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Country cooperation frameworks and related matters

Country review report for Nepal*

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* The present report contains a summary of the findings of the review. The full text is available in the language of submission from the Executive Board secretariat.

Introduction

1. In accordance with the procedures set forth in the Programming Manual, the review of the country Cooperation Framework (CCF) for Nepal was held in April 2000. The purpose of the review was to examine the overall performance, effectiveness and capacity of the country office to support programme implementation and to achieve intended results. The Country Review Team comprised one international and one national consultant, a member nominated by the Government and a staff member of the India country office. Regular consultations with the Government took place at critical stages of the review followed by a formal high-level meeting in May 2000.

I. The national context

2. The country's per capita income of \$210 is the lowest in South Asia and one of the lowest in the world. With a human development index (HDI) of 0.463 in 1997, Nepal ranked 144 out of a total of 174 countries according to the Human Development Report, 1999. The incidence of poverty among its 22 million people is very high: more than half of the population lives on less than one dollar a day. In 1996, the National Planning Commission (NPC) estimated that 42.5 per cent of the population remains below the government's poverty line of about \$65 per person per year. The incidence of poverty is disproportionately higher in rural areas and among women.

3. Reducing the incidence and severity of poverty and achieving growth with equity continues to be the foremost challenge of human development in Nepal. Poverty reduction is the primary development goal of the Ninth Plan (1997-2002) of the Government. It envisages that the proportion of the population below the poverty line will be reduced from 42 per cent to 32 per cent by the year 2002. Decentralization and good governance are perceived as strategic measures to implement poverty reduction programmes. The Local Self-Governance Act of 1999 and its by-laws promulgated in January 2000 provide the policy and legal framework for capacity and institutional development at the decentralized level.

II. The country cooperation framework

4. The first CCF for the period 1997 to 2001 was developed contemporaneously with the Ninth Plan. The formulation of the first CCF adopted a highly participatory process for setting the priorities for UNDP cooperation. It was based on the goals of the emerging Ninth Plan, discussions at the Donor Aid Group Meeting and findings of the midterm review of the previous programme.

5. Since 1991, Nepal has made considerable progress in moving the locus of decision-making closer to the people. UNDP supported this national effort within the structure proposed in the Local Self-Governance Act of 1999. UNDP programme support at the central level will focus on creating the requisite policy, institutional and legal measures to back interventions at the local level in order to achieve maximum impact on people's lives.

6. The programmatic thrust of the first CCF and its priorities, objectives and strategies continue to be relevant to the country's needs. The Government has shown adequate ownership and commitment to the programme which is implemented mainly through national executing agencies, United Nations task forces, with broad participation, have been established in a number of thematic areas, such as poverty, governance, gender and environment, to ensure for substantial dialogue and coordination. The United Nations community has also prepared the common country assessment (CCA), leading to the United Nations Development Assistance Framework (UNDAF), which will also form the basis for future assistance to Nepal. The Government welcomes the UNDAF and places high hopes on its potential to ease the challenges of donor coordination. UNDP is playing an important role in the second phase of the process that focuses on fostering dialogue with the Government and within the United Nations system in Nepal to adopt an approach to development based on human rights.

III. Programme performance

7. The first CCF has been guided by an overall strategy that embraces poverty alleviation as its primary goal. The contribution of UNDP to the national effort to eradicate poverty concentrates on four mutually reinforcing programme areas: (a) decentralized governance and participatory development; (b) employment and income generation; (c) environmental conservation and natural resources; and (d) gender equality and the advancement of women. The goals of poverty alleviation and gender equality have been mainstreamed in all UNDP programmes under the first CCF. The total resource mobilization target for the CCF amounted to \$63 839 million as reflected in the annex, consisting of \$44 604 million from regular resources and \$19 235 million from other sources. The total expenditure made by the end of 1999 was \$42 868 million.

A. Decentralized governance

8. Forty per cent of CCF resources have gone to governance in the past three years to support the expansion of the decentralized governance programme from 20 to 40 districts. Programmes focused on (a) strengthening the capacity of local authorities – district development committees (DDC) and village development committees (VDC) to carry out people-centred participatory planning; and (b) direct assistance for social mobilization as a strategy to support the formation of

community-based organizations to participate in local development. Expansion to a larger number of districts has been undertaken in response to the request by the Government that a standard approach to bottom-up planning be adopted by all districts, using similar basic tools and instruments.

