

DFID's Peace and Security Programme in Nepal







Independent
Commission
for Aid Impact

Contents

Executive Summary	page 1
1 Introduction	page 2
2 Findings	page 6
Objectives	page 6
Delivery	page 8
Impact	page 12
Learning	page 17
3 Conclusions and Recommendations	page 21
Annex	page 23
Abbreviations	page 32

The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

	Green: The programme performs well overall against ICAI's criteria for effectiveness and value for money. Some improvements are needed.
	Green-Amber: The programme performs relatively well overall against ICAI's criteria for effectiveness and value for money. Improvements should be made.
	Amber-Red: The programme performs relatively poorly overall against ICAI's criteria for effectiveness and value for money. Significant improvements should be made.
	Red: The programme performs poorly overall against ICAI's criteria for effectiveness and value for money. Immediate and major changes need to be made.

Executive Summary

Nepal's decade-long civil war ended in 2006 with the signing of a Comprehensive Peace Accord (CPA). This review assesses five DFID peace and security projects, costing £53 million, intended to support the CPA's implementation and Nepal's transition to peace. The projects ranged from rehabilitation of former child soldiers, support to elections, access to justice (especially for women via community dispute resolution) and police reform.

Overall *Assessment: Green-Amber* 

Project partners have delivered well and projects have achieved significant positive impact. DFID has not, however, adapted the direction and aims of its peace and security programme over time, which may jeopardise its future potential. The lack of response to changed context, including the current political deadlock, may risk projects inadvertently increasing tensions rather than building stability. A new peace and security strategy is required to build on successes achieved to date.

Objectives *Assessment: Green-Amber* 

DFID established relevant and realistic objectives for the projects when they were first designed. These were consistent with both UK policy and international good practice. The post-war portfolio was context and conflict sensitive and designed to deliver the well-defined outputs established in the CPA. Beneficiary perspectives and involvement were incorporated into project design where possible. The exception was DFID's proposed Police Reform project, which has been cancelled subsequent to this review. In addition, the overall peace and security programme strategy is now dated and requires review. If assessing Objectives as of today, we would give a lower rating. Contextual uncertainty should not lead to paralysis in the decision-making process.

Delivery *Assessment: Green-Amber* 

DFID used a range of appropriate mechanisms to deliver the projects under review. Neither the total costs nor benefits of available delivery options, however, are well understood. This has limited DFID's ability to make informed decisions in respect of these options.

DFID selected strong delivery partners who use a wide range of information, including extensive beneficiary access, to collect project performance information and to make required operational project changes. DFID can access this information but there is little evidence that its staff are aware of it – or are acting upon it – in line with its responsibilities as a contract manager. Delivery partner oversight has substituted for DFID oversight.

There has been strong delivery but compromised outcomes where project design was weak.

Impact *Assessment: Green* 

UK aid has had a significant positive impact to date, achieving DFID's main stated purpose of supporting the peace process. The two multilateral Trust Funds have enabled the Government of Nepal to meet many of its CPA commitments. In addition, UK funding has started to address citizen priorities of security and access to justice, especially for women, with sensitivity and without jeopardising the peace process. The involvement of beneficiary communities has worked well. Failures in learning, however, risk undermining potential impact.

Learning *Assessment: Red* 

There are examples of positive innovation in the programme and of strong political analysis. Urgent action is required, however, to reflect changes in country context and experience: failures in learning mean that the programme has not been adequately updated. Other than in annual reviews, evaluation efforts have failed to assess design and confirm whether projects are delivering the impact sought. This lack of credible evaluation limits DFID Nepal's ability to adapt its overall strategy, improve project design and target its interventions effectively. This is compounded by a lack of up-to-date planning tools, poor translation of political analysis into programming and weak project information management. DFID Nepal has omitted some material from its website, thereby not fully meeting its own transparency commitments.

Recommendations

Recommendation 1: To maintain and build on beneficiary impact achieved to date, DFID Nepal should, within six months, develop an analytically based, forward-looking governance and security strategy. This should link to a measurable results framework, with ambition consistent with the level of spending.

Recommendation 2: To ensure peace and security projects deliver value for money throughout their life cycles, DFID Nepal should ensure compliance with DFID procedures. It should, within six months, update its project information and planning systems and ensure that these are maintained.

Recommendation 3: To deliver value for money, DFID Nepal should develop greater visibility of the end-to-end costs of delivery. This requires a more sophisticated consideration of administrative and programme costs at the design stage. At a corporate level, DFID should consider standardising its approach to this analysis.

1 Introduction

- 1.1 The purpose of this review is to assess the effectiveness of the Department for International Development's (DFID's) peace and security programme¹ in Nepal. Effectiveness means impact for beneficiaries and value for money for the UK taxpayer.
- 1.2 The five projects reviewed began during – or in the immediate aftermath of – a decade-long civil war, which ended with the Comprehensive Peace Accord (CPA) of 2006.² The projects were designed to support the implementation of the CPA and the stabilisation of Nepal and represent £53 million of UK spending.

Background on Nepal

Despite a peace settlement, Nepal's recent civil war has been replaced by political deadlock

- 1.3 Nepal's civil war resulted in 16,000 deaths and caused extensive destruction, particularly of Government of Nepal (including police) buildings.³ In line with the CPA, the election of a Constitutional Assembly (CA) took place in May 2008. The CA was tasked both with delivering the CPA and drafting a new constitution. Unexpectedly, the CA was unable to agree a national constitution by the set deadline of May 2012 and was dissolved. Future plans for national elections are unclear and local elections have not taken place since 1997.
 - 1.4 As a result, Nepal currently has no effective local or national government. Financial management is based on emergency three-month rolling budgets. Key oversight posts are unfilled; the Office of the Auditor General and the Commission for the Investigation of the Abuse of Authority have been without permanent heads for the last six years. There is also no Parliamentary Accounts Committee, following the dissolution of the Parliament in May 2012.
 - 1.5 Two commissions were envisaged as part of the peace settlement: the Disappeared Commission and the Truth and Reconciliation Commission. In
- 1.6 The political stalemate has led to widespread disillusionment with politics and politicians in Nepal. The original drivers of conflict – poverty, inequality and centralised decision-making by the elite – remain unresolved. Political parties are losing touch with their membership and even fragmenting. A Maoist splinter group, which talks of a return to armed conflict, has recently emerged. Corruption is increasing.
 - 1.7 Poverty has reduced significantly over recent years, falling from 68% in 1996 to 25% in 2010.⁴ This does not reflect economic growth or investment as it is largely due to an increasing number of Nepalis working overseas: an estimated 25-30% of GDP is represented by remittances from Nepalis working overseas.⁵ A lack of domestic economic opportunities means that an estimated 1.9 million people (6% of the population⁶), of whom 1.7 million are males, are working outside Nepal. This is twice as many people as in 2001.⁷
 - 1.8 Nepal has over 100 ethnic groups⁸ and is highly divided along ethnic identity and caste lines. Although Nepal outlawed caste discrimination in 1962, this is still rife: Dalits (the lowest caste) comprise over 20% of Nepal's population but 80% of its poor.⁹ When we met a group of Maoist ex-

Economic, social and environmental inequalities compound political tensions

¹ In this review, 'programme' refers to the overall set of peace and security activities reviewed and 'project' refers to the five individual funding streams or projects within the peace and security programme.
² The CPA covers ceasefire arrangements, the management of armies and arms, political, economic and social transformation and conflict management.
³ <http://www.bbc.co.uk/news/world-asia-19815779>.

⁴ *Poverty Headcount Ratio (% of Population)*, World Bank, 2010, see: http://databank.worldbank.org/ddp/editReport?REQUEST_SOURCE=search&CNO=2&country=NPL&series=&period.

⁵ *Nepal Overview*, World Bank, 2012, <http://www.worldbank.org/en/country/nepal/overview>.

⁶ Nepal's total population is 30 million, *Nepal at a Glance*, World Bank, http://devdata.worldbank.org/AAG/npl_aag.pdf.

⁷ *Nepali National Population Census*, Central Bureau of Statistics, 2011, <http://census.gov.np/>.

⁸ *Constituting a Nationality*, The Economist, 2012, <http://www.economist.com/blogs/banyan/2012/05/nepals-minorities>.

⁹ *The Missing Piece of the Puzzle, Caste Discrimination and the Conflict in Nepal*, Centre for Human Rights and Global Justice, 2005, <http://www.chrgi.org/docs/Missing%20Piece%20of%20the%20Puzzle.pdf>.

1 Introduction

combatants, the group's first question was: 'Which caste are you from?'

1.9 Nepal ranks 115th in the Global Gender Gap Index, above Pakistan (132nd) but below Bangladesh (82nd) and India (112th).¹⁰ Literacy rates amongst women are extremely low: 53% of women lack any formal education.¹¹ Women are denied equal inheritance rights and the right to pass citizenship to their children. Nepal has no laws to deal with sexual harassment,¹² and domestic violence is widespread (despite a Domestic Violence Act).¹³

1.10 Women played a significant role in the conflict; many fought in the Maoist army, where some obtained high rank and status. Independence and status gained during the war have not generally continued afterwards. Many women have no other option but to resume their traditional roles, a currently silent but potent source of frustration.

1.11 DFID is committed to addressing inequality and marginalisation in Nepal. This is clearly central to poverty reduction, albeit a controversial topic requiring careful political handling.

1.12 In addition, political and social tensions may be aggravated by natural disaster: the country is poorly prepared for the major earthquake that seismic records suggest is overdue.

Nepal suffers from widespread corruption

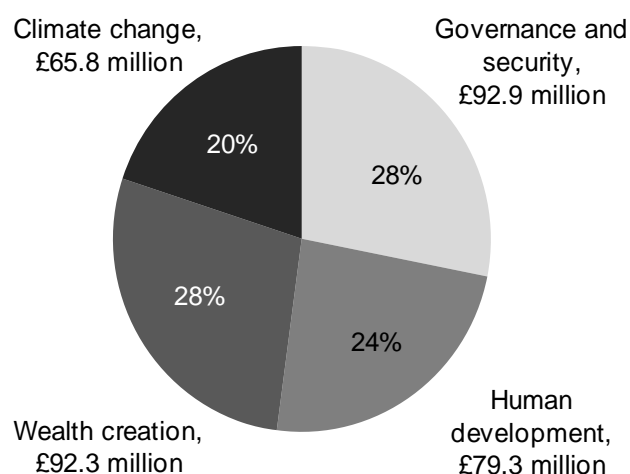
1.13 Nepal ranks 139th in the Transparency Corruption Perceptions Index 2012, on a par with Pakistan and below India (94th) and Sri Lanka (92nd).¹⁴ Our 2011 review on anti-corruption recommended that DFID Nepal (and other DFID programme countries with high rates of corruption) should 'develop an explicit anti-corruption strategy'.¹⁵ In response,

DFID Nepal has now published its anti-corruption strategy.¹⁶

DFID's commitment in Nepal

1.14 DFID is the largest bilateral donor to Nepal. On average, over the last five years, DFID has contributed £54 million, 13% of the £428 million total aid flow.¹⁷ DFID has committed £330 million¹⁸ between 2011-15, spreading this budget across four 'strategic pillars', as shown in Figure 1.

Figure 1: DFID Nepal's expenditure by strategic pillar, 2011-15



Our approach

1.15 While we recognise that DFID's other programmes on health, wealth-building, education and gender-based violence are intended to tackle the drivers of conflict as well, this review focusses on specific peace and security projects within DFID Nepal's governance and security pillar. This follows up on and is informed by the International Development Select Committee 2010 report on DFID Nepal's programme, which recommended that DFID 'needs to approach ... [the security and justice sector] ... with the same degree of urgency as ensuring

¹⁰ *Global Gender Gap Report*, World Economic Forum, 2012, page 11, http://www3.weforum.org/docs/WEF_GenderGap_Report_2012.pdf.

¹¹ *DFID Nepal Operational Plan: Gender and Social Inclusion*, DFID, 2012, page 1, <http://www.dfid.gov.uk/Documents/publications1/op/nepal-2011-annex.pdf>.

