

# Evaluation of the Implementation of the Paris Declaration

## Country Evaluation

### NEPAL

## Executive Summary

This Nepal Country Evaluation was being undertaken as part of the Phase 2 Paris Declaration Evaluation (PDE 2). PDE 2 builds on the Phase 1 Evaluation (PDE 1) and country level monitoring surveys. Nepal did not participate in PDE 1 and has only undertaken one monitoring survey. Thus, PDE 2 is of particular relevance to Nepal and its timing is significant given the national context and changing aid environment.

### Purpose and Background

The purpose of the evaluation is to document, analyse and assess the relevance and effectiveness of the Paris Declaration, its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

The evaluation was undertaken by a team of Ministry of Finance (MoF) staff and consultants, supported by a National Reference Group drawn from DPs, Government of Nepal (GoN) officials, and civil society. The approach was based on a common methodology used by all the country evaluations.

### Overall Conclusions

The Paris Declaration and the Accra Agenda for Action are clearly evident in the development partnership in Nepal and there has been moderate progress towards improved aid effectiveness over the last decade despite the constrained context. However, the evaluation finds that specific implementation of the Paris Declaration principles has been weak.

There are some examples of good practice including the work of the Nepal Portfolio Performance Review, sector wide working in education and health, and emerging programme based approaches in other areas. Overall the leadership of MoF is strengthening as is the coordinated support of DPs. However the evaluation confirms the findings of the 2008 Monitoring Survey which identified weakness in the coordination of technical assistance, low levels of aid through government for a significant group of DPs, and slow progress towards greater predictability. The evaluation also found continued fragmentation with many stand-alone projects, vertical fundings, and direct implementation, together with moves away from country PFM and procurement systems due to the perceived increases in corruption.

While several DPs are strongly promoting harmonisation and alignment channelling most of their funding through the GoN, some bilateral DPs are adopting both GoN and direct modalities and some remain reluctant to adopt government systems fully. The need to demonstrate attribution, a reluctance to align internal bureaucratic processes with those of GoN, and inadequate ownership and interest in the development process from Nepal are the main reasons given.

Aid effectiveness is high on the agenda in Nepal and the report identifies areas for further consolidation and improvement based on the evident basis of partnership that exists.

## From the Common Evaluation Questions

### Relevance of Paris Declaration:

- The emphasis on *managing for development results* (MfDR) has contributed to a shift in attention from inputs and process to outcomes and impact.
- The focus on the *leadership of country decision makers* has been particularly relevant at this point in Nepal's development and political transformation. Politicians are expected to take stronger ownership and leadership of the development process.
- The history of fragmented and independent DPs behaviour has been a major handicap to aid effectiveness. However, the *increasing alignment of leading DPs* has built confidence on all sides.
- Since the comprehensive peace agreement in 2006 *expectations have grown*; hopes and aspirations have taken on a new dimension. The risk of disappointment and disenchantment with the political process is a challenge. Country ownership and the alignment of external support are essential to the delivery of the promised transformation.
- *Increasing aid flows without more absorptive capacity has contributed to low impact* – this is the critical impediment to scaling up development and achieving results. Managing implementation with a focus on results requires institutional capacity rather than individual skill.
- The Paris Declaration and the Accra Agenda for Action have built *confidence and assertiveness*. If Nepal is to own and lead its development more is required. Until a fully stable system of governance is in place it is hard for senior civil servants to play their role effectively.

### Implementation of the Paris Declaration Principles:

The principles of country ownership and alignment have been moderately well observed and implemented at macro level and are more strongly within the health and education sectors. Strategic level alignment is stronger than institutional alignment which needs more attention.

MfDR is the principle that is most strongly observed and implemented in Nepal. Results have come to the fore with an appreciation of the targets and goals of development and the importance of impact.

Harmonisation and mutual accountability were most weakly observed and implemented at macro level with mutual accountability being the weakest. This is where the Paris Declaration has yet to break through. However, at sector level the

picture is more positive with evidence of effective harmonisation in education (the stronger) and health.

