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Evaluation of Danish-Nepalese Development Cooperation, 1991-2016

Revised draft management response and follow up note

This management response and follow up note summarises the final evaluation report including the main findings, conclusions and recommendations as well as the comments by the Ministry of Foreign Affairs. The evaluation was commissioned by the Evaluation Department (EVAL) and carried out by a consultancy team from FCG International Ltd. (Finland).

Background (by EVAL)

For over 25 years Denmark has been a partner in Nepal's development efforts, providing financial and technical assistance. From the outset, the focus has been on poverty reduction and human rights, with particular concern for marginalised groups. However, for over ten years Nepal suffered from an armed conflict, which claimed over 17,000 lives and caused widespread disruption of social, economic and political affairs. Since the comprehensive peace accord signed in 2006 Denmark has continued to support efforts to address the root causes of the conflict, allocating around 150 million DKK per year to different programmes.

High rates of rural poverty, low rates of investment and weak economic growth combined with political instability continue to impact on development in Nepal, which ranks amongst the poorest countries in the world with a GNI per capita of 730 USD in 2014. Despite some improvements, social indicators also reveal poor development performance, particularly in so far as women and rural indigenous minorities are concerned. There is a long history of social exclusion in Nepal, resulting from a very hierarchical caste system. High unemployment rates are compounded by the failure to improve the investment climate and create jobs. Migrant remittances are a very significant source of income in Nepalese households. It is estimated that up to 5 million of the total population of around 30 million people are working in the Gulf States, India and Malaysia and their earnings account for around 25 percent of GNI.

Given the reduction in Danish development assistance to around 0.7 percent of GNI and the decisions taken in 2015 to focus on fewer countries, Danish-Nepalese development cooperation is coming to an end. The Embassy in Kathmandu closes at the end of 2017 and the aid programmes funded by Danida will all have been concluded by the end of 2018. In this context it was agreed to carry out an evaluation of the main results and highlights of cooperation.

In the early 1990s Danish development assistance was largely project based. Funds were provided to support dairy development in the agricultural sector, for the organisation of elections as the country "opened up" to multi-party democracy and for efforts to improve primary education. Grants were also given for schemes to improve the functioning of the local government system, based on village development committees (VDCs) and district development committees (DDCs). Danish assistance contributed to the costs of the local elections held in 1997 and to the preparation of the 1999 local self-governance act. There was also support to the taxation authorities, notably for the introduction of value added tax (VAT).

In the mid-1990s and in accordance with the overall development strategy, further assistance was provided through a series of sector programmes. These included the first phase of an education sector programme as well as an energy sector assistance programme (ESAP) and an environment sector programme. The education programme was undertaken in collaboration with other donors and aimed to substantially increase school enrolment, notably for girls. The energy sector programme was designed as a means for providing electricity to “off grid”, remote, rural communities, with subsidised funding for the introduction of solar power units and micro-hydro installations as well as for improved cooking stoves. The environment programme included air quality monitoring and funds for water treatment. There was also a major natural resource management sector assistance programme, which included soil and water conservation as well as community forestry components.

Addressing the continued difficulties with respect to human rights and good governance was also a priority for Danish development cooperation. Thus, in 1998 a programme and a programme implementation unit called “DanidaHUGOU” were set up, through which grants were given to civil society organisations and institutions concerned with human rights, justice and governance. Subsequently two further phases of this programme were funded (from 2003 to 2008 and from 2009 to 2013).

By the end of the armed conflict, given the need for peace building and for writing and approving a new constitution through a constituent assembly (CA) process (as envisaged in the comprehensive peace agreement) as well as in the context of changing aid modalities, Danish development assistance was re-organised. It was decided to focus on fewer sectors and to seek closer collaboration with other partners (donors). In this context joint funding of the Nepal Peace Trust Fund (NPTF) was an important step in the effort to assist reconstruction efforts, integrate ex-combatants, etc.¹ Thus, between 2006 and 2013 a re-design was undertaken, culminating in the strategy defined in the 2013 country policy paper, together with new funding agreements for the period to 2018.

