risk populations, and the curricula for the training of trainers and outreach educators and community mobilizers. Family planning was also integrated into nutrition programs as well, to reach mothers and their family members in rural parts of country.

USAID's continued investment in the GON's logistics and supply chain management system helped improve year-round availability of family planning commodities from 82.3 percent in 2010/11 to 84.1 percent in 2011/12 (above the target of 83.3%) in more than 4,000 health facilities. The FY 2011/12 GON budget for all health commodities—including vaccines and syringes and commodities for family planning, maternal and child health, and malaria—is around US\$ 29.62 million. This includes resources from a pooled fund, where the GON's share is around 80 percent and donors' share is 20 percent.

To help strengthen the MHOP financial system, USAID also supported the Department of Health Services to organize a three-day training for 119 finance staff covering 68 of Nepal's 75 districts.

HIV/AIDS (HIV)

With an estimated adult HIV prevalence of 0.33 percent, Nepal's HIV/AIDS profile features a concentrated epidemic. Infection rates are highest among certain most-at-risk populations (MARPs), which include female sex workers (FSWs), injecting drug users (IDUs), men who have sex with men, and migrant laborers. A study funded by the United States Government (USG) of

FSWs in 2011 shows that the overall HIV prevalence among FSWs has remained stable at about 2 percent in Kathmandu and under 2 percent in Pokhara. USAID's support for sexually transmitted infections screening and continued outreach among FSWs has contributed significantly to preventing an increase of HIV prevalence rates among FSWs. A similar survey among male IDUs conducted in 2011 shows a **significant decrease in HIV prevalence** among this group, from 68 percent in 2002 to 6.3 percent in 2011 in Kathmandu and from 22 percent in 2003 to 4.6 percent in 2011 in Pokhara.

However, as new FSWs enter sex work (43 percent of FSWs were new), there is a continuous need for effective prevention efforts so that the recent progress in the adoption of positive prevention behaviors can continue.

In the area of logistics and commodities, the U.S. continued to work with the GON and private firms to procure and distribute HIV/AIDS-related products for the key populations in the "hot zones" where they congregate. Based on Geographic Information System analyses, USAID opened 1,498 new condom outlets in these zones. Additionally, USAID supported the integration of the vertical HIV/AIDS Logistics system into the Ministry of Health and Population's mainstream logistics system. Currently, 38 antiretroviral treatment sites serve over 7,154 clients without any reported drug stock-outs.

Maternal and Child Health (MCH)

Maternal and child health (MCH) is a high priority for the United States Government (USG) and the Government of Nepal (GON). The USG, together with other health sector donors, is supporting the Ministry of Health and Population (MOHP) to achieve the Millennium Development Goals (MDGs) to reduce maternal, newborn, and child morbidity and mortality by improving access, quality, and use of services at health facilities and in the community. Comparing the Nepal Demographic and Health Survey 2011 results against 2006 results, under-five mortality dropped from 61 to 54 per 1,000 live births, infant mortality dropped from 48 to 46 per 1,000 live births, total fertility rate dropped from 3.1 to 2.6 per women, and deliveries assisted by a skilled provider increased from 19 to 36 percent between 2006 and 2011. As a result, Nepal is on track to achieve MDGs 4 (reduce child mortality) and 5 (improve maternal health). These remarkable achievements would not have been possible without USAID's comprehensive assistance at community, district and national levels.

USG support to the GON for MCH programs includes financial and technical assistance. USAID supports the training of community health workers and volunteers, behavior change communication activities, district program planning and management activities, community involvement and mobilization in health care management, strengthening GON logistics system, and supporting service delivery to reach underserved population.

Health programs trained 3,502 people through introductory and refresher courses as well as quarterly meetings related to maternal and newborn health for Female Community Health Volunteers (FCHVs) and community health workers. These workers and volunteers deliver basic services for mothers, newborns and children through their clinics, home visits, and monthly meetings. Additionally, programs mobilized the FCHVs and community workers for various health initiatives, including the bi-annual vitamin A supplementations, polio campaigns, community awareness activities, and community resource mapping. These programs also mobilized local

leaders, health volunteers and workers for community-led integrated sanitation approaches to change open defecation behaviors.

Over the last year, the U.S. supported the scale up of chlorhexidine for umbilical cord care to cover 26 districts; the implementation of the community-based newborn care package to cover 34 districts; and misoprostol for prevention of post-partum hemorrhage in 23 of 75 districts of Nepal. The community-based integrated management of childhood program is sustained at the national level. These programs helped deliver antibiotic treatment for pneumonia, oral rehydration and zinc for diarrhea, and treatment and management of sick newborns by trained health workers. USAID will continue to assist the GON to maintain program coverage and quality through monitoring and technical assistance for these programs.

The GON's logistics management system was supported to ensure year-round availability of essential drugs and commodities at more than 4,000 health facilities. As a result, in FY 2012 the availability of essential drugs and commodities improved to 84.1 percent as compared to a FY 2012 target of 83.3 percent and FY 2012 actual results of 82.3 percent.

Nepal FY 2012 Implementing Mechanism Report		
		FY 2012 Op Plan Base
TOTAL		81,667,000
Bilateral Obligation		79,949,000
Education for Income Generation		73,000
Integrated Nutrition Program (Suaahara)		10,974,000
Ghar Ghar ma Sw asthya		2,395,000
Nepal Economic Agriculture and Trade		6,195,000
Combating Trafficking in Persons (CTIP)		1,695,000
Ghar Ghar Ma Sw asthya		1,943,000
Ministry of Health Redbook Support		1,227,000
Feed the Future -- Component A & B		9,112,000
Hariyo Ban		9,200,000
Saath Saath		4,968,000
Basic Education Reading Skills		5,000,000
Health for Life (Core Contract)		10,074,000
Global Health and Food Security in Nepal		760,000
Health For Life (Logistics Contract)		1,027,000
Health For Life (Survey Contract)		727,000
School-Led Safe Water, Sanitation and Hygiene Improvement in Mid-Western Nepal (Su-SWASTHA)		350,000
Safe Practice on Water, Sanitation and Hygiene (Safe-WASH)		350,000
Nepal Peace Support Project (NPSP)		1,600,000
Support to Elections (S2E)		2,779,000
Sajhedari (Partnership for Local Development)		1,203,000
Monitoring Nepal's Peace and Constitution Drafting Process		1,000,000
Hill Maize Research Project		780,000
Feed the Future -- Integrated Pest Management (IPM CRSP)		261,000
Feed the Future -- Business Literacy Program		398,000
Local Adaptation Plans of Action (LAPA) -- DCHA		300,000
Strengthen Political Parties, Electoral and Legislative Processes program (SPPELP)		3,538,000
Biodiversity Program - TBD		1,588,000
Objective 6 (related to Field Support) obligated bilaterally***		432,000

ATTACHMENT 11

World Bank



NEPAL

PORTFOLIO PERFORMANCE FOR DEVELOPMENT RESULTS NPPR 2012

**ATTACHMENT TO
GON MAIN REPORT
(January 24, 2013)**

**Nepal Country Office
The World Bank
South Asia Region**

ABBREVIATIONS

ADB	Asian Development Bank
AEPC	Alternate Energy Promotion Centre
AWPB	Annual Work Program and Budget
DFID	Department for International Development
DP	Development Partner
DTCO	District Treasury Controller Office
FCGO	Financial Comptroller General Office
FMIS	Financial Management Information System
GON	Government of Nepal
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IPR	Implementation Progress Report
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
NVC	National Vigilance Center
NPPR	Nepal Portfolio Performance Review
OAG	Office of the Auditor General
PAF	Poverty Alleviation Fund
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPA	Public Procurement Act
PPMO	Public Procurement Monitoring Office
RTI	Right to Information Act
SOE	Statement of Expenditure
SWAp	Sector-wide Approach
TA	Technical Assistance
TF	Trust Fund
UN	United Nations

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- Annex 2 - Performance of Ongoing Projects as of December 31, 2012
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EXECUTIVE SUMMARY

Lending Program: The World Bank's concessional lending and grant program to Nepal by the end of FY12 consisted of 34 active projects (IDA, Regional and TFs). The IDA portfolio consisted of **18 active projects** with net commitments of **\$ 1.346 billion**, while the Regional Portfolio consisted of two projects, with net commitments of **\$102.0 million**. As of December 31, 2012, the IDA portfolio consisted of 17 active projects with net commitments of **\$1.375 billion**. The Additional Financing of **\$ 40 million** for Project for Agriculture Commercialization and Trade (PACT) was approved in November 2012. Cumulative IDA disbursement totaled **\$ 642.31 million** (about **47 %** of net commitments) and Regional disbursements amounted to **\$ 5.8 million** (about **5.7 %** of net commitments).

Trust Funds: The TF portfolio as of end of FY12 included 14 instruments, with net commitments of about **\$159.5 million**. As of December 31, 2012, the TF portfolio included 18 instruments, with net commitments of about **\$176.0 million** and TF disbursements amounted to **\$ 88.9 million** (about **50 %**).

Average Age of Portfolio: About 26 % of the portfolio is less than 2 years old, 54 % between 2 and 5 years, and 20 % 5 years or older. The average age of the current IDA/TF portfolio is 4.2 years. The use of additional financing has resulted in 44 % of IDA projects to have a longer implementation period.

Projects at Risk: At the end of FY12, there were six projects-at-risk, two problem projects (Power Development Project and School Sector Reform Project) and four potential problem projects (Emergency Peace Support Project, Second HNP and HIV/AIDS Project, Second Higher Education Project and Social Safety Nets Project). About 33 % of the portfolio had projects-at-risk. As of December 31, 2012, it increased to 44% and included three problem projects - Power Development Project, Emerging Towns Project and Bridges Program Support Project (due to delays in fulfilling effectiveness condition which has now been resolved) and six potential problem projects (Kabeli Transmission Project, Second Higher Education Project, School Sector Reform Project, Health Sector Program, Community Action for Nutrition and Social Safety Nets Project). Unsatisfactory financial management, lack of compliance with a legal covenant and slow disbursements appear time and again as the reasons for poor performance of projects across the portfolio. Proactive measures are being discussed and implemented wherever possible. During the current fiscal year, inadequate budgetary allocation has been the key issue severely affecting implementation progress.

Disbursement: In FY 12, disbursements from the IDA portfolio totaled **\$187.10 million**, Regional Projects and TFs disbursed **\$5.17 million** and **\$52.51 million** respectively. In absolute terms, IDA FY12 disbursements were **21%** lower than in FY11. While the disbursement ratio of about **24%** in FY12 equaled the FY10 ratio, it dropped from the **33.4 %** achieved in FY11. The reasons for this significant drop were delays in commencement of new projects and slow implementation progress of other ongoing projects. In FY11, a higher disbursement ratio was also achieved due to the high volume of disbursements under the PAF and Social Safety Nets Project. Current trends and insufficient budgetary allocation in FY13 suggest that disbursements are likely to remain low this year unless concerted efforts are made in these last two quarters to provide the required financing with regular monitoring of implementation progress. The Ministry of Finance, implementing agencies and the World Bank are jointly monitoring implementation progress. Project specific progress is reviewed on a regular basis through implementation support missions, while Quarterly Portfolio reviews are conducted under the leadership of the Ministry of Finance.

Net Resource Transfer: Net resource transfers from IDA to Nepal continued to be positive. Net transfers in FY12 were \$ **130.3 million** as compared to **USD 182.2 million** in FY11. This represents a 28% decrease over FY11 and 79% increase over FY 10. If the level of disbursements declines in FY13, this is expected to be further lower than in FY12. For FY13, the net resource transfer is only **USD 5.1 million** in six months. Efforts by government to strengthen budget implementation (e.g. starting capital spending in the first quarter) would help increase aid absorption capacity and help to increase the level of resource transfer in future.

Portfolio Performance: The overall portfolio performance was considered “moderately satisfactory” at the end of FY12. About **50%** of on-going projects are on track for meeting or exceeding their targets. Results in service delivery sectors such as rural water supply, poverty alleviation, irrigation, agriculture commercialization and roads have been particularly encouraging. While these are positive trends, other projects are suffering from slow implementation. Projects in the power sector, Nepal’s priority sector, face a range of issues including safeguards and procurement resulting in much delayed implementation. Frequent staffing changes also severely impacted the implementation progress of several projects across the portfolio.

