

Review of Developing Capacities for Effective Aid Management and Coordination Project (DCEAMC)

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REVIEW TEAM

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ACRONYMS

AAA	Accra Agenda for Action
ADB	Asian Development Bank
ADR	Assessment of Development Results
AIMS	Aid Information Management System
AIN	Association of International Non-Government Organisations
AMP	Aid Management Platform
APRC	(UNDP) Asia Pacific Regional Centre
BMIS	Budget Management Information System
BPD	Budget & Program Division (MoF)
CD	Capacity Development
CPD	Country Program Document (UNDP)
CPAP	Country Program Action Plan (UNDP)
CSO	Civil Society Organisation
DCEAMC	Developing Capacities for Effective Aid Management and Coordination
FACD	Foreign Aid Coordination Division (MoF)
FAP	Foreign Aid Policy
FCGO	Financial Comptrollers General Office (MoF)
FMIS	Financial Management Information System
GBS	Government Budgeting System (Red Book)
GoN	Government of Nepal
INGO	International Non-Government Organisation
IT	Information Technology
JAS	Joint Assistance Strategy
JFA	Joint Financing Arrangement
LDM	Local Donors Meeting
MDR	Management for Development Results
M&E	Monitoring and Evaluation
MoE	Ministry of Education

MoF	Ministry of Finance
MoLD	Ministry of Local Development
MTEF	Medium-term Expenditure Framework
NGO	Non-Government Organisation
NAP	National Action Plan (on aid effectiveness)
NDCR	Nepal Development Cooperation Report
NPC	National Planning Commission
NPPR	Nepal Portfolio Performance Review
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
PBA	Program-Based Approach
PD	Paris Declaration
PFM	Public Financial Management
PMD	Poverty Monitoring Division (NPC)
PPIU	Parallel Project Implementation Unit
ROAR	Results Oriented Annual Report (UNDP)
SPDE	Strategic Planning and Development Effectiveness unit (UNDP)
SWAp	Sector Wide Approach
SWC	Social Welfare Council
TA	Technical Assistance
UNDP	United Nations Development Program

EXECUTIVE SUMMARY

The Developing Capacities for Effective Aid Management and Coordination (DCEAMC) project commenced in February 2009 *with a threefold objective to:-*

- 1) put in place a transparent and functioning aid information management system;*
- 2) support the revision of the national Foreign Aid Policy and the implementation of a national action plan on aid effectiveness; and*
- 3) strengthen the capacity of key ministries to better coordinate aid through a capacity assessment, a capacity development programme and exchanges of experience.*

The project is managed by Foreign Aid Coordination Division (FACD) of the Ministry of Finance (MoF) and funded by UNDP, DFID and DANIDA. Key Government partners include the Ministries of Education, Health and Local Development and the National Planning Commission. A review of the DCEAMC was commissioned by UNDP to assess the project's performance and effectiveness in achieving the intended results and to identify and needs for future support.

The review team found that the DCEAMC project has been very successful in meeting its objective to create a user-friendly, functional and transparent Aid Management Platform (AMP) that has been customized for Nepal. It is used by most development partners (DPs), including non-traditional DPs and the FACD has developed the skills and competencies to continue implementing the AMP in the future. There is every reason to believe that the work planned for 2012/13 fiscal year will be completed. That is, BMIS and FMIS data sourced from Budget Division and Financial Comptrollers General Office (FCGO) of MoF, data regarding aid flows from key INGOs and some physical results will be integrated into the AMP by July 2013.

In the political context of a transitional Government during the life of the DCEAMC project it has only been possible to draft a Foreign Aid Policy and circulate it to Line Ministries and INGOs and NGOs for comment. However, the most recent draft has incorporated development effectiveness principles from Paris Declaration and the Busan Outcome Document and should provide a useful platform for dialogue with development partners, CSOs and private sector representatives in the future. The National Action Plan on aid effectiveness has been dropped and in its place four mutual accountability indicators (aid transparency, aid predictability, number of parallel project implementation units (PPIUs) and use of national systems) been included in the National Portfolio Performance Review (NPPR) using information generated by the AMP.

Capacity assessments were undertaken early in the project, to determine its capacity development needs for development effectiveness, and help prioritise capacity development interventions to support effective aid management and effectiveness, and a capacity development plan was developed. Various capacity development trainings have been rolled out both within the Ministry of Finance, particularly the Foreign Aid Coordination Division, National Planning Commission, key line Ministry officials and district planning officials. The functional and technical capacities of the Government staff that received the training have been enhanced. Training within the FACD and of the AMP focal points in the Ministries of Education and Health appear to have resulted in an increase in capacity and strong ownership of the AMP. However, much of this training has not yet been rigorously evaluated. and there is not enough evidence yet of the desired outcomes of improved aid management and coordination, at sectoral levels.

The DCMEAC will need to consolidate its achievements during the final year of the project in order to ensure that the AMP becomes institutionalized and indispensable to MoF, NPC

and line Ministries as an effective tool for government-led national and sectoral aid coordination and management. FACD should use the final year of the project to plan for beyond 2013 and identify priorities, key areas of support and expected outcomes. It will also need to focus capacity building on Line Ministries, AMP focal points and ensure there is a robust evaluation framework for capacity building activities that will identify whether desired outcomes result from training and other forms of capacity strengthening.