Since support for the education sector was channelled through a global education partnership (pooling funds from numerous donors), the bilateral sector assistance programme ended in 2013. Human rights, peace building and democratic development, access to justice and strengthened local governance were combined within a peace, rights and governance programme (PRG, 2014-18).² Agreement was also reached with the UK (DfID) and the Swiss to co-fund a new governance facility (replacing DanidaHUGOU) and with the Norwegians and others for joint funding of a new rural and renewable energy programme (replacing ESAP). Finally, in order to contribute to enhanced growth in the agricultural sector, a “value chain, inclusive growth” programme was designed, called UNNATI (meaning “prosperity”).

The objectives of the evaluation were defined as follows:

- to document the **changes and results** achieved through Danish development assistance programmes in Nepal from 1991 to 2016;
- to assess the specific **value added** of the Danish approach to supporting sustainable, rights-based development, including the ability to adapt assistance to changing contexts and the effectiveness of the partnership;
- to provide **lessons learned** that are relevant with respect to promoting sustainable, rights-based development.

¹ A joint evaluation of international support to the peace process in Nepal (2006-12) was published by EVAL/MoFA in 2013.

² Danida and other donors channelled support through the UNDP for a Local governance and community development programme (LGCDP), as well as for support to participatory constitution building in Nepal (SPCBN), strengthening the rule of law and human rights (RoLHR) and strategic support for the National Human Rights Commission (NHRC).

Evaluation executive summary (by consultant)

The evaluation was undertaken from February to August 2017. Multiple sources of information were used, including evidence from the documentary record and interviews with 193 individual informants and 123 members of beneficiary groups. These allowed for three main analyses of the interventions: (a) of their design, based on their theories of change and underlying assumptions; (b) of their performance, using OECD/DAC and other evaluation criteria; and (c) of their contributions, using narratives, scores and interviews. Triangulation of findings yielded answers to 12 evaluation questions (EQs) that were framed in the Terms of Reference and Inception Report.

The findings of the evaluation are outlined as follows with respect to key long-term changes and development results (EQs 1 & 2).

The main contributions by Danida to **peace, rights and governance (PRG)** in Nepal were:

- Peace building, by supporting the demobilisation of former combatants, and participatory development of the 2015 Constitution.
- Democracy, by supporting voter registration, voter education and inclusive participation by all genders and groups, civil society strengthening, and encouraging a free press.
- Decentralisation, by promoting autonomy for Local Bodies, fiscal decentralisation, and performance-based management.
- Inclusion, through new legal protections for Dalits and indigenous peoples, and measures to ensure their equal access to education and other opportunities.
- Human rights, by helping detainees, poor and marginalised people gain access to justice, abolishing bonded labour, and supporting the National Human Rights Commission (NHRC).
- Tax reform, notably through the introduction of value-added tax (VAT) as government's single largest and most reliable source of revenue.

These contributions are most relevant to Sustainable Development Goal (SDG) 5 on gender equity, SDG 10 on inequality and SDG 16 on peaceful and inclusive societies.

The main contributions by Danida in the **education sector** were:

- The inclusion of girls, disabled and pupils from disadvantaged communities.
- Development of the education system as a whole, including in planning, decision making, financial management, data collection, and assessment of student learning, yielding improvements in proxy indicators of quality such as reduced drop-out rates, better pupil-teacher ratios, increased numbers of trained teachers, reduced repetition rates, increased survival rates, and greater commitment among District Education Officers to monitoring learning outcomes.
- Encouraging improvements in knowledge management and evidence-based decision making, and building a culture of research and innovation across the education system.

These contributions are most relevant to SDG 4 on education and SDG 5 on gender equity.

Danida's contributions to **renewable energy** in Nepal have included:

- Energy access in rural areas, and reductions in fuelwood consumption and the drudgery and isolation of rural life.
- Strengthening the institutional, policy and financial systems needed to sustain the spread of renewable energy technologies and develop a renewable energy private sector in a holistic, coordinated and sector-wide way.