Generic Implementation Issues: Overall implementation of projects has been affected by a range of issues. Key issues are noted below:

- **Delay in FY13 Budget Approval:** Delay in budget approval and inadequate budgetary allocation has been the most “critical issue” during the current financial year. It is noteworthy that projects were affected by delayed budget approval in FY12 as well, though not to this extent.
- **Frequent Turnover of Staff and Senior Executives:** This issue has been continuously discussed with the Government for several years, although very little progress has been made in this regard. Particularly in recent years, frequent turnover of senior executives has led to deferring of policy decisions in many projects. Several line ministries witnessed 2-3 Secretary level changes during the past two years. At the project execution level, in some projects, abrupt changes in Project Managers and other technical and finance staff have been observed. Such changes run contrary to the spirit of the Civil Service Act and the government’s commitment during the previous NPPRs.
- **Weak safeguard capacity:** One of the main challenges observed in the infrastructure related portfolio is weak capacity and associated lack of safeguard staff. Despite stipulated project requirements for capacity building and recruitment of social and environmental specialists, only some projects have succeeded in hiring/retaining required expertise, others have been unable to recruit or retain experts. While monitoring of safeguard implementation remains weak in almost all projects, it is more severe in infrastructure and power sectors.
- **Weak Procurement and Financial Management Capacity:** Almost all projects have problems getting a dedicated procurement staff or lack the required procurement capacity. Many institutions do not have dedicated procurement expertise. Although provision has been made to obtain procurement experts from the market in almost all projects, two critical issues are observed; (i) many projects do not take timely action in recruiting experts either due to budgetary issue or some reluctance in recruiting external experts; and (ii) market has limited supply of such experts resulting in a mismatch between supply and demand. Hence, there is a need for a strategic assessment at broader government level to develop a phased action plan – with short, medium and long term actions -- for an overall capacity building program. On financial management, finding a dedicated finance staff is a lesser challenge but finding a skilled finance staff difficult. Due

to increasing demand on financial management (beyond pure accountancy functions), capacity building efforts need to be enhanced.

- **Chronic Budgetary Issues:** Poor aid absorption, unrealism in budget size for implementation, and bunching up of expenditure to the third trimester are chronic budget management concerns. Low capital expenditure is of greater concern for the infrastructure deficit economy.
- **Monitoring and Evaluation:** A number of M&E tools are used in Bank supported projects, ranging from routine monitoring by the implementing agency, to third party verification, to controlled impact evaluation surveys. In the interest of sustainability, agency information systems are used whenever possible, and in a number of cases, projects contribute to building agency or sector-wide M&E systems. The quality of monitoring data is considered generally fair to good, although collection of baseline data and carrying out of periodic surveys have been delayed in some cases. While M&E is critical to measure progress on results, most sectors do not yet have a credible M&E system. Sectors or programs that are doing well in M&E have dedicated units and staffs, while other projects need to build such capacity either within projects or within sectors. There is need for heightened focus on measuring results both by the line ministries with the oversight of the National Planning Commission.

Improving Portfolio Performance: It is the mutual accountability of both the government and the World Bank to ensure effective and efficient use of resources. Effective use of resources allocated help to generate more resources for other areas where there are needs. Secondly, in a weak capacity environment, it is important to design simple projects with ownerships of stakeholders. In order to ensure greater project ownership to the project, there has to be a mindset shift away from considering these as “donor projects”. Thirdly, Government is accountable to ensure that right staff is hired at the right time and place, and trained staff is retained. Similarly, proactive monitoring on timely implementing of agreed actions is equally important. Moreover, experience demonstrates that timely announcement of budget and delegation of authority for spending are of utmost importance for project implementation. Timely expenditure of capital budget and compliance with enforcement of submission of procurement plan along with budget request needs to be adhered to. Finally, appropriate measures are required to build capacity in financial management, procurement management and safeguards management with minimal reluctance to outsource positions in the interest of achieving project results.

From the Bank side, implementation support in terms of timely feedback, capacity building in project management, monitoring & evaluation, financial, procurement and safeguards management will continue. Portfolio performance can also be enhanced through regular joint monitoring under the aegis of the Ministry of Finance.

Recommendations:

In the spirit of “**keeping things simple**” the following recommendations are provided at **the project level to improve project implementation and accomplishment of results:**

- ✓ **Improved Project Preparation:** Ensure that the adequate preparatory work such as recruitment of key project staff and basic procurement activities are completed prior to project approval
- ✓ **Staffing and Capacity:** (1) Maintain staffing continuity, especially of Project Directors/ Coordinators and Finance Staff, and ensure well performing staff are retained for minimum of two years if not longer; (2) Appoint safeguards, accounting and procurement staff and

strengthen skills of existing staff; and actively recruit external experts to support the project team especially in procurement; (3) For sustainable procurement and safeguards capacity development, establish appropriately staffed technical cells or units where a number of development projects are in operation e.g. the Nepal Electricity Authority (NEA); and (4) Ensure appropriate staffing of M&E units.

- ✓ **Efficiency and Transparency:** (1) Prepare procurement plan along with budget submission; (2) Take steps to avoid bunching of programming towards the last trimester; and (3) For accountability and transparency, make greater use of independent third party validations, social accountability tools and improve the timeliness and quality of internal and external audits.
- ✓ **Monitoring:** (1) Ensure data is regularly reviewed at higher levels for evidence based decision making and timely corrective actions; and (2) Explore use of ICT/remote-sensing monitoring technologies (e.g., cell phones, GIS referencing).
- ✓ **Coordination:** Implement a regular and effective inter-ministerial coordination mechanism for projects involving multiple ministries or where approvals from other Ministries are required such as Forestry Ministry in case of infrastructure projects.

At the **portfolio level**, following are some critical actions that need to be pursued:

- ✓ **Quarterly Portfolio Reviews.** Maintain regular joint portfolio reviews organized by the Ministry of Finance, with the implementing ministries and the Bank for pro-active monitoring of results, and for timely identification and rectification of emerging issues. Such a review process was started last year which has contributed towards improving portfolio performance in FY12.
- ✓ **Monitoring of Implementation of Governance and Economic Reforms Action Plan 2069.** The Action Plan recently announced by the Office of the Prime Minister and Council of Ministers (OPMCM) has some relevant actions that address the concerns of good governance, accountability, human resource management and project management. For example, actions like (i) carrying out mandatory technical inspection by the National Vigilance Center of projects which have annual budgets exceeding Rs. 5 billion, (ii) all agencies to maintain documents that identifies the officials accountable for arrears and expenses; (iii) implement e-bidding process in all procurements of goods and services that exceed NRs.10 million, (iv) implement result-oriented work performance contracts in all projects of national prestige, and (v) all ministries to mandatorily follow the staff transfer guidelines, have direct impact in ensuring good project implementation. **Ensuring the implementation of actions that are relevant for portfolio performance and results is critical.** It would be useful for Government to identify the relevant actions and to share the status of implementation with development partners. .
- ✓ **Quarterly Monitoring of Actions Agreed during the NPPR.** The Ministry of Finance needs to continue to monitor the implementation of actions agreed during the NPPR, with a target of achieving 100 % results of all agreed actions. Due to this proposed actions should be relevant and result oriented that have direct impact on portfolio performance. A strong commitment is required to adhere to the actions agreed during this January 2013 NPPR. Therefore, it is important that selectivity is exercised in identifying actions which are directly relevant for the portfolio and can lead to a measurable improvement in performance.

1. WORLD BANK (IDA) PORTFOLIO OVERVIEW

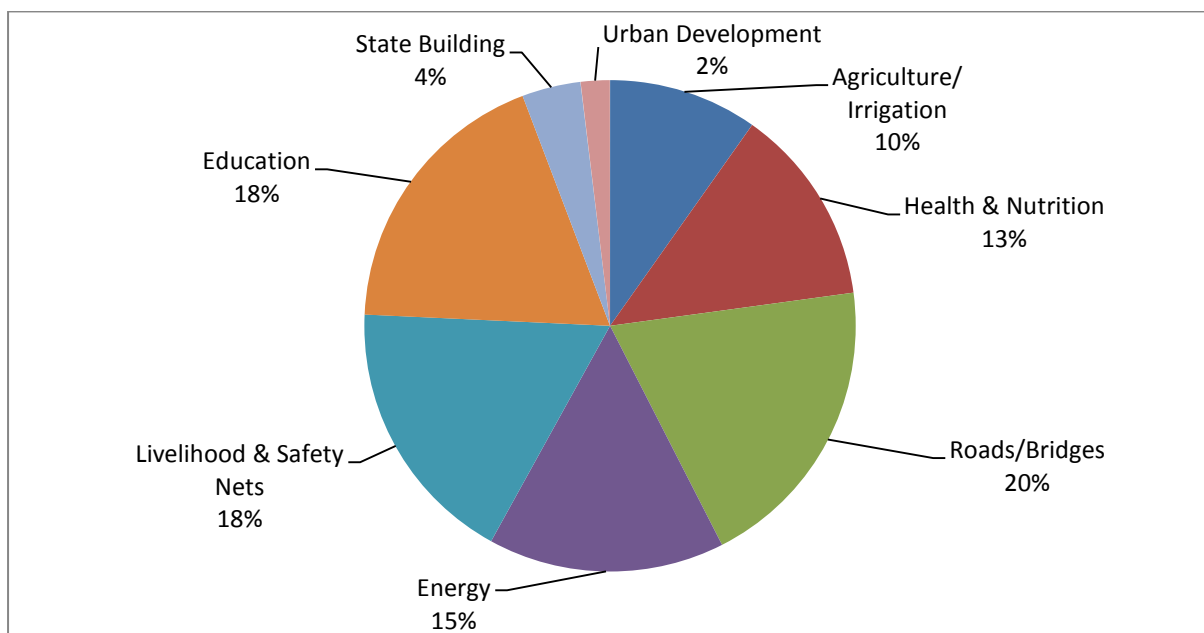
A. Portfolio Size and Composition

1.1 As of June 30, 2012, the World Bank's concessional lending and grant program to Nepal consisted of 34 active projects (IDA, Regional and TFs). The **IDA portfolio** consisted of **18 active projects** with net commitments of **USD 1.346 billion**, while the **Regional Portfolio** included two projects, with net commitments of **US\$102.0 million**. Cumulative IDA disbursements from the active portfolio totaled **USD 651.80 million** (about 48 percent of net commitments) and Regional disbursements amounted to **USD 5.2 million** (about 5.1 percent of net commitments).

1.2 As of December 31, 2012, the **IDA portfolio** consisted of **17 active projects** (with Rural Water Supply and Sanitation Project exiting the portfolio effective September 1, 2012) with net commitments of **USD1.375 billion**. The Additional Financing for Project for Agriculture Commercialization and Trade (PACT) amounting to USD 40.0 million (IDA Credit USD 22.0 million and IDA Grant USD 18.0 million) was approved on November 15, 2012. This was the first project approved in FY2012/13. The Regional Portfolio remains unchanged. Cumulative IDA disbursements from the active portfolio totaled **USD 642.31 million** (about **47 percent** of net commitments) and Regional disbursements amounted to **USD 5.8 million** (about 5.7 percent of net commitments).

1.3 The **Trust Fund (TF)** portfolio as of June 30, 2012 included **14 instruments¹**, with net commitments of about **USD 159.5 million**, and total disbursements of about USD 83.5 million (about 52 percent). As of December 31, 2012, the **TF portfolio** included **18 instruments**, with net commitments of about **USD 176.0 million**, and TF disbursements amounted to **USD 88.9 million** (about **50 percent**).

1.4 The breakdown of net commitments by sector is shown in the chart below:



¹ Eight of the trust funds are standalone projects, while seven co-finance IDA funded projects.

B. New Entries

1.5 New IDA commitments approved in FY2011/12 totaled **USD 143 million** (of which IDA Grants represented USD 37.40 million, and IDA Credits amounted to USD 105.60 million):

- Modernization of Rani Jamara Kulariya Irrigation Project – Phase I (USD 43.0 million)
- Community Action for Nutrition Project – Sunaula Hazar Din (USD 40.0 million)
- Bridges Improvement and Maintenance Program Project (USD 60.0 million)

1.6 As noted above, the Additional Financing for PACT amounting to USD 40.0 million was the first Project approved in FY2012/13.

