

ANNEX 7 NEPAL COUNTRY CASE STUDY

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1 INTRODUCTION

As part of the Evaluation of Human Rights and Equality, Democracy, Good Governance and Rule of Law in the Finnish Development Cooperation a field visit was made to three case study countries (Nepal, Nicaragua and Zambia). The countries were chosen by the Ministry for Foreign Affairs (MFA). All the countries are Finland's long term partner countries. During the field visits we particularly assessed how well the crosscutting issues have been mainstreamed at the country level and in programmes, projects and other interventions. The field visits were made towards the end of May and beginning of June 2008. The Nepal case study was undertaken by Mr. Tauno Kääriä who was assisted by Mrs. Kanta Singh as the local expert.

The main focus of the evaluation itself was also the focus in the case studies. Thus we essentially assessed the mainstreaming of:

- Human rights (in all of its aspects with special attention to the rights of the most vulnerable groups like children and indigenous peoples and minorities)
- Women's rights and gender equality
- Democracy, good governance and rule of law.

We analyzed the extent to which the above crosscutting issues have been mainstreamed and integrated into the policy dialogue with the partner country and within the donor community, in direct budget support and the sector wide approach as well as programmes and interventions. In addition we assessed the mechanisms and processes used and the division of responsibilities and resources available regarding mainstreaming. We studied all the relevant documentation and interviewed the Embassy staff and partner country authorities, people involved in various interventions, representatives of other donors and some NGOs. The people interviewed are attached as Annex 1. We used the analytical framework introduced in the Interim Report of the evaluation.

For assessing the mainstreaming of the cross-cutting issues different aid modalities and interventions were selected in order to have experiences of a mixture of modalities at various stages of the project cycle and Finland's role as a cooperating partner. We particularly studied more traditional interventions in the water sector and sector wide support in the education sector as well as local cooperation funds.

2 CONTEXT AND SITUATION IN THE COUNTRY REGARDING THE CROSSCUTTING ISSUES

2.1 Background

Nepal is a landlocked country located in the Himalayan mountain range between India and China in the north. It is a country that is rich in natural resources and development potentials. However, it is one of the least developed countries with approximately 28.5 million people, of whom 31% live below the national poverty line (World Development Report 2007). The country is numbered 138 on the Human Development Index (UNDP 2006).

Nepal has a highly segmented society, due to ethnic divisions, religious discrimination, strong cast system and gender based exclusion leading towards marginalization of many sections of the society. The main religion of the country is Hinduism with followers of 81% of the population, followed by Buddhist 11%, Muslim 4% and others 4% respectively (CBS 2001). The Hindu cast system is central to understanding part of the segmentation of the society which leaves large groups such as the low cast excluded. The extremely difficult topography and weak infrastructure has deprived huge areas of the country out of reach for economic, political and social development. The life expectancy is 63 years for women and 62 years for men and adult literacy rate is 49%, male 68% and female 42% (World Development Report 2007). Agriculture provides livelihood for over 80% of the population and over 85% lives in rural area.

Administratively the country is divided into 75 districts. Each district is administered by a District Development Committee (DDC). At the central level the Ministry of Local Development (MLD) provides support to the Committees. The DDC consists of elected representative members from various political parties and is governed by the Local Self Governance Act. The DDC gets block grant from the MLD and in addition it mobilizes local resources imposed through a large variety of taxes, service charges and fees. DDC is responsible for development activities in the district.

Almost all Ministries have their own offices at regional and district levels. The Chief District Officer (CDO) who belongs to the Ministry of Home is the chief administrator of the district. The Local Development Officer (LDO) who belongs to the MLD is the development officer in the district. The role of the CDO is to maintain law and order and deal with corruption cases. The LDO, who serves as secretary to the DDC, plays a crucial role in planning and development of the district. In addition, a number of public corporations have their own offices at regional and district level to deliver services.

DDC in turn provides support to the Village Development Committees (VDC) which is the lowest administrative unit. As of now there are 4000 VDC. The DDC provides a block grant of NRS 1 million each year to the VDCs which under the local self governance act mobilize additional local resources. Due to the present political situation no local elections were held after the tenure of the elected representative expired in 2002 so there is no local elected representatives at local level. Presently they are functioning through government appointed civil servants. Local bodies would be urgently needed for service delivery and development, as well as for public security and conflict management.

2.2 Political context

Nepal has gone through several political upheavals. The introduction of multiparty democracy in 1990 was an important development in its history placing the king as constitutional monarchy. However, the unstable political situation intensified largely due to the marginalization and exclusion of a large variety of population groups, which left them without any voice and representation.

In 1996 the Communist Party of Nepal (Maoists) staged a decade long armed struggle known as 'The People's War' against the government – demanding a radical transformation of the power structures and abolition of the monarchy. In the 10 years period the insurgency spread to most parts of the country encircling the power strongholds of the government.

Today the country is in political transition. The parliament was dissolved in 2002. In 2005, the king reintroduced autocratic rule. This gave rise to a second popular movement, demanding the reintroduction of multiparty democracy and an end to the power of the king by the 7 party alliances and the Maoist. A Comprehensive Peace Agreement was signed in November 2006. In April 2008, the much awaited election to the Constituent Assembly was held and the Maoist was declared the single largest party.

The elections were revolutionary in the sense that the Assembly has strong representation from groups that were previously largely or totally excluded. Women are strongly represented with 33 % of the seats. Other marginalized groups are represented through some elected members and to an extent through the 26 assembly members nominated by the Council of Ministers. However, as the UN Secretary General's Special Representative said, the demands of these traditionally marginalized groups for inclusion are not confined to their representation in the Constituent Assembly, nor are they willing to await the implementation of a new federal constitution. They have been promised and expect to see rapid progress in their representation in all structures of the state, including government bodies, the civil service and the security forces. Failure to meet such expectations again carries the risk of disruptive protest which Nepal can ill afford.

The first meeting of the constituent assembly on 29 May, 2008 declared Nepal a Federal Democratic Republic ending the 240 year old institution of Monarchy. However, at the time of the field visit there remained many challenges that need to be sorted out by all concerned political parties - formation of a government, amendment of the interim constitution and drafting of a new constitution and its endorsement by the constituent assembly.

2.3 Development policy

In this situation Nepal's development process has been slow. During the decade of conflict the development agencies had limited chances to work in rural areas. Governance has been weak, particularly at the local level with no elected local representatives. The weak infrastructure which was inadequate to begin with was further destroyed by the Maoist during the conflict especially in most of the district headquarters and rural areas.

In view of the resumption of armed hostilities and the break-down of the ceasefire in 2003, Finland and the other donor agencies adopted a set of Basic Operating Guidelines (BOGs) to emphasize the importance and responsibility of all parties to the conflict to maintain space for development and provide access to beneficiaries in Nepal. The BOGs are based on internationally recognized Humanitarian Law principles and reflect the specific conflict situation in Nepal. The Guidelines were renewed in 2007 and have been widely spread out in the regions.

The BOGs were agreed among donors in the fall of 2003 with the aim of providing operational guidelines on how donors should operate in Nepal and appealing to parties to the conflict not to interfere in the project activities. The BOGs did not aim at changing donor policies or implementation modalities.

The Tenth Plan, also known as the Poverty Reduction Strategy Paper (PRSP, 2002-07) of Nepal, was the main medium-term development planning document targeting focusing much on poverty reduction. The PRSP was guided by rural orientation, priority to actions bearing quick results and strong strategic focus. Because of the weak government structures implementation relied heavily on the private sector and NGOs for carrying out economic activities, infrastructure development and service delivery wherever possible, both in partnership with central and local governments and agencies, and to complement the role of the government in development.