¹² *Unequal Citizens: Gender, Caste and Ethnic Exclusion in Nepal*, DFID and World Bank, 2006, page 21, <http://www.agora-parl.org/sites/default/files/unequal%20citizen%20in%20nepal.pdf>.

¹³ The Domestic Violence (Offence and Punishment) Act, 2066 (2009).

¹⁴ *Corruption Perceptions Index*, Transparency International, 2012, <http://www.transparency.org/cpi2012/results>.

¹⁵ *DFID's Approach to Anti-Corruption*, ICAI, 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/DFIDs-Approach-to-Anti-Corruption.pdf>.

¹⁶ *DFID's Anti-Corruption Strategy for Nepal*, DFID, January 2013, <http://www.dfid.gov.uk/Documents/publications1/acs/anti-corruption-strategy-np.pdf>.

¹⁷ Aid flows over five-year period, <http://www.aidflows.org/>.

¹⁸ The total quoted in the Operational Plan is £331 million, however, the spending quoted in that plan sums to £330,168,000. *DFID Nepal Operational Plan, 2011-2015*, May 2012, page 7, <http://www.dfid.gov.uk/Documents/publications1/op/nepal-2011.pdf>.

1 Introduction

people's demands for health and education are met'.¹⁹

1.16 All reviewed projects have been active or approved for some time, allowing us to assess their impact and their management. To do this, we carried out a background literature review,²⁰ received briefings from DFID Nepal staff and conducted field visits to nine districts (in east and west Terai).²¹

1.17 We placed DFID's intended beneficiaries at the centre of this review, meeting over 200 of them. These included village mediators in DFID-funded projects; women's groups; police officers; communities served by rebuilt police stations; and Maoist former child combatants inside and outside cantonments (barracks). We also interviewed donors, national, provincial and district officials, members of the judiciary, civil society representatives, the media and project delivery partners.

Projects covered in this review

1.18 Five peace and security projects are covered by the review. Two are trust funds:

- **The Nepal Peace Trust Fund** (which we will refer to as the 'Nepal Fund').²² this was set up in 2007 to support the delivery of the CPA. The fund has four areas of work: management of the Maoist cantonments; compensation for conflict-affected people (CAPs); security and justice (largely rebuilding police stations destroyed during the conflict which we will refer to as the police station reconstruction work); and Constituent Assembly and peacebuilding initiatives (largely supporting the elections). It is co-financed and managed by the Government of Nepal and receives contributions from seven

donors.²³ Commitments to date total £132 million, of which the Government of Nepal has contributed £86 million (65%) and DFID has contributed £13 million (10%); and

- **The UN's Peace Fund Nepal** (which we will refer to as the 'UN Fund'): this was set up in parallel to the Nepal Fund to complement its work. It focusses on areas that require a rapid turnaround, specialised skills or are too politically sensitive for the Government of Nepal. Overseen by the Nepal Fund board, the United Nations (UN) Fund mobilises resources in support of critical peacebuilding and recovery activities requested by the Government of Nepal. Commitments to date total £16 million, of which DFID has contributed £6.8 million.²⁴ The fund has four areas of work: elections and governance; rights and reconciliation; quick impact projects including de-mining; and reintegration. The reintegration work largely supports the verification of Maoist ex-combatants²⁵ and provides training and employment opportunities for former child soldiers, referred to as Verified Minors (VMLRs).²⁶

1.19 As of December 2011, the two Trust Funds have been referred to by DFID internally as a single programme – the Peace Support Programme (which we will refer to as 'Peace Support'). Externally, however, they remain two separate funds. DFID has approved a further sum of up to £20 million, to be allocated across the two funds and for election support, from 2012-15.

1.20 The remaining three projects we reviewed are:

- **Women's Empowerment for the Promotion of Rights through Paralegal Committees** (which we will refer to as the 'Paralegal project'): the objectives of this UNICEF-run project are awareness-raising and mediation to

¹⁹ See the Learning section, paragraph 2.93. *DFID's Programme in Nepal*, House of Commons International Development Select Committee, 2010.

<http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/168/168i.pdf>.

²⁰ The background literature review consisted of: all project documentation made available; internal and external programme reviews including an International Development Committee review; governance literature and political analysis; and relevant DFID policy.

²¹ The Nepal Terai (Nepali: 'low-lying land') stretches along the south of Nepal. Communities in these regions include some of the most excluded groups in Nepal and saw much of the fighting during the civil war. The districts we visited were Banke, Dang, Morang, Jhapa, Ilam, Sunsari, Saptari, Kathmandu and Bhaktapur.

²² From 2012, DFID support to the Nepal Fund and UN Fund has been combined into a single project, the Peace Support Programme (up to £20 million to 2015).

²³ In order of size of contribution: the UK, Norway, Switzerland, Finland, Denmark, the European Union and Germany.

²⁴ Contributors, in order of size of contribution to date are the UK, Norway, Denmark, Canada and Switzerland.

²⁵ 'Verification' of Maoist ex-combatants means checking that those who said they were part of the Maoist army actually were.

²⁶ Verified minors are those who were recruited into the Maoist army before they were 18. LR stands for Late Recruits – people who enlisted after the end of hostilities and who are not entitled to termination packages that other adult fighters have received.

1 Introduction

protect women and children – particularly those from poor and socially excluded groups – from violence, exploitation and discrimination. In practice, however, project activities are mainly focussed on mediation. The project has been funded by DFID since 2010. A similar programme was implemented by the non-governmental organisation (NGO) Plan Nepal (from 1997). The total UK commitment to date is £6.5 million (and expenditure to July 2012 is £4.7 million). From August 2013, the project will be rolled into the Women and Girls Programme of the Nepali Ministry of Women, Children and Social Welfare. In July 2012, a strategy was put in place to allow this transition. DFID has pledged £5.9 million to gender-based violence programming, to start in 2013, which will include continuing support to this project;

- **The Madeshi-Terai Community Mediation Project** (which we will refer to as the ‘Madeshi Mediation project’): this is a solely DFID-funded project that began in 2008.²⁷ Part of DFID’s Enabling State Programme (ESP),²⁸ the project focusses on providing access to justice to the most marginalised people in six Terai districts. These districts were subjected to high levels of post-conflict violence as the Madeshi people worked to ensure that historical discrimination against them ceased. To date, the UK has committed £0.92 million (and spent £0.76 million); and
- **The Nepal Police Modernisation Programme** (which we will refer to as the ‘Police Reform project’): DFID decided to discontinue this project subsequent to the ICAI review visit. The project was designed to offer strategic, practical and infrastructure support to the Nepali police service. The total project budget was £7.2 million, of which DFID had pledged £6 million (83%), with Denmark committing the remaining £1.2 million. Prior to its cancellation, the project had been on hold since its approval in 2010,

due to failures to agree terms, political changes²⁹ and procurement delays. While this project has been cancelled, the UK Government is currently developing a security and justice programme which will include police reform.

²⁷ There were two extensions to the project. The first eight-month extension was to implement a transitional plan to enable women’s rights groups and mediation committees to function after the Enabling State Programme support ended. The second was to institutionalise mediation and begin capacity-building.

²⁸ The Enabling State Programme is a wider DFID-funded programme which ‘targets the corruption, institutional inefficiency and domination of decision-making by the elite’, <http://www.esp-nepal.org.np/>.

²⁹ In the UK, the new Coalition Government put security and justice submissions on hold in 2010. In Nepal, the new Ministry of Home Affairs wanted a support channel directly through the Ministry, delaying approval in 2011.

2 Findings

Objectives

Assessment: Green-Amber 

2.1 In this section we assess DFID's peace and security objectives according to their relevance and appropriateness at the time they were set. We note that these objectives have not been adapted to reflect changing circumstances.

Objectives were appropriate when set

2.2 One of DFID's top priorities is supporting the peace process. Current DFID peace and security programme objectives were set between 2007-10. Objective setting in this period was, therefore, straightforward: to enable Nepal to deliver the CPA. This was mostly through support to the Nepal Fund and UN Fund but with some complementary support to gender-based violence, mediation, democracy and inclusion.

2.3 In 2012, the CPA remains the key document of the Nepal Fund (described by a Trust Fund staff member as 'the bible'³⁰). Many of the necessary tasks that it sets out have been delivered.

The programme is consistent with UK policy

2.4 To determine consistency with international good practice, we assessed the projects under review against agreed UK aid effectiveness principles of ownership, alignment and harmonisation.³¹

2.5 *Ownership:* DFID is supporting Nepali priorities as agreed by political parties in the CPA. Donors have strengthened the Government of Nepal's key delivery vehicle – the Nepal Fund – to deliver CPA objectives. DFID is also moving the Paralegal project into full Government of Nepal ownership through the Ministry of Women, Children and Social Welfare.

2.6 *Alignment:* those projects that are not directly managed by the Government of Nepal are aligned with government systems and policies. For example:

- the UN Fund shares governance arrangements with the Nepal Fund;

- the Madeshi Mediation project is in line with the Government of Nepal's Mediation Act³² and has actually contributed to the development of that Act; and
- the Paralegal project is designed to work closely with district authorities on legal referrals and with the village-level structure (the Village Development Committee (VDC))³³ for financial grants. Many paralegal committees have successfully applied for grants providing them with financial independence and sustainability.

2.7 *Harmonisation:* donor action is well co-ordinated. DFID has contributed an international staff member to the donor group in Kathmandu, who has supported the Nepal Fund and helped to reduce the Government of Nepal's management costs by simplifying its relationship with donors. There is also evidence of cross-fertilisation of best practice between the two Trust Funds and of learning between the different donor-financed projects.

2.8 Overall, programme design was consistent with UK state-building objectives as laid out in the Building Stability Overseas Strategy.³⁴ There are close relations between DFID and the British Embassy in Nepal, allowing continual shared analysis. DFID's focus has been on supporting the Government of Nepal and civil society on the de-escalation of violence, promotion of peace, restoration of law and order, state-building and inclusiveness. These are all relevant preventative measures in line with UK strategy.

The programme is designed to contribute sensitively to building peace

2.9 DFID Nepal's entire programme is designed to prevent and mitigate the risk of instability in Nepal, recognising that peace is needed for development.

³⁰ As told to the ICAI team during a Nepal Fund meeting, 4 September 2012.

³¹ *Paris Declaration and Accra Agenda for Action*, Organisation for Economic Co-operation and Development, 2005, <http://www.oecd.org/dac/aideffectiveness/parisdeclarationandaccraagendaforaction.htm>. The UK is a signatory to these principles.

³² Nepal's Mediation Act 2068 (2011) can be found at: [http://www.lawcommission.gov.np/en/documents/Prevailing-Laws/Statutes---Acts/English/Mediation-Act-2068-\(2011\)](http://www.lawcommission.gov.np/en/documents/Prevailing-Laws/Statutes---Acts/English/Mediation-Act-2068-(2011)).

³³ The Village Development Committee provides small amounts of financing for local development priorities, oversight of utilisation and distribution of state funds and a forum for interaction between government officials and village representatives.

³⁴ *Building Stability Overseas Strategy*, DFID, Foreign and Commonwealth Office and the Ministry of Defence, <http://www.dfid.gov.uk/Documents/publications1/Building-stability-overseas-strategy.pdf>.

2 Findings

2.10 The programme has begun to address access to justice – a difficult issue that could fuel conflict. It is approaching the matter sensitively, by building on Nepali traditions at the community level, which has proved non-divisive. In this way it has successfully avoided endangering the peace process.

2.11 DFID's range of delivery partners reduces the risk of failure. It allows the use of the most appropriate delivery mechanisms – from local NGOs to the UN. It also allows for politically sensitive activities to be carried out outside the Government of Nepal.