Recommendations resulting from this review were as a result of the findings and/or suggestions made by interviews as follows;

During the final year of the project

1. In the next quarter, formally launch AMP and DCR to Ministries, INGOs & NGO Federation representatives to promote transparency and mutual accountability, understanding of benefits of contributing to AMP data and engaging in subsequent policy discussions.
2. Don't make any major technical changes to the AMP database in the short-term to minimise reliance on external support and to embed its use in the Line Ministries.
3. Incorporate FMIS & BMIS data and then disseminate results of all data to Ministries and DPs **in order to start using information for sectoral planning & aid coordination.**
4. Present AMP findings (after analysis of data) at least on an annual basis (or every six months) to Local Donor Meetings (LDMs) to support sectoral policy discussions.
5. Encourage and promote increased participation in policy dialogue as a result of AMP information on the part of non-traditional donors, particularly for South-South cooperation.
6. Continue institutionalisation of AMP, not only within FACD/MoF but particularly within the Line Ministries.
7. Continue training of at least 3-4 staff within Ministries as AMP focal points including younger staff and staff at the start of a 2 year transfer cycle to minimise loss of institutional knowledge if staff are transferred.
8. Continue roll out of training to INGOs on voluntary basis promoting benefits of inclusion of their data for their own planning purposes plus visibility of their own contributions to development and to meet their own commitments to transparency, mutual accountability and coordination.
9. Encourage the Social Welfare Council (SWC) to include information about INGO aid flows from AMP into their own publications with a view to eventually supporting SWC to enter information from their own files / database into the AMP.
10. Support increased use of national training organisations including technical training of IT specialists within local companies to reduce dependence on Development Gateway and decrease cost of external support when required.
11. The DCEAMC project does not need to replace the international aid management advisor in August 2012 as national capacity is robust within FACD, however, it should consider providing an additional national staff person within FACD to

facilitate implementation of the AMP activities over the next 12 months and planning for beyond July 2013.

12. UNDP to support FACD to develop an AMP workplan for 2013-2016 (or 2013-15) clearly identifying any areas needing future external support with specific expected outcomes so that FACD can negotiate with DPs how such support could be provided, possibly from other existing programs.
13. Develop a budget and results monitoring framework for the continued roll-out of capacity development trainings, particularly to district planning officials, in order to determine if effective training (i.e. training resulting in desired outcomes) can and should be provided at a reasonable cost beyond July 2013.
14. If the FAP is able to be disseminated within the next 12 months DPs to respond in a timely and coordinated manner to facilitate reasonably speedy finalisation of the policy.

During the final year of the project and beyond July 2013

15. DPs find ways to support AMP focal points within the line Ministries / sectors where they already have a comparative advantage in order to strengthen government led aid coordination and management in those sectors, particularly in sectors such as climate change where there is increasing aid flows, and in Local Governance, PFM & PAR to strengthen government systems.
16. Continue use of AMP information and analysis within the NPPR for mutual accountability and broaden to Management for Development Results in partnership with NPC.
17. Recognize and reinforce that the AMP is designed to support a broader range of stakeholders, in addition to the executive. These include supporting development partners in their partnership with government, CSOs in an implementation or advocacy role, parliamentarians seeking to promote more accountable and effective aid, and ordinary citizens in understanding progress in development programmes, and overall improving the transparency and accountability of development assistance to Nepal.

Beyond July 2013

18. To institutionalise the AMP after the project itself has ended in July 2013 and strengthen identity FACD should consider creating a separate AMP section within the Division with identified staff positions and responsibilities.
19. At the end of the project MoF/FACD should consider maintaining and funding the position of senior project officer who would be responsible for implementation of all AMP activities, liaising with DPs and seeking external support when required.
20. After the end of the project create an advisory board for the program chaired by FACD and including 3 key line Ministries where SWAs or PBAs are implemented, 3 key development partners that are committed to supporting aid effectiveness, at least one AIN and one NGO Federation representative and two representatives from relevant private sector providers.

21. FACD, after negotiation with the Ministry of General Administration, develop appropriate modules in development effectiveness principles, results-based management, transparency and accountability to offer to entry level Government officials and in aid coordination and management for Under Secretary training at the Staff College.
22. If MoF has limited resources for capacity development training then, sequencing and prioritising the use of limited resources. in the first instance, the focus can be on the national level, particularly the weaker line Ministries to promote the use of AMP information and analysis in sectoral planning and implementation, and thereafter continuing at district level.
23. If MoF is unable to contract a dedicated Senior Project Officer for the 2 or 3 years following completion of the project, UNDP consider funding the position, possibly under the auspices of the Public Administration Reform (PAR) program.

BACKGROUND

UNDP and the Foreign Aid Coordination Division (FACD) of Ministry of Finance (MoF) launched the *Developing Capacities for Effective Aid Management and Coordination* project in February 2009 with a threefold objective to:-

- 1) put in place a transparent and functioning aid information management system;
- 2) support the revision of the national Foreign Aid Policy and the implementation of a national action plan on aid effectiveness; and
- 3) strengthen the capacity of key ministries to better coordinate aid through a capacity assessment, a capacity development programme and exchanges of experience.

The project is implemented and managed by FACD. Key Government partners include the National Planning Commission (NPC), Ministry of Education (MoE), Ministry of Health (MoH) and Ministry of Local Development (MoLD). Development Partners (DPs) that support the project through a pooled funding arrangement managed by UNDP are DFID and DANIDA. In 2012 USAID will also contribute funds. There is a project Board chaired by the National Project Director, Joint Secretary, Chief of FACD, Mr. Lal Shankar Ghimire. The funding development partners and key Government Ministries are all members of the project Board which meets quarterly. The project funded an international aid management specialist in 2010 to provide technical support to FACD to meet the project objectives.