The strategy of the international community in supporting Nepal's efforts to achieve the Millennium Development Goals (MDGs) has largely focused on economic growth and infrastructure development. In most MDGs the progress has been positive: for example, poverty levels (MDG 1) have declined from 42% in 1996 to 31% in 2004 but the progress for different groups and different parts of the country is uneven. Similarly the promotion of gender equality and empowerment of women (MDG 3) has improved and the gender disparity in all levels of education is being reduced although it remains pronounced for Madeshi middle castes and Madeshi janajatis. Nepal is still off track from reaching primary education for all (MDG 2): caste and ethnic group disparities are high. In 2006 education attracted a government budget of only 3.4% of GDP. The MDGs 6 and 7 may potentially be achieved and the country is on track with the MDGs 4 and 5.

It is, however, clear that the extremely complex social context (gender, caste, ethnicity, urban/rural divide) has not been properly taken into account and this hinders the achievement of development goals. Furthermore, the sharp increase in food and fuel prices makes achievement of the goals increasingly difficult. There is already a large shortage of food in rural areas where an estimated 2.5 million may be in need of immediate food assistance. Nepal is also facing serious fuel shortage and there were long line-ups at petrol stations during the field visit.

In 2007 a Three-Year Interim Plan (TYIP) was prepared. The TYIP recognizes that expected improvements could not be realized and that the People's Movement of Nepal has exposed the existing structural and feudal attitudes in economic, social and cultural areas and the legacy of classifying the Nepali people in different ways. There is wide-based discrimination based on gender, caste, language, culture, religion, disability, age as well as violation of human rights and deprivation in social and geographical terms. Particularly the economic and social conditions of women and of social groups such as Dalits, Adibasi Janajati, Madhesis, Muslim community, and the residents of the Karnali zone had not been improved. Some 46 % of the Dalits, 44 % of the hill Janajatis and 41 % of the Muslim community are below the poverty line.

Such a situation has caused marginalization and exclusion and urged conflicts and provided additional energy to them. Consequently, the focus of the TYIP can well be said to be on **inclusive economic and social development**. The TYIP places special emphasis on increasing public expenditure to provide relief and generate employment and for financing peace building, reconstruction, rehabilitation, reintegration, inclusion and revitalization of the economy, giving special attention to various excluded groups.

Due to liberal political situation after the 1990 revolution and due to the ratification of various international treaties the government has incorporated in their plans and policies, crosscutting issues like human rights, gender and equality, democracy, and rule of law. All of these themes are addressed in the TYIP and is considered as the top priority of the government as well as of the donors and other organization.

The Foreign Aid policy 2002 was reviewed in February 2008. The draft was discussed in a donor consultation meeting and the final version will be the basis of a Development Forum meeting in September-October 2008. In the February meeting top priority was given to TYIP and Nepal's development priorities, i.e. education, health and infrastructure, and implementation of policies. Crosscutting issues such as human rights, women's rights and gender equality, and good governance and rule of law were also discussed. All of these issues can be addressed in a well functioning democratic system so democracy plays an important role. In the course of the evaluation, while meeting with various government ministries, donors and human rights organizations it was clearly and several times stated that all the above issues may look like crosscutting issues but in the present situation of Nepal they in fact are the most essential development issues.

However, with much of the exclusion and discrimination being deeply rooted in the culture, cast system, religion and traditions of Nepal the process of achieving wide and sustained inclusion is long and requires manifold action. Apart from government action deep-rooted attitudes and habits of the people must change. Education and advocacy are important avenues. The attitudes and habits of new generations can be changed through inclusive basic education while the attitudes and habits of people from decision makers to the general public can be affected through strong advocacy work.

2.4 Crosscutting themes

According to the interviews with the Secretary of the Ministry of Foreign Affairs (who is in charge of human rights issues) the Government of Nepal has accepted **human rights** as a guiding principle in all of their development work. It is a precondition for sustainable development and a basis for government commitments to human rights issues of the country. In order to monitor, promote and protect human rights the government has formed a National Human Rights Commission (NHRC). However, the human rights situation is far from satisfactory in the country. Many others, including NHRC cited impunity as one of the very difficult points which undermines the credibility of the human rights policy within the general public and many other quarters.

From the development perspective human rights are addressed in almost all of the programs undertaken by government as well as by the donors and civil society organization. It is the most widely debated issue in all programs and plans. Rights of people and disadvantages groups are addressed resulting in creating awareness on rights and responsibilities. The NHRC is also doing advocacy work but their resources are rather limited. However, various marginalized and other groups now more and more demanding their rights. The Commissioner who was interviewed stressed that human rights are a development issue and should be taken up in a dialogue with the various authorities.

Discrimination is an area where the protection of human rights has drastically failed. Although the Government has reviewed policies the traditional, cultural and religious habits are slow to change. The Government has not undertaken strong protective action. However, social inclusion is the issue that has been debated and incorporated in all the programs of the government and donors.

After the Beijing Conference, **gender equality** has been a top priority of the government and the Ministry of Women, Children and Social Welfare was formed to promote, support and increase active participation of women in all round development And for improving their situation and condition. According to the Minister of the Ministry gender equality is promoted by mainstreaming gender in all the plans and programs of the government and development interventions undertaken by the donors and NGOs. Women's issue has been mainstreamed in national development policy and the Government has constituted the National Women Commission to look after the issue of women. The Government budget is now said to be gender sensitive. Mainstreaming women has created positive impact as more women from the disadvantaged groups have their representations and participation in various development and social issues. At the policy level positive discrimination has been adopted by the government to increase their meaningful participation in various fields. The Constituent Assembly has now 33% of women representatives.

However, in practice the status of women is still rather poor and their rights are not respected. Women are discriminated in various ways and their real status in the country is far from equal with men. The Ministry of Women, Children and Social Welfare has responsibility of around 70% of the society (women, children, elderly, people with handicap) but their resources, both human and financial, are very meager. Mainstreaming means that other sector ministries are responsible for women's rights and gender equality in their own field but those ministries need to be sensitized first in order to implement well the government policies.

Good governance is an important issue that has been incorporated by the government and other development agencies in their plans and policy. This has resulted in having better transparency in major programmes implemented by the government and donor agencies. Gender and public auditing are practiced by the government and other programs. There is a governance reform programme ongoing in Nepal, supported by ADB.

Nepal has a governance set-up for decentralization but local offices have now been for several years without elected representatives and things are administered by government nominated local staff. Corruption is wide-spread in the country. Nepal ranks 131 in the Transparency International's world list of corrupted countries. The Royal Commission for Corruption Control, which the King had established, was ruled unconstitutional by the Supreme Court and dismantled. There is a constitutional body called Commission for the Investigation of Abuse of Authority

During the decade of civil war the **rule of law** situation in Nepal degraded further with the Maoists using violence and terror as their means and the government security forces arresting dozens of civilians for their perceived support for the Maoists. The conflict between the Government and the Maoists has been marked by violations of international human rights law by both sides. With the Government's failure to bring to justice armed groups and security forces responsible for the strings of violent acts abductions, torture, and killings such lawless behavior had become the norm. Impunity is spreading beyond the human rights violations of the civil war. There has been not a single prosecution in the civilian courts of even the most egregious human rights violations on either side of the armed conflict, or of many killings since including killings during the election campaign.

2.5 Finnish aid programme in Nepal

The main objectives of Finnish cooperation with Nepal have been poverty reduction, assistance in the peace process and democratic development, improvement of human rights situation and promotion of sustainable economic and ecological development. The main sectors of cooperation have been education and water and sanitation.