These contributions are most relevant to SDG 3 on health & well-being, SDG 7 on sustainable energy, SDG 8 on sustainable growth, and SDG 13 on climate change.

The main contributions by Danida to improving the **urban/industrial environment** were strong validation of ideas and convincing demonstrations of how businesses can adopt clean technology and energy efficiency standards effectively and sustainably, while also creating important legacy effects for environmental awareness, environmental regulation, and attention to air quality in the Kathmandu Valley. These contributions are most relevant to SDG 9 on sustainable industrialisation, SDG 11 on sustainable settlements, SDG 12 on sustainable production and SDG 13 on climate change.

The main contributions to management of **renewable natural resources** (RNR) included strong consolidation and replication of the community forestry and catchment conservation model in partnership with government, and Danida's departure from the sector in 2005 did not stop the growth of the Community Forestry User Group (CFUG) system in the mid-hills. This has helped to ensure decentralised, participatory and inclusive democracy and has made Nepal one of the very few countries that have reversed net deforestation. These contributions are most relevant to SDG 13 on climate change and SDG 15 on terrestrial ecosystems.

There were also major contributions to **dairy development** including planning, capacity-building and technology transfer supported since the 1970s. Despite Danida's withdrawal in 2002, there are important legacy effects in the public and private-sector dairy processing industries, including dairy cooperatives that still involve 95% of producers and in effects such as clean milk production and the institutions that safeguard it through supervision and training. These contributions are most relevant to SDG 2 on sustainable nutrition, and SDG 8 on sustainable growth.

The findings of the evaluation with respect to the other evaluation questions (EQ 3- EQ 12) are summarised in the following.

In terms of **changing needs, policies and opportunities** (EQ 3) the cooperation programmes responded to evolving Nepalese, Danish and global preoccupations and priorities, which are timelined from 1989 in the main report. In Nepal they included:

- reactions to the 1990 restoration of multiparty democracy by promoting democratic practices,
- reaction to the 1996 Maoist insurrection by promoting human rights,
- to the 2005 Palace Coup by suspending some programmes and cancelling others,
- to the 2006 restoration of democracy and Comprehensive Peace Agreement (CPA) by promoting peace-building and implementation of the CPA,
- responses to the 2005 Paris Declaration on Aid Effectiveness and 2005 EU Consensus on Development by promoting sector-wide approaches,
- reaction to the post-2006 Nepalese decision to prepare a new Constitution by promoting participatory constitution building and good, decentralised governance.

All had visible and sustained effects in the records of Danida's interventions in Nepal.

In terms of **enhancing human rights** (EQ 4):

- In the PRG theme, including work with partners to support the mediation of disputes over land, to promote the rights of women and marginalised groups, to coordinate donor activities, to help detainees, poor and marginalised people gain access to justice, and to abolish bonded labour.
- In the education theme, through improving access to education in remote and marginalised areas of the country and for girls, disabled and marginalised groups, and through links that

enhanced the position of groups who by becoming literate were able to empower themselves further.

In terms of Danida's efforts to **promote good governance** (EQ 5):

- In the PRG theme, especially Phases I and II of the Local Government and Community Development Programme (LGCDP), including the Ward Citizen Forums, Citizen Awareness Centres and Local Governance Accountability Facility, the Election Commission, and NGOs that promoted participation among marginalised groups.
- In the education theme, through decentralised school and district planning, education awareness campaigns, and capacity building at all levels.
- In the renewable energy theme, through a Compliance Unit that devised procedures for procurement, monitoring and financial management, and capacity building among Regional Service Centres and community renewable energy user groups.
- In the RNR management theme, through the CFUGs as participatory democratic structures that persisted for 20 years between elections, and the District Forest Coordination Committees.