Trends in aid effectiveness in Nepal

In the terms of reference (ToRs) for this review UNDP stated *“looking beyond the current project, several major changes are expected to impact aid coordination practices in Nepal over the next few years. These include 1) the need to mobilize resources and establish partnerships to support a medium to long term peace and development strategy once the political transition is over; 2) potential changes to the institutional arrangements for aid coordination if Nepal adopts a federal constitution (and resulting capacity development needs at national and sub-national level); 3) changes in the donor landscape, with a growing role for South-South cooperation partners and climate finance; and 4) implementation of the Busan Partnership for Effective Development Cooperation, with renewed emphasis on use of country systems, transparency and domestic accountability mechanisms.”*

ODA to Nepal has doubled over the last 10 years and now constitutes 26% of the national budget. The Development Cooperation Report (DCR) of March 2012 and the Nepal Country report of the 2011 Survey on Monitoring the Paris Declaration both indicated significant fragmentation of aid, a decreased use of government systems (probably because of continued political instability), increased aid on budget, increased coordinated technical assistance (TA), decreased number of parallel project implementation units (PPIUs), increased use of program-based approaches (PBAs), increased joint country analytic work but slightly fewer joint missions. Operational development strategies received a lower score in the Nepal Country Report in 2011 compared with 2008.

It is likely that ODA will further increase at the end of political transition, when a longer term development vision can be endorsed and related state restructuring occurs. This will provide further opportunities for strengthening and use of government systems, and the use of risk management strategies by development partners (DPs) rather than risk avoidance. In the interim period further work is likely to be undertaken by some DPs on a division of labour to reduce fragmentation, and on supporting PBAs and sector-wide approaches (SWAs) for development results.

Transparency and accountability have improved in recent years and the development of a functional transparent Aid Management Platform will contribute significantly to further improvements.

Busan advocates a move from “effective aid” to “cooperation for effective development” and emphasizes the catalytic role that aid should play to develop national capacities to mobilise other sources of development finance, such as inclusive growth, trade, domestic revenues, South-South cooperation and public-private partnerships. Whilst much of this is dependent on Nepal resolving the current political impasse the trend in aid effectiveness should be in this direction.

Purpose of the review

There are two main objectives of the review –

(1) to review the current DCEAMC Project, and (2) to identify any needs for future support in this area, taking into account the current donor, country and UNDP programme context.

(1) Review of the Project (February 2009 - July 2013)

- Assess the project's performance in achieving its intended Outputs through its inputs and activities
- Assess the project's effectiveness in achieving the intended results (i.e. positive change(s) that can be attributable to the project)
 - *Has the Nepal Aid management Platform been designed and implemented?*
 - *Has the project facilitated the revision of the Foreign Aid Policy and action plan on aid effectiveness?*
 - *Has the project conducted a capacity assessment of target ministries and delivered the aid effectiveness component of the resulting capacity development strategies?*
- Assess the level of satisfaction of project stakeholders and beneficiaries (i.e. MOF/FACD and a sample of beneficiaries from line ministries) with the project's results achieved so far
- Assess the project's efficiency in resource utilization in achieving the results
- Discuss the sustainability of the activities implemented with UNDP assistance and identify any additional actions to be taken during the final year of the project to ensure sustainability
- Examine the project management arrangement and administrative structure
- Identify any outstanding issues and lessons learnt

(2) Identify any needs for further support

- Consult with project stakeholders, beneficiaries and key donors regarding trends in aid effectiveness in Nepal, implementation of Busan commitments and their expectations for future support to GoN on aid coordination and management
- Formulate recommendations for UNDP support beyond 2013, including potential areas of support and management arrangements

METHODOLOGY

The review was conducted by reading key documents & conducting individual interviews with key stakeholders from Government of Nepal, development partners and associations of NGOs representing civil society. The relevant documents and interviewees are itemized in Annexes 2 and 3. In addition, the review team attended a meeting of the National Portfolio Performance Review (NPPR) in which there was discussion about information

from the Aid Management Platform (AMP) between Government and DPs related to the mutual accountability indicator of the NPPR. Belinda Mericourt was also given a demonstration of the AMP by Julien Chevillard, the aid effectiveness advisor.

Limitations

The review team was unable to interview representatives from the National Planning Commission (NPC), the Social Welfare Council (SWC) or a sample of district planning officials who had been participants in capacity development trainings. No reports of formal evaluations of the results of training were available.

FINDINGS

In summary

Overall, the project has been very successful in establishing an Aid Management Platform (AMP) within FACD that is now used by most DPs and is being institutionalised within the Ministry of Finance as part of Government budget and planning. As it continues to be rolled out to the National Planning Commission (NPC), Line Ministries and INGOs and as broader and deeper analysis of information is created, the data has the potential to become a very significant tool for Government aid planning, coordination and management processes. The challenge will be for both Government and development partners to use the information in ways that strengthen Government leadership and facilitate the creation of clear development policy and effective aid management and coordination which lead to sustainable and positive development results.

During the period of the project implementation Nepal has had a transitional Government. This has resulted in delays to finalisation and endorsement of the Foreign Aid Policy (FAP) and National Action Plan for Aid Effectiveness (NAP) that were beyond the control of the project. A draft FAP has been disseminated to line Ministries, INGOs and local NGOs for comment. These have been incorporated into the Draft but the next step of disseminating to DPs has not yet been implemented due to the current political circumstances. Whilst a draft NAP was developed within FACD it was not disseminated to other stakeholders and it was “dropped” and replaced with a mutual accountability indicator in the National Portfolio Performance Review (NPPR) meetings.