1.7 In addition, five TF grants amounting to **USD 20.75 million** were approved in FY2011/12:

- Making markets work for the Conflict Affected in Nepal (USD 2.65 million)
- Social Protection Pilot Project (USD 1.50 million)
- Multi-Donor Trust Fund (MDTF): Strengthening Public Financial Management System (USD 4.30 million)
- Multi-Donor Trust Fund (MDTF): Strengthening the Office of the Auditor General (USD 2.30 million)
- Zooness Control Project (USD10.0 million)

C. Extensions

1.8 In FY2011/12, two extensions of the credit/grant closing date were approved:

- Emergency Peace Support Project
- Road Sector Development Project

The extension of the Emergency Peace Support Project was granted in view of the exceptional circumstances of the peace process and supported by the significant improvement in project implementation since the mid-term review. The extension of the original grant of the Road Sector Development Project was granted to allow completion of the committed funds and to closely align with the date of the additional financing.

D. Completions

1.9 Only two projects were completed in FY2011/12: Avian Influenza Control Project and Biogas Support Program. Five projects are scheduled to close during FY2012/13: Power Development Fund Project, Irrigation and Water Resources Management Project, Rural Water Supply and Sanitation Project, Adolescent Girls Employment Initiative (AGEI) Project and Poverty Alleviation Fund (IFAD Cofinancing) Project. Of these projects, Rural Water Supply and Sanitation Project closed in August 2012. The Power Development Project has recently been restructured which extended the Project by one year to allow completion of a few contracts, and associated cancellation of about USD42.5 million with cancelled amount being provided to energy sector projects as additional financing. The Additional Financing for the Irrigation and Water Resources Management Project is also under preparation.

E. Age Profile

1.10 The average age of the current IDA/TF portfolio is 4.2 years, with 26 percent of the portfolio less than 2 years old, another 54 percent between 2 and 5 years, and 20 percent 5 years or older. About 44 percent of IDA projects have a longer implementation period (more than 3.5 years old) as a result of scale up of project scope through additional financing. The age distribution of the portfolio should contribute to stability in resource transfers as older projects begin to close. Where feasible, undisbursing older projects will be restructured to enable funds to be cancelled and released for other country program priorities.

F. Projects-at-Risk

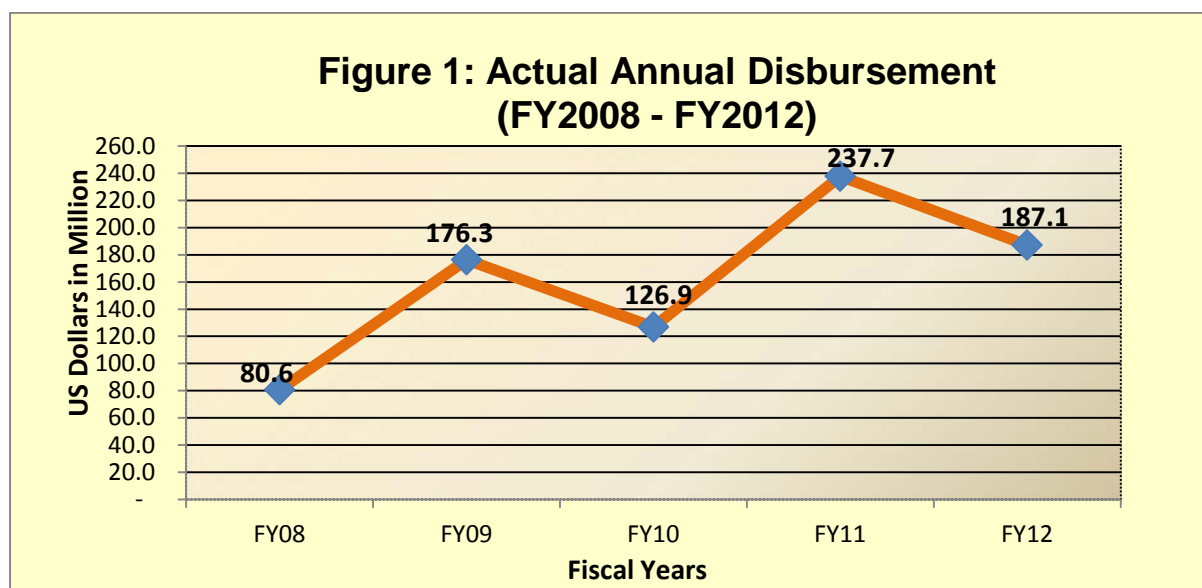
1.11 As of end of FY2011/12, there were six projects-at-risk, two of which were problem projects and the remaining four as the potential problem projects. Problem projects were Power Development Project (with both Development Objective and Implementation Progress rated moderately unsatisfactory) and School Sector Reform Project (with Implementation progress rated moderately unsatisfactory). Four potential problem projects were Emergency Peace Support Project, Health Sector Program, Second Higher Education Project and Social Safety Nets Project. About 33 percent of the portfolios were projects-at-risk. However, as of December 31, 2012, projects-at-risk increased to 44 percent, with three problem projects (Power Development Project, Emerging Towns Project and Bridges Program Support Project), and six potential problem projects – Kabeli Transmission Project, Second Higher Education Project, School Sector Reform Project, Health Sector Program, Community Action for Nutrition and Social Safety Nets Project. Of the potential problem projects, three projects (Second Higher Education Project, School Sector Reform Project and Health Sector Program) are due to unsatisfactory financial management. Efforts are underway to address the financial management issues through dated Action Plan, and they are being closely monitored. Community Action for Nutrition Project is due to lack of compliance with a legal covenant, whereas Kabeli Transmission Project is due to safeguard issues, and Social Safety Nets Project is due to slow disbursement. Of the three actual problem projects, Bridges Program Support Project is primarily due to unsatisfactory implementation progress attributed by the budget factor, which also resulted in effectiveness delay. This issue was recently resolved, and the Project became effective on December 20, 2012. The project is being reviewed in January which will reassess the project ratings. The Power Development Fund Project has recently been restructured with cancellation of USD 42.5 million from original IDA Credit 3766-NP and IDA Grant H-039-NP respectively, and with extension of closing date to December 31, 2013. The project ratings are being reviewed in January 2013 implementation support mission. Similarly, the Emerging Towns Project is being restructured and is being discussed in January 2013 mission. Proactive measures are being taken in all actual problem projects.

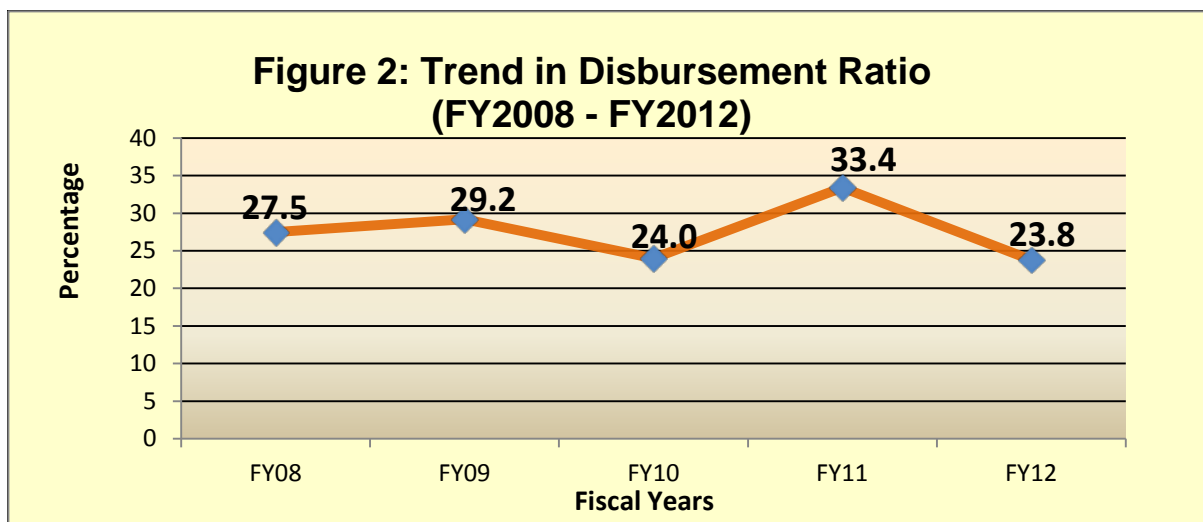
G. Disbursements

1.12 Disbursements from IDA portfolio during FY2011/12 totaled USD 187.10 million. Disbursements from the Regional Projects were USD 5.17 million, and USD 52.51 million were from Trust Fund Projects. In terms of absolute term, IDA FY2011/12 disbursements were 21% lower than in FY2010/11 (FY2010/11 disbursements were USD 237.72 million and FY2011/12 disbursements were USD 187.10 million). In terms of disbursement ratio, the disbursement ratio in FY2011/12 dropped to 23.8 percent from 33.4 percent which was achieved during FY2010/11. Drop in ratio was mainly due to slow implementation progress and late start of implementation of projects that entered into the portfolio in FY2010/11. The high ratio achieved in FY2011/12 was mainly due to high volume of disbursements accounted by Social Safety Nets Project and PAF.

Disbursements were extremely slow for the first half of FY2011/12 (achieved only 3.9 percent ratio), but later due to close monitoring, expedited implementation by concerned agencies, and joint reviews by the Ministry of Finance, implementing ministries and the Bank, the ratio reached to a level of 23.8 percent, which comes close to the Bank wide average. Historically, the disbursement trend is to pick up during the last two quarters of the fiscal year when most of the expenditures incurred during the last quarter of the last fiscal year are consolidated and submitted for reimbursement claims. Further, close monitoring by the Ministry of Finance and the Bank will also help to unlock some of the implementation related issues, which will help to translate into disbursement actions. Reviewing the disbursement progress for the first six months of current fiscal year, FY2012/13, disbursement performance is likely to slow down mainly due to delay in full budget announcement as per the need of projects. The Ministry of Finance and the Bank through portfolio reviews are trying to address this issue as well as other implementation related issues to target to achieve at least the disbursement result achieved last fiscal year.

1.13 The efficiency with which funds available to Nepal are being used may be measured by the disbursement ratio, which measures the proportion of funds disbursed during a fiscal year compared to the undisbursed funds that were available at the beginning of the year. The disbursement ratio for the IDA investment portfolio at June 30, 2012 was 23.8%, which by Bank's standard is a respectable achievement, as explained in the above paragraph. Despite increased efficiency of resource use by a few projects, many projects reflected weak performance in this respect: Agriculture Commercialization and Trade, Social Safety Nets Project, Second Higher Education, Emergency Peace Support, Nepal Health Sector Program, Emerging Towns Project, Technical and Vocational Education (EVENT), Kabeli Transmission Project and Power Development Project. Figure 1 below shows annual IDA disbursements from FY2007/08 through FY2011/12, and Figure 2 shows the annual disbursement ratio for the same period.





H. IDA Net Transfers

1.14 Net resource transfers from IDA to Nepal continued to be positive. Net transfers in FY2011/12 were **USD 130.3 million** as compared to **USD 182.2 million** in FY2010/11. This represents a 28% decrease over FY2010/11 and 79% increase over FY 2009/10. If the level of disbursements decline in FY2012/13, this is expected to be further lower than in FY2011/12. Based on six months data of FY2012/13, the net resource transfer is only **USD 5.1 million**. Efforts by government to strengthen budget implementation (for example, starting capital spending in the first quarter) would help increase aid absorption capacity and help to increase the level of resource transfer in future. Net resource transfers over the past five years are provided in Table 1 below.