Beneficiary involvement and views have been incorporated in project design where possible

2.12 Considering the nature of the projects, it is clear that full beneficiary involvement in project design was difficult to achieve but that it has generally taken place where possible. Specifically:

- the CPA, which sets the programme's priorities, represents the negotiated outcome of Nepali citizens' diverse views;
- the design of the mediation projects (Paralegal project and Madeshi Mediation project) is based on traditional Nepali mediation experience and is run by local people (in particular women);
- the reconstruction of police stations under the Nepal Fund involved committee oversight by local people; and
- lengthy negotiations between stakeholders took place during the development of the Verified Minor and Late Recruit Support project, a component of the UN Fund.

2.13 The exception was the (now cancelled) Police Reform project where, despite consultation with the police, efforts to incorporate police and communities' priorities into design were insufficient (see the Learning section).

Programme design was appropriate immediately post-conflict but is now outdated

2.14 The majority of programme funding was focussed on delivering immediate CPA needs (for example, rebuilding police posts). It was deliberately unambitious in terms of long-term change, focussing on creating the conditions for longer-term reform. Our view is that this was appropriate

considering the volatility of the situation and urgent needs at the time.

2.15 The conflict in Nepal has evolved since programme objectives were originally set: avoidance of conflict is now broader than just preventing a return to civil war. The peace and security programme has not been updated to reflect, for instance, current frustrations with the Government of Nepal's performance, such as the economy, unemployment, weak rule of law and crime. Other matters have also assumed greater importance, for example, the disaffection of former combatants and the growing distance between political parties and their members as politicians fight for power in Kathmandu. Some groups, particularly women and the lower castes, are left wondering what they were fighting for. This has all taken place against a background of political limbo since May 2012, which has left Nepal with a president and prime minister but no parliament and no set date for elections.

2.16 Needs and priorities immediately post-conflict were relatively clear. The increasing volatility since then has necessitated systematic monitoring to ensure that the programme remains relevant and responds to change.

2.17 Two of the tools that DFID uses to plan programmes are the theory of change (ToC) and the logframe. The ToC sets out the analysis of how impact for beneficiaries is achieved through DFID projects and programmes. The logframe, informed by this ToC, defines the project activities, along with the targets and progress indicators to measure success. The logframe's usefulness to measure results is discussed under Impact.

2.18 DFID's development, updating and current use of its ToC is insufficient:

- it provides little guidance as to how DFID projects will deliver the intended outcomes and how these outcomes will contribute to improving beneficiaries' lives;
- it does not provide analysis of which delivery channels are appropriate. It describes the context and the UK's overall objectives, suggesting that DFID should work through the Government of Nepal if there is a political

2 Findings

settlement and outside of government if there is not. This is unhelpful, as the programme has been delivered successfully both directly and through the Government of Nepal for years, in spite of the state of the political settlement; and

- it has not been updated to reflect the dissolution of the CA in May 2012 which, as noted above, has left the country without a government and is causing disillusionment with the peace process.

2.19 The risks arising from the various causes of frustration are also not sufficiently captured in DFID's sector risk assessment. Emerging threats are debated at policy level in DFID and with trusted partners but this analysis is not reflected in programming.

2.20 The peace and security programme remains, for the most part, the same list of tasks as it was when it was first developed four years ago. It has not matured into a cohesive programme of mutually reinforcing projects that produce an effect greater than the sum of their parts. As a result, as well as losing relevance, the programme is not maximising value for money.

2.21 In conclusion, a failure to utilise fully DFID's project planning tools to update projects and the programme means that, if we had assessed the relevance and appropriateness of objectives today, instead of when objectives were set, the programme would not have scored as well. We deal with these issues in the section on Learning.

Delivery

Assessment: Green-Amber 

2.22 This section examines:

- the range of aid delivery mechanisms DFID uses and the costs and benefits associated with these;
- DFID and its contractors' oversight and management of projects;
- DFID's use of its management tools in delivering projects; and
- the appropriateness of DFID's approach to financial management and anti-corruption.

DFID made strong choices of different partners and methods for providing aid but its understanding of costs and benefits associated with these is insufficient

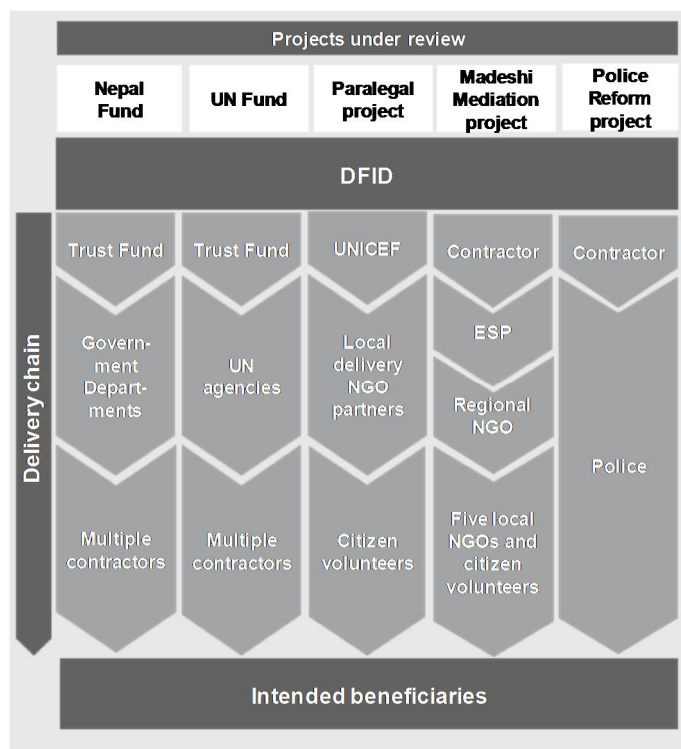
2.23 Given the significant political uncertainty in Nepal, diversifying risk across a range of projects and delivery mechanisms is appropriate. All options do, however, represent a trade-off. Overall, DFID's portfolio, with a variety of partners and project approaches, balances the trade-off well, exploiting the range of available options. For example:

- the Nepal Fund works with the Government of Nepal and operates as a multi-donor co-ordination mechanism. This dual role serves to strengthen government capabilities and reduces the risk of donor overlap (or insufficient coverage). There are, nevertheless, financial risks involved in delivering through government systems, given assessments of levels of corruption (see paragraph 1.13);
- working through the UN (UN Fund and Paralegal project) gives access to specialist technical skills and strong financial management;
- working bilaterally (as was proposed for the delivery of the Police Reform project) gives strong financial control, flexibility and direct accountability but entails a significant administrative burden; and
- contracting local NGO management allows DFID to work at the community level with grassroots organisations.

2.24 Figure 2 on page 9 shows the chain of partners (delivery chains) between DFID and the ultimate beneficiaries for each project under review.

2 Findings

Figure 2: Delivery chains used by DFID Nepal



2.25 Delivery chains vary in length and are often assumed to be less cost-effective as each link in the chain represents an additional organisation, with overhead costs and management requirements. Hence, there is an additional associated administrative cost.

2.26 We found evidence, however, of three key advantages of longer delivery chains:

- having many delivery steps has introduced more levels of monitoring, as each organisation in the chain is reviewing and feeding its experience back to others. In the Madeshi Mediation project there are multiple layers of NGOs, each taking an active role in overseeing and advising on each other's work;
- having longer delivery chains allows DFID to reach further into communities, accessing smaller, community-based and owned NGOs, for example, the five local NGOs in the Madeshi Mediation project; and
- involving more organisations has built local capacity. Placing the UN or another well-qualified contractor to oversee local

organisations has developed their capacity, building sustainability.

2.27 Overall, our view is that the lengths of the delivery chains were appropriate and added value to the projects in their delivery but that DFID's knowledge of the associated costs was insufficient. There is little evidence of DFID understanding the detail of how its money is spent or whether project outcomes or impact on beneficiaries have been delivered as a result.

2.28 This is demonstrated in a project funded by DFID through the UN Fund, which is supporting former Maoist child soldiers (VMLRs) with training and business set-up support. DFID knows how much the delivery partner has spent in total (costs) and the number of VMLRs who have received education (outputs). DFID has less information, however, on how money was spent (inputs) and how this translates into intervention outcomes or impact in terms of jobs and livelihood opportunities. Without understanding the entire delivery chain, it is not possible for DFID to assess or ensure value for money of its projects.

2.29 Linked to this, a specific issue is the lack of a DFID-determined definition of administrative cost: in Nepal, the definition provided by the delivery partner is accepted and reproduced in all DFID documentation. The UN Fund, for example, defines administrative costs as 8%,³⁵ whilst the Nepal Fund quotes 0% as it does not charge donors for Fund management. Overall, administrative costs are understated in the projects we examined.

2.30 We tested the usefulness and accuracy of this headline administrative cost using the VMLR and Madeshi Mediation projects. We estimated the total administrative costs of the two projects, defining administrative cost as 'expenditure that does not reach the beneficiary directly'.

2.31 The conclusion was that the cost breakdown presented by fund managers and accepted by DFID does not consider the entirety of project administrative costs: it is understated. This does not imply that support costs are necessarily

³⁵ 7% for the UN delivering agency and 1% for the UN centrally (management of the Trust Fund). The UN's definition of administrative cost is only those elements of cost that cannot be attributed directly to delivery of a specific project.

2 Findings

unreasonable in light of impact achieved in the difficult context. Our concern is rather that a lack of questioning and inquiry into overall project costs and benefits – from financial contribution to beneficiary impact – makes it impossible for DFID to make informed programming decisions based on value for money. This is a significant failing on its commitment to British taxpayers that needs addressing at local and central levels.

DFID's oversight of aid implementing partners is weak

2.32 DFID is responsible for ensuring that UK aid achieves its intended impact. To do this with limited administrative resources, it delegates the delivery of project inputs and outputs to a range of delivery partners. For the purpose of our analysis, we have split the project delivery into three responsibilities:

- DFID is responsible for contract oversight, which involves selecting strong delivery partners and ensuring they deliver agreed outputs and outcomes;
- the delivery partner is responsible for monitoring project inputs and outputs and making relevant operational adjustments; and
- DFID is responsible for evaluation (assessing the project's design) and related adjustments to design. This is discussed in the Learning section of this review.

DFID selected strong delivery partners but is insufficiently aware of the details of project progress

2.33 DFID can take significant credit for selecting strong delivery partners. In discussions with us, partners showed high levels of competence, understanding and commitment to beneficiaries. As a result, providers have largely delivered agreed outputs.

2.34 In addition, DFID has closely involved beneficiaries as delivery partners in its programme. Both mediation projects recruit and support volunteers from within the communities served. Volunteers across communities, including men and women from the full range of castes and socio-economic groups, were rightly proud of their contribution which has catalysed the development of a Mediation Act. This will bring community dispute

resolution into formal Government of Nepal processes, with the potential to improve access to justice and deliver programme sustainability.

2.35 Our discussions with the DFID team, however, revealed multiple oversight deficiencies. In many cases we were told by a DFID official that the information we requested was known only by DFID Nepal staff who were no longer working in that office.

2.36 While personnel who had managed the projects in the past had a good understanding of key issues, the team in place at the time of our visit did not possess the same level of understanding. This included issues regarding the dissatisfaction of the VMLRs with the support they had received, the extent of the benefits of police post reconstruction and even fundamental changes being introduced into the Paralegal project as it moves to Government of Nepal ownership.

2.37 In the short term, delivery partners can – and do – substitute well for DFID's contract oversight role but close DFID oversight is required for two reasons:

- if there are flaws in design, a project can fail to deliver, despite input and output milestones being met. For example, in the VMLR project, the output-level data are very positive but may mask some underlying dissatisfaction of the intended beneficiaries; and
- if DFID's providers prove to be less competent or fail to take changed circumstances into account, poor oversight would risk serious consequences for programme delivery.

Delivery partners are collecting input and output data and using these to improve delivery

2.38 Several years on from the end of the civil war, Nepal has a relatively safe security environment. Delivery partners (and DFID) can and do travel to meet beneficiaries.