However, as a result of Finland's new Development Policy (2007) the cooperation framework has been reconsidered and is somewhat in a phase of transformation. In the 2007 country consultations Finland promised support to Nepal's peace process. Furthermore, it was agreed, largely at Finland's request and based on the new Policy, that cooperation would be expanded to the natural resources sector which would include water and sanitation, environment, climate and forestry sectors. Nepal proposed that cooperation would continue in the important education sector. Finland noted that cooperation would continue until 2009 but gave no promises beyond that.

It should be noted that crosscutting themes are not sectors as such. Therefore, in choosing sectors of cooperation crosscutting issues may affect the choices only marginally although off-hand it would appear that the crosscutting issues are more easily reflected in social sector interventions. This naturally highlights the importance of effective mainstreaming of the crosscutting issues and the importance of safeguarding their consideration from the very beginning of the programme cycle. In addition to sectors there have been and are in Nepal specific projects that Finland supports in the crosscutting themes, such as support to human rights instruments.

The total disbursements of bilateral aid to Nepal was EUR 6.69 million in 2007 but it is expected to be increased to EUR 20 million by 2012 if conditions in Nepal are favorable: if peace in the country remains, decentralization and good governance is strengthened and if there is more transparent and participatory planning, strengthened control of the use of funds and public procurement.

The education sector in Nepal is assisted through sector support to Nepal's Education for All -programme (EFA) 2004-2009. EFA is a national programme covering primary and basic education, including adult literacy and early childhood development. Finland's annual contribution has been around 3 MEUR, while the overall budgetary support from donors (Denmark, Norway, DFID, World Bank, Asian Development Bank and UNICEF) amounts to some 40 MEUR per year representing less than one third of the overall primary and basic education budget. In addition to the sector support Finland provides technical assistance for devising a policy and plans to ensure education for all non-Nepali speaking children in their mother tongue in primary schools. This is a specific human rights oriented project.

The water and sanitation project was launched in October 2006 at village-level in the Far-Western Region of Nepal, while the long-term rural water management project in Lumbini ended in the beginning of 2006. A replication of the Lumbini project will start later in 2008 in the Terai area.

The Dharan-Biratnagar industrial corridor's environmental project in Terai started its two-year extension in 2006. The project created a model based on practical experience, but its establishment and adaptation is only just beginning. The aim is to strengthen environmental administration in the provinces to enable them to provide technical and financial support to businesses following the so-called private-public partnership model.

In 2007 Finland signed an agreement with the Government of Nepal to participate in the Nepal Peace Trust Fund with 3 MEUR. This is particular support to Nepal as a fragile state. Support to human rights is provided through support to the National Human Rights Commission and to the OHCHR's office in Nepal. Furthermore, the protection of human rights and gender equality are supported through the funds for local cooperation.

During the period 2006-2007 altogether nine Finnish NGOs implemented in Nepal 23 projects with funding from the MFA. The total annual funding is shown in Table 1 below. Most projects deal with health, education, community development and environment. All the projects are executed in cooperation with Nepali NGOs and CBOs.

Table 1. Finnish bilateral and NGO support to Nepal. All figures are in Euro

Sector	2004	2005	2006	2007
Education	1 735 594	3 101 123	2 945 242	2.317.910
Water and sanitation	1 128 529	200 188	198 674	2.242.527
Environment	822 830	692 069	633 528	742.688
Human rights, democracy and civil society support*	N.A.	1 150 000	650 371	1.000.000
LCF	161 487	465 977	491 783 (7.4 %)	377 671 (4.4 %)
Total	N.A.	5 609 357	4 919 598	6 680 796
Share of LCF from bilateral		8,3 %	10 %	5,6 %
Finnish NGO programmes	1 215 738	1 404 568	1 687 705	1 882 524

*= support to the Nepal's Peace Trust Fund and the OHCHR's Nepal's office

Source: www.formin.fi; ASA-31

3 POLICY DIALOGUE: HOW DOES FINLAND EXTEND INFLUENCE AT THE COUNTRY LEVEL

3.1 Bilateral consultations

Consultations on cooperation between the two countries were held in November 2000. They were the first wider consultations which covered all forms of cooperation, not only development cooperation and where political, commercial and economic issues were discussed in addition to development issues.

Crosscutting issues (human rights, democracy, corruption, transparency, decentralization, environment, reasons behind the insurgency) were well covered in the mandate for the consultations. Not only were the issues raised and discussed but also there was follow up in the sense that the agreed development cooperation programmes also reflected the issues. The Embassy followed up the consultations within a week, listing the issues that required action from the Finnish side which included activities in the crosscutting themes of environment, human rights and democracy.

This is an example of good practices in the sense that crosscutting issues are not only raised as discussion points or political issues but the discussions are also clearly reflected in programmes and there is rapid follow up to the consultations.

The mandate for the 2003 consultations stressed the commitment of Nepal to the peace process, returning to a democratic system and improvement of the human rights situation. Environment, which at that time was a crosscutting issue, was stressed as a cooperation sector. These issues and good governance and the promotion of rule

of law were taken up in the consultations. It was also stressed that Finland pays special attention to the rights of women, children, minorities and indigenous people and that gender equality should be accorded a central role in all cooperation in order to achieve poverty reduction.

In the agreed minutes the link from the crosscutting issues to the interventions that Finland agreed to support is not as apparent as in the previous consultations. However, support to rural water development continued and the project contains elements of strengthening decentralization which can be considered good governance. Apart from the water sector, education remained the other key sector but it appears that it was not seen of such fundamental importance as it has today as a crucial key to achieving inclusion, not only in education but in the longer run in changing old attitudes and traditions.

In the mandate for the 2007 consultations the crosscutting issues were not emphasized as strongly as in the previous two cases. Finland was to state her support to the peace process, resumption of democratic processes and improvement of the human rights situation. Heavy emphasis was to be put on environmental issues and climate change in accordance with Finland's new development policy. The aim was to expand cooperation to the natural resources sector in its wide sense and have it as a main cooperation sector.

The agreed conclusions note Finland's support to peace and democratic processes and emphasized the importance of an independent National Human Rights Commission. Furthermore, Finland stressed good governance and the need to fight wide-spread corruption. Finland expressed the willingness to provide support both to the National Human Rights Commission and to the fight against corruption. In addition to this general support there was no clear link between the emphasis laid on crosscutting issues and the agreed cooperation programmes. In raising crosscutting issues in the policy dialogue is an important political and development policy signal. In addition to that, agreement on specific action related to the themes or agreement of the importance of mainstreaming the themes in all cooperation add the importance of practical implementation.

Finland's support would continue in the rural water sector but although Nepal particularly asked Finland to continue her support to the education sector reform, Finland was not prepared to commit herself at that stage in spite of the crucial importance of education as a means of supporting human rights and wide-based inclusion in the country. It appears that rather than agreeing to Nepal's own priorities and ownership, Finland took stronger guidance from her own new development policy.

It is perhaps noteworthy that in the period of the conflict, when there were limited chances of implementing sustainable long-term development interventions much support was given to human rights and the crosscutting themes which therefore may have seemed to have attracted proportionately very wide support in the Finnish programme. In the longer-term planning the relative proportion of other sectoral interventions would be increasing. Furthermore, assistance to human rights in practice often is provided over and above the long-term cooperation framework.

3.2 Budget support and sector wide approach

Finland does not provide direct budget support to Nepal.

Finland is one of the donors that provide support to the education sector through the Education for All Programme (EFA). The funds are provided according to the sector wide approach through basket funding. The objectives of the programme are: ensuring access and equity; enhancing quality and relevance; and improving efficiency and institutional capacity. All the six components of the EFA focus on inclusion.