**Table 1
Disbursements, Loan Service Payments, and Net Resource Transfer**

FY	Disbursements (USD million)	Repayments (USD million) ^{a/}	Net Resource Transfer (USD million)
2008	80.6	48.9	31.7
2009	176.3	49.5	126.8
2010	126.9	54.0	72.9
2011	237.7	55.5	182.2
2012	187.1	56.8	130.3

a/ Includes principal, interest and fees

2. IMPLEMENTATION AND RESULTS OF ON-GOING PROJECTS

A. Overview

2.1 Overall portfolio performance was considered “moderately satisfactory” at the end of FY2011/12, with about 50% of on-going projects on-track for meeting or exceeding their end-project targets. Results in service delivery sectors have been particularly encouraging. Rural Water Supply and Sanitation Project, for example, achieved 100% of its target providing water supply to 1.14 million population and sanitation to 136,487 households. Similarly, the national level indicators of two sector wide programs in the education and health sectors are relatively on track. In the health sector, skilled birth attendance (SBA) of 36% surpassed the end target of 35%; pregnant women taking iron and folic acid (IFA) has reached 79.5% against the end target of 87%; and fully immunized children has reached the level of 87% against the end target of 90%. In the education sector, the overall survival rates to Grade V and Grade VIII have increased to 84.2% and 69.6% respectively. Similarly, the coefficients of efficiency at both the primary and basic (grades 1-8) are currently 76.6% and 68.3% respectively. The Gross Enrollment Rate (GER) and the Net Enrollment Rate (NER) at the basic level have increased to 120.1% and 87.5% respectively, and at the secondary level have increased to 71.7% and 54.3% respectively. The Road Sector Development Project and the Poverty Alleviation Fund (PAF II) both demonstrated strong performance (exceeding a number of end-project targets in the case of PAF), resulting in the currently underway preparation of third phase of PAF to enable scaling up of PAF program. Latest beneficiary assessment of PAF shows that 63% households have observed a real income increase of more than 15%. Likewise, in the Project for Agriculture Commercialization and Trade, 254 sub-projects are ongoing against the planned 240. Farmers have already begun to export flowers in regional markets (Qatar and Delhi). Under the Irrigation and Water Resources Management Project, 50 schemes have been completed, while 84 ongoing schemes are planned to be completed by June 2013. About 95 percent of planned target is expected to be met by June 2013 (original closing date). In view of good progress, preparation for additional financing is currently underway. The Social Safety Nets project has achieved most of its end project targets, achieving about 85% of the original target. The Nepal Biogas Program supported installation of 27,139 out of 27,539 biogas plants with more than 90% of them being operational at the end of the project. The biogas support projects were on track for meeting output-based installation as well as carbon emission reduction targets. These are some examples of good results that have been achieved through intervention of various projects supported by the Bank.

2.2 Nevertheless, a few other projects are suffering from slow implementation and the progress has been much slower than anticipated. For example, Power Development Project has remained in a problem status for a long time, as a result of which, the Project has been recently restructured with cancellation of about USD 42.5 million and extension of the project by one year. Off-grid rural electrification works (AEPC component) are more than 95% completed. The works related to rehabilitation of thermal power plants have been completed, while rehabilitation of Kali Gandaki-A hydropower plant has been taken out of the project and a separate project is being prepared to support the plant. Two of the three distribution rehabilitation and expansion projects have been completed, while the third is still underway. There are three transmission lines under the project, of which one (Khimti-Dhalkebar) is about 95% complete and is planned to be commissioned within the extended project period of December 2013. Work is underway on the other two transmission lines – about 25% completed in each case (average of supplies and works). The transmission capacity augmentation target has been reduced to 500 MW from the original target of adding 1500 MW. The other activities

are on track towards completion. In case of Technical and Vocational Education Project (EVENT), implementation progress suffered due to three abrupt change of Project Director since its effectiveness in August 2011. This impacted adversely to provide leadership to this innovative project as well as delayed some key decisions including the signing of Memorandum of Understanding (MOU) with implementing partners. The Emerging Towns Project, which is currently in the problem status, which was effective in October 2011, has not been able to progress much due to a number of unanticipated issues and challenges. Financing terms between the government and the Town Development Fund (TDF) were agreed after significant delays. There is a mismatch between the loan-grant mix made available to TDF and the loan-grant mix required to fund the sub-projects prioritized by the participating municipalities. The Steering Committee is in the process of discussing options for addressing the loan-grant mix issue. Implementation of the socio-economic infrastructure component (the main project component) has not taken off. Limited progress has also been made in the implementation of the Institutional Development component. There have also been institutional changes following the establishment of the Ministry of Urban Development (MOUD), which has taken over the responsibility for implementation of the Service Delivery Improvement component from the Ministry of Federal Affairs and Local Development (MOFALD). Due to these numerous issues, the Project is now being restructured.

2.3 While acknowledging the good results being observed in a few projects, overall implementation of projects have been negatively impacted by the following factors, thus causing serious challenges to achieve the project objectives and targets in many projects:

- (1) **Delays in FY2012/13 budget approval.** Late budget approval contributed to implementation delays in FY2011/12, and this is likely to be more severe in FY2012/13. Due to lack of consensus amongst political parties for a full budget, the government has authorized the budget allocation for all projects and programs not to exceed last year's expenditures and in some instances, the approved budget under such capping fell under the level of last year's expenditures. If one has to single out "a critical problem" during this year, inadequate and delayed budgetary allocation has become a core issue for the entire portfolio. Projects have been forced to manage the work program within the ceiling of last year's expenditures. Such a ground rule applied to all programs appears to be unrealistic mainly to new programs which entered the development program last fiscal year as very low expenditures usually incur during the first year of implementation. This will not only affect the overall disbursement performance but will also affect accomplishment of the intended results.
- (2) Budget FY2012/13 was announced through an administrative ordinance rather than a legislative process, and authorized spending to FY2011/12 estimated expenditure. In the absence of a full budget, the authorization to raise debt and make necessary changes to 2012 Tax Policy has not been provided for. With no measures to improve expenditure management, late approval of program budget and frequent transfer of key decision taking officials may result in lower capital expenditure below FY2011/12 level. The size of spending authorization is Rs. 352 billion disaggregated into current expenditure of Rs. 247 billion; capital expenditure of Rs. 54 billion and financing, Rs. 51 billion. The Ordinance authorizes the government to fund new aid funded programs; limit the unconditional grant ceiling to FY2011/12 estimated expenditure on unconditional grant; and authorizes virement from non-performing budget lines to performing budget lines within current, capital and finance accounts but not from capital to current.

- (3) **Frequent turnover of staff and senior executives.** Although this issue has been a subject of discussions for last several years during the portfolio review, very little progress has been observed in terms of ensuring continuity of staff in projects. Untimely transfer of project staff has been a crucial challenge in managing a project. During recent years particularly, frequent turnover of line ministry secretary was also observed which has also been a cause for deferring policy decisions in many projects. For example, in the case of Ministry of Federal Affairs and Local Development, there has been three changes of secretaries since 2011; similarly, in the Ministry of Irrigation and Ministry of Agriculture Development, there has been three changes in the last two years; the Ministry of Energy witnessed two changes in the last two years; the Ministry of Forests and Soil Conservation had three changes in the last two years; the Ministry of Education had four secretaries in the last two years; the Public Procurement Monitoring Office (PPMO) had three Secretaries and the Financial Comptroller General Office (FCGO) had three Financial Comptroller Generals over the last two years. In many cases, changes of secretaries also led to changes at the next level. All these have in one way or the other contributed to delays in project implementation.
- (4) At the **project execution level**, a few projects witnessed frequent turnover of Project Managers/Directors and other technical and finance staff. For example, Project Directors of Kabeli Transmission Project and Regional Energy Project changed within one year. The Emerging Town also observed change in project leadership within a year and more so institutional changes also caused changes in core project team. The Rural Access Improvement and Decentralization Project had a recent change of the Project Coordinator affecting project continuity at a critical time --when the project is due to close within one year. In the Road Sector Development Project, there have been three transfers of Program Coordinators within two years. The Technical and Vocational Education Project (EVENT) witnessed three changes in project leadership within one and half years (one of them was in position only for two months). Similarly, a number of projects suffered due to untimely transfer of accounts staff. All these abrupt changes run contrary to the spirit of the Civil Service Act and the government's commitment during the previous NPPRs. Except for a few projects managed by autonomous boards such as, PAF or Rural Water Supply Fund Board, almost all projects witnessed transfer of staff at various levels. Frequent change of project managers and accounts officers seriously contribute to implementation delays. First, it takes at least six months for new incumbents to understand the project, and second, change of either the project manager or the finance officer, who are the authorized signatories to withdraw funds from the project, delay the disbursement process as it takes some time to establish new authorized signatories.
- (5) **Weak Safeguard Capacity.** One of the main challenges observed in the portfolio is weak capacity and associated lack of safeguard staff. Almost all projects have provision for capacity building and need-based recruitment of social and environmental specialists. Some projects have made use of such provisions for hiring required expertise, while others have failed to pursue to obtain such expertise on time or retain experts where recruited. Monitoring of safeguard implementation remains weak in almost all projects. Safeguard issues are more severe in infrastructure and power sector. In case of power sector, it would be desirable if the Nepal Electricity Authority (NEA), which handles a number of power projects, were

to have its own core team to handle all safeguard issues and NEA could also consider outsourcing such services. In addition to staffing issues, during the past years, infrastructure investments experienced significant delays due to insufficient coordination between the Ministries, especially between Forestry and Energy/Roads on issues of forest clearances and Right of Way.

- (6) **Weak Procurement and Financial Management Capacity.** Almost all projects have problems getting a dedicated procurement staff or lack the required procurement capacity. Many institutions do not have dedicated procurement expertise. Procurement assessments of several implementing agencies confirm that procurement experts are not available within the government system. Although provision has been made to obtain procurement experts from the market in almost all projects, two critical issues are observed – one, many projects do not take timely action in getting the experts either due to budgetary issue or some reluctance in recruiting such external experts, and two, market has limited supply of such experts resulting in a mismatch between supply and demand. Hence, there is a need for a strategic assessment at broader government level to develop a phased action plan – with short, medium and long term actions -- for an overall capacity building program.
- (7) On **financial management**, finding a dedicated finance staff is not as severe as procurement, but finding a skilled finance staff is a challenge. Due to increasing demand on financial management (beyond pure accountancy functions), capacity building efforts need to be enhanced in financial management. One option could be the addition of outsourced expertise from the market to supplement the capacity depending on the nature of the project. In this case, the market has adequate supply of good financial management experts. Some projects which are already adding such additional resource have been able to demonstrate better results, for example, PACT, Alternate Energy Promotion Center (AEPC), Peace Support Project to name a few.
- (8) **Monitoring & Evaluation:** A number of tools are used for this purpose in Bank supported projects, ranging from routine monitoring by the implementing agency, to third party verification, to controlled impact evaluation surveys. Thirteen projects (of which 12 IDA) use sector-wide or agency M&E systems, and 7 projects (all IDA) include support for building those systems at the agency or sector level. The quality of monitoring data is considered generally fair to good, although collection of baseline data and carrying out of periodic surveys have been delayed in some cases. While M&E is critical to measure progress on results, most sectors do not yet have a credible M&E system. There is a need for improvements in the credibility of data gathered with associated independent validations. In large operations such as, education and health SWAs, sectoral M&E systems are being developed during program implementation as a result of which achievement of results can be tracked. Similarly, in projects managed by autonomous bodies, such as Rural Water Supply Fund Board and PAF Board, credible M&E systems were developed during implementation. Many other investment projects have developed M&E systems at the project level, but more efforts are required to integrate with the sectoral M&E systems to ensure sustainability of project sponsored M&E arrangements. While sectors or programs that are already doing well in M&E have dedicated units and staffs, other projects need to build such capacity either within projects or within sectors.

2.4 The status of results for IDA and TF projects as of December 31, 2012 is presented in Annex 2.

B. The Country Environment and the Impact on Portfolio Performance

2.5 The chronic problem of premature transfers in the civil service has been exacerbated due to the prevailing political fluidity and the delays surrounding the passage of the remainder of the FY2012/13 budget which, as already noted, is severely affecting implementation. The fragility of the accountability institutions has been another over-riding concern. For example, Parliament's Public Accounts Committee no longer exists as a result of the dissolution of the Constituent Assembly in May 2012. Top positions remain unfilled for several years such as, Chief Commissioner and Commissioners of the Commission for the Investigation of Abuse of Authority (CIAA), the Auditor General of the Office of the Auditor General (OAG), the Chief Commissioner of the Public Service Commission (PSC), and the Commissioner of the National Information Commission. As IDA assisted projects rely on country systems, strong and active institutions of accountability are necessary to ensure efficient, transparent and effective use of public resources.