2.39 Our field visits provided strong evidence that delivery partners are having regular structured contact with beneficiaries and intended

2 Findings

beneficiaries, Nepal's active NGO community³⁶ and other stakeholders. Through this, they are collecting output and some outcome information and are gaining a better understanding of beneficiaries' challenges and needs. Further, delivery partners have developed a range of systematic tools for engaging beneficiaries in oversight. For example, we witnessed genuine community pride from community groups charged with the oversight of the reconstruction of police posts (see Figure A4 in the Annex). The Nepal Fund also commissions social audits to seek the views of beneficiaries on the projects that affect them in a systematic way. Similarly, DFID commissioned a cost-benefit analysis of the Madeshi Mediation project to assess its economic effects on intended beneficiaries.

2.40 There is also evidence of delivery partners using beneficiary feedback and available information to adjust project delivery. For example, in the Paralegal project, UNICEF found that legal structures to support new committees were not always in place. Consequently, committees were being set up where referral of cases was not possible, limiting effectiveness. DFID and UNICEF, along with the Government of Nepal, agreed to halt project expansion.

Poor use of project management tools puts project impact at risk

2.41 DFID has a strong set of project and programme management tools to support it in delivery – for example, templates for project design, appraisal and monitoring. Contextual change and project information is not, however, systematically captured through these tools. Their poor use is both a symptom and cause of poor programme oversight. For example:

- the annual review of the Paralegal project notes that there was no strong basis against which to judge project progress.³⁷ Since we visited Nepal in September 2012, the logframe has been updated to include baseline data produced in

February 2012 – the data were produced too late to be of much use to the project;

- there is no current framework determining expected results from the Peace Support funding – which is up to £20 million;³⁸ and
- due to reservations expressed by the Inspector General of Police, the terms of reference for the implementation of the Nepal Police Reform project were amended, although the main project document has remained unchanged since its approval in 2010.³⁹ When we visited in September 2012, DFID then planned to delegate resolution of issues to the project contractor within two weeks of start-up. This was unrealistic after two years of failure to agree. After two years of design and two failed procurement processes,⁴⁰ DFID has since decided that the project was not viable and cancelled it. This outcome might have been prevented by closer oversight and using feedback at an earlier stage.

2.42 In several cases, project data were not immediately available from DFID. For example, when we requested UN Fund funding figures, DFID responded that it would request this figure from the UN. In many cases the documentation provided was out of date. Collecting and collating the key project management documents for our review was a time-consuming task, suggesting that these documents are not being used on a day-to-day basis for programme management.

2.43 At the programme level, DFID has a potentially useful monitoring framework. This is, however, insufficiently populated with project baselines and indicators. New indicators for the rehabilitation of ex-combatants puzzlingly drop references to minors completely and the indicators referring to the Paralegal project fail to include the baseline data collected in February 2012.

³⁶ There are an estimated 26,000 registered NGOs and 200 international NGOs in Nepal. Riehl, Utz, So, *Why Do You Work in the NGO-Sector?*, 2009, http://www.uni-bielefeld.de/torc/ag_soeranth/downloads/riehl.pdf.

³⁷ *Annual Review*, DFID, 2012, page 2,

<http://projects.dfid.gov.uk/project.aspx?Project=200628>.

³⁸ The current logframe refers only to the Nepal Fund. See recommendation 2 in Figure A3 in the Annex.

³⁹ The key issue was that the police wanted more spent on infrastructure and investigation equipment, a view shared by everyone we interviewed – communities, the judiciary and the media.

⁴⁰ The first procurement reached the expression of interest stage and was not completed.

2 Findings

DFID recognises and responds to risks in financial management but more work is required

- 2.44 DFID recognised the benefits of supporting a Government of Nepal-managed Trust Fund (the Nepal Fund). DFID also recognised the risks of this choice for financial management and has worked closely with the Government of Nepal and other donors to mitigate these. For example, DFID has provided a chartered accountant to advise the donor group on financial management challenges and was heavily engaged in the development of the Nepal Fund's financing agreement to strengthen financial and reporting procedures.
- 2.45 DFID recognises that risk mitigation is an ongoing process and that further improvements are required. For example, DFID has agreed that the Nepal Fund can make use of independent performance audits to strengthen current financial audits. It is also looking to develop the use of social audits (where beneficiaries are closely involved in monitoring) and audits of procurement.
- 2.46 One specific issue that needed to be addressed, given the context, was an update of DFID's fiduciary risk assessment. At the time of our review, this was out of date, with the last full assessment having been carried out in 2007. DFID has now updated this.
- 2.47 For the two UN-managed projects (the UN Fund and UNICEF's Paralegal project), we saw clear evidence of strong financial management practice, governed by well-established headquarter-level agreements. Strong financial management procedures are also in place for the Madeshi Mediation project.
- 2.48 Overall, financial management in DFID Nepal is appropriate and balances the need to take risks with mitigating actions. There is, however, a need for further action.

DFID is responding to the ICAI recommendation that an anti-corruption strategy is needed in Nepal

- 2.49 The November 2011 ICAI review on anti-corruption concluded that, in countries with a high risk of corruption, 'DFID should develop an explicit anti-corruption strategy, setting out an integrated programme of activities and dialogue processes'.

- 2.50 The need for a comprehensive approach was highlighted during the ICAI visit. The key Nepal anti-corruption commission (the Commission for the Investigation of Abuse of Authority) currently has no commissioners. In addition, discussions with the Commission revealed an unwillingness to pursue some politically sensitive allegations, for example, claims that a proportion of payments to Maoist ex-combatants were claimed by their former commanding officers. Despite mitigating action by DFID, weaknesses in this key agency pose difficulties for DFID's preferred practice of working with and through the Government of Nepal's financial systems.
- 2.51 DFID is about to expand its public financial management expertise and begin a significant Government of Nepal support programme in this area.

Impact

Assessment: Green 

- 2.52 This section examines the impact of DFID's four active peace and security projects in Nepal. The Police Reform project is not considered, as delivery had not started by the time of the review visit and the project has subsequently been cancelled.

The impact of DFID's peace and security programme has been very positive in Nepal

- 2.53 DFID's peace and security support in Nepal has helped to finance the clearance of all minefields and the reconstruction of 277 police stations. Phase 3 of the police station reconstruction (covering 100 out of the 277 stations) has yet to be started. We note that this still leaves almost 500 police stations unreconstructed.⁴¹
- 2.54 DFID's support has also provided the services and infrastructure to ensure the successful demobilisation of the Maoist army and has enabled free and fair elections to take place. All these steps have been crucial to the success of the peace process to date. Politically, however, the peace process is far from complete and is at risk.

⁴¹ Nepal Peace Trust Fund project information summary, [http://www.nptf.gov.np/userfiles/NPTF%20-%20Cluster%203%20Project%20Sheets%20\(21%20May%2012\)_3.pdf](http://www.nptf.gov.np/userfiles/NPTF%20-%20Cluster%203%20Project%20Sheets%20(21%20May%2012)_3.pdf). There are currently no further pipeline projects within the Nepal Trust Fund to rebuild the remaining 491 police posts.

2 Findings

Poorly developed and updated management tools make measuring impact difficult

- 2.55 There are two standards against which to measure programme success:
- against results, based on beneficiary feedback and the evidence of a peace process on track; and
 - delivering on commitments: did DFID do what it said it would?
- 2.56 We found the first straightforward and we address it in more detail below. The second, however, was more problematic.
- 2.57 Neither the Operational Plan nor the programme logframe adequately cover the full range of the projects. It is not explicit what the sum of DFID funding is intended to achieve and hence it is difficult for DFID and others to judge value for money. As shown in Figure 3, there are only two headline governance and security targets in DFID's Operational Plan.

Figure 3: DFID Nepal Operational Plan, governance and security headline results⁴²

Operational Plan Indicators	Target
Number of minors and late recruited former Maoist combatants given training and reintegration support.	2,100 by 2013
Percentage of local government bodies that conduct public audits for each and every project.	93% by 2015

- 2.58 Arguably, in selecting programme targets that are easily measurable there has been a loss of relevance. The Operational Plan indicators only capture success in an estimated 4% of the total programme value (in two projects only). There are no headline measures for 96% of DFID's Governance and Security spending. Equally, measurable successes, such as enabling the peaceful dissolution of the Maoist force, are only reflected in lower-level documents.
- 2.59 Additionally the targets are very modest (set at output rather than outcome level). More ambitious indicators would challenge DFID to achieve better

value for money and allow it to reflect fully achievements to date.

- 2.60 The sector logframe, which provides a framework for measuring progress against the Operational Plan, is not comprehensive. It only partially covers DFID's peace and security projects. Several key areas of Trust Fund activity are not covered. Other projects, such as the Madeshi Mediation project and parts of the (at that time planned) Police Reform project, are only captured obliquely (see Figure A7 in the Annex).
- 2.61 Despite no reference to some of the projects in the logframe, all projects do contribute to two of the sector logframe outcomes. These are:
- **Outcome 1:** 'Peace process implemented leading to establishment of a new national government in line with election results'; and
 - **Outcome 2:** 'Improved citizen security and access to justice, especially for women and children'.
- 2.62 Outcome 1 is not achievable through DFID programming alone. The stated means of achieving this outcome, the logframe output (rehabilitation of the Maoist army and elections), is not sufficient and only reflects part of DFID Nepal's relevant assistance.
- 2.63 Additionally, despite the longevity of many of DFID's projects,⁴³ project and programme logframes have minimal baseline data. This makes the impact assessment difficult (see the Learning section).
- 2.64 Finally, several factors have changed since these outcomes were agreed. Reflecting this, our assessment was based on the spirit of these outcomes, together with DFID's stated aim of supporting Nepal to deliver the CPA.
- 2.65 Overall, we constructed a view of the intended impact of the programme and measured against this. It is, however, urgent that DFID update their peace and security strategy to ensure that there is a clear articulation of intended impact going forward.

⁴² Operational Plan 2011-2015, DFID, 2012, page 5, <http://www.dfid.gov.uk/Documents/publications1/op/nepal-2011.pdf>.

⁴³ In the case of the Nepal Police Reform project, for example, funds have been approved since 2010.

2 Findings

Outcome 1: DFID's main stated purpose was to support the peace process, which it does through the Trust Funds

- 2.66 DFID's contributions to the Nepal Fund and the UN Fund are 10% and 42% respectively. Figure 4 sets out key CPA commitments and comments on Trust Fund support to these.
- 2.67 DFID and other donors are not funding all CPA-related activities. Payouts to ex-combatants are financed directly by the Ministry of Peace and Reconstruction with donor support of a technical nature or, in some cases, minor funding to support activities. For example, the Nepal Fund finances Local Peace Committees⁴⁴ to register CAPs entitled to compensation. The compensation itself is not paid through the Trust Fund but directly out of the Government of Nepal's resources.
- 2.68 The Trust Funds have added considerably to direct action by the Government of Nepal. Even issues yet to be resolved, such as federalism and the (yet to be appointed) Truth and Reconciliation Commission, have benefited from technical support from the Funds where appropriate.

Figure 4: Key achievements of the Trust Funds

CPA commitment relevant to Trust Funds	Trust Fund	Comment
CA Election 2008	Nepal Fund	Peaceful, considered fair by an independent observer. ⁴⁵
Cantonments: services, rations	Nepal Fund	Rations and services provided to all in cantonments.
Registration, rehabilitation, reintegration of ex-combatants	UN Fund/ Nepal Fund	Registration of all 19,000 ex-combatants completed; 12,000 attempted false registrations avoided. Registration of VMLRs; livelihoods project in support of their reintegration into society close to completion (but see Figure A5 in the Annex).
Minefield clearance	UN Fund	53 minefields cleared and all Improvised Explosive Devices neutralised.
Truth and Reconciliation Commission	Nepal Fund/ UN Fund	Technical design support provided, transitional justice capacity-building and evidence of abuses collected.
Internally Displaced Person return and compensation	Nepal Fund	Peace Committees in all districts trace and compensate CAPs, including internally displaced people.
Infrastructure repair	Nepal Fund	277 police posts being rebuilt out of 768 damaged or destroyed.