The EFA has a strong human rights and gender equality orientation in as much as inclusion of girls and all groups of the society is one of the specific targets of the programme. Good governance comes also into the picture as strengthening of the school administration and the entire administrative sector mechanisms for the programme are also points of support. Transparency and effectiveness are stressed also at the school level particularly regarding scholarships, procurement and construction and the aim is that all information should be locally available to the school management committee.

There are semi-annual review meetings of EFA with the Government and usually monthly donor meetings where all the issues, including of course inclusion, are discussed and progress reviewed. According to all those interviewed Finland has been very active in the review meetings and donor coordination, particularly regarding the crosscutting

themes. Finland was the focal point for the donors in 2006-07. According to all sources this was a period when the coordination mechanisms were considerably strengthened. In that period the Government was given a strong role in the coordination, while previously it had been donor driven.

3.3 Harmonization and alignment

Nepal was one of the partner countries that volunteered to be evaluated regarding implementation of the Paris Declaration. The country report was finalized in March 2008. The survey monitored the progress of the Government and Nepal's donors on making aid more effective against the five basic objectives (ownership, alignment, harmonization, managing for results, and mutual accountability) and the indicators provided in the Paris Declaration.

While the survey did not particularly aim at assessing the performance of individual donors in Nepal some conclusions can be drawn.¹ For instance, the survey found that the donors' actual disbursements are considerably less than the amounts pledged. A considerable amount of official development assistance does not come through the Government financial systems and a substantial part comes outside the purview of the government's planning and budgetary processes.

The donors' perceive that Nepal has a limited capacity to formulate development and implement programmes and projects and monitor achievements. They have established separate project implementation units which give them more control over implementation. However, in the last few years, a significant number of large donors have shown their confidence in the Government by aligning their budget formulation processes, monitoring and reporting systems more in line with the Government's. This has happened most notably in the sector wide approaches for education and health.

The government has introduced several measures to improve its public financial management system. Notable examples are the implementation of the Procurement Act and rules, the financial management information and reporting system, and institutional mechanisms for exchanging views and seek active support from donors. The Government recently formulated Public Expenditure and Financial Accountability guidelines. The issue of improving the quality of the institutional mechanisms and the management of information generated through the information system is a challenge which needs to be addressed by donors and the Government.

The survey found that in 2006/07 technical assistance made up 38 percent of total official development assistance, a relatively high proportion. TA is used widely in almost every sector. This raises the issue of efficient and effective use of technical assistance.

Finland's performance, according to some statistics that were collected, was not strikingly different from the average. In some respects Finland performed in accordance with the Paris Declaration objectives and in some other respects less so.

3.4 Donor coordination

Donor coordination in Nepal is weak in the sense that it is not Government led. There are no round table or consultative group meetings and no regular donor meetings in the field with the Government. The donors meet among themselves and exchange views and information. Many donors are hoping that the monitoring process of the Paris Declaration will increase ownership and move Nepal from donorship to ownership. There is no aid coordination as such within the EU. EU Heads of Mission meet regularly once a month but the issues discussed usually evolve around political developments in the country, human rights situation etc.

The Government organized a Nepal donor consultation meeting in February 2008 where it presented to the donor community the draft Foreign Aid Policy, 2008, which revises the old policy from 2002. According to the interviews Finland participated actively in the February meeting and particularly raised issues regarding gender equality, inclusion and good governance. After taking into account the comments made the Government is finalizing the document with the intention to present it to the donors in a Development Forum meeting in September-October 2008. The Government is expecting pledges to be made at that meeting.

¹ Finland was one of the donor countries that were evaluated regarding implementation of the Paris Declaration.

Development cooperation is discussed between various donors unofficially during more or less informal meetings. Several of those interviewed and those that were met more informally indicated that Finland is very active in discussing development cooperation issues and continues to keep a high profile regarding the crosscutting themes.

3.5 Key findings and conclusions

- Finland has continued to raise crosscutting themes in the bilateral consultations with Nepal. In 2000 there was a clear follow up of the consultations in that there was an agreement on supporting human rights programmes and the Embassy took rapid action after the consultations.
- In the 2007 consultations Finland's new Development Policy guided the selection of interventions more than Nepal's own priorities. Crosscutting issues were raised in the consultations but the follow up in terms of interventions was not so apparent although support was pledged to the National Human Rights Commission and to the fight against corruption. In the new sector of natural resources implementation of crosscutting issues will depend on how well they are taken into account in the preparation of interventions.
- Crosscutting issues are well covered in the support to the education sector (EFA). Finland has had a high profile in advancing crosscutting issues.

4 MAINSTREAMING IN VARIOUS INTERVENTION MODALITIES

4.1 Sector support

Finland is financing the basket funding of the education sector reform programme in Nepal. This is the third phase of the programme which started with Basic and Primary Education Programme I (BPEP I), 1992-1998. At that time the financing agencies were the WB, Danida, UNICEF and JICA. Finland along with some other donors joined the financiers in the second phase of the programme, BPEP II, 1999-2004. Now the third phase, the **Education for All Programme**, 2005-2009 is underway and some new donors are still joining the group. Plans are being prepared for the next phase, the School Sector Reform (SSR), from 2010 onwards. This reform was envisioned in the National Plan of Action in line with the PRSP and is linked with the TYIP. Piloting of the SSR is being undertaken in three districts. The aim is to reach education for all in 2015.

During Finland's term as focal point for the donors the Government's role and coordination mechanisms were considerably strengthened. The Government is responsible for monitoring of the progress and reporting thereof. Reporting has improved and is considered to be at a reasonably good level. Reports are on the web-site for transparency and accountability.

The results of the programme have been considerable, considering that there has been 10 years of insurgency in the country and no locally elected bodies since long in the rural areas. The progress was confirmed by the interviews and by a review in 2006 financed by Finland on behalf of the donors. However, there still remains a long way to go. The crosscutting themes are well covered in the programme, partly due to the fact that the programme has been running for a fairly long time and there has been time for dialogue and focusing on gender equality, inclusion and good governance issues. Finland and other donors continue to keep the issues actively on the agenda and it seems that it has also had an effect on Nepal's own policies which focus on inclusion and where gender equality is highlighted. This would confirm the notion of the rights based approach (HRBA) that in development interventions the process is as important as the actual results and often the process leads to more sustainable effects.

In 2001 the responsibility for running the government primary schools was given to the communities on a pilot basis. Some 80 % of the children attend public schools. The Government provides part of the funding in a lump sum (based on the number of students). Now around 5000 schools are managed by the communities and some 7000 schools are run by communities with only little additional support from the central government. Communities raise their own funds but often face difficulties. Teachers' salaries are the largest expense item and if the teacher student ratio is not reached the central government can provide additional support. The schools now provide education up to grade 10 but a two year extension to the education is in the plans.

There has been considerable progress in primary-level enrolment, and there is now good representation of minorities and girls, but many classrooms are extremely overcrowded. The net enrollment rate (NER) has risen from 66 % to 89

%. Drop-outs have also decreased. The gender parity index (GPI) has been considerably improved and is as high as 0.96 although in the secondary level the figure drops and the higher you go the less gender parity there is. The ownership of the schools in the communities is very strong and in many cases there is private partnership in providing local financing for the school. However, 11 % of the children are still out of school. Many of them are from the poorest segments or discriminated groups, although a more detailed study is required to get accurate information and develop specific action to reach also these children.