C. Macro-Economic Environment as it Affects Portfolio Performance

2.6 **The economy grew by 4.6 percent in FY 2012, above the average post-conflict level of 4 percent.** While this is below the target set of 5 percent growth rate, it is reasonable given the global and regional trends. Inflation is in double digits (11.5 percent), up from 9.6 percent in FY 2011. The larger issue that affects this fiscal year project financing is capping up of project funding to last fiscal year expenditure level or below; thus, in real terms, fiscal year 2013 project financing is below last fiscal year level impacting the envisaged delivery. Fiscal management results are mixed, but expenditure as a percent of GDP is on a decline. Public expenditure in FY2012 was 18.2 percent of GDP compared to 18.6 percent of GDP achieved in FY2011 and 18.8 percent of GDP in FY2010. Poor aid absorption, weak implementation capacity, unrealism in budget size for implementation, and bunching up of expenditure to the third trimester (see graph below) are chronic budget management concerns; but low capital expenditure is of greater concern for the infrastructure deficit economy. As of late, budget expenditure variance is around 11 percent but capital expenditure variance is 30 percent in FY 2012, up from 17 percent in FY 2011 and 15 percent in FY 2010.

2.7 Preliminary estimates of FY 2012 expenditure outturn data suggests that the government has exercised prudence in fiscal aggregate management with net domestic borrowing, primary and fiscal deficit levels are all lower than the corresponding FY 2011 outturns. While the lower net domestic borrowing level of 1.4 percent of GDP compared to 2.3 percent of GDP for FY 2011 is a positive outturn of FY 2012 budget management; lower aid money utilization (estimated aid expenditure of 2.5 percent of GDP compared to budget of 5.8 percent of GDP) and capital expenditure (7 percent of GDP compared to budget estimate of 9.3 percent of GDP) points to weak budget management and weak adherence to Medium Term Expenditure Framework to ensure budget realism and efficiency in resource allocation management.

D. Financial Management

2.8 **Portfolio Alignment with Country FM Systems.** Bank funded projects and programs are fully aligned with Nepal's financial management systems. In addition, assurance arrangements

are built into project/program design to address deficiencies related to weak internal controls and the internal audit system. Examples of these additional assurance arrangements include third party monitoring, social audits, technical audits and performance audits. The Bank's financial management team provides continuous support to project teams with the goal of building their capacity as well as strengthening the financial management system in use at the agency or sector level. The FM and Procurement fiduciary teams have increased delivery of Financial Management and Procurement Clinics focused on thematic areas as well as on sharing of experiences. This has helped to enhance the overall skills and knowledge of project staff and government officials. While such capacity support is necessary, it is not sufficient to address the core issue of capacity and/or skill gaps widely prevalent in various projects.

2.9 Financial Management Performance. Overall financial management across the projects was moderately satisfactory, with a mix of strong and weaker performers. For example, at the end of the fiscal year, the Rural Water Supply Fund Board, and the Project for Agriculture Commercialization and Trade were considered to have good financial management performance. In the case of the Rural Water Supply Fund Board, it was using a fully computerized financial management information system (FMIS) to prepare and submit accounts, and four other projects² were in the advanced stage of computerizing their FMIS. On the other hand, three out of six potential problem projects were rated as having financial management performance in the unsatisfactory range. Frequently encountered weaknesses included: inadequate management focus on financial management, weak accounting capacity, frequent turnover of accounting staff, weak internal control systems, weak monitoring, and delays in reporting. Agreement was reached with implementing agencies experiencing difficulties on a core set of actions to improve their financial management performance. About 29 percent of the portfolio (five out of 17) has unsatisfactory financial management ratings.

2.10 Internal Audit. As required by the Financial Administration Regulations, internal audits were carried out by the District Treasury Controller Offices (DTCOs) for all projects implemented by line ministries. In the case of projects implemented by Boards, autonomous bodies, or Authorities, internal auditors were appointed from the market as per the financial regulations of the concerned authorities. Such autonomous bodies include the Nepal Electricity Authority, Rural Water Supply Fund Board, the PAF Board, and the Alternate Energy Promotion Center. In the case of projects implemented by INGOs, internal auditors were appointed from the market as per the financial regulations of the concerned organizations. The quality of internal audits carried out by the private sector for the autonomous bodies and INGOs is generally good. Internal audits carried out by the DTCOs or the District Development Committees (in the case of decentralized operations) need improvement, as they often do not address systemic issues and are not submitted on a timely basis.

2.11 External Audit. The Office of the Auditor General performs all external audits for Bank supported projects in Nepal implemented by government authorities. FY2012 observed some improvements in **audit timeliness** when compared to FY2011. Many projects gained time in terms of submitting the audit reports, although no projects were able to submit audit reports within the 6 months due date. Unlike in the previous year, there were no cases of suspension of disbursements during FY2012. Improvements were observed in **audit quality**. In a few cases, audits were not completed and a partial opinion was required (e.g., Health Sector Support, and Social Safety Nets). **Audit report findings** were almost similar to previous years and they included deficiencies in internal control systems, procurement weaknesses, and non-

² Road Sector Development, Rural Access Improvement, Alternate Energy Promotion Center, and Project for Agriculture and Commercialization

compliance with financial regulations and procedures. Implementing agencies were asked to incorporate corrective actions in the areas identified by the Auditors in their respective Financial Management Improvement Plans. Audit observations are closely monitored and followed up by the government authorities as well as the Bank as a result of which most audit issues have been satisfactorily resolved or have caused implementing agencies to agree a dated Action Plan for financial management improvements. The Office of the Auditor General (OAG) has also been monitoring and tracking the progress based on their audit observations. The OAG pursued discussions with the Secretaries of line ministries or with the Project Directors of project offices.

2.12 Some ineligible expenditure was detected in FY2011/12 through audit reports and FM/SOE reviews. The School Sector Reform Project audit identified ineligible expenses in FY2010/11 audit. The refunds have not yet been made but the Department of Education has committed to refund the amount to the Bank as well as to other pooled development partners.

2.13 **Disbursement arrangements.** In FY2011/12, 15 projects (44 percent) disbursed on the basis of information contained in progress reports: Education and Health SWAp, Poverty Alleviation Fund II, Rural Water Supply and Sanitation II, Road Sector Development, Irrigation and Water Resources Management, EVENT, and two Trust Funds: Strengthening PFM System and Demand for Good Governance. The remainder of the IDA portfolio (9 projects) and TF portfolio (8 projects) used Statements of Expenditures (SOEs) and non-SOEs to document expenses eligible for IDA/TF disbursement. Experience with SOE-based disbursement is generally satisfactory, although disbursements may be delayed if accounting capacity is weak.

E. Procurement

2.14 **Portfolio Alignment with Country Procurement System.** In keeping with the spirit of the Paris Declaration, Bank-supported projects use GON procurement procedures to the extent permitted by Bank operational policy. In practice this means that National Competitive Bidding (NCB), shopping and community-based procurement follow GON rules, while International Competitive Bidding (ICB) follows Bank rules. The Bank procurement team performs an oversight role at critical procurement milestones for larger contract awards, and works with implementing teams to improve their procurement skills and capacity. As experience with the Public Procurement Act increases and procurement performance in the public sector improves, it should be possible to move towards greater use of Nepal's country procurement system over time.

2.15 **Capacity building:** Based on observations made during the ex-post review of FY2010/11, and to assist borrowers to improve their understanding and knowledge of certain aspects of procurement, the Bank team organized full day Procurement Clinics on specialized topics during FY2011/12, such as, basics of procurement and general procurement principles, procurement plan, case studies on procurement planning, preparing generic specifications and appropriate qualification criteria, key things to consider in the selection of consultants and procurement of goods, etc.

2.16 **Preparation of Procurement Plan.** Timely preparation of updated procurement plan (PP) is often a problem in many projects. Out of 25 projects (of which 17 IDA Projects) requiring procurement plan (some trust fund projects do not require), 17 (of which 11 IDA Projects) Projects submitted their plan within six months of the beginning of the fiscal year and remaining eight IDA projects, mostly big projects and particularly the power, irrigation and road sector projects, were not able to submit even within six months of the fiscal year. This is an

extremely important issue requiring high level oversight to ensure early preparation and approval of procurement plans.

2.17 Procurement Performance. Generalizations about procurement performance are difficult, as projects differ greatly in terms of the size and complexity of procurement tasks. Some institutions have strong skills and provide an example of efficient procurement management; for example, the **Department of Roads** has been a pioneer in the introduction of e-bidding, with the consequence that competition for contracts has significantly improved. However implementation of contracts in terms of timely completion and quality of the works is still a challenge. In the **health sector**, implementation of the procurement improvement action plan has resulted in an improvement over the past years in the quality of bid documents and bid evaluation reports, and an increase in the number of bidders, increased competition and lower costs. New approaches for achieving improved prices and competitiveness have also been introduced: for example, certain medicines and consumables are now procured through a **multi-year contract**, providing price stability and reducing the administrative load on the procuring agency; **Limited International Bidding** or **direct contracting** with the manufacturers or their authorized agents is used for other items, leading to a marked reduction in unit rates as compared to previous years. For more than 60 percent of the annual value of health procurement, the Department of Health Services (DoHS) is procuring medicines, medical supplies and equipment through multi-year contracting. In order to improve competition and value for money, DoHS has also started involving Biomedical Engineers, Pharmacologists, market analysts including national and international experts right from the stage of procurement planning to preparation of specifications, cost estimates, bidding documents and bid evaluation. This is considered to be a good practice which can be replicated to other technical sectors including the power sector. However, there are still many areas for further improvement, which include complaints handling, effective dealing with oversight agencies in case of investigation during procurement process, etc. Power sector projects continue to suffer implementation delays due to other factors such as, hurdle in forest clearance, right-of-way clearance, and social problems related to obstruction to project sites, in addition to inadequate procurement capacity within NEA.

2.18 For many projects, overall procurement capacity remained weak. This was primarily because the procurement function in many projects was delegated to personnel with inadequate procurement knowledge and experience. This was compounded by reluctance of officials to take decisions in complex procurement cases for fear of possible investigation by oversight agencies. Such issues are mainly observed in the power sector. The lack of complete official bidding documents, manuals, and guidelines for the existing procurement law, and lack of widespread training of procurement officials across all government institutions, also hampered capacity enhancement. As a result, procurement actions were often delayed.

2.19 The capacity weaknesses described above generated a number of deficiencies in procurement management. The key deficiencies, as confirmed by an ex-post review across the portfolio, are summarized below:

- **Weaknesses in Shopping Procedures:** For most shopping contracts (related to hiring of individual consultants, goods, and non-consulting services), the project files did not have copies of written requests for CVs or quotations; this suggests that these requests were made verbally. When quotations were requested, their number rarely exceeded three, and the similarity in the way the three quotes were presented indicates that these could have been organized by a single firm. Similarly, for individual consultant contracts, when CVs were requested, the norm was three

CVs, and sometimes just one CV, without satisfactory justifications for the single source approach. The tendency to split requirements to evade more competitive procedures (e.g. shopping instead of NCB) was noted in many cases.

- **Weak procurement planning, contract monitoring and administration:** While most projects prepared reasonable procurement plans at the beginning of the FY for Bank concurrence, many plans were not updated regularly. Further, monitoring of procurement progress against the targets in the plan was limited, and internal reporting was not evident on the status and remedial measures to address delays or changes in requirements. As a result, the culture of using the plan as a management tool for effective project implementation has yet to be established. In addition, once a contract was awarded, contract management appeared limited, as records of acceptance, completion certificates, and payments were generally lacking. In many cases, payments were noted to have been made for contracts with substantial completion delays without providing adequate and acceptable justifications.
- **Poor or incomplete documentation:** Files often did not contain sufficient documentation. While some of the missing documents, being accounts related, were with the accounts section, some others were reported to be in the possession of the person/unit initiating the procurement or administering the contract. *A system of maintaining a comprehensive and complete and comprehensive procurement file with documents for each stage through contract closure needs to be instituted in all Bank funded projects.* To this end, the Bank procurement team distributed to all implementing agencies a 'checklist' of all the documents that should be present in any contract procurement file.