The project has successfully met the objective of conducting a capacity needs assessment, developing a capacity development plan and commencing training of Ministry of Finance, key line Ministry staff and district planning officers specific in a range of skills and in development effectiveness principles and practice. Training within the FACD and of the AMP focal points in the Ministries of Education and Health appear to have resulted in an increase in capacity and strong ownership of the AMP. However, the training offered to district officers and Line Ministry officials has not had systematic evaluation of results in terms of changed behaviour or improved aid coordination and management. Training to all Government civil servants occurs in a context of constant rotations and transfers of staff which undermines institutional capacity building.

OBJECTIVE 1

Objective 1: *Put in place a transparent and functioning aid information management system*

Key Achievements

This objective is largely achieved and will certainly be completed by the end of the project period. The Aid Management Platform (AMP) is customized for Nepal, fully functional and user friendly. Most development partners (DPs) including non-traditional donors such as India and China are uploading their data about project/program disbursements and to a slightly lesser extent, projected disbursements. Data collected in 2011 was analysed in respect of aid fragmentation, use of technical assistance and alignment of programs to national policy. The Nepal Development Cooperation Report (NDCR) was published in March 2012 and disseminated to Line Ministries and DPs, and henceforth, the government has committed to bringing out this report annually. Data has been transmitted to the Budget Division and the Financial Comptrollers General Office (FCGO) within the Ministry of Finance (MoF) and to the National Planning Commission (NPC) to support planning and budget processes and to provide information for the Government that was published in the Blue, Red and White Books.

FACD plans to integrate data from the Financial Management Information System (FMIS) and the Budget Management Information System (BMIS) of all Line Ministries in the second half of 2012. It is also promoting the inclusion of aid flows from INGO core funds and training AMP focal points from INGOs on a voluntary basis. It will also be working with the NPC to include physical results in the data system. When Government and INGO information is integrated with that from DPs the AMP will be a fully functioning Aid Information System. Full transparency will be achieved when the MoF publicly launches the AMP and NDCR to Line Ministries, DPs and civil society organisations (INGOs and local NGOs) and the website goes online on the MoF website. The plans to integrate data, launch the AMP and NDCR and have the website on-line in the MoF website are all feasible within the final year of the DCEAMC project.

In addition, the project provided support to the preparations for Nepal's delegates to the 4th High Level Conference on Aid Effectiveness in Busan at the end of 2011, including the Finance Minister's remarks on risk management approaches to development cooperation and the Finance Secretary's presentation on the AMP and aid transparency.

Effectiveness

The AMP is currently a very effective tool for the collection and dissemination of information related to foreign aid flows. It has been custom-made for Nepal to meet its particular development planning and information needs. It has filled significant gaps in Government knowledge about trends in aid allocation by DPs, the amount of aid that is off-budget, particularly technical assistance (TA), the extent of fragmentation of aid and predictability of aid. When integration with BMIS & FMIS from Ministries, physical results data from NPC and data from INGOs is complete it should be very comprehensive.

However, as a tool it will only be as effective as the use to which it is put. The first NDCR has published an analysis of aid fragmentation in particular and the FACD/MoF has made some strong recommendations about reducing the number of parallel project implementation units (PPIUs). In recent negotiations with two multilateral development partners the Joint Secretary of FACD stated that Government required that their new country strategies focus on 3-4 programs only and those should be aligned with national

development priorities. This appears to be the start of Government led aid management based on AMP information. The authors were unable to ascertain to what extent development partners were using the AMP for analysis and changes to their own policies or to reduce fragmentation and duplication.

There are very few Sector-Wide Approaches (SWAs) or Program-based Approaches (PBAs) in Nepal. The Line Ministries (such as Education and Health) that have developed SWAs in collaboration with DPs have strong leadership and internal capacity for aid coordination and management. However, many of the Line Ministries do not yet have capacity to take the lead in the development of such approaches. Whilst AMP focal points have been trained in all line Ministries the rotation/transfer system undermines the development of institutional capacity, so for example, the AMP focal point in the Ministry of Local Development has been transferred and there are no other staff who understand how to use the system. It does not appear likely that many Line Ministries will have the capacity to make use of information gained from the AMP to effectively plan and coordinate aid.

Efficiency

CDEAMC Progress reports from 2009 indicate that the implementation of the AMP got off to a slow start as there was a lack of both dedicated staff and technical capacity within FACD. This was rectified in 2010 by contracting an international aid management specialist, IT technician and a national project officer. In the same year the prototype database was installed and training given to FACD & NPC and DP AMP focal points. By 2011 the AMP was fully operational and the first NDCR published. Overall the installation and use of the AMP within 3 years has been very efficient and only the AMP focal point was transferred during the project period (and he regularly returns to assist with handover).

To ensure sustainability of the current system, it would be preferable if there were no major technical changes (in the software system) to enable all users to become familiar with the AMP in its current form and to “embed” its use in the Line Ministries. Too many technical changes will require additional capacity building, will tend to erode confidence of users and need continued dependence on external support.

Recommendation

Don't make any major technical changes to the AMP database in the short-term to minimise reliance on external support and to embed its use in Line Ministries

Satisfaction of stakeholders and beneficiaries

All respondents expressed satisfaction with the AMP system, describing it as user-friendly and very easy to generate reports using any of the variables (e.g. geographic region, sector, donor, type of project etc) which enabled analysis to be undertaken.

Challenges and lessons learned

The most significant challenge will be for line Ministries and development partners to use the information generated by the AMP. Whilst some analysis of data relating to aid fragmentation, off-budget support and alignment to national development policy has been

done, analysis relating to **development results** as they relate to ODA and budget flows needs to be undertaken so that the **information is used for improving aid coordination and management**.