### The main achievements of the Paris Declaration are:

- the focus on results and the information (clarity over targets and their monitoring) required to ensure and assure the achievement of results;
- the appreciation that Nepal has to plan for reduced aid in the long term; and
- the shift in the definition of aid effectiveness from the relationship of inputs against outputs, to a focus on outcomes and impact.

### The burden of aid management:

Few of the benefits in terms of transaction cost have yet been realised. Applying the Paris Declaration is perceived as an additional requirement, rather than bringing a change in the ways in which aid is designed and managed.

The proportion of aid that is off budget has remained the same (around 25%) throughout the last 10 years though there has been some reduction recently. Support for country systems has also changed little though there has been some reduction due to DP confidence declining.

If the Paris Declaration is implemented fully there could be a decrease in the number of DPs needing to have a country office presence in Nepal and more collaborative use of the expertise that those remaining provide. There would also be a short-medium term increase in the demand for and delivery of institutional capacity building for GoN.

### The added value of the Paris Declaration:

Nepal has been facing major challenges as a result of the conflict and, in some ways, even more profound disruption in the post conflict period. These processes have had far more impact on the aid relationship than the Paris Declaration has which has reinforced earlier developments and confirmed a direction of travel but not yet brought substantial added value. The attitudes and approach of most DPs have been influenced more by their perceptions and reactions to the national context than the wider aid agenda. Indeed Paris and Accra are seen as more relevant by GoN actors than by DPs.

The Paris Declaration has contributed at a deeper psychological level rather than in terms of day to day operations. The confidence and assertiveness discussed above are key indicators of this influence. The Paris Declaration principles echo pre-existing understandings of aid effectiveness and have been applicable during the conflict and the post conflict environment. At the level of ideas and meaning they have challenged and continue to challenge much of the conventional wisdom of development in Nepal.

### Key implications for aid effectiveness in the future:

- Aid effectiveness is not simply about the efficient and effective institutional dynamics of aid management, it relates to the processes through which policy, strategy and service delivery meet the needs of Nepal's citizens. This requires improved institutional capacity, access to information and voice and participation at all levels.
- Confidence in Nepal's procurement and other fiduciary systems can ultimately only be built by those who implement the systems. The challenge is to the accountants, managers and administrators within GoN and DP agencies to ensure that the systems are operated as designed and that inappropriate actions are challenged and addressed.
- Nepal cannot ignore climate change and must consider how it reframes the development paradigm.
- Social diversity has been given prominence as Nepal seeks to reframe its approach to poverty. Similarly, governance and state building take on new meanings in the post conflict environment. All these cross cutting issues need to be integrated into the aid effectiveness discourse.
- The debate around the structure of the state presents particular challenges in terms of aid effectiveness. Aid effectiveness will need to be reconfigured for the 'new' Nepal as it develops into a different 21<sup>st</sup> century state.
- Aid effectiveness in the future will need to engage with and bring into the wider framework neighbouring countries who still provide considerable support and assistance.

## From the Country Specific Evaluation Questions

### Conducive incentives system

The existing DP systems do not provide enough incentives for DP staff to adopt Paris Declaration Principles. Similarly, there are few incentives for DPs to join sector wide programmes. There are no incentives for local communication or consultation around the Paris Declaration though the Accra Agenda for Action gives priority to great civil society engagement.

### Post conflict challenges

With the confusion of post conflict political change, there has been a lack of transparency and openness regarding the scope of what GoN can achieve in the short term. An important reason for not being able to meet the raised expectations is the challenge of improving governance. The absence of local bodies has adversely affected the implementation of development activities at the local level effectively.

The transitional period has seen a multiplicity of groups pursuing different political agendas, and the politicisation of many aspects of development and service delivery that should be the responsibility of central or local level bureaucracy. This has weakened confidence in the nation. Impunity has increased because of the transitional chaos created by this political instability. In addition, the debate over and delays in state restructuring is creating uncertainty.

### The level and perceived impact of corruption

The level of corruption is perceived to be increasing. This has led to reduced cost effectiveness and efficiency, which has impacted on development results. Internal control systems are not operating.