F. Safeguards

2.20 Over the past two years, management of social and environmental safeguard in projects has been mixed. The vast majority of projects under implementation are Category B, meaning that social and environmental risks are expected to be moderate. Only one project under preparation is Category A (with higher social and environmental risks). In all projects, required safeguard instruments have been developed and agreed in line with domestic laws and World Bank safeguard policies. These instruments include environmental assessment, environmental management plans, land acquisition and resettlement action plans, vulnerable communities development plans (including indigenous peoples), and environmental and social management frameworks. The quality of implementation of safeguard instruments varies from project to project. Though majority of the projects have performed satisfactorily on safeguard implementation, some projects face substantial delays in implementation or there are cases of non-compliance. The most recurring issues are related to land compensation, livelihood support, tree cutting permit and compensatory plantation, and landslides/soil erosions particularly in infrastructure projects. This is largely due to insufficient understanding and weak capacity at implementation level. The project agencies, in general, were able to address these difficulties/noncompliance issues once they were identified although in some cases addressing these issues may have taken time. Monitoring of safeguard implementation remains a weak in most of the projects. A key issue recently faced in infrastructure projects (roads and energy) relates to insufficient coordination among concerned line ministries such as between and among line ministries, such as between Ministry of Forests and Soil Conservation and the implementing ministries. This significantly delays approval processes of infrastructure investments.

3. MONITORING AND EVALUATION

3.1 Monitoring and evaluation (M&E) is key to learning what is going well and less well, where adjustments may need to be made, and whether a project is on or off track for achieving its objectives. A number of tools are used for this purpose in Bank supported projects, ranging from routine monitoring by the implementing agency, to third party verification, to controlled impact evaluation surveys. In the interest of sustainability, agency information systems are used whenever possible, and in a number of cases, projects contribute to building agency- or sector-wide M&E systems. In the on-going portfolio, 13 projects (of which 12 IDA) use sector-wide or agency M&E systems, and 7 projects (all IDA) include support for building those systems at the agency or sector level. Of the 20 (of which 18 IDA and two Regional) projects that use project-specific M&E arrangements, 15 (of which 14 IDA) of them feed their data into a higher level sector monitoring system. This pattern suggests that, over the medium term, the majority of projects should be able to use sector or agency monitoring systems. There is a need for improvements in the credibility of data gathered. The quality of monitoring data is considered generally fair to good, although collection of baseline data and carrying out of periodic surveys have been delayed in some cases. M&E arrangements at the project level are presented in Annex 3. While M&E is critical to measure progress on results, most sectors do not yet have a credible M&E system. In large operations such as, education and health SWAPs, sectoral M&E systems are being developed during program implementation as a result of which achievement of results can be tracked. Similarly, in projects managed by autonomous bodies, such as Rural Water Supply Fund Board and PAF Board, credible M&E systems were developed during implementation. Many other investment projects have developed M&E systems at the project level, but more efforts are required to integrate with the sectoral M&E systems to ensure sustainability of project sponsored M&E arrangements. While sectors or programs that are already doing well in M&E have dedicated units and staffs, other projects would need to build such capacity either within projects or within sectors. There is need for heightened focus on measuring results both by the line ministries with the oversight of the National Planning Commission.

A. Implementation Progress Reports

3.2 The financial, procurement, and physical progress data generated by project and sector monitoring systems are captured in Implementation Progress Reports (IPRs). IPRs are submitted on a trimester basis, aligned with the government's reporting cycle, and provide GON officials and Bank teams with a tool to monitor whether the project is on track with the planned implementation schedule and agreed milestones. Experience in Nepal in terms of quality and timeliness of IPR submission is variable. Although there was some improvement in timely submission of the IPRs in FY2011/12, **about 65 percent of projects were still over a month late in submitting IPRs**. Quality of IPRs also gradually improved, with more teams submitting data on outputs and procurement. Nevertheless, common IPR weaknesses included: missing reports (e.g., output monitoring, procurement management, updated procurement plan), missing supporting documents (e.g., approved work program and budget, bank statements), inadequate discussion of progress against output targets, lack of linkage between physical progress and financial progress, reconciliation issues, and calculation errors. Late submission of IPRs can affect portfolio ratings.

B. Third Party Monitoring

3.3 Given the difficulties in collecting information on project implementation at the local level, limited local government representation, and insecurity in some areas, a number of projects began using third party monitoring arrangements to complement project or sector M&E systems. These arrangements include performance audits carried out by the Office of the Auditor General; technical audits carried out by the National Vigilance Center and technical surveys carried out by independent specialists; social audits carried out by communities and civil society organizations; and verification of results by independent consultants. Experience with some of these third party monitoring arrangements is relatively new, and improvements are being introduced as more cycles are completed and areas for strengthening are identified.

C. Performance Audits

3.4 Performance Audits are carried out by the Office of the Auditor General, and focus on the extent to which implementation is in compliance with program parameters as established by sector or program strategies, policies, implementation plans, and/or implementation manuals. They are generally scheduled on a two year cycle, and provide additional information than may be available through regular monitoring arrangements. **Four projects** have provision to use Performance Audits (the PAF, School Sector Reform SWAp, Health Sector Support SWAp and Bridge Improvement and Maintenance Project). Implementing agencies and development partners value the findings of the performance audits, and observations/recommendations are integrated into the respective Governance and Accountability Action Plans for regular follow-up.

D. Technical Audits

3.5 Technical audits have traditionally been used in the infrastructure sectors to verify that quality of construction or goods complies with the technical parameters established in the contract documents; this monitoring tool is now expanding to other sectors and covers over 70 percent of the portfolio. At the end of FY2011/12, 15 projects were using technical audits. In the case of the Roads Sector and Rural Access projects, the respective ministries hire independent consultants through the National Vigilance Center (NVC) to carry out technical audits of 20% of contracts each year. Other projects use independent consulting firms to carry out technical audits.

E. Independent Verification

3.6 Independent verification is used to verify reported results, and often, payment is tied to independent verification findings. Currently, such verification is usually carried out by consultants, and such verification process is used mainly in infrastructure projects. As the WB-supported portfolio moves increasingly towards results-based programs, independent verification has also expanded. At the end of FY2011/12, almost 50 percent of projects used this monitoring method, and the share is scheduled to increase further in FY2012/13. Independent verification before payment release was used in **eight projects**³ last year, and a **ninth project** – Emergency Peace Support – used it on an ex-post basis for transparency and credibility purposes. The Emerging Towns and Enhanced Vocational Education and Training projects introduced payment-based arrangements in FY2011/12, while the School Sector Reform SWAp plans to commission sample-based verification studies to measure data reliability, teaching

³ Rural Water Supply and Sanitation Project II, Bio-gas (OBA), Bio-gas (Carbon purchase), Micro Hydro (Carbon Purchase), Adolescent Girls Employment Initiative, Agriculture Commercialization and Trade, Social Safety Nets Project, SHEP.

quality, and learning outcomes. The newly entered Program for Results “Bridge Improvement and Maintenance Program” is designed to disburse based on achievement of results through independent verification through a consulting firm to be recruited by the National Planning Commission (NPC).

F. Social Audits

3.7 **Social Audits:** Social audits rely on community organizations to monitor program delivery or practices related to project implementation. The WB-supported portfolio increasingly relies on civil society engagement to complement government-managed monitoring systems and to introduce accountability into program management. In the education and health SWAs, the Government of Nepal has called for annual social audits to be implemented in all local-level facilities and has issued operational guidelines to this effect.

3.8 Bank-supported initiatives to enhance civil society-based, third party monitoring in Nepal were put in place through the **Program to Promote Demand for Good Governance (PRAN)**. It is building the skills of community groups and civil society organizations to undertake independent monitoring of government implemented programs and functions; it will also build government capacity to respond to citizen requests for information.

4. SOME PRACTICAL NEXT STEPS

4.1 In the spirit of “**keeping things simple**”, top eight recommendations are provided below for consideration **to improve project implementation and accomplishment of results**:

- **Improved Project Preparation:** Ensure that the adequate preparatory work such as recruitment of key project staff and basic procurement activities are completed prior to project approval
- **Staffing and Capacity:** (1) Maintain staffing continuity, especially of Project Directors/ Coordinators and Finance Staff, and ensure well performing staff are retained for minimum of two years if not longer; (2) Appoint safeguards, accounting and procurement staff and strengthen skills of existing staff; consider use of outsources experts to support the project team especially in procurement; (3) For sustainable procurement and safeguards capacity development, establish appropriately staffed technical cells or units where a number of development projects are in operation e.g. the Nepal Electricity Authority (NEA); and (4) Ensure appropriate staffing of M&E units.
- **Efficiency and Transparency:** (1) Prepare procurement plan along with budget submission; (2) Take steps to avoid bunching of programming towards the last trimester; and (3) For accountability and transparency, make greater use of independent third party validations, social accountability tools and improve the timeliness and quality of internal and external audits.
- **Monitoring:** (1) Ensure data is regularly reviewed at higher levels for evidence based decision making and timely corrective actions; and (2) Explore use of ICT/remote-sensing monitoring technologies (e.g., cell phones, GIS referencing).
- **Coordination:** Implement a regular and effective inter-ministerial coordination mechanism for projects involving multiple ministries or where approvals from other Ministries are required such as Forestry Ministry in case of infrastructure projects

4.2 While the above actions are important at the **project level** to ensure smooth project implementation, following are some critical **portfolio level** actions that need to be pursued:

- **Trimester Portfolio Reviews.** Maintain regular portfolio reviews of the Bank portfolio jointly by the Ministry of Finance, implementing ministries and the Bank for pro-active monitoring of results, and for timely identification of core issues. Such a review process was started last year which has proven to be effective in pro-active monitoring of the portfolio and timely identification and resolution of issues.
- **Monitoring of Implementation of Governance and Economic Reforms Action Plan 2069.** The Governance and Economic Reforms Action Plan (2069) recently announced by the Office of the Prime Minister and Council of Ministers (OPMCM) have some relevant actions that address the concerns of good governance, accountability, human resource management and project management. For example, actions like (i) carrying out mandatory technical inspection by the National Vigilance Center of projects which have annual budgets exceeding Rs. 5 billion, (ii) all agencies to maintain documents

that identifies the officials accountable for arrears and expenses; (iii) implement e-bidding process in all procurements of goods and services that exceed NRs.10 million, (iv) Implement result-oriented work performance contracts in all projects of national prestige, (v) all ministries to mandatorily follow the staff transfer guidelines, have direct impact in ensuring good project implementation. **Ensuring the implementation of actions that are relevant for portfolio performance and results is critical.** It would be useful for Government to identify the relevant actions and to share the status of implementation with development partners.

- **Quarterly Monitoring of Agreed Actions during NPPR.** The Ministry of Finance is suggested to continue to monitor the implementation of agreed actions that will be reached during NPPR, with a target of achieving 100 percent results of all agreed actions. Actions should be result oriented that have direct impact on portfolio performance. For example, staffing issue which has been raised in the previous NPPRs still remains as a core implementation challenge. A strong commitment is required to adhere to the actions agreed during the review. Hence, selectivity of actions is important in order to have a positive impact on portfolio performance.