Findings

9. Close collaboration between UNDP, the National Planning Commission (NPC) and the Ministry of Local Development (MLD) has helped to focus national attention on decentralized governance as a viable strategy for people-centred development. The Participatory District Development Programme (PDDP) and the Local Governance Programme (LGP) have demonstrated that people from different political parties can be brought together to plan at community, village and district levels, and to mobilize resources to meet people's needs. This has influenced the formulation and implementation of the Local Self-Governance Act of 1999 and the recent adoption of its by-laws. UNDP has provided well recognized leadership in fostering donor support to the Government in the area of decentralized governance. The demonstrated effectiveness of social mobilization has sparked interest and catalyzed donor efforts in this area. UNDP assistance has provided a framework for UN supported programmes and others. DDC capacities to plan and implement development activities however, are reported to be variable across districts. Much more work remains to be done for DDCs to plan effectively for local development and to deliver services.

Recommendations

10. District-level planning is currently done in parallel; one by DDCs and the other by district offices of line ministries. Suitable integration between the two systems is needed for effective decentralized development to take place. DDCs attach considerable value to data generated from household surveys and participatory processes involving communities, VDCs and Illakas, administrative boundaries at the sub-district level consisting of four to six VDCs. They consider such data to be more accurate than that of line agencies. This matter needs to be looked into and training and other institutional support provided so as to build the capacity to link with line agencies and with upward institutions. Harmonizing data requirements, systems and processes between district authorities and line agencies needs to be addressed in the context of decentralized planning.

11. A phased approach to decentralizing the functions to district authorities would be desirable, based on district authorities' capacity to handle them. Districts should be categorized according to their institutional capacity, and efforts to initially decentralize some sectoral functions should focus on districts that have the potential to assume them.

12. While various reports indicate the growing success of the programme, monitoring and evaluation systems are needed that clearly demonstrate the enhanced ability of local authorities to take up their role and the effects on poverty alleviation and sustainable livelihoods.

Agreed action

13. The initiative of UNDP to assess capacity and provide intensive support (fast-track) to building up capacity in six more advanced districts is a timely step. In the remaining two years of the CCF and beyond, the programmes will experiment with the decentralization of one or two sectors in a few districts to demonstrate how linkages between line agencies and DDCs could effectively work. An innovative peer review of decentralized governance efforts with the participation of donors, the Government and INGOs will be carried out to assess the capacity levels of DDCs and VDCs and to align programme strategies accordingly.

14. A few meaningful qualitative indicators will be developed and used to complement quantitative indicators to measure the impact of the programme. The country office will draw on its expertise and experience with the human development index and on other tested methodologies to move this effort forward.

15. In response to the government policy statement on strengthening the rule of law, and in recognition of the imperatives of governance for sustainable human development, UNDP has developed a programme on strengthening the rule of law and reform of the judiciary. This programme will seek to promote the rule of law through three main strategies: (a) raising civic consciousness on rights and responsibilities; (b) improving citizen access to justice at the district level; and (c) enhancing transparency, accountability and competence in the legal/judicial sector.

B. Poverty eradication and sustainable livelihoods

16. UNDP programmes in the first CCF adopted strategies to address poverty eradication through: (a) direct assistance for social mobilization to support the formation of community organizations, savings and credit schemes and local development trust funds, and technical assistance for enhanced income generation; and (b) the development of community-based models or technology packages that can be replicated, such as micro-entrepreneur development programmes (MEDP), linking production to markets and developing promising industries for rural development. In this context, income-generation activities with special emphasis on micro-enterprise programmes that target low income families and women form an integral part of the social mobilization process. UNDP support in the preparation of World Trade Organization negotiations was to ensure that globalization would serve rather than hinder sustainable human-development and poverty alleviation initiatives in Nepal.

Findings

17. Almost all UNDP programmes have a poverty reduction component and embrace the social mobilization process that helps communities to organize themselves for credit and savings groups and other micro enterprise activities. The programme also demonstrated how people can link their resource potentiality and supply to market demand. The survival rate of enterprises under MEDP has been higher than other micro-entreprise programmes in the country. The Government has therefore adopted the MEDEP approach in 22 districts for the youth self-employment programme.