We question the positive impact of UK aid on the peace process in two cases: the UN's VMLR project and the Nepal Fund's Local Peace Committees

- 2.69 We spoke to a range of intended beneficiaries who raised concerns that the UN Fund's VMLR project may not be delivering the outcomes sought.
- 2.70 This project was designed for people who joined the Maoist army when they were under 18 years of age, to support them to learn skills and develop livelihoods. Training has been provided but, given the tough economic environment, very few of the intended beneficiaries appear to have achieved sustainable livelihoods. We fully recognise the immense political sensitivity surrounding this project and the complexity of the task given to the

⁴⁴ The Local Peace Committees' primary role has been to channel compensation to conflict-affected people.

⁴⁵ See for example: http://www.cartercenter.org/resources/pdfs/news/peace_publications/election_reports/FinalReportNepal2008.pdf.

2 Findings

UN. DFID should actively engage all stakeholders to consider whether concerns are valid and, if so, how to respond.⁴⁶ This should include encouraging the Trust Fund Board to conduct an independent evaluation of the support to VMLRs. More detail on the VMLR project is included in the Annex (Figure A5).

2.71 The Nepal Fund is financing a Local Peace Committee (LPC) in each district.⁴⁷ We visited two LPCs and were disappointed at the limitation of their mandate and the missed opportunity of playing a far more proactive role in community-level peacebuilding. We were concerned about:

- the poor transparency of the selection process of people entitled to conflict-related compensation;
- the vast majority of the LPC is made up of political appointees who, in both locations, were poorly informed, claiming they were too busy for this task; and
- civil society-based groups are vocal about the silence around rape and other gender-based violence during the conflict that, unlike other crimes, women have been unable to prove. This has prevented them from accessing the compensation to which they are entitled. The LPCs are not addressing this issue.

2.72 This project would benefit from thorough review.⁴⁸

Outcome 2: UK aid has also been invested in delivering Nepal's top citizen priority: security

2.73 Unsurprisingly, after ten years of civil war and, as captured in DFID's participatory governance survey conducted in 2008,⁴⁹ improved personal safety and security was the top public demand. Accordingly, the Nepal Fund has spent two thirds of its funding in this area on cantonment-related activities and the reconstruction of police stations.

2.74 Beneficiary feedback in east and west Nepal was unanimous in its appreciation for the reconstruction

of police posts. This activity has produced many unforeseen and widespread benefits. Local communities were very positive about the material difference produced by a rehabilitated police post, including community pride, safety, better policing and access to justice for those in greatest need.

2.75 In communities we visited, business owners welcomed the effect of security on the local economy. We saw evidence of markets springing up around the stations and, in one location, the local business community had contributed their own funds to support the reconstruction effort. Young men were glad they no longer had to patrol the area at night. Mothers were glad of the additional security for their daughters returning from late shifts at the local factory. Women police officers explained that they opt to work in the new structures which have separate quarters for them and gender-separated cells for inmates. Local people had felt empowered by forming volunteer reconstruction supervision committees. The proactive, voluntary role that beneficiaries play when a project fundamentally addresses their priorities and which has made this project such a success should have informed the Police Reform project design and best practice generally.

Outcome 2: UK aid has also begun to tackle access to justice and women's rights sensitively and successfully

2.76 The two mediation projects, the Paralegal project and Madeshi Mediation project, draw on the familiar and traditional practice of mediation in Nepal, using it as a basis for training community mediators.

2.77 As a result of the two mediation projects, some 22,000 disputes have been heard and either resolved at local level through mediation or referred to the district police or courts. These cases are unlikely to have come to light without these projects, for the reasons explained below:

- women in paralegal committees (PLCs) told us that police had not previously treated their issues seriously, whereas they now do; and
- in the six districts where the Madeshi Mediation project now operates, threats from a Madeshi political movement had previously caused many

⁴⁶ See recommendation 4 in Figure A3 in the Annex.

⁴⁷ The Nepal Fund (and therefore DFID) funds the establishment and operation of LPCs but compensation payments to conflict-affected people are funded by the government directly through District Commissioners' Offices.

⁴⁸ See recommendation 3 in Figure A3 in the Annex.

⁴⁹ *DFID Internal Strategy Paper: Supporting Security and Access to Justice in Nepal*, DFID, 2010.

2 Findings

state services to withdraw, including the police. This left the population with no access to justice.

2.78 Both projects are successful examples of peace promotion and conflict prevention in action. Both have consistent enthusiastic stakeholder support, including from beneficiaries, their communities, the police, courts and the Government of Nepal. These all told us that the work had made a real difference to peace and security in the communities by tackling local disputes at a local level, which otherwise could have increased tension and the risk of a return to conflict.

2.79 The Paralegal project has reached all 59 districts of Nepal, establishing over 1,000 community groups. Resolution has been agreed in 15,898 cases to date. The Madeshi Mediation project has formed 810 local-level groups within its narrower geographical target area and resolved 6,107 cases. We saw direct evidence that it is improving the status and confidence of women in target communities (see Figure 5).

2.80 Operating in areas with high levels of domestic violence, these funds have made a significant difference to women's safety as well as having a significant impact on women's empowerment at the grass roots.⁵⁰ PLC members are trained to monitor, raise awareness of and advocate children's rights through co-ordination with Village Child Protection Committees, Child Clubs and Women and Children Offices. PLCs also claim to have reduced child marriage but we do not have the evidence to substantiate this claim.

Figure 5: Evidence of DFID's work at community level empowering women

When asked about whether women were afraid things might deteriorate for them after the elections, one woman responded, 'Afraid? We are 50% of voters!' Another group told us that the project had 'given them eyes'.

After a few years of DFID funding, there are sustainability plans in place for both mediation projects

2.81 The mediation model based on volunteers and community participation has proved highly successful in Nepal and we heard consistent praise from all quarters. There is a need now for both projects to build on this success and ensure future sustainability. This is underway:

- the Paralegal and Madeshi Mediation groups have both (already successfully in some cases) applied for operating grants from village authorities;
- the Paralegal project is transitioning into management by the Ministry of Women, Children and Social Welfare. Groups will merge with existing women's economic empowerment groups and will benefit from the support of a cadre of women development officers at the district level. This presents challenges but also advantages for financial sustainability. The Paralegal project's delivery partner, UNICEF, is heavily engaged in transition;⁵¹ and
- the Madeshi Mediation project's delivery partner is currently preparing a proposal for DFID to link the project more closely with the recently passed but yet to be implemented Mediation Act. Unlike most other mediation projects in Nepal, it is in line with the Act and so could provide the Nepal Law Commission, Ministry of Law and Justice and Ministry of Local Development with useful experience of a pilot project.

Looking forward, a note of caution

2.82 Current successes are commendable but are not final results. Maintaining and building on current progress will require an urgent review of programme and project design. This is discussed in the Learning section.

⁵⁰ See for example, *Annual Review*, Paralegal Project, April 2012, <http://projects.dfid.gov.uk/project.aspx?Project=200628>.

⁵¹ See recommendation 5 in Figure A3 in the Annex.

2 Findings

Learning

Assessment: Red 

2.83 This section examines DFID Nepal's:

- analysis and use of data to evaluate and challenge project and programme design;
- risk management;
- cross-fertilisation of best practice between projects and innovation; and
- adherence to DFID's transparency policy.

The wealth of available evidence is insufficiently used to enable DFID to learn from experience

2.84 As explained in the Delivery section, DFID has a responsibility as contract manager to ensure that project outputs deliver their intended impact. While delivery partner monitoring is successful (projects are being delivered), we found insufficient evaluation by DFID of whether these projects are improving the lives of intended beneficiaries and, if they are, of how to build on that success.

2.85 DFID project reviews have generally looked at the extent to which projects are delivering agreed outputs; for example, the number of police posts constructed or the number of paralegal committees set up. There is also a small number of reviews that has considered the impact of projects on intended beneficiaries: the 'social audits' carried out for the Nepal Fund revealed unintended positive effects of police post reconstruction. The cost-benefit analysis of the Madeshi Mediation project has considered the effects of mediation on communities.

2.86 These examples of evaluation are, however, exceptions. Figure A8 in the Annex sets out the monitoring and evaluation for each of the projects covered in this review and indicates that limited evaluation has taken place.⁵²

2.87 Even in cases where evaluation evidence has been developed, there was little to suggest that it was used systematically to review and improve design. For example, there was no evidence that the DFID-commissioned cost-benefit analysis of the Madeshi Mediation project was used to inform DFID's choices on that project.

2.88 Poor use of DFID's standard project management procedures partially explains this lack of evaluation. As identified in the Objectives section, the theory of change (the foundation of project design) is poorly articulated. Poor analytical rigour flows through the management tools making it very difficult for projects to be systematically evaluated.

2.89 That the two Trust Funds were developed rapidly, responding to the need for clear outputs can, to some extent, explain this initial lack of strategic consideration. The programme and its projects are now mature and so need to shift focus from immediate problems to longer-term and more complex ones. This analysis is overdue.

DFID continuously analyses the political context but there is little evidence that this informs programming

2.90 We saw strong evidence of DFID's close relationship with the British Embassy and of shared analysis. This includes discussion of the impact of strategic events on projects, for example, analysis of the effect of the political impasse on the Nepal Fund.

2.91 There is less evidence of this leading to project re-alignment or re-programming. For example, the strong shared analysis of the effect of the political impasse on the Nepal Fund has not resulted in a clear DFID position on future funding.

2.92 Without clear evaluation evidence and a systematic mechanism for feeding contextual understanding into programming, strategic objectives that were appropriate when set have lost relevance (see the Objectives section). The entire DFID portfolio is conflict sensitive but mechanisms need to be established to ensure that lessons from the peace and security programme and this contextual analysis feed into the design and review of programmes in other areas, including health and education on violence against women.

2.93 Linked to this, the 2010 International Development Select Committee report on DFID Nepal's programme concluded that DFID 'needs to approach ... [the security and justice sector] ... with the same degree of urgency as ensuring people's

⁵² See recommendation 6 in Figure A3 in the Annex.

2 Findings

demands for health and education are met'.⁵³ There has been no portfolio update since this recommendation was made (except a very generic Peace Support business case) and no new strategic direction agreed to reflect contextual changes.

- 2.94 The UN and Nepal Funds, the largest components of the peace and security portfolio, have now achieved many of their initial goals but there is political hiatus and the future is unpredictable. Yet there is no forward-looking strategy.⁵⁴ The difficulty for donors of gauging the effectiveness of the Nepal Fund without a strategy (underpinned by a measurable results framework) was discussed with its secretariat. We were informed that meetings were taking place on developing a forward-looking strategy, as recommended by the Ministry of Peace and Reconciliation and Donor Group joint review in April 2012.⁵⁵ The two documents produced at the strategy meetings, however, only relate to Nepal Fund priorities for the remainder of 2012.⁵⁶
- 2.95 There are also significant issues surrounding the future of the two mediation projects (see paragraph 2.98 and the case study in Figure A5 in the Annex); specifically, how gains made to date can best be leveraged.
- 2.96 We found fundamental design problems in the Police Reform project (see Figure A4 in the Annex). The project was approved two years ago but has now been cancelled. There was little ownership of the project within the police and, while design drew on a DFID-commissioned political economy analysis of the police, it failed to capture recent evidence of the positive effects on communities of the construction of police posts (see paragraph 2.85 above). The analysis underpinning the design was insufficient to support the evaluation that would be needed to assess its

progress and there was too little analysis of risk or value for money. Despite all of this, DFID still proceeded to go to procurement twice for this work, cancelling only after the completion of the second failed tender process.

- 2.97 So, whilst recognising that there are difficulties in forward planning in Nepal, contextual uncertainty should not lead to paralysis in the decision-making process. Indeed, DFID's planning methods and systems are intended to provide flexibility.