Annex 1: NEPAL - WB Portfolio (IDA/TF Composition)
(As of June 30, 2012)

S.N.	Credit and Grant Number	Project Name	Board Approval Date	Revised Closing Date	Age (yrs)	Net Comm. Amt.	Disb. FY12	Total Cum. Disb.	Percent Disb.	USD in million	
										Total Undisb. Balance	Total Disb. Balance
1	Cr-4515, GR H338	Irrigation and Water Resources Management Project	12/06/2007	06/30/2013	4.6	64.24	19.22	41.28	64%	22.61	
2	CR 4510, CR 4750, GR H424, GR H579	Social Safety Nets Project	09/30/2008	09/30/2013	3.7	64.47	1.37	49.80	77%	15.45	
3	GR H337, GR H672	Poverty Alleviation Fund II Project	12/06/2007	06/30/2014	4.6	164.97	20.20	118.68	72%	43.97	
4	CR 4603, GR H486	Project for Agriculture Commercialization and Trade (PACT)	06/04/2009	06/30/2015	3.1	20.00	2.41	4.71	24%	15.89	
5	CR 4981, GR H716	Modernization of Rani Janara Kulariya Irrigation Scheme - Phase I	07/05/2011	09/30/2016	1.0	43.00	5.00	5.00	12%	36.31	
6	CR 3766, CR 4637, GR H039, GR H506	Power Development Project	05/22/2003	12/31/2012	9.1	164.09	39.47	96.33	59%	79.41	
7	CR 4932, GR H676	Kabeli Transmission Project	05/10/2011	06/30/2015	1.1	38.00	2.30	2.30	6%	34.15	
8	CR 4664, GR H171, GR H525	Rural Access Improvement & Decentralization	06/21/2005	12/31/2013	7.0	77.00	7.84	36.89	48%	39.15	
9	CR 4832, CR 5002, GR H329, GR H629	Road Sector Development Project	12/06/2007	06/30/2015	4.6	117.60	18.63	71.95	61%	44.65	
10	CR 3911, GR H369	Rural Water Supply and Sanitation Project	06/01/2004	08/31/2012	8.1	48.49	0.18	42.80	88%	4.49	
11	CR 4905, GR H661	Urban Government and Development Program: Emerging Towns	05/10/2011	07/31/2016	1.1	25.00	5.06	5.06	20%	19.21	
12	GR H274	Second Higher Education Project	02/22/2007	01/15/2014	5.4	60.00	9.75	33.01	55%	30.76	
13	CR 4652, GR H518	School Sector Reform Program	09/22/2009	12/15/2014	2.8	130.00	35.57	79.98	62%	48.68	
14	CR 4924, GR H673	Enhanced Vocational Education and Training (EVENT)	04/21/2011	10/30/2015	1.2	50.00	6.79	6.79	14%	41.72	
15	CR 4707, GR H537	Second HNP and HIV/AIDS Project	04/20/2010	07/15/2015	2.2	129.15	11.07	33.16	26%	94.25	
16	GR H367	Emergency Peace Support Project	05/06/2008	06/30/2012	4.2	50.00	1.74	24.06	48%	23.99	
17	CR 5137, GR H786	Community Action for Nutrition Project (Suraula Hazar Dhi)	06/26/2012	06/30/2017	0.0	40.00	0	0	0%	39.30	
18	CR 5138	Bridges Improvement and Maintenance Program/Support	06/28/2012	07/15/2017	0.0	60.00	0	0	0%	58.73	
		Total Ongoing			3.5	1,346.01	186.59	651.80	48%	692.73	

Regional Projects											
1	CR 4902, GR H660	Nepal-India Electricity Transmission and Trade Project	06/21/2011	12/31/2016	1.0	99.0	5.0	5.0	5%	99.2	
2	GR H666	Strengthening Regional Cooperation For Wildlife Protection in Asia	04/07/2011	05/31/2016	1.2	3.0	0.2	0.2	6%	2.9	
		Total Ongoing			1.1	102.00	5.17	5.17	5%	102.07	

TRUST FUND											
S.N.	Trust Fund Number	Project Name	Approval Date	Revised Closing Date	Age (yrs)	Net Comm. Amt.	Disb. FY12	Total Cum. Disb.	Percent Disb.	Total Undisb. Balance	
1	TF 10452	Strengthening Public Financial Management (PFM) System	10/31/2011	06/30/2015	3.7	4.30	0.59	0.59	14%	3.71	
2	TF 10455	Strengthening the Office of the Auditor General	02/23/2012	06/30/2015	3.3	2.30	0	0	0%	2.30	
3	TF 11208	Making markets work for the conflict affected in Nepal	10/10/2012	02/17/2016	3.4	2.65	0	0	0%	2.65	
4	TF 56440	Nepal Biogas Program	05/03/2006	07/30/2015	9.2	7.00	0	1.98	28%	5.01	
5	TF 90264	Nepal - Village Micro Hydro	06/30/2007	12/15/2015	8.5	1.96	0	0	0%	1.96	
6	TF 93397	Japan Social Development Fund Grant for Pro-poor Targeted Secondary School Stipend Project	12/16/2008	01/15/2014	5.1	1.90	0.51	0.83	44%	1.07	
7	TF 94724	FCPF Nepal Grant - Supervision	07/14/2009	12/31/2013	4.5	3.60	0.50	0.70	19%	2.90	
8	TF 96287	Adolescent Girls Employment Initiative (AGEI), Nepal	03/16/2010	03/31/2013	3.0	2.05	0.76	1.15	56%	0.90	
9	TF 97889	ADKF Small Grants Program	11/17/2010	08/31/2013	2.8	1.00	0	1.00	100%	0	
10	TF 98235	School Sector Reform Program (EFA - FTI)	12/07/2010	12/15/2014	4.0	120.00	38.00	68.02	57%	51.98	
11	TF 98650	Program to Promote Demand for Good Governance	01/20/2011	12/31/2013	2.9	0.78	0.46	0.62	80%	0.16	
12	TF 99274	Additional Financing to the Poverty Alleviation Fund II	07/13/2011	06/30/2014	3.0	10.00	8.63	8.63	86%	1.37	
13	TF 99288	Nepal: Human Development - Social Protection Pilot Project	08/19/2011	07/31/2013	1.9	1.50	0	0	0%	1.47	
14	TF 99675	Strengthening Institutional Capacity of the DNPWC for the Effective Management of Mountain Protected Areas	08/25/2011	08/25/2014	3.0	0.50	0.02	0.02	3%	0.48	
		Total Ongoing TF			4.2	159.54	49.47	83.54	52%	707.12	

Annex 2: Performance of Ongoing Projects as of December 31, 2012

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
	DO	IP					
Rural Water Supply & Sanitation (Closed on August 31, 2012)	MS	MS	11/19/2008	08/30/2011	1. Operationalization of RWSS sector M&E unit at the Ministry of Physical Planning and Works	8/30/2011	1. Operationalization of RWSS Sector M&E system Population and validation of information in the system with the first set of inputs received from 33 districts. Training of DWSSCCs on the system ongoing. Sector M&E system operational under the RWSS Sector M&E Unit under Ministry of Urban Development.
					2. 100% of population in project area with access to water supply points that can be reached with a 15 minute round trip walk from their residence (1,463 schemes / base year pop of 1.03 mn)	8/30/2011	2. 92% of population in project areas with access to water supply points within a 15 minute round trip walk from their residence.
					3. 50 % of population in project area with access to hygienic sanitation facilities within 30 meters of residence. 4. 1,463 WSUCs with more than 3 women members.	8/30/2011	3. 86% of target population has access to hygienic sanitation facilities within 30 mtrs of their residence. 4. Minimum requirement of 3 women members achieved in 1557 schemes contracted thus far- this target surpassed in 585 schemes
Kabeli Transmission	MS	MS	9/21/2011	6/30/2015	1. Increase in transmission capacity by 150 MW in the integrated Nepal power system. (baseline 0)	6/30/2015	1. 83% of site survey completed.
					2. 25 communities have received access to enhanced off-grid energy services under the project.	6/30/2015	2. Three main contracts (viz. Transmission line Sub stations and Consultant for rural electrification) have been awarded
					3. 5200 new HHs connected to the grid in Panchthar and Ilam districts in total. (Baseline 0)	6/30/2015	3. Bids for two Micro Hydro plants included in the project are under implementation.

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
	DO	IP					
Power Development	U	U	3/25/2004	12/31/2012	<ul style="list-style-type: none"> 1. 74,000 additional rural households with access to electricity from MH schemes 2. 65,000 additional rural households with access to grid-connected electricity. 3. 1,500 MW increased transmission capacity. 4. 22.4 MW increased generation capacity 5. 170 GWh increased energy generation 6. 1.6% reduction in transmission & distribution losses outside KTM valley 7. 6% reduction in distribution losses within KTM valley 	<ul style="list-style-type: none"> 12/31/2012 12/31/2012 12/31/2012 12/31/2012 12/31/2012 12/31/2012 12/31/2012 	<ul style="list-style-type: none"> The project has been restructured in Dec 2012 with cancellation of USD 42.5 million and extension of project closing date by one year. 2. 6,500 additional rural households have access to grid-connected electricity. Off-grid rural electrification works (AEPC component) are more than 95% completed. 3. Reduced from 1500 MW to 500 MW owing to inability complete the transmission lines. The latter nearly completed. Completed. Kaligandaki rehabilitation dropped. 6. Loss Reduction in 9 distribution centers by 1.6% 7. Data on loss reduction not available.
	S	MS	2/25/2005	7/15/2015	<ul style="list-style-type: none"> 1. Contraceptive prevalence rate increased from 45.5% to 55% 2. Skilled Attendance at birth increased from 11% to 35% 3. Percentage of children immunized against DPT3 increased from 72% to 90% 4. Mothers taking IFA during last pregnancy increased from 81.3% to 87% 	<ul style="list-style-type: none"> 7/15/2015 7/15/2015 7/15/2015 7/15/2015 	<ul style="list-style-type: none"> 1. Contraceptive prevalence rate (CPR) decreased to 43.2% (modern methods) 2. Skilled Attendance at birth increased to 36%. However, SBA for poorest quintile is 10.7% vs. end target of 25% 3. 87% of children fully immunised. However the full immunisation of the poorest quintile has reached 84.5% and is inching towards a achievable target of 88% 4. 79.5% of mothers have been taking IFA during last pregnancy.
	Health Sector Support (SWAp)	Net Commitmt \$ mn: 129.2	Disbursements \$ mn: 33.2 (26%)				

Project	Current Rating		Approval date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
	DO	IP					
Emerging Towns	MU	MU	5/10/2011	7/31/2016	<p>1. 10% increase in the citizens who report that the infrastructure services offered by the municipality better meet their needs than the previous year.</p> <p>2. 10% increase in citizens who report that they have participated in planning meetings at the ward level.</p> <p>3. 100,000 people benefited from urban services and infrastructure improvements of which 10% are female and from disadvantaged groups.</p>	7/31/2011	Project not yet due for measurement
	Net Commitmt \$ mn: 25.0						
	Disbursements \$ mn: 5.1 (20%)						
Social Safety Nets	S	S	1/28/2009	9/30/2013	<p>1. 170,000 direct project beneficiaries.</p> <p>2. 95% of targeted households reporting increased ability to meet their food and basic needs</p> <p>3. At least 60 days of food/cash for work per acute food-insecure household per annum</p>	<p>9/30/2013</p> <p>9/30/2013</p> <p>9/30/2013</p>	<p>1. 195934 direct project beneficiaries.</p> <p>2. 91% of targeted households reporting increased ability to meet their food and basic needs</p> <p>3. 58 days of food/cash for work per acute food-insecure household per annum</p>
	Net Commitmt \$ mn: 64.5						
	Disbursements \$ mn: 49.8 (77%)						
Rural Access Improvement and Decentralization	MS	MS	8/16/2005	12/31/2013	<p>1. 20% increase in motorized & non-motorized trips by beneficiaries by EOP</p> <p>2. 20% reduction in travel time by beneficiaries by EOP</p> <p>3. 15% increase in the number of people in participating hill districts that live within 4 hour walk of all-season road.</p> <p>4. 10% increase in the number of people in participating Terai districts that live within 2 hour walk of all-season road.</p>	<p>12/31/2013</p> <p>12/31/2013</p> <p>12/31/2013</p> <p>12/31/2013</p>	<p>37 % increase in motorized and 33 % in non motorized trips</p> <p>2.20% reduction in travel time .</p> <p>3. More than 95% increase noted</p> <p>4.100% increase noted</p>
	Net Commitmt \$ mn: 77.0						
	Disbursements:\$ mn 36.9 (48%)						