The evaluation also considered the likely **sustainability** of the Danida interventions (EQ 6). Documentary evidence indicating at least moderate sustainability was found for many cooperation activities, but from additional interview evidence it was clear that sustainability was likely to be particularly high in the following areas:

- In the PRG theme, for the NHRC and Election Commission, Phase II of the LGCDP, the Rule of Law Programme (RoLHR), most partner NGOs, support to value-added tax, and the whole system of governance based on the 2015 Constitution and 2017 local elections.
- In the education theme, for numerous changes and policies adopted by government, including multi-grade teaching, multilingual education, online applications for scholarships, and efforts to promote educational equity.
- In the renewable energy theme, for hydro-electricity schemes to be integrated with the national grid.
- In the urban/industrial environment theme, for legacies such as compliance with ISO 14001 where environmental management regulations exist.
- In the RNR management theme, for legacies that include the CFUGs and the whole community forestry approach.
- In the dairy sector theme, for the parastatal institutions and many dairy plants.

An assessment of **overcoming difficulties** (EQs 7 & 11) was undertaken. Few significant difficulties were detected. In the PRG theme, Danida and other donors ended their support to the National Peace Trust Fund in 2015 over differences on its compliance with international standards on treating the victims of conflict and human rights violations. In the renewable energy theme, tensions arose around corruption investigations by the Compliance Unit and management difficulties in the exit phase since 2016. In the urban/industrial environment theme, one component was poorly designed and impacted other components. In the RNR management theme, there was a lack of government interest in certain technical aspects, differences of opinion over the type of inputs required for institutional strengthening, and the 1996-2006 insurgency affected government's participation in field work. In the dairy theme, political interference led Danida to withdraw from the sector.

In general, problems were worked around, adapted to, or settled amicably, the major exceptions being the decision in 2005 to abort the agreed Integrated Environmental Programme (IEP), which affected stakeholders across the environment and RNR management sectors and the decision in 2015 to leave Nepal as a bilateral donor, which affected numerous participants and beneficiaries.

Danida's assistance has also made contributions to improving **life for the disadvantaged** (EQ 9) in Nepal:

- In the PRG theme, including through activism by the Dalit organisations, the 'social families' approach, legal aid and access to justice, police training, and gender targeting on access to justice, media, and rights.
- In the education theme, through better services in remote areas, access and facilities for disabled people, girls and minorities, affirmative action on scholarships, hostels and training for women and disadvantaged groups, and mainstreaming key strategies increasing access, participation and equity.
- In the renewable energy theme, through benefits to women and children from improved cooking stoves and biogas, reduced drudgery and cleaner air indoors, and specific gender equity and social inclusion (GESI) mainstreaming efforts.

Coordination among partners (EQ 10) was also explored in the evaluation. Records and interviews confirmed good levels of coordination among donors and government in the LGCDP, education and renewable energy programmes (albeit compromised during the process of Danida withdrawal) and in specific areas such as support for the NHRC, the Election Commission and other rights-based commissions (e.g. on Dalit, women), the Rule of Law Programme as well as on strategic activities such as the Universal Periodic Review on human rights.

In terms of **Danish added value** (EQ 12) sources suggest various special interests (e.g. in GESI and justice), notable characteristics (e.g. of moderation, neutrality and reliability), preferences (e.g. for partnerships and progressive change), and areas in which Danish leadership was exerted (e.g. on decentralisation, education, elections, human rights, and environment). The evidence suggests that, of all the individual donors with which Nepal might have had a long-term relationship, Danida was among the best suited to its particular needs for intimate, non-judgemental, long-term encouragement while it worked out how to solve its own problems in its own way.

Danida's experiences in Nepal offer **lessons learned** (EQ 8) on how to promote cleaner production and improve urban air quality, and on the value of managing living systems in ways that take into account both community interests and ecological realities. They also offer lessons on how to address the following generic issues:

Transition planning. In navigating change, whether between modalities or in closing a programme, planners should: (a) identify systems that depend on previous arrangements and consider how to mitigate impact upon them; (b) anticipate the impact of their own plans on other actors, and given them fair warning; (c) respect the views of other actors; (d) make changes as slowly as possible and against a clear timetable with milestones; and (e) consider, and if possible specify, exit strategies during programme preparation, perhaps also foreseeing the need for specific expertise on exit planning.