Analysis of all trends in aid that are generated using AMP data should also be incorporated into policy discussions between GoN, development partners, civil society (INGOs, local NGOs, unions etc.) and private sector for comprehensive development planning, management and monitoring for results. At the moment the only government/DP dialogue fora are the Local Donor Meetings (LDMs) and the National Portfolio Performance Review (NPPR) meetings. Neither includes civil society or private sector representatives. In the absence of a permanent government it is also difficult to have high level policy discussions with relevant Ministers and senior government officials.

Recommendations

Present AMP findings (after analysis of data) at least on an annual basis (or every 6 months) to Local Donor Meetings (LDMs) to support sectoral policy discussions.

Encourage and promote increased participation in policy dialogue as a result of AMP information on the part of non-traditional development partners, particularly for South-South cooperation.

Within many Line Ministries there is also limited capacity to develop sectoral plans using AMP information. AMP focal points in Ministries are likely to be frequently transferred or rotated leading to loss of institutional knowledge. In this context training would have to be systematically and continuously offered to Line Ministries and this could be a significant drain on MoF resources unless alternative strategies for capacity strengthening are developed. Orientation trainings and use of cluster and cascade models could be considered.

One of the lessons learned that was frequently cited in the DCEAMC annual reports was the necessity of having sufficiently senior level commitment from the Line Ministries in order to ensure both that appropriate staff were selected for training as AMP focal points and that loss of institutional knowledge and capacity was minimised.

Recommendations

*Incorporate FMIS & BMIS data into the AMP and then disseminate results of all data to Ministries and DPs **in order to start using information for sectoral planning and aid coordination**.*

DPs find ways to support AMP focal points within the Line Ministries / sectors where they already have a comparative advantage in order to strengthen government led aid coordination and management in those sectors, particularly in sectors such as climate change where is increasing aid flows and planned sectoral strategies and in local Governance, PFM & PAR to strengthen government systems.

Challenges for DPs include the difficulties that some donors have in accurately estimating projected disbursements, for reasons that are unrelated to the AMP platform itself. This impacts on predictability of aid for Nepal.

INGOs may either lack capacity or information about their own programs or have some resistance to reporting to AMP due to a lack of understanding of the benefits of the AMP to their own work and a concern about the use of information they provide. This concern was expressed by some INGOs due to the sensitive relationship they have from time to time with Government. Consequently information about substantial aid flows from INGOs core funds could remain hidden. FACD needs to not only develop capacity of focal points with INGOs but also market the AMP as having positive benefits to INGO work and also meeting their own commitments to transparency and mutual accountability.

Ideally it should be the Social Welfare Council (SWC) that uploads data about INGO aid flows to the AMP. However, apparently the SWC files are not routinely transferred to their database and the database itself is not up-to-date and could not be used to transfer information. Furthermore, capacity within the SWC is weak and would take some time to develop. MoF has reached an agreement with then SWC that information gained from INGOs on a voluntary basis would be sent to the SWC for publication in their own reports. This would assist in making INGO development assistance visible and transparent. The Association of International NGOs (AIN) has agreed to this.

Recommendations

In the next quarter, formally launch AMP and DCR to Ministries, INGOs & NGO Federation representatives to promote transparency and mutual accountability, understanding of benefits of contributing to AMP data and engaging in subsequent policy discussions.

Continue roll out of training to INGOs on voluntary basis promoting benefits of inclusion of their data for their own planning purposes plus visibility of their own contributions to development and to meet their own commitments to transparency, mutual accountability and coordination.

Encourage the Social Welfare Council (SWC) to include information about INGO aid flows from AMP into their own publications with a view to eventually supporting SWC to enter information from their own files/database into the AMP.

Sustainability

There is substantial evidence of institutionalization of the AMP within MoF/FACD systems. FACD/MoF is committed to continuing AMP and are contributing government financial and human resources. AMP is now included in MoF Standard Operating Procedures (SOPs). Data is being routinely sent from AMP to Budget and FCGO divisions and NPC for planning and inclusion in Red, Blue and White Books. AMP pages related to sectors are inserted into file requests for data from MoF by Line Ministries. AMP data is regularly included in discussions of the mutual accountability indicator in the NPPR. The first NDCR has been published which included analysis of data and the second report is scheduled to be published in early 2013. A public launch of the AMP is planned for the second half of 2012 and the database should be online on the MoF website by the end of this year.

Interviews with key Ministries indicated that there is very much increased knowledge about aid flows, especially off-budget support and technical assistance (TA) of which they were unaware prior to the data being generated by the AMP. The Ministry of Education is very enthusiastic about the potential use of an aid management system and has indicated that it is developing an education specific aid information system for the sector which will be integrated with and “talk to “ the AMP.

Nearly all development partners (DPs) are now committed to uploading disbursements and projected disbursements to the AMP including non-traditional DPs such as India and China. Although there is some variation in timeliness, particularly for projected disbursements this is likely to be due more to issues in DP data management than anything related to the AMP itself.

The strong sense of ownership expressed by all staff in FACD led to a sense of confidence that the AMP will be not only institutionalized but also made “indispensable” by Ministry of Finance to the Government’s budget and development planning. The FACD Joint Secretary has committed resources for 2012/13 and has indicated that required resources will continue to be allocated to the AMP. Although the FACD Joint Secretary has delegated a nominated Under-Secretary to be responsible for the AMP program and identified staff to be responsible to that person, there is a reasonable argument for a separate AMP section to be created within the FACD to strengthen identity and institutionalisation of the program.

More work needs to be done for the AMP to be consistently and fruitfully used by the line Ministries – and DPs - for the purposes of sectoral planning, coordination of aid, in particular technical assistance and for the Government as a whole to finalise and implement an evidence-based Foreign Aid Policy using the AMP data as a tool to inform the final version (as it has for the current draft version).