The system for appointing and transferring teachers is inflexible, non-transparent and ineffective. There are now serious imbalances in the spread of teachers, with classes of over a hundred common in the terai (plains) while classes in hilly and mountain areas may typically have less than ten children. Lack of financial resources adds to this in the crowded areas. School Management Committees have little alternative but to employ additional teachers, often paid for by contributions from parents and remunerated at far below the official rate. These additional hires count for 19 percent of all teachers. Teachers' unions are alienated by this spread of low-paid and informally-contracted employment. Overcrowding has also led communities to construct extra classrooms by raising funds locally; usually by imposing a levy per student. There is a risk that poorer children may be excluded, although these negative effects appear to be counteracted to a considerable extent by increasingly positive attitudes towards education. Although School Management Committees constitute an important step towards decentralization, their budgets are so small that they have little freedom of choice.

The Finnish commissioned review in 2006 of the EFA examined the programme in relation to the conflict and political crisis in the country. Factors relating to conflict were assessed from the point of view of social, economic and political exclusion and from the point of view of security factors, or the immediate effects of violence. The review focused more on the impact of education on conflict rather than the impact of conflict on education.

The review concluded that “the design of the EFA programme is directly aimed at issues of exclusion and therefore is a highly appropriate response to conflict. Among the instruments available to donors it may be one of the most suitable at the current time. It reflects many of the DAC Principles for working in Fragile States. The review recommends continued funding at current levels”. While there was discussion during the insurgency period whether one can meaningfully support basic education or will all the efforts be wasted, the review strongly confirmed the importance of basic education particularly in a crisis period. With the armed struggle and without education, one more generation would have lost the opportunity for development.

The review concluded that one of the shortcomings in the EFA was the lack of a consultative process with stakeholders. Some observers, the review said, consider that such a fundamental change will have to wait until the political crisis is resolved. (Today there is headway in that respect compared to early 2006.) Grievances were becoming intensely politicized and there was a tendency to want to blame government rather than solve problems. But the argument could be turned the other way said the review. The education sector could play a leading role in conflict transformation by demonstrating consultative and inclusive behavior and by creating forums for discussion about pressing issues.

In all the interviews basic education was considered extremely important from the point of view of inclusion and the fight against discrimination and exclusion. Inclusion is absolutely necessary if one wishes to have sustained peace and stability within the country and aims at providing a stable basis for other development efforts. The Nepalese Government requested Finland to continue her support to the education sector after the completion of the present phase. The importance of the programme and the good results achieved so far strongly speak in favor of Finland's continued support.

4.2 Projects and programmes

The **Multi-lingual Education project** (MLE) started in January 2007 with a six-month preparation phase. The Project has had difficulties from the very beginning and so far the achievements are rather meagre. The Inception Report of the project was approved by the Supervisory Board only in February 2008.

The project which aims at providing equal opportunities for all children in basic education in a country with nearly 100 languages is a specific intervention within the crosscutting themes. Due to the very limited results of the project it would not necessarily have contributed much to the assessment of mainstreaming of crosscutting themes. Taking these two factors into consideration a decision was made during the field mission that the present evaluation would not focus much on the project.

The project is piloting bilingual education in six different districts. According to a monitoring report the situation differs substantially in the regions and the response of the beneficiaries and stakeholders is also somewhat different in each district. While some are eagerly waiting for bilingual education materials and the beginning of instruction in the classes in the local language the response in another district has been very reserved and doubtful because education at higher levels would be in Nepali in any case. Education materials have not been finalised so far.

A mid-term evaluation of the MLE programme was carried out in May-June 2008 but the final report of the review has not yet been available. The report is expected to include recommendations to address the challenges.

Finland is supporting the water and sanitation sector in Nepal. At present the fourth rural water supply and sanitation project since 1989 is under way; first there were two Rural Water Supply and Sanitation Projects (RWSSP) and a third Rural Water Supply and Sanitation Support Programme (RWSSSP) in Lumbini Zone.

Phase III, the **Rural Water Supply and Sanitation Support Programme (RWSSSP)** was carried out between 1999 and 2004. There was a one year extension into 2005 with local manpower supervising the completion of the most critical schemes of the programme. The programme aimed at contributing to full coverage and adequate and sustainable water supply and sanitation facilities and services in the area through 1) improved institutional capacities of the districts to enable decentralization to district and users, 2) financial support, and 3) improvement of methods of implementation and operation and management. Thus the programme had clear elements of good governance.

Environmental aspects were integrated within RWSSSP from the very beginning. According to the mid-term evaluation environmental aspects had been continuously emphasised in various activities and in particular in training and orientation workshops at the village and user committee levels and through advocacy events.

The policies and strategies of RWSSSP clearly recognise the importance of gender and the programme emphasises the role of women in the promotion of community based social development. The mid-term review notes, however, that there is a gap with these statements to the reality and that there is a need to step up the gender equality approach. At the same time the review did note that some progress had been made in the participation of women at various levels.

In order to improve rural water and sanitation service delivery in Nepal and to guide the government, donors, NGOs and the private sector with a commonly agreed approach a Rural Water and Sanitation Services Sector Strategy and an Action Plan were completed in November 2003 with the support of ADB. However, in spite of the good intentions the strategy has not been implemented. The sector is splintered by the stakeholders each having their own modalities and channels for funding. Even the ministerial responsibilities are somewhat unclear a split between the Ministry of Physical Planning and Works (MPPW) and Ministry of Local Development (MLD). Each is implementing a large number of rural water and sanitation projects. The lead in the rural water and sanitation sector is with the MPPW and it also executes urban water and sanitation projects. MPPW has tried to get a better hold of the sector. It has held stakeholder meetings in order to share information so as to have better coordination and in fact reform of the sector. From this point of view it perhaps raises a question that Finland has financed projects which all have been under MLD. MLD does participate in the sector stakeholder meetings. MLD is in charge of community based development projects.

The fourth Finnish supported water and sanitation project, the **Rural Village Water Resources Management Project (RVWRMP)** is presently ongoing. A project identification mission was carried out in late 2001 (which was before the sector strategy and may explain why the support continued to MLD and not to MPPW) and the project document was prepared in November 2003. Finland wanted to support a project in the poorest areas of the country and subsequently the project covers nine mountainous districts in the Mid and Far Western Development Regions with a total population of approximately 1.5 million. The project document reflects the Local Self-Governance Act of 1999 which emphasises decentralization and the key role of the locally elected political bodies, the Village Development Committee (VDC) and District Development Committee (DDC).

The project was delayed as the King usurped the power in Nepal in February 2005 and all new projects were frozen. The agreement between the two Governments was finally signed only in September 2006, five years after starting the preparation. The project document was updated (with a chapter that seems like an 'add-on' to the project document) so much so that reference is made to the new Rural Water and Sanitation Services Sector Strategy saying that "*the proposed RVWRMP will be the first TA project to be designed following the principles and policies of the strategy*". However, not much updating or new preparation was done in spite of the changed situation in the country and for instance the lack

of local elected VDC and DDC administration. Eventually, the project commenced in October 2006. Although the project document does not include an inception phase the project started with a three months inception phase, apparently so that shortcomings in the preparation phase could be rectified.

The objective of the project is to provide rational, equitable and sustainable use of water at the village level and thus contribute to improved health and housing conditions, improved environmental conditions regarding water and waste and increased rural livelihoods opportunities. The project should develop comprehensive Water Use Master Plans (WUMP) for the use of water resources and improve the institutional capacity for water use management.

Environment as a crosscutting issue is well covered in the document. Environmentally sensitive conditions will be taken into consideration in the preparation of the WUMPs. The role of women is also emphasized and equal representation of men and women underlined. Democracy and good governance are mentioned in the passing. The project document is not prepared in such detail that there would be human or financial resources allocated to any of the crosscutting issues. Implementation without resource allocation is difficult.