Joint-funding arrangements. In entering a basket or revolving credit fund, planners should ensure: (a) that it is jointly designed by all participants; (b) that expectations are clear on all sides; (c) that there are clear procedures for dealing with the misuse of funds; and (d) that it is clear how disengagement can be accomplished fairly and legally.

Improving complex systems. Planners should anticipate: (a) slow progress in which durable change comes from understanding, persistence, adaptability, and consistently investing in institutional development; (b) a need to invest in managing knowledge; (c) a need to understand and use all partners' unique skills and interests; (d) a need for checks and balances against political interference and personal tensions; and (e) the potential need for

special arrangements (e.g. autonomous advisory or compliance units) to allow for work to be done in places or subjects that are socially or politically sensitive.

Coping with conflict. Planners should: (a) recognise when a conflict is 'solution ready', based on understanding its causes, sources of support for each party to it (and their capacity to intervene), and the state of willingness to settle it; (b) accept that minimising harm may be the best available option before conflicts are solution ready; and (b) ensure that post-conflict settlement processes are allowed enough time and resources to permit everyone to participate fully and to their own satisfaction.

Spending fast and well. Occasionally a new component is offered to a programme to accommodate additional funds that 'have to be spent quickly', but managers should insist that the addition is justified against pre-approved but unfunded elements of the programme itself (such as education or climate proofing), or else allocated only to low-risk, high-benefit, 'no-regrets' actions that do not threaten the integrity of the programme and that improve its context, impact or sustainability (such as climate change mitigation and/or adaptation).

The **overall conclusions** of the evaluation are as follows:

Evidence-based scores for **design quality and eight performance criteria** were given to 43 intervention components. These data showed: (a) that design and performance are strongly correlated, confirming that it is feasible through better design to improve aid performance per unit cost to the public; (b) that the interventions were designed to a high standard; (c) that the interventions performed to a high standard; (d) that among the five main themes, the best performers were the 2003-2018 PRG and 1992-2012 education interventions; and (e) that the cooperation activities as a whole scored particularly strongly for relevance and effectiveness. Thus, the interventions were on average and with few exceptions well designed, well-targeted, and very effective. These excellent findings were confirmed and explored in greater detail through the contribution analysis (as outlined in the report).

In the course of 25 years there were some **unfortunate decisions**. Aborting the integrated environment programme (IEP) in 2005 had two main consequences. It left unfulfilled the need to prevent the deterioration of environmental and particularly air quality in the Kathmandu Valley (now some of the worst in the world). And it left unresolved both the harmonisation of the roles of CFUGs and Community Development Groups (CDGs) in local development, and the consolidation of the CDGs, which would otherwise have supported implementation of the 2015 Constitution. To be added could be the abrupt and ill-timed departure from the education sector and latterly from the cooperation programme with Nepal itself. In a 25-year engagement with a complex and changing country, however, such errors may be admissible even though lessons should be learned from them.

The evaluation also considers **Nepal's journey from fatalism to freedom**. An anthropological view is that in the 1980s the prevailing attitude in Nepal was one of fatalism: a feeling that destiny is determined by birth, class, caste, gender, disability, or some other accidental, natural, social or supernatural factor, over which no control is possible. Milestones on a path away from this attitude included the 1989-1991 People's Movement and restoration of democracy, which was repeated in 2006 after the 1996-2006 insurrection, and thereafter through the 2008 election of a Constituent Assembly, the 2015 agreement of a new national Constitution, and the 2017 elections for leadership of the 744 Local Bodies that are now responsible for significant budgets under the supervision of local people. Accountable local power inevitably undermines fatalism, since it allows people to do meaningful things on their own behalf. All of Danida's interventions in Nepal since 1991 consistently encouraged this outcome, although it should be stressed that the process itself was essentially a Nepalese one.

Four **recommendations** result from the evaluation:

Compare and learn from closing country partnerships. Final evaluations at national partnership scale are rare learning opportunities, and studies might look for broad patterns of design quality and performance against relevance, impact, sustainability and replicability criteria, trends over time, consistent influences of Danida's policies and global events, effectiveness of various aid modalities and exit strategies, and conclusions on what worked and what did not and why.