## Key Lessons

### For Aid Effectiveness in Nepal

*The efficiencies and effectiveness developed through taking a programme approach can be replicated in other sectors. The lessons from the sector programmes in education and health are applicable more widely. Shared learning by GoN, DPs, civil society partners and service users and beneficiaries can be of benefit.*

- *A focus on results increases responsiveness. MfDR has changed the way in which programmes are designed and delivered making delivery more responsive to beneficiaries and puts the individual, family and community at the forefront.*
  - *Just by labelling it as a 'Paris Declaration Principle' does not change what is already being practiced. Through the evaluation many people discovered that what had become common and expected practice was in fact the application of the Paris Declaration principles.*
  - *Paris Declaration implementation has enhanced results.*
  - *Paris Declaration principles are valid. Though it is too early to identify plausible contributions that relate to the Paris Declaration.*
  - *The Paris Declaration is not being adopted because of perverse incentives within Nepal and DP systems.*
  - *The services that were maintained during the conflict and post conflict period are those where local participation, local management and local delivery were in place and effective.*
- ### For other countries – fragile states/post conflict states
- *The Paris Declaration is relevant and practical even where considerable fragilities are present.*
  - *Good practice in aid effectiveness and aid management is relevant in all situations – the context only changes the way in which the principles are applied.*

## Key Recommendations

### Awareness of Aid Effectiveness

1. Voice and participation, at all local levels are required to build an effective democratic state. GoN needs to ensure a structure and framework to support these processes. The formal and informal spaces for dialogue around aid effectiveness should include GoN, DPs and civil society representation to broaden and deepen the discourse in line with the Accra Agenda for Action.
2. MoF should take the lead in the wider dissemination about and promotion of aid effectiveness (including the Paris Declaration principles) to parliamentarians/politicians, bureaucrats in sectors/line ministries, officials at district level and amongst the wider public in collaboration with civil society actors.
3. DPs should ensure greater awareness of aid effectiveness at all levels (headquarters and country offices) reviewing their staff development processes to strengthen understanding and implementation.
4. GoN and DPs should link their respective performance evaluation systems with implementation of aid effectiveness and include incentives for their staff to adopt Paris Declaration principles.

### Aid Effectiveness Action Plan

5. MoF should ensure that the Foreign Aid Policy is revised and updated and approved as a matter of priority taking the findings of PDE II into account.
6. MoF should restructure FACD with sufficient resources to play its role effectively and proactively promoting and monitoring aid effectiveness throughout GoN and implementing effective aid management systems including sound information base.
7. The Draft National Action Plan on Aid Effectiveness should be reviewed by FACD in consultation with DPs and revised with more specific outputs and indicators based on the lessons in the PDE II report with a three year timetable for joint implementation.

### Promotion of Harmonisation and Alignment at Sector Level

8. GoN and DPs should work together to introduce more sector wide approaches building on the experience in

health and education with a joint commitment to focus on at least one sector a year for the next three years.

9. GoN should encourage and capacitate ministries to prepare sector programmes rather than specific projects.
10. MoF and NPC should develop proposals for gradually phasing out the project mode of implementation and increasing the proportion of aid that is channelled through the budget in support of GoN programmes.

### Paris Declaration at the Local Level

11. Efforts towards an all party consensus to conduct local elections should be intensified. Meanwhile GoN in consultation with other political parties should come up with a more accountable mechanism for the operation of local bodies until local elections are held. This is a basic for promotion of PD awareness and implementation plan at the local level.

### Fiduciary Risk, Corruption and Procurement

12. DPs should appreciate the financial management and procurement systems reforms that are being carried out despite the adverse effect of political transition and support GoN systems wherever possible, and not bypass them in ways that will further weaken them.
13. DPs should support the further strengthening of GoN financial and procurement mechanisms with appropriate monitoring to track improvements in operation.
14. GoN should set a framework to further improve fiduciary and procurement systems building on the PEFA, the Procurement Guidelines and other relevant initiatives.
15. DPs and GoN should develop a joint approach to transparency with respect to corruption. GoN should enforce existing laws and reduce irregularity. DPs should continue to raise their voice in response to specific malpractices within the spirit of mutual accountability.
16. GoN should ensure that public officials and institutions are more aware of the Right to Information (RTI) and require them to implement RTI provisions. The role of civil society actors in awareness raising should be supported.