18. Most of the programmes have resulted in increased income to participating members. It will, however, take some time to determine what impact this will have on sustainability of livelihoods and on alleviation of other dimensions of poverty (social and human).

Recommendations

19. Poverty mapping and monitoring has been identified by the Government as an important area for attention. UNDP efforts in this direction should be undertaken and should provide catalytic support for intra-district poverty mapping and monitoring by developing a set of core indicators on which data could be collected on an ongoing basis through ongoing programmes. UNDP should carefully assess the adequacy of the PDDP/LGP database and Geographic Information Systems (GIS) system for monitoring poverty eradication in light of some gaps in the data, especially in relation to gender and key human development indicators.

20. The use of MEDEP, sericulture and RUPP technology is a step in the right direction for sustainable livelihoods, moving modes of production from subsistence to micro-enterprises and, ultimately, to cooperatives or small companies. National and district-level governments need to assess carefully priority areas for the production of commodities in light of the country's comparative advantage and the regional dimensions of trade and they should work in tandem with local authorities to encourage communities to engage in productive activities where there is a market.

Agreed actions

21. UNDP demonstration programmes aimed at sustainable livelihoods will ensure that forward linkages are integrated at the design stage of programmes. These programmes will remain under close observation long enough to test their effectiveness, to have stakeholders assess the strategies and impact (both anticipated and unanticipated), and to adapt models in a way that allows the Government to

replicate them. The Government will also more clearly define its vision for poverty alleviation under the Poverty Alleviation Fund.

C. Environment and natural resources

22. The two main goals in this area were to: (a) promote the integration of sound environmental and natural resource-management with national development policies and programmes; and (b) protect and regenerate the environment and promote access to and sustainable use of natural resources on which the poor depend. Strategies adopted to attain these goals have included: (a) support for policy dialogue and formulation, for example biodiversity and buffer-zone legislation; (b) direct assistance for the mobilization of user-groups in forest conservation efforts and for the social mobilization of country offices in community nurseries and forests; (c) demonstration projects in alternative rural-energy technologies; and (d) the resource mobilization of Global Environment Facility (GEF) funds and the implementation of projects designed under GEF.

Findings

23. The National Biodiversity Action Plan (NBAP) framework is very comprehensive and interrelates areas for strategic interventions in Nepal to articles in the International Convention on Biological Diversity. The plan of action is captured in 27 project ideas and should be adopted and implemented by the stakeholders.

Recommendations

24. The Government and UNDP should focus on two or three top-priority projects; formulate programmes where impact can be demonstrated within the period of the plan and mobilize donor support for the programmes. UNDP could work with the Ministry of Finance to coordinate donor efforts in support of these priorities. The Government and UNDP should consider fostering more joint dialogues with concerned ministries to facilitate consensus-building on national strategies for the environment and natural resources, building on the country's potential in areas such as rural energy and biodiversity. UNDP should explore the possibilities of linking its park and forest conservation to rural energy, beyond biogas and solar energy technologies, whose cost may be prohibitive for the poorest.

Agreed actions

25. UNDP and the Government will generate political support and consensus from concerned stakeholders for the adoption and implementation of the NBAP and for collaboration within the conservation management sector and between the

private and public biodiversity sectors. They will also seek the involvement of other relevant actors in the process, such as user-groups and organizations committed to biodiversity and environmental protection in Nepal.

D. Gender equality and advancement of women

26. As a cross-cutting objective, gender equality and the advancement of women have been targeted in all UNDP programme activities under the current CCF. The main thrust of UNDP assistance under this theme has been the mainstreaming of gender in UNDP programmes and support to policy changes. Also included in this programme are three initiatives that build on the presence of UNDP at district level: (a) the programme on the human immuno-deficiency virus (HIV)/acquired immunodeficiency syndrome (AIDS); (b) an experimental demonstration project in community-managed schools; and (c) inter-agency collaboration to address the trafficking of women and girls.

Findings

27. The prevalence of gender awareness and the mainstreaming of gender in UNDP programmes was noted. Initiatives led by UNDP resulted in the formulation of a national plan of action for the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), and parliamentary awareness of the need to review laws that perpetuate the inequality of women. The inter-agency collaboration supports of the genderizing of the 2001 census on housing and population. This will include work done by women, thereby making women's work more visible and enhancing its value. This census will guarantee a place for the reduction of gender disparities forthcoming Tenth Plan of the Government. The presence of UNDP in districts, villages and communities has helped to engage - district and village - level political leaders in the fight against HIV. Local-level authorities have begun to allocate resources for HIV/AIDS in their plans.