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Road Sector Development	DO	IP	2/21/2008	6/30/2015	<p>1. 6% increase in number of people with all season access to economic centers & social services</p> <p>2. 35% reduction in journey times to key economic centers in project areas.</p> <p>3. Reduce the percentage of black top Strategic Road in poor condition to 15%</p> <p>4. Upgrading of 700 km of Strategic Roads</p>	<p>6/30/2015</p> <p>6/30/2015</p> <p>6/30/2015</p> <p>6/30/2015</p>	<p>1. 3.4.5% increase in number of people with all season access to economic centers & social services.</p> <p>2. Preliminary survey by DoR project offices resulted in a 45% reduction in travel time.</p> <p>3. 11.31% black top roads in poor condition.</p> <p>4. Upgrading work on 299 km strategic roads completed.</p>
	S	S					
	Net Commitmt \$ mn: 117.6						
	Disbursement \$ mn: 72 (61%)						
Enhanced Vocational Education and Training (EVENT)	S	MS	4/21/2011	10/30/2015	<p>1. 80% employment rate of short term training graduates after 3, 6 and 9 months of completing training.</p> <p>2. 10,000 NSTB certified youth (baseline 0)</p> <p>3. Increase in enrollment of TSLC and diploma students (Number TBD)</p>	<p>10/30/2015</p> <p>10/30/2015</p> <p>10/30/2015</p>	<p>1. Employment rate of graduates at 70%</p> <p>2. 4132 youth tested. Certification process in progress.</p> <p>3. TBD after the selection of institutions</p>
	S	S					
	Net Commitmt \$ mn: 50.0						
	Disbursements \$ mn: 6.8 (14%)						
PAF II	HS	S	3/19/2008	6/30/2012	<p>1. 100,000 households with access to improved community infrastructure facilities</p> <p>2 At least 25% of poor households have incomes increase by at least 15%</p> <p>3. At least 30% of key positions in Project COs are filled by persons from targeted HHs</p> <p>4. No of direct project beneficiaries to be 470000 among which female beneficiaries targeted to be 50 % and indirect beneficiaries to be 180000</p> <p>4. At least 30% each IGA of CO members belong to targetted HHs</p>	<p>6/30/2012</p> <p>6/30/2012</p> <p>6/30/2012</p> <p>6/30/2012</p> <p>6/30/2012</p>	<p>1. 83899 households including Co and non Co members benefitting currently</p> <p>2. Latest beneficiary assessment shows that 66.4% households have seen a real income increase of more than 15%</p> <p>3. The adjusted end target has of 50 % of key positions to be filled by targeted households has been surpassed with current figure at 55% representation.</p> <p>4. The no of direct beneficiaries are noted to be 386770, females make up an overwhelming 78% and 169100 indirect beneficiaries are noted.</p> <p>5. The adjusted target at 50 % has been surpassed with current no. at 52.40%</p>
	HS	S					
	Net Commitmt \$ mn: 165.0						
	Disbursements \$ mn: 118.7 72%						

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
Project for Agriculture Commercialisation and Trade (PACT)	DO	IP	11/13/2009	6/30/2015	<p>1. Sales of commodity in value chains supported by the project to increase by 25%</p> <p>2. Number of samples submitted for analysis increased by 30%.</p> <p>3. By EOP, at least 310 new partnerships involving farmer groups and agribusinesses have received competitive grants.</p> <p>Productivity of selected commodity value chain in districts supported by the project increase by 25%</p>	<p>6/30/2015</p> <p>6/30/2015</p> <p>6/30/2015</p> <p>6/30/2015</p>	<p>1. Sales of commodities value chains has increased by 75.6%</p> <p>2. Number of samples submitted for analysis increased by 29.2%.</p> <p>3. As of May 2011, 48 new partnerships involving farmer groups and agribusinesses have received competitive grants.</p> <p>4. Productivity of key commodity increase ranges from 1% to 80.5%.</p>
	S	S					
	Net Commitmt \$ mn: 20.0	Disbursements \$ mn: 2.4 (24%)					
Peace Support	MS	MS	9/19/2008	6/30/2014	<p>1. At least 95% of identified eligible families of the deceased and widows receive cash payments as per BPOG</p> <p>2. At least 90% of eligible individuals in agreed target groups who seek skills/ employment rehabilitation services receive them as per BPOG</p> <p>3. At least 90% of surveyed recipients are satisfied with MOPR benefit delivery process</p> <p>4. Summary payment information to families and widows is available on MOPR website and on district disclosure boards</p> <p>5. MOPR grievance redressal mechanism operational</p>	<p>6/30/2012</p> <p>6/30/2012</p> <p>6/30/2012</p> <p>6/30/2012</p>	<p>1. 13,877 families (94%) out of 14,800 eligible had been compensated .</p> <p>2. 12% of the revised estimated target groups are receiving service delivery in 12 districts from 13 service providers.</p> <p>3.87% are satisfied with the delivery process</p> <p>4. District disclosure boards are functional and records and info on payments available online.</p> <p>5. Grievance mechanism in place and communication with beneficiaries identified being implemented .</p>
	Net Commitmt \$ mn: 50.0	Disbursements \$ mn: 24.1 (48%)					
	MS	MS					
Second Higher Education	MS	MS	7/27/2007	1/15/2014	<p>1. Six Institutions accredited</p> <p>2. Student pass rates at bachelors levels : 36%; baseline 32.60% and at Masters levels: 26%, baseline 22.30%) in participating institutions.</p> <p>3. 39% of students enrolled in science, technology, management and other employment/economic development focused programs in participating higher education institutions. (Baseline: 34.3%)</p>	<p>15/1/2014</p> <p>15/01/2014</p> <p>15/01/2014</p>	<p>1. 6 institutions accredited. 1 more college completed peer review, 3 others are going through accreditation processes,31 other private institutions are preparing their self study reports.</p> <p>2. Student pass rates at bachelors levels : 35.76% and Masters levels: 27.20%. Latest data for both is yet to be published.</p> <p>3. 35.44% of students in science technology, management and other employment. Econ. Dev related programs.</p>
	Net Commitmt \$ mn: 60.0	Disbursements \$ mn: 33 (55%)					
	MS	MS					

Project	Current Rating		Effective Date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results	
Irrigation & Water Resources Management Project	DO	IP	1/30/2009	6/30/2013	<p>1. Increase in productivity of selected crops to, Paddy: 3.5 MT/ha; Wheat 2.8 MT/ha, Maize 3.2 MT/ha; Potato 14.0 MT/ha</p> <p>2. 60% of tail enders reporting improved water availability</p> <p>3. Establishment of fully functional national water resources database</p> <p>4. 75% of WUAs in transferred irrigation schemes whose O&M expenditures is as per agreed Asset Management Plans</p>	6/30/2013	<p>1. 10% increase in the yields have been noted</p> <p>2. No details yet, as the rehabilitation of the first schemes only recently completed.</p> <p>3. WMIS is now operational although more data is being uploaded</p> <p>4. MoU signed between the WUAs and the DOI in four irrigation systems. No details yet, as WUAs are just now starting to work on O&M under transferred scheme conditions.</p>	
	S	S						<p>1. NER: 85% (Basic); NER: 99% (Primary)</p> <p>2. Gender Parity Index (Basic): 100%</p> <p>3. Completion Rate for Basic Education: 66%</p> <p>4. Student Learning Assessments (SLA) to be carried out in grades 3, 5 and 8.</p> <p>5. Target Net Enrolment Rate for Secondary Grades (9-12): 27% ; Baseline NER: 21%</p>
	Net Commitmt \$ mn: 64.2							
Disbursements \$ mn: 41.3 (64%)		12/23/2009	12/15/2014	<p>1. NER: 85% (Basic); NER: 99% (Primary)</p> <p>2. Gender Parity Index (Basic): 100%</p> <p>3. Completion Rate for Basic Education: 66%</p> <p>4. Student Learning Assessments (SLA) to be carried out in grades 3, 5 and 8.</p> <p>5. Target Net Enrolment Rate for Secondary Grades (9-12): 27% ; Baseline NER: 21%</p>	<p>10/31/2014</p> <p>12/15/2014</p> <p>12/15/2014</p> <p>12/15/2014</p> <p>12/15/2014</p>	<p>1. NER (Basic): 86.6%; NER (Primary): 95.1%</p> <p>2. Gender Parity Index (Basic): 99%</p> <p>3. Completion Rate for Basic Education: 56.80%</p> <p>4. NASA being carried out. Assessment initiated in grade 8.</p> <p>5. Current Net Enrolment Rate for Secondary Grades (9-12): 30.60%</p>		
MS	MU							
Net Commitmt \$ mn: 130.0								
School Sector Reform (SWAp)	Disbursements \$ mn: 80 (62%)		7/5/2012	9/30/2016	<p>1. Irrigation service delivery by service providers (WUAs) assessed as satisfactory by 50% water users. (baseline 8%)</p> <p>2. 90% Resources generated by waterusers for the operation and maintenance of the modernized irrigation systems.</p> <p>3. Increase in irrigated crop yields of main crops rice, wheat, and maize in about 40% of the command area, at the head of the canal systems; Paddy: 3.1 MT; 2.9 MT; Wheat: 1.9 MT; Maize: 1.8 MT</p>	9/30/2016	Too soon to measure.	
	S	S						
	Net Commitmt \$ mn: 43.0							
Rani Jamaru Kulariya Irrigation	Disbursements \$ mn: 5 (12%)				<p>4. 33% female executive committee member in member of WUA , baseline : 19%</p>	9/30/2016		

Regional Projects							
Project	Current Rating		Effective date	Closing Date	End-Project Key Results	Due Date	Current Progress towards Key Results
	DO	IP					
Regional Wildlife	S	MS	7/1/2011	5/31/2016	1. Establishment of regional coordination forum for addressing illegal wildlife trade and other conservation threats. 2. Development of at least one protocol each on a common research agenda, knowledge, collaboration and division of labor. 3. Agreement among the enforcement agencies on at least two regional protocols, including approaches and solutions.	5/31/2016	1. Project level regional coordination mechanism has been established. Discussions towards the establishment of a sustainable regional coordination mechanism through SAWEN are underway. 2. The delay in India's participation in the project resulted in a postponement of the first regional coordination meeting to December 2012. Joint regional activities will be discussed at this meeting. 3. The delay in India's participation in the project resulted in a postponement of the first regional coordination meeting to December 2012.
		Net Commitmt \$ mn: 3.0				5/31/2016	
		Disbursements \$ mn: 0.2 (6%)				5/31/2016	
Nepal-India Electricity Transmission & Trade	S	MS	9/30/2011	12/31/2016	1. Cross border transmission capacity of 1000 MW 2. 744 GWh per year electricity imported from India into Nepal under the PSA. 3. Synchronization of Nepal grid and India Grid	12/31/2016	1. The Bid Evaluation for the main transmission line is underway . 2. High probability that line will be built and power will be traded, even with delays. 3. Despite Political Fluidity, no loss of commitment from the Govt. has been noted.
		Net Commitmt \$ mn: 99.0				12/31/2016	
		Disbursements: 5.0 (5%)				12/31/2016	

Annex 3: Nepal Monitoring Arrangements under IDA assisted Portfolio⁴

S.N.	Project Name	Uses Sector or Agency M&E System	Uses Project Specific M&E	Data feeds to Sector M&E	Is building Sector or Agency M&E
1	Irrigation and Water Resources Management Project		x	x	
2	Social Safety Nets Project	x	x		x
3	Poverty Alleviation Fund (PAF) II	x			
4	Project for Agriculture Commercialization and Trade (PACT)		x	x	
5	Rani Jamara Kulariya Irrigation Project		x	x	
6	Power Development Project		x	x	x
7	Kabeli Transmission Project		x	x	
8	Rural Access Improvement and Decentralization Project		x	x	x
9	Road Sector Development Project		x	x	x
10	Rural Water Supply and Sanitation Project	x		x	x
11	Emerging Towns	x	x	x	
12	Second Higher Education Project		x	x	x
13	School Sector Reform Program	x			x
14	Enhanced Vocational Education and Training Project (EVENT)		x	x	x
15	Second HNP and HIV/AIDS Project	x		x	x
16	Peace Support Project	x	x	x	x
17	Community Action for Nutrition Project (Sunaula Hazar Din)		x		x
18	Bridges Improvement and Maintenance Program Support		x	x	x
19	Strengthening Regional Coop. For Wildlife Protection		x		x
20	Regional Nepal-India Electricity Transmission and Trade		x	x	

⁴ The above table presents the monitoring arrangements as per project-specific documentation and agreements with GON. However, actual implementation of these arrangements is at different stages, some well advanced, some requiring more attention or at an early stage of development.

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