Drift in programming risks future impact and may even undermine impact achieved so far

- 2.98 The Impact section of this report describes what DFID's funding has achieved to date in support of Nepal's peace and security agenda. This does not, however, represent a final state. For example:
- DFID, through the UN, has provided training to VMLRs. As mentioned above, many of the individuals we spoke to expressed dissatisfaction with their treatment and training; and
 - DFID's Paralegal project has given access to justice to many vulnerable Nepalis. DFID and UNICEF have carried out transition planning for this project's transfer to Government of Nepal ownership. A spot audit discovered that 90% of the current paralegal group activity related to mediation, which is not envisaged to continue under the government-led project and the (yet to be implemented) new Mediation Act. DFID and UNICEF were unclear about the extent to which mediation will form part of the successor project. On the evidence we saw, insufficient thought has gone into the consideration and communication of these decisions and possible mitigating actions. This may lead to confusion and disaffection in communities, jeopardising gains made to date.⁵⁷
- 2.99 Overall, DFID must protect, sustain and learn from successes so far if it is to achieve maximum effect in the future. Current use of DFID Nepal's strategy and learning tools does not support this.

⁵³ DFID's Programme in Nepal, International Development Committee, 2010, chapter 4, <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/168/16802.htm>.

⁵⁴ See recommendation 1 in Figure A3 in the Annex.

⁵⁵ O'Gorman, Eleanor, et al., *Joint Government/Donor Review of the Nepal Peace Trust Fund*, 2012, page 45, http://www.nptf.gov.np/userfiles/NPTF%20Review%202012_Final%20Report_16042012.pdf.

⁵⁶ *Status of Nepal Fund Project Priorities Agreements Core Cluster*, 2012 and *Meeting Minutes for Core Cluster*.

⁵⁷ See recommendation 5 in Figure A3 in the Annex.

2 Findings

Learning and adapting in a complex context requires sophisticated risk management

- 2.100 The complexity of the Nepali context is summarised in the Introduction to this report. As it indicates, many issues are outside DFID's control. The current political impasse means that several key audit and anti-corruption roles in the Government of Nepal are unfilled.
- 2.101 It is entirely within DFID's mandate to engage in politically difficult issues, such as what has become known in Nepal as the 'inclusion agenda', referring to the many marginalised groups' demands for representation and equal rights. In a politically charged environment, however, any commentary or intervention about marginalisation is open to public challenge and exploitation for political gain.
- 2.102 Careful planning and proactive risk management are required. During our visit, DFID's delayed publication of a (leaked) report on inclusion featured strongly in the local press. Several groups took this delay as evidence that DFID was withholding publication in deference to a particular group. Others criticised its content. DFID is evidently in a difficult position. More systematic risk analysis and mitigation earlier in the process could have prevented this outcome.
- 2.103 Involvement in such a politically sensitive climate demands that sophisticated systems and processes are in place to keep projects on track and manage risk. DFID Nepal is discussing risk on a regular basis and management tools have been developed, including a matrix setting out high-level risks. This matrix needs regular updating.
- 2.104 The caretaker government's contentious recommendation for an amnesty for crimes committed by both sides during the conflict was also the subject of much press coverage during our visit. Nepalis of all walks of life were adamant during our discussions that this was unacceptable and not the type of Truth and Reconciliation Commission that they seek. This debate directly affects DFID's decision about continuing to fund the development of the Truth and Reconciliation Commissions. It also highlights the growing gap between political parties and their membership.

These risks are not explored in any of DFID's risk assessments.

A mixed picture on cross-fertilisation of best practice between projects and innovation

- 2.105 DFID has contributed to learning within and between the two Trust Funds. The approach to monitoring and evaluation is now largely common across the Funds and their governance structures are in close alignment through a shared board.
- 2.106 There is less evidence of cross-project learning between the two mediation projects, which operate largely independently.
- 2.107 The primary delivery mechanism of the CPA is the Nepal Fund; a Government of Nepal led and managed Trust Fund. It has significant advantages in terms of both sustainability and supporting the government by showing them as delivery agents. In making its decision to support the Fund, DFID took a strategic view and was aware of the risks. The Fund structure was innovative but risky. There is, however, clear evidence that DFID worked to mitigate these risks.
- 2.108 DFID Nepal has also shown significant innovation in setting up a shared Risk Management Office (RMO). The joint office, co-funded by the UK and Germany, was designed to co-ordinate the information and risk management associated with operating in high-risk environments. The model has operated well, providing DFID with a single organisation that consolidates the information and contacts it requires to operate safely in Nepal and sharing the costs of this with a like-minded donor. An average of less than £200,000 per year of DFID financing (around 0.25% of its budget) provides the operational analysis to allow DFID to operate effectively across Nepal. The German aid agency has now scaled up the RMO office in 12 countries and DFID will shortly apply the model in Nigeria.
- 2.109 One example of scaling up was DFID's partial response to police demands for the inclusion of an infrastructure component in an amended design for the (now cancelled) Police Reform project budget (25% allocated for this purpose). Although this change was welcome and DFID carried out some benchmarking and analysis of need, we would

2 Findings

have liked to see more substantive analysis of structural requirements such as the purchase of investigation equipment.

2.110 We observed directly that carefully planned community involvement strengthens project impact, even delivering unplanned positive consequences. This is a key lesson but does not appear to be filtering into new project design. There is little evidence that the proposed DFID Police Reform project was seeking to build on this.

2.111 The merging of the Paralegal Committees with the Women's Federations (groups which provide financing and other support to women's businesses) faces challenges but also presents an opportunity for linking together DFID's wealth creation and security agendas. This, however, has not been the subject of substantive planning discussions within the DFID Nepal office.

DFID is not publishing all of the project documents that it is required to publish under its transparency commitments

2.112 DFID is 'committed to providing greater transparency to our activities and spending to help the public hold politicians and public bodies to account'.⁵⁸ DFID Nepal's Operational Plan reflects this, committing to 'publish good quality information on DFID documentation and data in plain English'. This includes the publication of 500-word summaries for all new projects in both Nepali and English approved after 2011.⁵⁹

2.113 The DFID Nepal website,⁶⁰ however, provides extremely limited documentation to support stakeholders and UK taxpayers in understanding or assessing projects. Figure A6 in the Annex summarises the position.

2.114 Of the 12 project documents that DFID is required to publish related to the projects reviewed, it has published seven. It has, therefore, not met the transparency commitment it has set itself.

2.115 In the spirit of DFID's commitment to transparency, information about older projects should be published more consistently as well. DFID had no formal obligation to publish the project documentation for the older projects; the Madeshi Mediation project and Paralegal project predate the transparency requirement, although they have had extensions since transparency rules were set. While it has now been cancelled, the Police Reform project also predates the requirement and DFID had no formal obligation to publish project documentation even though the project could have continued until 2016. In this time, DFID would have spent £6 million of UK taxpayers' money, without ever being obliged to publish the project document or even a 500-word summary. There is no information about this project on the website.

⁵⁸ *What Transparency Means for DFID*, DFID, 2012, <http://www.dfid.gov.uk/what-we-do/how-uk-aid-is-spent/what-transparency-means-for-dfid/>.

⁵⁹ *UK Aid Transparency Guarantee*, Secretary of State, 2010, <http://www.dfid.gov.uk/What-we-do/How-UK-aid-is-spent/What-transparency-means-for-DFID/UK-Aid-Transparency-Guarantee/>.

⁶⁰ <http://www.dfid.gov.uk/Where-we-work/Asia-South/Nepal/>.

3 Conclusions and Recommendations

Conclusions

- 3.1 DFID has played a very positive role in supporting Nepal from conflict towards sustainable peace. Immediately after the conflict, the office developed a programme that was well suited to contextual complexity and volatility. This programme has delivered well.
- 3.2 Several factors appear to have been critical to this success. The overall immediate post-conflict aims were realistic. They recognised that political settlement would be a long-term process and so focussed efforts on matters where progress was both essential and possible. For example, clearing minefields, holding elections and rebuilding destroyed police posts.
- 3.3 In addition, DFID employed a range of mechanisms to deliver its aid programme. This diversification not only showed a strong awareness of risk but also had a range of further advantages. For example, the Nepal Fund has been led by the Government of Nepal. This leadership demonstrates to the population that the government is delivering and builds confidence – contributing to longer-term peace.
- 3.4 DFID, nevertheless, recognised the need for some delivery outside the Government of Nepal's systems: where political neutrality was essential; where the Government of Nepal did not have the right skills; or where it was important not to build capacity. For example, in minefield clearance, delivery was through the UN Fund. The UN had the expertise to carry out this task and was able to implement without building further local expertise in explosives. Again, this is strong evidence of understanding conflict.
- 3.5 In other cases, DFID successfully leveraged the determination of local communities to improve their own circumstances, such as the work on police station reconstruction and community dispute resolution. We saw a wide range of examples where DFID projects have built on traditional dispute resolution methods to provide justice to those previously excluded based on gender, caste or religion. DFID's innovation also extended into operational management. DFID Nepal piloted the concept of a Risk Management Office – bringing

operational information and risk management into a single cohesive unit. This success is being replicated in other countries by both the German aid agency involved and DFID.

- 3.6 There are, however, concerns about delivery and learning and the programme needs to develop to respond to the changed context. Examples include delays in the agreement and eventual cancellation of the Police Reform project, dissatisfaction with the training package provided to VMLRs, the changes to the mediation projects and the analysis of costs. Given the complexities of the environment, it may be thought that these difficulties are to be expected; however, our view is that the issues we saw are symptomatic of broader weaknesses in programme planning and management which need to be addressed.

Recommendations

Recommendation 1: To maintain and build on beneficiary impact achieved to date, DFID Nepal should, within six months, develop an analytically based, forward-looking governance and security strategy. This should link to a measurable results framework, with ambition consistent with the level of spending.

- 3.7 Overall, our view is that the programme worked well immediately post-conflict but has not been sufficiently updated. For the two Trust Funds, a financial allocation is agreed but DFID and the Funds have no forward strategy. For the mediation projects, there is no clear plan for continued support once the Government of Nepal's new Mediation Act comes into effect. For the Police Reform project, the design approved in 2010 became outdated and drew insufficiently on lessons learned since its original approval.
- 3.8 In addition, given shifts in contextual priorities, the two targets DFID has set for the Operational Plan in governance and security have become outdated and insufficiently ambitious: (a) the target relating to training former child soldiers has largely been met – and in any case relates only to the delivery of training, not to successful reintegration into society; and (b) the target relating to local government audits is also insufficiently strategic.

3 Conclusions and Recommendations

These targets only cover a very small portion of the programme.

3.9 DFID's successes to date represent solid starting points, not final achievements. Without sophisticated programming that builds on these, there is a chance that the successes achieved so far will not be fully exploited. In some cases, we are concerned that failure to build on success could actually lead to negative outcomes, even conflict. For example, poor handling of the introduction of the Mediation Act could lead to thousands of disaffected volunteers, who may be reluctant to continue to build peaceful communities.

3.10 In view of the great political uncertainty, the fact that the premise of implementation of the CPA has been undermined by the dissolution of the CA and our concerns as set out under Learning, these issues need urgent attention. This is reflected in the relatively short timescale for this Recommendation and Recommendation 2.

Recommendation 2: To ensure peace and security projects deliver value for money throughout their life cycles, DFID Nepal should ensure compliance with DFID procedures. It should, within six months, update its project information and planning systems and ensure that these are maintained.

3.11 Setting a new strategy is a starting point for this. Keeping projects and the programme updated is equally important in fast-moving, complex environments such as Nepal.

3.12 DFID has a powerful set of project management processes designed to do this. DFID procedures also support flexible programming. Project managers have the authority to make significant changes to projects to respond to contextual change.

3.13 It is incumbent upon DFID offices to apply these procedures. We view failures to manage the reviewed projects and the overall peace and security programme adequately as a key reason for the programme becoming less relevant to the context over time. Specifically, we saw evidence of project management tools that were outdated or incomplete. Basic project data were not

immediately available in all cases. There was very little evidence of the use of evaluation; that is, assessing not just whether projects are delivering on their intended outputs (for example monitoring whether paralegal committees were set up) but also systematically assessing impact, for example, whether paralegal committees have improved access to justice for women and children.