Recommendations

28. The current strategies adopted by UNDP under the first CCF will remain relevant. Attention, however, will need to be paid to the following for the remainder of the first CCF and beyond: (a) monitoring the impact of UNDP programmes on gender equality, particularly to assess the impact on the advancement of women and on the quality of their lives (health, education, etc.) and developing a manageable number of qualitative indicators of gender equality; and (b) ensuring that gender focal points have both the capacity and mechanisms to monitor these in mainstreamed programmes. The national human development report should include gender analyses based on data collected by the upcoming census.

Agreed action

29. UNDP will help the government to develop both quantitative and qualitative indicators to monitor the impact on women's lives. It will also explore the link between local self-governance, including the current demonstration project in self-managed community schools, and advancement of women and girls. UNDP will also identify and support the work of legitimate, well-experienced non-governmental organizations (NGOs) and other women's groups which have experience in advocacy and will fully engage them as active partners.

IV. UNDP support to the United Nations**A. Aid coordination**

30. UNDP was very active in preparing the Nepal Development Forum, the Consultative Group meeting organized by the World Bank in Paris in April 2000. Its substantive inputs in the areas of decentralization have contributed to broad public debate and to a consensus on an agenda for national reform, whose priorities were discussed and formalized in Paris. UNDP has infused renewed energy to thematic donor groups and currently chairs two groups on: (a) natural resources and environment management and (b) disaster management. Donors appreciate that the meetings are chaired by members of sectoral ministries and the National Planning Commission. Programmatic support and coordination with other bilateral organizations, such as the Danish Agency for Development Assistance (DANIDA) and the Norwegian Agency for Development Cooperation (NORAD) in the area of decentralization is very active. The scope for collaboration continues to exist in areas of judicial and human rights reform.

31. UNDP is supportive of coordinated planning and basket arrangements. To ensure bilateral contributions to such arrangements and to UNDP programmes, potential partners are engaged in substantive dialogue at the programme design stage; partnership operational modalities discussed, with some flexibility on the part of partners to find ways of accommodating each others' modalities; all partners are recognized in reports to ministry and other stakeholders; and donors and agencies strive to enter the partnership in a spirit of mutual learning and recognition of each others' capacities and comparative advantages.

32. UNDP was instrumental in leading an intensive process for the production of the common country assessment (CCA) and for fostering dialogue with the Government in the preparation of a rights-based UNDAF. The UN and specialized agencies have acknowledged the substantial contribution and leadership of UNDP in the process.

Recommendations

33. The foreign-aid policy under formulation should facilitate donor coordination and be implemented in conjunction with the identification of related priorities for the Tenth National Plan.

Agreed actions

34. The Government has adopted a consultative and participatory process to develop a foreign aid policy; the formulation of which is supported by UNDP.

B. Management

35. The Review Team noted that there has been considerable focus on improving country office management systems in a number of key areas, such as: programme work planning, national execution, programme financial management and monitoring and human resource management in the country office. This has resulted in a dramatic improvement in programme delivery from 35 to 40 per cent in the closing years of fifth country programme (1995-1996) to 75 per cent in the first CCF and a general improvement in the audit findings of national execution (NEX) projects.

Recommendations

36. Project monitoring should emphasize quality, results and national execution (NEX) guidelines to ensure the active role of Programme Directors in guiding and monitoring programmes.

Agreed actions

37. National execution (NEX) guidelines have been revised to address issues on programme implementation, monitoring and reporting. Meetings with Programme Directors are being conducted in this regard.

C. Programme approach

38. The previous Country Programme included a large number of project interventions. The Government and UNDP have since paid considerable attention to the consolidation and rationalization of the programme portfolio. As a result, the number of projects was considerably reduced between 1996 and 2000. The average size of

projects/programme from core resources is now \$2 million and from non-core resources is \$2.3 million.

39. In Nepal, the programme approach has essentially involved UNDP support for conceptualizing and establishing programmes in areas of mutual priority for the Government and UNDP. The successful implementation of programmes, has led to donor funding decentralization.