In 2004, the Government adopted a Local Infrastructure Development Policy which is *“to contribute to poverty alleviation by improving the social and economic conditions of the local people at their own initiative and participation”*. Furthermore, the policy is *“to improve the access of local people including women, disabled, backwards, oppressed, and Dalits to social services, economic opportunities and resources by means of physical and social infrastructures”*. Inclusion is an underlining objective in Nepal’s development policies. In the project area, which is among the poorest in the country, discrimination and exclusion is a tangible feature.

During the inception period a Gender Equality and Social Inclusion Strategy was developed for the project with the active involvement of the adviser from the Embassy and the adaptability of the Team Leader. The strategy crosscuts all project activities including recruitment of project staff. The project budget has been revised and limited resources have been found and allocated to the implementation of the strategy from other activities. The Project also initiated a study on Social Inclusion and Gender and published the results recently to improve the strategy and the action plan. In addition and in line with the rights based approach, close attention has been paid to the most poor and vulnerable in terms of community contributions and ensuring paid work opportunities to the most excluded groups.

While the previous water sector projects (RWSSSP) focused in their gender approach on integrating women into the project work the RVWRMP takes a much wider approach in accordance with the Government’s underlying policy of inclusion. The Strategy notes that beyond project level interventions, RVWRMP recognises that it cannot seek social change in project communities without also addressing these issues internally. Furthermore, the Strategy has to be agreed by all project staff and shared with all partners and stakeholders. The Strategy was already prepared in a participatory manner.

In preparation of the Strategy the project first carried out a Gender and Social Discrimination Study to explore the actual situation in the project area and to identify the practices, values and norms used to justify and rationalize discriminatory practices. While the degree and forms of discrimination varied across the communities the justification of the practices was similar. It is based on a triangular equilibrium of faith, fate and fear that is built up and maintained on superstition and traditional beliefs. Accordingly the Strategy concludes that a process of social mobilization, sensitization and confidence building is required that will take time and, in some cases, generations.

Nepal’s Rural Water Supply and Sanitation Sector Policy, Strategy and Action Plan (2004) stress the importance of gender and social inclusion in project implementation and have provisions for enhancing the participation of women and disadvantaged groups. However, their meaningful participation in decision making roles remains symbolic. Projects are usually required to have a minimum number of women (usually 33%) on water user committees, including some key positions, in many cases women are illiterate and lack the necessary skills to carry out their responsibilities. The Local Self-Governance Act stipulates that women and disadvantaged groups should be represented on local governing bodies (VDCs and DDCs) as well. The Strategy concludes that building people’s level of awareness and capacity to access resources and opportunities, and to influence and hold accountable the institutions that affect them will require concerted efforts, as many groups have traditionally been excluded from such processes. This again reflects the rights based approach, as does the Strategy overall.

In accordance with the rights based approach the process of adding the crosscutting issues to the project and developing the Gender Equality and Social Inclusion Strategy has been as important as the end results. The participatory process has already sensitized stakeholders widely. One reflection is that the Strategy has received praise also from the Government at central and local level. While inclusion is reflected in government policies this strategy

is a concrete example of an approach to implementation of the policies. In the interviews during the field mission representatives of the MLD stated that inclusion and the crosscutting issues are policies that the Ministry follows in all their projects and programmes, including a large WB programme that has recently been prepared and the example of RVWRMP is used in implementation.

RVWRMP has developed a rather comprehensive and participatory monitoring system for the project. Monitoring will be done at all levels. One particular objective of the monitoring is to provide disaggregated data on the inclusiveness of the project activities with particular regard to women and discriminated ethnic groups. Inclusiveness will be assessed at the decision making levels also. Furthermore, perceived barriers will be identified as regards to resources access and the motivation and experience related to the alleviation and removal of these barriers.

The inclusion of the missing crosscutting issues into the project and preparation of a specific Gender Equality and Social Inclusion Strategy at the initiative and active involvement of the Embassy is an example of good practices in the mainstreaming of crosscutting issues. The preparation process and the Strategy itself are a good example for other projects, recognising that situations are different in each case and thus strategies must be tailor made.

The RWSSSP Programme in the Lumbini Zone was to finish in 2004. Therefore Nepal proposed to replicate the existing Programme in the adjacent zones to Lumbini Zone in order to transfer the experience to the new districts. Following a request by the MLD, a Project Identification Mission for another water sector project was carried out in Nepal in November 2003 and an appraisal mission was completed in May 2004. The appraisal recommended that the project should replicate the RWSSSP with the addition of a component to prepare a Water Use Management Plan within each of the project districts. The four year project, **Rural Water Supply and Sanitation Project-Western Nepal (RWSSP-WN)** will commence in August 2008.

It seems that there are several shortcomings in the project preparation. The RWSSSP III project document (which RWSSP-WN is to replicate) was prepared in 1999. Thus the project document is outdated. The RWSSP-NW project was appraised 2004. The appraisal noted that the project document required substantial modification before it could be used for tendering. No modification was made and implementation was delayed due to the political situation in the country. In October 2006 a one man mission was commissioned to update the project document. The ToR was very brief and essentially only said that: "The objective of the assignment is to update the Project Document of August 2004, in order to start the competitive tendering in the beginning of 2006. It is planned that the RWSSP-WN would begin in spring 2006". (Obviously the tendering was supposed to take place in early 2007 as the ToR is signed 3 October 2006.) The ToR did not mention crosscutting issues in any way. The timeframe for the assignment was minimal.

There were some further delays. The updating assignment had not resulted in a satisfactory project document. The Comprehensive Peace Agreement was signed in November 2006. There were significant developments in the country. Eventually some further changes were made as a desk exercise in the MFA. All in all, the resources allocated and time allowed for carrying out the updating were very limited in spite of the fact that the situation in the country had changed considerably since the time the project design had been completed. Furthermore, lessons learned from RVWRMP and particularly the inclusion of crosscutting issues were not taken into account notwithstanding comments to that end by the Embassy. The project was tendered on the basis of a not much changed project design. On the contrary, the project document dated March 2008 states that there has not been sufficient time to take lessons learned from RVWRMP. However, the latter's Inception Report had been completed already in the beginning of May 2007 and the essential approach was described therein.

After the 2007 country consultations the project was quickly reviewed and finalised. The overall objective, purpose and expected four results of the project reflect a rather technical approach to the problems analysed. Crosscutting issues, discrimination of women and other groups are not seen as an issue even from a sustainability point of view, although strengthening of local capacities of course addresses decentralisation as an element of good governance. Inclusion is mentioned as an element in describing user groups. Gender and inclusion are mentioned almost as add-ons in the project document.

In the interviews representatives of MLD were asked that how the project could be approved in its original shape although the Ministry stressed that inclusion is a crosscutting policy of MLD and that RVWRMP was used as an example in other projects. The explanation was that RWSSPWN was to be a replication of RWSSSP and that Finland had urged the early implementation of the project. Obviously a decent appraisal would have resulted in a major revision of the project or would even have called for a new project design. It also seems that Finland wanted to save in the preparation costs of the project.

An exceptionally long eight months inception phase was added to the project apparently to mend the lacking planning phase. The intention is that during the inception period lessons learned from the RVWRMP and previous water sector projects will be incorporated as relevant. It seems very clear that an eight months inception phase will by far exceed any savings that were aimed at during the preparation phase. Furthermore, the project will face the same difficulties as RVWRMP in that resources for crosscutting issues and any new elements will have to be found as savings or cuts from other project components. Once again the implementation of crosscutting issues is not properly resourced.