Engage with regional initiatives that build on legacies of previous cooperation. In this case a change from 'bilateral' to 'regional' thinking would allow Nepal's own ecological and social features to be seen as parts of a single Himalayan system, connected internally and externally by flows of water, wildlife, weather, ideas and economic transactions, and within which cooperation among all peoples and attention to all localities is essential to address common challenges such as climate change.

Use Nepal's experience to explore conflict and solutions to it. Conflicts between peoples, nations and classes are likely to proliferate, requiring the development of skills to understand, calm and resolve conflicts, and to assist in the consolidation of settlements to restore lasting peace. These are hard tasks, and Danida would need to study the experience of many actors, alongside the root causes of conflict, in order to obtain both a predictive understanding of conflict and a menu of options that can be adapted effectively to particular circumstances.

Build on Denmark's reputation and preferences for promoting 'soft' values. Many valuable outcomes can be traced to Danida's role in defending the rights of the voiceless and powerless through attention to marginalised groups, gender equity, education, and dialogue-based and non-imposed collaboration. By remembering too that future generations, non-human species and ecosystems are also 'voiceless and powerless', as well as essential, Danida can defend its long-term stance on promoting these values.

Management response by the Ministry of Foreign Affairs (MoFA)

Overall the Ministry of Foreign Affairs welcomes the evaluation and takes note of the findings and conclusions, which confirm the very high relevance and impact of Danish development cooperation with Nepal since the early 1990s. As the assistance programmes are nearing completion, the evaluation provides ample evidence to show that significant progress has been made in a range of sectors with high degrees of sustainability. It is important to document the success stories of Danish cooperation with Nepal and the evaluation highlights the effectiveness of aid provided over a period of around 25 years.

Several of the findings and conclusions are particularly noteworthy:

- There has been consistent ability to respond to changes while maintaining strong relationships with key partners in government;
- Danida has been at the forefront in donor collaboration and has successfully cooperated on different levels and across the broad spectrum of bilateral and multilateral development partners;
- Through numerous interventions, the importance of defending and empowering marginalized and disadvantaged groups has been emphasized, thereby underlining the value of human rights based approaches to development.

The credibility of the positive assessment and the conclusions is supported by the rigorous analytical approach adopted in carrying out the evaluation, with scores assigned to each of 43 interventions rating design quality and performance according to eight criteria: relevance,

effectiveness, efficiency, impact, sustainability, connectedness, coherence and replicability. An impressive amount of field work, numerous interviews and extensive use of reports and documentation underpins the evaluation. In this context it is worth noting that further reflections might be useful concerning the use of the case studies annexed to the final report in order to ensure effective communication of the results of Danish-Nepalese cooperation.

The initiatives, outcomes and achievements in the peace, human rights and governance programmes (PRG), in the education sector, in urban and industrial programmes as well as in the renewable natural resources sectors (community forestry and catchment area management) are thoroughly assessed with appropriate findings and conclusions. It is important to learn the lessons from these successful programmes and the evaluation includes observations to this effect.

However, there are some weaknesses in the evaluation of the renewable energy support: two phases of the ESAP and the recent rural and renewable energy programme (RREP). In particular there is an emphasis on the final period of Danida's support to this sector during which difficulties have been encountered with management deficiencies and irregularities in the use of funds. It is important to account for the overall achievements over a considerable period of time (since 1999). Danida's support to enhanced provision of energy in rural areas has played a major role in changing the lives of millions of people as well as impacting on policies, institutions and awareness.

Finally the recommendations of the evaluation are noted, bearing in mind that follow up in Nepal will not be possible within the framework of bilateral cooperation arrangements that are coming to an end. Nonetheless, both the lessons learned concerning planning, joint funding, complexity and conflict resolution as well as the recommendations - dealing with learning opportunities arising as country partnerships close, engagement with regional initiatives and defending the rights of the voiceless and powerless - are applicable to development assistance programmes elsewhere. As such the evaluation of development cooperation with Nepal constitutes a valuable resource for greater understanding of what works, what does not and why.