40. Both the Government and UNDP agree that projects focusing on capacity development (e.g. in DDCs and VDCs) should begin with a preparatory phase to identify capacities and vulnerabilities and to compile baseline data. UNDP is increasingly using national consultants in project formulation and also has good in-house capacity in project design.

D. National execution

41. Over 60 per cent of resources for the first CCF are being managed under the national execution modality. Appropriate systems and procedures and the capacity of concerned personnel for national execution are in place. Noteworthy in this regard was the development and adoption of guidelines on national execution procedures in early 1998. These guidelines have helped to improve in programme management and delivery by linking the release of funds to performance and clear work plans. The audit exercise in 1999 covered 99 per cent of the government disbursement component and concluded that project management at the central level is aware of relevant rules and procedures. In the longer run, there is a need to systematically build the capacities of national institutions to take on the responsibilities fully. Capacity assessment and a strategy to build capacities in national institutions must therefore be an important part of the national execution (NEX) approach in future programme initiatives.

E. Resource mobilization

42. The country office has made progress in mobilizing non-core resources from the GEF, the Montreal Protocol, the UN Capital Development Fund (UNCDF), Capacity 21 and bilateral donor agencies (mainly Norway, SNV and the Japanese HRD Trust Fund). For the first CCF period, the ratio of core to non-core stands at 2:1. A Pipeline of \$18 million from non-core resources is at an advanced stage of processing.

F. Monitoring and evaluation

43. The number of monitoring and evaluation reports undertaken is impressive. Monitoring mechanisms including tripartite reviews, joint monitoring visits, and

midterm evaluations are in place, with the participation of senior government officials.

44. The strategic results framework (SRF) introduced in mid-1999 is potentially an important tool for monitoring progress of UNDP initiatives in the major results areas. It is thus important to move beyond the use of the SRF for reporting purposes and to begin to internalize it as a regular monitoring tool.

45. The quality of financial monitoring of programmes has improved considerably in the last two years and progress in delivery vis-à-vis the workplan is being tracked on a monthly basis. This has been one of the key factors in raising the delivery rate to the current level of 75 per cent.

G. Structure, capacity, human and financial resources

46. Building up of the human-resource base has been an important priority of the country office in the last two years. A comprehensive change in the management process was set in motion in late 1998, with support from an organizational development consultancy firm. This process involved an in-depth study of job profiles for all staff and staff retreats. A new organogram for the programme and the operations division has emerged and is being put in place. A new unit has been created in the area of governance to focus on priority public policy issues (e.g. law, justice, WTO, information technology, poverty mapping, and the national human development report. Overall, the reaction to the reorganization has been positive.

47. The country office has been able to infuse “new blood” at senior levels with the recruitment of eight national officers between 1998 and 1999. The country office has also secured the services of two junior professionals and two fully funded United Nations volunteers.

Annex

Financial summary

Country: Nepal			
CCF period: 1997-2001			
Period covered by the country review: 1997-2000			
	<i>Amount assigned for the CCF</i>	<i>Amount planned for the period under review</i>	<i>Estimated expenditure for the period under review</i>
<i>Regular resources</i>	(Thousands of US dollars)		
Estimated IPF carry-over	10 057	10 057	10 057
TRAC 1.1.1 and TRAC 1.1.2 (66.7 per cent of TRAC 1.1.1)	47 081	31 398	24 110
Other resources (SPR)	237	415	344
SPPD/STS	1 200	2 106	552
Subtotal	58 575	43 976	35 063
<i>Other resources</i>	(Thousands of US dollars)		
Government cost-sharing			
Third-party cost-sharing	5 000	3 141	3 141
Funds, trust funds and other			
UNIFEM	59	127	113
PSI	100	100	100
UNCDF	11 300	17 549	9 467
GEF	2 100	3 577	2 555
Capacity 21	776	1 041	794
Montreal Protocol	-	97	97
Subtotal	19 335	25 632	16 267
Grand total	77 910	69 608	51 330

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; PSI = Poverty Strategy Initiatives, SPPD = support for policy and programme development; SPR = special programme resources; STS = support for technical services; TRAC = target for resource assignment from the core; UNCDF = United Nations Capital Development Fund; UNIFEM = United Nations Development Fund for Women.