In the current context of constant civil service transfers and rotations, a specific strategy which would address the potential institutional loss of capacity that puts the AMP at risk needs to be developed. Individual capacity development both within the Line Ministries and at District Planning Officer level will have to be married with organizational arrangements for the purposes of institutionalizing the AMP or facilitating its use for Government led aid coordination or management at a national level and in most sectors to become truly sustainable, which is not the case at present. In order that the AMP is really successful measures must be included at the organizational level which seek to ensure the AMP becomes integrated into and supports regular planning, budgeting, coordination, monitoring and accountability processes of government. This will include measures to strengthen analytical skills so that better and more accessible data can result in better and more evidence-based decision-making, as well as outreach to the Constituent Assembly and parliamentarians, journalists, and research institutions, ensuring that the AMP can respond to the needs of a variety of stakeholders and can support regular business processes, which it already doing, but can be enhanced to realise its full potential.

Recommendation

Continue “institutionalisation” of AMP, not only within FACD but particularly within the line Ministries; Put in place a conscious strategy to deal with capacity issues arising from staff turnover.

OBJECTIVE 2

Objective 2: Support the revision of the national Foreign Aid Policy and the implementation of a national action plan on aid effectiveness

Key Achievements

A draft Foreign Aid Policy (FAP) has been drafted and circulated to Line Ministries and the Association of International NGOs (AIN) and the NGO Federation for comment. Comments received have been considered in the final draft. Unfortunately due to the current political

situation with a transitional government the FAP has not yet been circulated to DPs for comment and the Parliamentary committee that would have to be consulted does not exist yet, and therefore this objective could be only partially achieved.

The latest Draft FAP (December 2011) focuses on aid/development effectiveness principles as expressed in the Paris Declaration, Accra Agenda for Action and the Busan Outcomes Document. It makes reference to information generated from the AMP and the Nepal Country Report of the 2011 Survey on Monitoring the Paris Declaration. It states that *“GoN will prioritize strengthening national and sector strategic plans, in partnership with development partners, to include clear results and resources frameworks, and arrangements for programme-based and sector wide approaches.”*

A National Action Plan on aid effectiveness was drafted by FACD in the first year of the program. However, due to the lack of a permanent Government to endorse it, it was “dropped”. FACD then focused energy on inclusion of appropriate indicators for mutual accountability for the NPPR that was agreed by Government and DPs in 2011.

Effectiveness

Clearly the effectiveness of the FAP is compromised by the current political situation. Nevertheless, the GoN has been mindful of aid effectiveness principles when drafting the FAP. When circulated to DPs for comment and endorsed by Government it should provide a platform for dialogue between Government, DPs, civil society organisations and the private sector.

Whilst the adoption of mutual accountability as a pillar for the NPPR has been a very positive step it is not a substitute for implementation of a clear NAP on aid effectiveness.

Recommendation

Continue use of AMP information and analysis within the NPPR for mutual accountability and broaden to Management for Development Results in partnership with NPC in preparation for the future development of a NAP.

Efficiency

The development of the first draft of FAP and NAP occurred in the first year of the project and January 2010 which was an efficient use of resources. The most recent draft of the FAP was completed within a month of the release of 4th High Level Forum in Busan outcomes document and the Nepal Country Report of the 2011 Survey on Monitoring the Paris Declaration which is extremely efficient.

Recommendation

If the FAP is able to be disseminated within the next 12 months, DPs to respond in a timely and coordinated manner to facilitate reasonably speedy finalisation of the policy.

Satisfaction of stakeholders and beneficiaries

Line Ministries and INGO & NGO Federation representatives all expressed satisfaction about the consultation process for the FAP. Some DPs expressed dissatisfaction with the fact that they had not yet been able to see and comment on the draft FAP and expressed some concerns about what it may contain. All respondents expressed a lack of satisfaction and frustration at not being able to progress the FAP due to circumstances beyond their control.

Challenges and lessons learned

The most significant challenge has been the current political context of a transition government which prevents endorsement of a National Foreign Aid Policy and National Action Plan for aid effectiveness. However, as this is beyond the control of the project there are no recommendations.

Sustainability

It is not possible to comment on sustainability of the outputs for this objective. Clearly the FAP will need to be revised again if a Government cannot be formed within the next 12 months to incorporate any further changes arising within Nepal and as a result of continuing discussions following the Busan Outcomes Document, for example, related to monitoring of development effectiveness.

OBJECTIVE 3

***Objective 3:** Strengthen the capacity of key ministries to better coordinate aid through a capacity assessment, a capacity development programme and exchanges of experience.*

Key Achievements

This objective is partly achieved. The capacity needs assessment was undertaken by the Government of Nepal in the first year of the program to determine its capacity development needs for development effectiveness, and help prioritise capacity development interventions to support effective aid management and effectiveness and to establish the AMP. The Capacity Assessment involved five ministries, i.e., Ministry of Finance, National Planning Commission, Ministry of Education, Ministry of Health and Population, and the Ministry of Local Development. Based on this assessment a capacity development program was developed. The CD response strategy included exchanges of experience, which took place in 2009, 2010, 2011 and 2012 in Cambodia, Bangkok, Nairobi, Tanzania & Dakar respectively. Participants reported the south-south exchanges were useful, even though no formal assessment of outcomes as a result of these exchanges was available to the review team.

In the first year of the project training was conducted for 26 Government officials in Results-based Management (RBM). The capacity development plan was finalised in the second year of the program. Training in 2010 focused primarily on operation and use of the AMP software to FACD and key line Ministry staff. Whilst there has been some loss of these staff due to transfers, on the whole FACD, MoE and MoH institutional knowledge and competency in using the AMP appears to be good. Unfortunately the AMP focal point in MLD has been transferred. Towards the end of the year more training was offered in RBM and monitoring and evaluation (M&E).