3.14 Where this evaluation-level assessment had been carried out (for example, the social audit of the police post reconstruction), it appeared to be extremely valuable. We saw little evidence, however, of this being acted upon and, despite its best efforts, the social audit struggles to provide proper evaluations.

Recommendation 3: To deliver value for money, DFID Nepal should develop greater visibility of the end-to-end costs of delivery. This requires a more sophisticated consideration of administrative and programme costs at the design stage. At a corporate level, DFID should consider standardising its approach to this analysis.

3.15 It is entirely appropriate for DFID to use a variety of mechanisms to deliver its projects. Deciding amongst these is a key value for money decision. DFID focusses on certain elements of cost in delivery, for example, the UN's stated 8% administrative charge for the UN Fund. DFID does not carry out the level of analysis required to understand fully the costs of the delivery chain from its initial financial contribution to delivery of the final impact for beneficiaries. Nor does it fully articulate the benefits associated with different delivery chains – for example, that longer delivery chains can incorporate greater community involvement. Without this analysis, it is not possible to assess value for money in a comprehensive way or to make informed decisions between delivery routes.

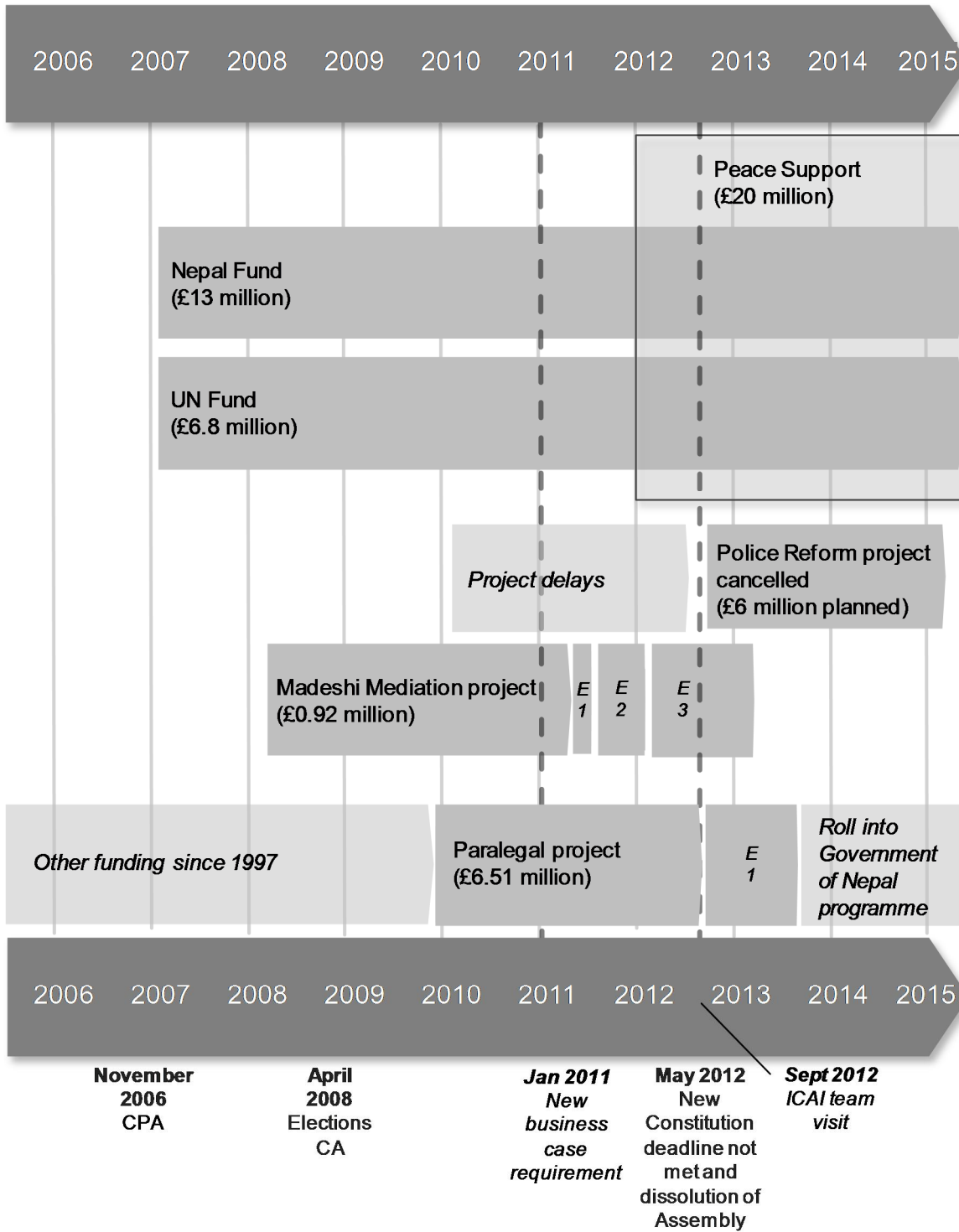
3.16 We set out specific project recommendations in Figure A3 of the Annex.

Annex

1. This annex sets out a range of more detailed information and background information to the review. This includes:
 - details of the peace and security projects we reviewed (Figures A1 and A2);
 - additional recommendations arising from our review (Figure A3);
 - case studies of the Police Reform project and VMLR support (Figures A4 and A5); and
 - further details on how DFID manages the projects we reviewed, including:
 - information about DFID Nepal’s adherence to DFID’s transparency commitments (Figure A6);
 - the coverage of DFID’s governance and security sector planning tool (Figure A7); and
 - the monitoring and evaluation that DFID or partners undertake (Figure A8).
2. This review examined five projects in detail:
 - two Trust Funds (the Government of Nepal-managed **Nepal Fund** and the UN-managed **UN Fund**);
 - DFID’s (now cancelled) **Police Reform project**; and
 - two mediation projects (the UNICEF-managed Women’s **Paralegal Committees** and the **Madeshi Mediation project** based in the Madesh-Terai region).
3. Figure A1 shows the timeline for these projects. E1/2/3 refer to extensions to the projects. The figures in brackets show DFID’s financial contributions. DFID’s new business case requirements came into effect in January 2011. All of the projects in this portfolio have had significant extensions or revisions since then. Only the Nepal Peace Support programme, however, is in the business case format or has the level of analysis that this format requires.
4. Figure A2 gives further details about the peace and security projects we reviewed.

Annex

Figure A1: Project timelines



Annex

Figure A2: Overview of reviewed projects

Purpose	Details	Financing and implementation
Nepal Fund		
<p>To support successful implementation of the CPA and other peace agreements.</p>	<ul style="list-style-type: none"> ■ A fund co-financed (65%) and managed by the Government of Nepal. ■ Key areas of work: <ul style="list-style-type: none"> – management of the Maoist cantonments (barracks for Maoist former combatants); – compensation for CAPs; – security and transitional justice (largely rebuilding police posts destroyed during the conflict); and – constituent assembly and peacebuilding initiatives (largely supporting the elections). 	<ul style="list-style-type: none"> ■ Implemented by the Ministry of Peace and Reconstruction. ■ Total donor and Government of Nepal commitments: £131.90 million (as of October 2012). ■ Donors: DFID, Norway, Switzerland, Finland, Denmark, the EU, Germany, Government of Nepal. ■ DFID commitment: £13 million. ■ DFID disbursed to date: £13 million (October 2012).
UN Fund		
<p>To support Nepal's peace process by delivering co-ordinated, focussed and time-limited UN assistance for critical peacebuilding and recovery activities requested by the Government of Nepal.</p>	<ul style="list-style-type: none"> ■ Complements the Nepal Fund, with a common management board. It focussed on areas that required a rapid turnaround or specialised skills or were too politically sensitive for government to tackle immediately post-conflict. ■ Key areas of work: <ul style="list-style-type: none"> – support to elections and governance; – quick impact projects (e.g. de-mining, winter clothing for cantonments); – reintegration (largely supporting the verification of Maoist ex-combatants and providing training and employment opportunities for Verified Minors); and – collection of evidence for future Truth and Reconciliation Committee. 	<ul style="list-style-type: none"> ■ Implemented by the United Nations Development Programme (UNDP) and a range of UN agencies (Food and Agriculture Organisation, UNWOMEN, World Food Programme, UNICEF, UN Office for Project Services (UNOPS), UN Educational Scientific and Cultural Organisation, International Labour Organisation, Office of the High Commissioner for Human Rights, UN Population Fund (UNFPA)). ■ Total donor commitments: £16.42 million (up to October 2012). ■ Donors: DFID, Norway, Denmark, Switzerland, Canada and the UN (for their Peacebuilding Fund). ■ UK commitment in full: £6.78 million. ■ DFID disbursed to date: £6.78 million (October 2012). ■ Project expenditure to date: £15.84 million (by participating organisations up to October 2012).
Peace Support		
<p>To combine the Trust Fund budget lines into a co-ordinated internal funding mechanism focussed on supporting the peace agenda in Nepal.</p>	<ul style="list-style-type: none"> ■ From 2012, DFID support to the two Trust Funds has been combined into a single project, the Peace Support Programme. ■ This is an internal funding mechanism only. ■ It also gives scope for additional support to elections should they occur. 	<ul style="list-style-type: none"> ■ Up to £20 million has been committed until 2015.

Annex

Purpose	Details	Financing and implementation
Police Reform project (cancelled by DFID subsequent to the review visit)		
To improve the capability, accountability and responsiveness of the Nepal Police and demonstrate its commitment to reform.	<ul style="list-style-type: none"> ■ This project was intended to offer a range of strategic, practical and infrastructure support to the Nepali police service. ■ The project was inactive from its initial approval in 2010 due to failures to agree terms, political changes⁶¹ and procurement delays. Following two procurement exercises for this project it was cancelled in late 2012. 	<ul style="list-style-type: none"> ■ Was to be implemented by a contractor. ■ Total planned donor commitments: £7.20 million (DFID and Denmark). ■ DFID commitment in full: £6 million. ■ DFID disbursed to date: £0. ■ Project expenditure to date: £0. ■ Other spending: £0.3 million from DFID's ESP to cover a range of interim support to the police – including support in strategy development.
Paralegal project		
Women and children are better protected from violence and abuse, have improved access to justice and local mediation when they do experience violations and feel more empowered to assert their rights.	<ul style="list-style-type: none"> ■ From August 2013, the project will roll into the Government of Nepal's Violence against Women and Girls project. ■ The project has been funded by DFID since 2010. It was previously funded by the NGO Plan Nepal. 	<ul style="list-style-type: none"> ■ Implemented by: UNICEF. ■ Total donor commitments: £6.82 million (DFID (£6.51 million); UN Development Fund for Women (UNIFEM), UNICEF and UNFPA (£0.31 million)). ■ DFID commitment in full: £6.51 million. ■ DFID disbursed to date: £4.70 million disbursed (up to July 2012).
Madeshhi Mediation project		
To establish community-level mediation forums and ensure their benefits to the marginalised poor and women at the local level, thus aiming to mediate disputes and reduce conflict.	<ul style="list-style-type: none"> ■ Part of the ESP. ■ Focussed on providing justice to the marginalised across six Terai districts. 	<ul style="list-style-type: none"> ■ Implemented by: HUCODAN, a Nepali NGO, with project management provided by GRM International. ■ DFID commitment: £0.92 million. ■ DFID disbursed to date: £0.76 million (up to 2012). ■ Project expenditure to date: £0.76 million (up to July 2012).

⁶¹ In the UK, the new Coalition Government put security and justice submissions on hold in 2010. In Nepal, the new Ministry of Home wanted a support channel directly through the ministry, delaying approval in 2011.

Annex

Figure A3: Additional project-level recommendations

5. This table contains more detailed and operational recommendations for each project. We do not expect DFID to provide a formal management response to these recommendations.