As specific support to human rights Finland has provided funding to the **Office of the UN High Commissioner for Human Rights, Nepal office** (OHCHR-Nepal) since it was opened 2005 and is considered for new funding this year. The office is reorganizing its work and has presented a concept paper for its new organization and plan for the remainder of the year.

Support and assistance to the National Human Rights Commission (NHRC) will remain one of the most important activities of the Office. The aim is to have a strong national institution which would be a sign of the long-term success of OHCHR-Nepal. The Office also focuses on the promotion the economic, social and cultural rights in the constitution building process and continues work in the area of transitional justice.

OHCHR-Nepal is developing together with another UN agency a proposal on implementing a model project based on the rights based approach (HRBA). Considering the lack of experience in full fledged HRBA projects and apparent difficulties in applying the concept into practice it would seem very much worth while supporting such a proposal also from the Finnish side. The project could provide an example and lessons learned to the country and the donor community at large. OHCHR is planning to present the proposal in the development forum to be arranged by the Government in September-October 2008.

As another specific human rights project Finland is supporting the **National Human Rights Commission (NHRC)** the NHRC capacity building project administered by UNDP and funded by several donors.

In 2004, the Embassy started operating the **Local Cooperation Fund (LCF)** scheme which combined the earlier local cooperation activities (the Local Fund for Democracy, Good Governance and Human Rights initiated in 1999 and a previously agreed cultural cooperation project).

LCF complements and supports Finland's wider bilateral development programme in Nepal, but at the same time constitutes an independent aid instrument for which the Embassy is in charge. LCF has been used specifically for the purpose of strengthening democracy, human rights and promoting equality, but also for reduction of poverty, increasing of security and economic interaction. Particular attention has been paid to the development of civil society, increasing social inclusion and equality, as well as transparency in society and local cultural identity. Therefore, the objectives of LCF as complementary instrument are not necessarily identical with Finland's overall development policy.

The Embassy has prepared a strategy for the LCF. The main objectives are:

- Addressing multi-dimensional poverty and the inherent inequities in the society
- Strengthening the voice of the voiceless
- Alleviating consequences of the conflict
- Creating and testing innovative approaches.

In the selection criteria, the Embassy pays special attention to the extent to which the project aims at decreasing the inequalities in the country and mitigating the effects of the conflict. Therefore, and in accordance with the policy of inclusion location of the proposed project, participation of women and marginalized groups in project preparation and implementation are in central position. More specifically, the selection criteria for the projects to be financed include the following issues:

- Relevance of the needs or interests: Are the needs or interests of intended beneficiaries identified and analyzed specifically?
- Feasibility: Is the project technically feasible and economically viable? Are the results measurable?
 - Quality and Clarity: Are the project objectives clear and its activities well articulated? Is the time frame of the proposed project adequate and reasonable?

- Organization Capacity: Has the project proponents proven successful initiatives in the past? Are skills and management capacity adequate to manage the envisaged project?
- Sustainability: Would the project reduce aid dependency and ingrain ownership of beneficiaries towards the project?
- Impact: Will the project make a difference in advancing the intended beneficiaries toward sovereignty, securing rights and improving the quality of life through a more equitable, secured and sustainable economy?
- Pre-funding visit to the proposed project site: Prior to the final approval of the project, visit would be made (if necessary) to reconfirm the capacity, needs/interests and commitments of the development partner so that the funded project is needs-based and sustainable.

The share of LCF has varied between 10 % in 2006 and 5.6 % in 2007 of Finnish bilateral aid in Nepal. Table 2 below shows the use of LCF for the four-year period 2004-2007.

Table 2. Use of LCF in Nepal, 2004-2007. All figures are in Euro

	2004	2005	2006	2007
LCF funds available (€)	297 888	500 000	500 000	500 000
Number of projects	14	23*	31*	21**
Total funding/projects (€)	161 487	465 977	421 601	379 734
Min/max per project (€)	1 103 / 30 503	1 043 / 128 797	3 116 / 49 945	389 / 50 027
Average per project (€)	11 113	20 260	13 600	18 082

*Five one-time grants provided as travel grants or other minor assistance (56 – 1619 €); **= one one-time grant
Source: Evaluation of local cooperation funds, Nepal country report, 2008

There is no real donor coordination on NGO activities. There are *ad hoc* meetings to discuss and share experiences about small grant funds that take place maximum twice a year. No donor has taken a lead to organize the meetings. There is informal exchange of information about various organizations and applications which has proven helpful. In the interviews the representative of DANIDA proposed that Finland should begin supporting Denmark's Huguo which is a large programme covering seven specific fields related to human rights, democracy and good governance. Norway is supporting the programme.

An evaluation of Finnish local cooperation funds was carried out in the spring of 2008. Nepal was a case study country for that evaluation. According to the Nepal study LCF projects have never had a close linkage to the sectors of bilateral assistance in practice. This has reduced the relevance of LCF projects. A conclusion was that using LCF in the priority sectors of bilateral cooperation would improve the relevance. Focus could, however, be on the issues that the NGOs mostly work on and on which they are strong: social inclusion, human rights, empowerment of poorest and excluded groups, gender and peace building. However, from the point of view of the subject of the present evaluation LCF is a relevant and good channel of supporting the crosscutting issues as specific themes or irrespective of the sector.

The evaluation noted that participatory project preparation is not a common practice. This should be the case particularly if discriminated and excluded groups are targeted. To mainstream gender and social inclusion it would be necessary to do both the situation analysis and the planning with men, women and socially excluded groups. This has not been encouraged in the LCF instructions. Most organizations focus on excluded and marginalized social groups. Democracy, human rights, transparency and inclusion of women and disadvantaged social groups are important issues promoted by most NGOs receiving LCF funding.

4.3 Key findings and conclusions

- The EFA programme aims directly at issues of exclusion and therefore is a highly appropriate one of the most suitable responses to Nepal's present situation.
- During Finland's term as donor focal point for the EFA the Government's role and coordination mechanisms were considerably strengthened.
- The crosscutting themes are well covered in the EFA programme, due to the fact that the programme has been running for a fairly long time and there has been time for dialogue and focusing on gender equality, inclusion and good governance issues.

- The importance of the EFA programme and the good results achieved so far strongly speak in favor of Finland's continued support.
- The inclusion of the missing crosscutting issues into the RVWSMP project and preparation of a specific Gender Equality and Social Inclusion Strategy is an example of good practices in the mainstreaming of crosscutting issues. The preparation process and the Strategy itself are a good example for other projects.
- It seems that there are several shortcomings in the preparation of the RWSSP-WN project. The apparent haste and savings in project preparation resulted in the crosscutting issues being largely missing and without resource allocation. An eight months inception phase was added to the project apparently to mend the shortcomings and lessons can be learned from the RVWRMP. However, it is clear that an eight months inception phase will by far exceed any savings that were aimed at during the preparation phase and make resource allocation for crosscutting issues more difficult.
- Long-term involvement and support to a sector enhances the consideration and mainstreaming of crosscutting issues as the support to the education sector and water and sanitation sector testify.
- Without proper allocation of human and financial resources preparation and implementation of crosscutting issues is haphazard and much more difficult.
- OHCHR-Nepal is developing a model project based on the rights based approach (HRBA). The project could provide an example and lessons learned on HRBA and would seem worth while supporting also from the Finnish side.

5 RESPONSIBILITIES AND PROCEDURES

5.1 Division of responsibilities between Embassy and MFA

The MFA has for a few years been in the process of delegating preparatory and decision making powers to the Embassies. The Embassies in Hanoi and Managua were chosen as pilot cases where maximum powers would be delegated while a similar process would be ongoing also with other Embassies but with a lower level of ambition. The Paris Declaration on aid efficiency further encourages this development.