In 2012, further technical training for AMP was rolled out to FACD and Ministry staff. In addition, training was conducted with Under Secretaries and district planning officers within MoF, MoE, MoH, MLD & NPC in a variety of subjects (as identified by the self assessment process that was part of the capacity needs identification) including negotiation and consensus building, SWAps, technical appraisal of projects from an aid effectiveness perspective, facilitation skills, managing meetings and advanced English language.

Effectiveness

FACD staff have acquired impressive skills and competencies for independent management of AMP as well as some skills for analysis of the data. AMP focal point training appears to have been successful in partner Ministries of Education and Health, particularly the former. Interviews with staff within the Ministry of Education indicated that they had an excellent grasp of the technical competencies required as AMP focal points, they understood the potential for planning, implementation and monitoring of education sectoral strategies and they were planning an education aid information system that would be integrated with and “talk to” the AMP system.

Whilst there has been self-reported satisfaction with the more general skills development training by participants, only negotiation skills training offered to government officials in 2011 has been followed up to determine benefits to aid management that may have resulted. Again this was self-reporting about whether workplans were being implemented according to RBM principles. Some officials had been transferred, others could not be contacted with the result that about 40% of respondents stated that they were using RBM principles in their work.

A fairly significant proportion of the DCEAMC budget has been used for capacity development and training. Whilst the AMP technical training has led to the desired outcome of an effective aid information system, the effect of the other capacity development trainings are not clearly discernible at this point, and are largely anecdotal, and intuitive rather than evidence-based. This would suggest that a more systematic approach to measuring the results of the capacity development activities needs to be undertaken to determine if the investments made are contributing to the desired outcome of improved aid management and coordination.

If capacity development is to continue (as it should) then consideration needs to be given to whether it is continued to be offered by the MoF or whether development effectiveness should be part of the curriculum offered by the Ministry of General Administration for government officials at both entry level and for Under Secretaries. This would be a more effective, systematic and institutionalized method of developing capacity in the basic principles of aid coordination, results-based management, transparency and development effectiveness principles.

Ownership of sectoral planning and coordination lies with the Line Ministries and is not the responsibility of MoF. However, MoF is in an excellent position to provide technical advice and expertise both to the Ministry for General Administration in the form of modules for civil service training or directly to Line Ministries who are engaged in the planning and/ or implementation of SWAps or PBAs.

Recommendations

Develop a budget and results monitoring framework for the continued roll-out of capacity development trainings, particularly to district planning officials, in order to determine if effective training (i.e. training resulting in desired outcomes) can and should be provided at a reasonable cost beyond July 2013.

FACD after negotiation with the Ministry of General Administration, develop appropriate modules in development effectiveness principles, results-based management, transparency and accountability to offer to entry level Government officials, and in aid coordination and management for Under-Secretary training at the Staff College.

Efficiency

Capacity development cannot be said to be efficient unless there are demonstrable results in performance that are directly related to the training given within a reasonable period of time and the training is reasonably cost-efficient. Most capacity development training had been conducted by local providers together with staff from FACD. Technical training to staff of FACD had been conducted by Development Gateway, an international provider. The project is contracting Development Gateway to a local IT company as well as designated GoN IT engineers and this should ensure on-going technical support in the future.

At the moment the efficiency of the capacity development efforts is compromised due to;

- (a) the continuous transfer/rotation of staff whereby even if individuals develop increased knowledge and skills it is lost to the Ministry or division when they transfer;
- (b) rolling out training to a critical mass of district planning officers, even if only conducted in the regional centres, will require substantial investment of both financial and human resources on a continuous basis.

Upon completion of the project in July 2013 the Ministry of Finance plans to fund program from its own budget. FACD may need to make decisions about how best to use limited resources and what will provide most value for investment of both money and time in terms of improving aid coordination and management.

Recommendation

Support increased use of national training organisations including technical training of IT specialists within local companies to reduce dependence on Development Gateway and decrease cost of external support when required.

If MoF has limited resources for capacity development training then, in the first instance, focus on the national level, particularly the weaker line Ministries to promote the use of AMP information and analysis in sectoral planning and implementation, before continuing at district level.

Satisfaction of stakeholders and beneficiaries

All staff interviewed expressed satisfaction with the training offered by the project and stated that they used the skills in day-to-day life and sometimes in their work. Feedback from the participants of district planning officer training was by and large very positive. However, all evaluation of training has been self-assessment within a six month period or less.

Several respondents thought that the training in skills such as negotiation, English language training etc., while extremely useful in enhancing their overall functional capacities, were not directly related to aid effectiveness and were too broad for continued inclusion in the DCEAMC project. It was suggested that these be provided as part of the overall capacity development efforts of the government which contribute inter alia to more efficient aid management. However, future training under the aegis of the current and successor programme should focus on knowledge and skills that have a direct relationship to aid coordination and management.

Challenges and lessons learned

There are two significant challenges to effective capacity development. The first is the current government policy of rotating/ transferring staff at fairly frequent intervals which undermines any institutional capacity that may be being built. The MoF has fewer transfers than most Ministries but even within this project there have been a number of staff changes. The second is the development of a robust monitoring and evaluation framework that would indicate whether capacity development training is having the desired outcomes.