Issue	Recommendation
1. Peace support: Lack of decision on future support (see paragraph 2.94).	DFID Nepal should support development of a clear Nepal Fund and UN Fund strategy going forward against which it can clarify its funding commitment in line with its new forward-looking strategy.
2. Peace support: The current logframe refers only to the Nepal Fund and not the UN Fund or elections support (see paragraph 2.41).	A results framework needs to be developed for the Peace Support programme to allow DFID expenditure to be monitored effectively.
3. Peace Support: Questions have been raised about the effectiveness of Local Peace Committees funded under the Nepal Fund (see paragraph 2.72).	DFID Nepal should investigate further the claims identified in this review and follow up as required.
4. UN Fund: Dissatisfaction among VMLRs about the support they have received to date (see paragraph 2.70).	DFID Nepal to call for an independent evaluation of the VMLR programme at the Trust Fund Board.
5. Paralegal project: Uncertainty on the future of Paralegal committee support and transition (see paragraphs 2.81 and 2.98).	DFID to prioritise engagement with this project to understand its transition and take an active role in recommending how context, lessons and beneficiary views can be considered and communicated to government and stakeholders.
6. Project evaluation: DFID Nepal currently monitors but insufficiently evaluates its projects (see paragraph 2.86).	DFID Nepal should consider the scope for expanding its evaluation of its current projects. This will ensure it is better able to understand and manage the impact of its projects on beneficiaries.

Case studies: Police Reform project and VMLR support

6. Figure A4 on page 28 summarises the context of the Police Reform project and raises some possible lessons from its design process despite the subsequent cancellation of the project.

Annex

Figure A4: The Police Reform project

DFID made a decision to cancel the Police Reform project in late September 2012, following a two-year design process. The cancellation was made only after two failed procurement exercises – with attendant costs to DFID and suppliers. While the outcome – a significant revisiting of DFID Nepal’s support to the police – appears reasonable, the events that led to the project’s cancellation remain relevant and are set out below.

We were presented with a highly consistent story from a wide range of beneficiaries on the benefits of rebuilding police posts. Local business owners told of the positive effects of police posts on the local economy: young men in communities welcomed no longer having to provide vigilante patrols for communities during the night; mothers welcomed the reduction in risks to their daughters returning home from their jobs late at night; and communities were proud of their oversight and contribution (including in some cases financial) to construction. We were impressed by the impact achieved by community involvement and responsibility.

There was also a consistent story from police and communities about what was needed – vehicles, infrastructure and the means to investigate crime. With 768 police posts damaged or destroyed during the conflict and only 277 being rebuilt under the Nepal Fund, there is clearly a significant infrastructure gap.

The original project design was approved by DFID in 2010 but was then rejected by the Inspector General of Police (IGP), who disagreed with the design on the grounds that it provided too little infrastructure support to the police. The project was rebalanced to include a 25% allocation on infrastructure but the IGP remains unhappy with this level of support.

As of January 2011, new DFID support requires a detailed business case. Since this project was originally approved in 2010, this requirement did not apply, even though the project would have actually started approximately two years after the introduction of the requirement. This means that the analysis that underpinned the project was more weakly articulated than would be the case for any new project. Specifically, the lack of business case analysis meant that:

- there was no requirement for a ‘theory of change’ that articulated fully how the project would have achieved its impact and the assumptions upon which it rested. This would have made the evaluation of this project extremely difficult and so made it harder for the team to know how to adjust the design as it rolled out. This lack of review of designs is a central theme in our review and is essential for this type of governance reform project;
- there was no requirement for the level of analysis of value for money that the business case requires and, again, this would have made it more difficult to ensure that UK aid money was spent effectively; and
- the risk assessment was less sophisticated than would be required now for a project of this level of financing and complexity. This would have created significant difficulty in evaluating the project and knowing when risks were realised and when the design needed to be adjusted.

More broadly, the project not having been fully refreshed in the two years after approval suggests that insufficient account was being taken of the wealth of new evidence that is available. For example, there were new lessons from the Trust Fund Social Audit on the value of involving the local community in police post reconstruction and how this involvement could be built upon.

DFID’s response at the time of our visit was that these issues were covered in the revised terms of reference for the delivery contractor. These were unrealistic and, to some extent, simply passed on the difficulties to an outside agency. For example, the Terms of Reference stated that the partner would agree project outputs with the police within two weeks – a challenging process that DFID has been unable to complete in three years. Our conclusion following the review visit was that, as it stood, the Police Reform project looked unlikely to provide a flexible, value for money response to issues of policing in Nepal. DFID’s rationale for cancelling the project was value for money concerns.

We planned to recommend that DFID Nepal needed to invest considerable resources over the coming months to design a credible project that delivers value for money in terms of impact for ultimate beneficiaries. The cancellation of this project and creation of a new project provides the opportunity to revisit these issues. While this is positive, the International Development Committee stressed the need for urgent action on peace and security. There is, then, an onus on DFID Nepal to make rapid progress on the design of future support.

Annex

7. Figure A5 provides a case study on the UN project (funded by the UN Fund) to provide support to VMLRs.

Figure A5: Support for Verified Minors and Late Recruits (VMLRs)

Ex-combatants in the Maoist army were offered the option of integration into the Nepali army, training or discharge with a financial settlement. Within this group, however, there were individuals who had been recruited into the army before reaching the age of 18 (verified minors) or after the signing of the Peace Accord (late recruits). These individuals were not eligible for the same options as adult ex-combatants. This UN-run project provided VMLRs with a choice of training packages (education, vocational training, micro-enterprise support and health assistant training) and some starting capital for those wishing to start a business, to enable them to build a livelihood.

The design of the project was highly politicised: the UN required the agreement of the Maoist military command and the Government of Nepal. This resulted in a very short operating window to start the project (a number of weeks) and a capped budget per VMLR, equal to compensation paid by the Government of Nepal to conflict victims.

The project is delivering the agreed input (VMLR training and grants) but it is unclear that this will produce the outcome sought. Training and grants are possibly a necessary measure but are unlikely to be sufficient to reintegrate ex-child soldiers into society with viable livelihoods – which we accept is partially due to wider issues facing the Nepali economy. The literature suggests that such a project should consist of more than training, as well as a community-support element to the education package.

We met with five groups of VMLRs in three districts. We accept that there may have been political and personal incentives for these individuals to state that they were unhappy with the treatment they had received. They did, however, consistently claim that:

- training was insufficient (considering the difficulties that these individuals had during their early years and the state of the economy);
- cash grants were inadequate to establish micro-enterprises (one VMLR we met was in refresher training despite never having set up a business because he did not have adequate funds to do so);
- they were unaware that they had received any counselling (a psycho-social evaluation was included in an initial two-hour session to register VMLRs but arguably this was insufficient. The same session also provides career advice);
- they were unaware why they had been selected, some stating they believed it was a slight by their commanders based on their capability (adult combatants received far larger cash grants); and
- they were unaware of the context for the project (Nepal's international obligations, the role of government and their commanders) and blamed the UN, as the implementing agency, for their predicament.

Results

VMLR data are uncertain. 4,008 VMLRs were identified but, following a UNICEF tracing survey in May 2011 estimating the number of VMLRs that had gone abroad, the UN cites the caseload in Nepal as 3,040 VMLRs.⁶² Of these, UN statistics show that 48% completed the training, with 28% registered 'in work' at the time of our visit (of which 78% were self-employed). As business sustainability is a grave concern expressed by all, statistics should be regularly revisited to assess how many VMLRs have been provided with sustainable livelihoods through this programme.

The UN informed ICAI at the end of its visit that it is aware of VMLR frustrations, even facing violence against its staff. ICAI also sought senior government views about the project. We were told in two separate meetings that the Government of Nepal was aware of VMLR discontent and the ensuing risks and planned to consider an extension, expansion or revision of the project for the coming year. We received no evidence that DFID was aware of these plans.

⁶² See <http://www.undp.org.np/crisis-prevention-and-recovery/program/unirp-113.html>.

Annex

Figure A6 and Figure A7: How DFID manages the projects: transparency, use of planning tools and monitoring and evaluation

8. DFID is 'committed to providing greater transparency to our activities and spending to help the public hold politicians and public bodies to account'.⁶³ DFID Nepal's Operational Plan reflects this, committing to 'publish good quality information on DFID documentation and data in plain English'. This includes the publication of 500-word summaries for all new projects in both Nepali and English. The DFID Nepal website,⁶⁴ however, provides extremely limited documentation to support stakeholders and UK taxpayers in understanding or assessing projects.

Figure A6: DFID's adherence to its own transparency commitments⁶⁵

Project	Documents available			
	500-word summary	Project document/ business case	Annual reviews	Logframe
Nepal Peace Support (new business case, 2012-15)	Yes*	Yes	N/A	No
Nepal Fund (2007-11)	N/A	N/A	Yes	Yes
UN Fund (2007-11)	N/A	N/A	N/A	No
Police Reform project (cancelled subsequent to the ICAI review visit) ⁶⁶	N/A	N/A	N/A	N/A
Women's Empowerment and Promotion of Rights through Paralegal committees (2010-13)	No	N/A	One annual review published	No
Madeshi-Terai Community Mediation project (2008-13)	Yes*	Yes	No	Yes

* Not available in Nepali.

⁶³ DFID statement on transparency, <http://www.dfid.gov.uk/what-we-do/how-uk-aid-is-spent/what-transparency-means-for-dfid/>.

⁶⁴ DFID Nepal's website is at <http://www.dfid.gov.uk/Where-we-work/Asia-South/Nepal/>.

⁶⁵ As of 15 September 2012.

⁶⁶ Despite its cancellation, this project is still showing as 'operational' on the DFID website, see: <http://projects.dfid.gov.uk/project.aspx?Project=201167>.

Annex

9. Figure A7 shows the main focusses of the five projects we reviewed and their degree of coverage in DFID's sector planning tool (white represents full coverage, light grey represents partial coverage and dark grey represents no coverage).

Figure A7: Coverage of DFID's governance and security planning tool (logframe)⁶⁷

Nepal Fund	UN Fund	Police Reform project	Paralegal project	Madeshi Mediation project
Cantonments	Registration of Maoist combatants	Organisational development	Paralegal	Mediation groups
Peace committees and CAPs	VMLRs	Improved service delivery (investigation)	PLC transition	
Elections	Support to conducting elections	Enabling environment for elections		
Truth and Reconciliation Commission	De-mining	Strategic support to Ministry of Home Affairs		
Police Posts		Police Equipment and facilities		

10. Figure A8 sets out the monitoring and evaluation used in the projects under review. Overall, we concluded that there was insufficient evaluation. Specifically, with some exceptions – for example, the social audit exercise in the Nepal Fund and the cost–benefit exercise in the Madeshi Mediation project – we found very little evidence of systematic evaluation in any of the projects. This means that there is missing analysis of the impact that the projects are achieving.

Figure A8: DFID's monitoring and evaluation of the reviewed projects

Project	Monitoring/evaluation
Nepal Fund	Monitoring: Annual monitoring exercise, extensive financial reporting, some monthly input/output reporting (numbers of police stations built), bi-monthly donor visits. Evaluation: Social audit exercise.
UN Fund	Monitoring: Reporting/monitoring of outputs (e.g. numbers of mines cleared), financial monitoring focussed on receipt reconciliation. Evaluation: Not systematic.
Paralegal project	Monitoring: Reporting on number of groups formed, cases dealt with, types of cases. Evaluation: Not systematic.
Madeshi Mediation project	Monitoring: Reports on numbers of groups formed, meetings, cases resolved, types. Evaluation: Initial cost–benefit analysis.
Police Reform project	The Terms of Reference for the project proposed that the details of monitoring and evaluation be developed during inception. The project was cancelled prior to this inception phase.

⁶⁷ This refers to the version of the planning tool as of 15 September 2012.

Abbreviations

CA	Constitutional Assembly
CAP	Conflict-Affected Person
CPA	Comprehensive Peace Accord
DFID	Department for International Development
ESP	Enabling State Programme
ICAI	Independent Commission for Aid Impact
IGP	Inspector General of Police
LPC	Local Peace Committee
NGO	Non-governmental organisation
PLC	Paralegal Committee
RMO	Risk Management Office
ToC	Theory of Change
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
VDC	Village Development Committee
VMLR	Verified Minors and Late Recruits

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