In the wake of this process the staffing in Embassies was strengthened, particularly in those countries where Finland has development cooperation programmes. In Nepal the Embassy has been headed by a Chargé d'Affaires with experience in development cooperation. In addition there are two Councillors focusing on development and three locally recruited Programme Coordinators.

In delegating powers to the Embassies no clear rules or guidelines have been prepared concerning the division of responsibilities, decision making powers or procedures to be followed. In fact, it seems that the process of delegation has been at a standstill for some time and there have also been some second thoughts about the delegation of powers.

There are no specific guidelines on how crosscutting issues or mainstreaming should be dealt with at the Embassy on the policy level or as regards different aid instruments. Crosscutting issues will depend much on the interest and experience of individual officials at the Embassy. There has been no training on crosscutting issues or mainstreaming. During the interviews UNICEF indicated that they are arranging training in the rights based approach for Nepalese officials at various levels of the administration and we proposed that UNICEF should offer similar training also to the Finnish Embassy of invite participants from the Finnish and other Embassies to the training courses they arrange.

The regional Departments are the main link between the MFA and the Finnish Embassies in the particular region. At the regional Departments the knowledge and experience on crosscutting issues and mainstreaming depends on individual officers. There is no training on crosscutting issues or mainstreaming at the Ministry. The advisors on crosscutting issues at KEO are fully occupied with policy issues and specific projects in their own field and have little

time to guide the Embassy on the mainstreaming of crosscutting issues or assess them in the preparation or implementation of individual interventions.

In the case of Nepal it appears that not much decision making powers have been delegated to the Embassy. There is a continuous exchange of views between the Embassy and MFA but decisions are made in the HQ and often the Embassy's comments or views have been simply ignored. According to the Embassy MFA has not pursued crosscutting issues and in fact the Embassy has been requested to focus on project implementation rather than reporting on the human rights or political situation in the country.

This year regional departments and the Embassies were requested to prepare a participation plan regarding development cooperation (osallistumissuunnitelma), or what could perhaps be called a country strategy. In some interviews at the MFA it was revealed that after receiving the first drafts and after comments from the advisors the plans were returned to the departments and Embassies for further preparation largely due to the lack of crosscutting issues in the plans. The plans have been revised and approved. In the case of Nepal the participation plan was prepared mainly by regional department. According to the Embassy portions prepared by them were to a large extent not included in plan and their further comments were ignored.

The tool where the Embassy has decision making powers is the Fund for Local Cooperation (LCF). The LCF is regularly advertised in the Embassy website (www.finland.org.np) with the main components of the Embassy's strategy and the selection criteria. In 1999 a Fund Administrator was hired to manage the projects and she has continued in this task up to 2008. A locally employed Project Assistant was hired in 2005 to manage part-time the other projects. The general opinion in the Embassy is that the human resources to manage the number and volume of LCF activities **have been** sufficient only for administration, not for systematic monitoring of the projects. The Embassy plans to improve LCF administration which is possible by the more focused new strategy and decreased number of LCF projects.

Funding decisions are usually made quarterly in Embassy meetings when there are a sufficient number of proposals. Around 200 proposals are received annually. Crosscutting issues are selection criteria. Monitoring of LCF projects has not been regular.

In the interviews there were complaints at the MFA that there is not sufficient reporting from the Embassy on project implementation and crosscutting issues in the projects. This was confirmed in the interviews with the Embassy staff. Although the Embassy has been very active in advocating and including crosscutting issues for instance in the water and sanitation project there is not much reporting on the fact. On difficulty, it was said, was that there are difficulties in reporting on the substance of the issues. The evaluation mission proposed that for instance in the RVWRMP project crosscutting issues have been incorporated in an exemplary way and thus there would be a need to reporting on the entire process of how then incorporation was achieved. Only thus could lessons learned be conveyed to other projects. On the other hand, particularly in the case of Nepal, it is of vital interest to follow the political and human rights situation and inclusion because in such a fragile state all development could be hampered by failures in the political development or improved human rights situation.

5.2 Key findings and conclusions

- Proper delegation of powers would require clarification of roles and proper guidelines.
- Participation plans regarding development cooperation (osallistumissuunnitelma) should be initially done by the Embassy who has a hands-on touch with the situation and needs in the country. MFA of course should comment and adjust the plan to fit into Finland's own policies and priorities.
- There is a need for continuous training to all staff on crosscutting issues and HRBA both in the Embassy and MFA. UNICEF could be helpful in this regard in Kathmandu.

REFERENCES

ANNEX 1 PEOPLE INTERVIEWED

Embassy of Finland

Ms. Pirkko-Liisa Kyostila, Charge'd'Affaires, 30.05.'08
Dr. Munni Sharma, Programme Coordinator, 1.6.2008
Ms. Jayanti Subba, Programme Coordinator, 2.6.2008
Ms. Rauni Haapamaki, Counsellor (Development), 04.06.'08

Finnish bi-lateral programs

Mr. Kari Leminen, Team Leader, Rural Village Water Resource Management Project, 04.06.'08
Mr. Ram KC, Planning & Monitoring Expert, Rural Village Water Resource Management Project, 04.06.'08
Mr. Sushil Subedi, Water Resources Advisor, Rural Village Water Resource Management Project, 04.06.'08

Government of Nepal

Dr. Chaitanai Subba, Member, National Planning Commission, 02.06.'08

Mr. Dhan Bd. Tamang Director General, Department of Local Infrastructure Development and Agricultural Roads, 04.06.'08
Mr. Gauri Pradhan, Member, Nepal Human Rights Commission, 03.06.'08
Mr. Gyan Chandra Acharya, Foreign Secretary, Ministry for Foreign Affairs, 01.06.'08
Mr. Krishna Gaywali, Joint Secretary- Foreign Aid Coordination Division, Ministry of Finance 01.06.'08
Mr. Kamal Jaisi, National Project Director, Department of Local Infrastructure Development and Agricultural Roads, 04.06.'08
Dr. Lava Awasti, Secretary, Ministry of Education & Sports, 03.06.'08
Ms. Pampha Bhusal, Minister, Ministry of Women children & Social Welfare, 01.06.'08
Mr. Purna Pr. Neupanay, Secretary, Ministry of Women children & Social Welfare, 01.06.'08

Multi- and bi-lateral donor agencies

Mr. Anthony Cardon de Lichtbuer, Special Assistant, Office of the High Commissioner for Human Rights in Nepal, 04.06.'08
Mr. Ashok Shrestha, Planning and Monitoring Officer, UNICEF, 05.06.'08
Mr. Dharma Swarnakar, Monitoring & Evaluation Analyst, UNDP, 04.06.'08
Ms. Gillian Mellsop, Representative, UNICEF, 05.06.'08
Mr. Ian Martin, Special Representative of the Secretary – General United Nation Mission in Nepal in Nepal, 30.05.'08
Ms. Melinda Rae Smith, Education Specialist, UNICEF, 05.06.'08
Mr. Richard Bennett, Representative of the High Commissioner for Human Rights, Office of the High Commissioner for Human Rights in Nepal, 04.06.'08
Mr. Sarad Neupanay, Assistant Resident Representative, UNDP, 04.06.'08
Dr. Sumon Kamal Tuladhar, Education Specialist, UNICEF, 05.06.'08
Mr. Lars Peter Christensen, Programme Coordinator, Danida HUGOU, 04.06.'08

Mr. Mohan Adikari, Education Specialist, World Bank, 02.06.'08
Mr. Shiva D. Bhandari, Human Rights Officer, European Union, 03.06.'08