To address the former, MoF tried to select staff who were not due for imminent transfer. However, transfers have still undermined institutional capacity. MoF should consider training a “critical mass” of staff (3 or 4 perhaps), of whom some are younger and at the beginning of a transfer cycle and who are trained to pass on their skills and knowledge to others as staff leave. Staff selected for training should be at varying levels of seniority also, as a lesson identified in annual reports was that sufficiently senior government staff need to be engaged and understand the principles of development effectiveness as well as develop the technical skills to use the AMP to generate reports for their own planning and coordination purposes.

Recommendation

Continue training of at least 3-4 staff within Ministries as AMP focal points including younger staff and staff at the start of a 2 year transfer cycle so that institutional knowledge is not lost if staff are transferred.

Sustainability

At this stage of the DCEAMC project the sustainability of the capacity development efforts for the AMP staff and Under Secretaries within the FACD itself has been reasonably established, with a critical mass of government functionaries generally capacitated for the management and running of the AMP. There is consciousness within the senior management of the FACD to maintain a certain level of capacity, and manage the capacity development process within the limitations imposed by the Government’s broader transfer and movement policies. For the AMP focal points in the Ministries of Health and Education

there are incentives to improve aid management and coordination in their sectoral SWApS, and this promotes sustainability.

Business processes and SOPs that have incorporated the outputs of the AMP will further push for the sustainability of CD for effective aid management.

MANAGEMENT AND ADMINISTRATION

The project is implemented by FACD with the support of an international aid management advisor funded by the project. FACD has recently contracted two staff – an IT engineer and a computer officer. In addition there is a Senior Project Officer on contract funded by the project. The first and second years of the project experienced some delays due to lack of staff but by 2011 the staff complement was sufficient to implement the project activities efficiently. Initially FACD was dependent on the technical skills of the international specialist, and although some respondents thought that this position should be maintained to the end of 2012, on the whole there was agreement that national capacity was sufficiently robust that he did not need replacing when his contract ended in August 2012.

Some FACD respondents suggested that having a separate section for the AMP program within FACD would strengthen its identity and institutionalization. A nominated Under-Secretary would remain as the senior responsible Government official and all staff would report to him. This would not entail creating any new responsibilities but would assist in the institutionalization of the program.

At the moment there are 3 staff (excluding the external advisor) working on the project. The loss of the external advisor position and the increasing amount of work related to planning appropriate capacity development activities, analyzing data from the AMP for the annual DCRs and facilitating policy dialogue suggests that the senior project coordinator position should be maintained on a full-time basis, funded by MoF.

Recommendations

The DCEAMC project does not need to replace the international aid management adviser in August 2012 as national capacity is robust within FACD, however, it should maintain the contract of the senior project officer. The Government has expressed the need for an additional national staff person within FACD to facilitate implementation of the AMP activities over the next 12 months and planning for beyond July 2013. This request should be seriously considered by UNDP and relevant DPs.

At the end of the project MoF/FACD should consider continuing to maintain and fund the position of senior project officer who would be responsible for implementation of all AMP activities, planning future activities, liaising with DPs and seeking external support when required.

To institutionalise the AMP after the project itself has ended in July 2013, FACD should consider creating a separate AMP section within the FACD with identified staff positions and responsibilities.

The project Board, chaired by the Joint Secretary and Chief of FACD is composed of three contributing development partners, three key line Ministries (Education, Health and Local Development) and the National Planning Commission (NPC). The Board meets quarterly and project reports are provided by FACD. At the moment there is no representation from

civil society organizations on the Board. In keeping with the Busan Outcome commitments to increased engagement and participation of civil society organisations and the private sector, consideration should be given to creating an advisory board with broader representation once the project has been completed in July 2012.

Recommendation

After the end of the project create an advisory board for AMP program chaired by FACD and including 3 key line ministries where SWAps or PBAs are implemented or planned, 3 key development partners committed to supporting aid effectiveness, at least one AIN and one NGO Federation representative and two representatives from relevant private sector providers.

EXPECTATIONS OF FUTURE SUPPORT TO THE GOVERNMENT OF NEPAL FOR AID COORDINATION

Almost all Government respondents discussed the need for continued support of some form for the immediate two to three years beyond the end of the project. MoF has stated its intention to resource the continued roll-out and utilization of the AMP and any associated training required for AMP focal points and Ministry staff using AMP data, and senior Government staff engaged in analysis of development trends in their sector for the purposes of planning the use of aid and improving aid coordination and management.

Therefore future planning for the AMP program beyond July 2013 is critical. Almost all respondents agreed that it was likely that some external support would still be required for 2-3 years beyond the project completion. However, it was very difficult to elicit exactly what kind of support would be required, who would provide it and what outcomes could be expected from that support. UNDP is completing the project in July 2013 but “stands ready” to provide support to ensure sustainability of outcomes and build capacity particularly for sectoral planning and coordination. Similarly both DFID and DANIDA are committed to development effectiveness principles and to the sectors in which they have a comparative advantage or are taking the lead (e.g. DANIDA in renewable energy where sectoral plans are being developed and DFID in Public Financial Management Reform (PFM) and climate change.) As Line Ministries’ engagement and sectoral planning is weak it is appropriate that DPs look to how they could support AMP focal points and capacity strengthening for aid management and coordination in the Line Ministries in which they currently have programs. (See recommendation on page above)

FACD will need to spend some of the final year of the DCEAMC project planning future activities and expected outcomes, budget and technical assistance requirements. To further institutionalize the AMP and commence development planning, coordination and management using AMP data the FACD will continue to need dedicated staff. Whilst MoF is funding the IT engineer and technician in the final year, the project continues to fund the Senior Project Officer. If the planning process for the next three years suggests that external support will be needed to maintain the position of Senior Project Officer UNDP should consider providing this support, possibly through an alternative program, such as Public Administration Reform (PAR).

Recommendations

UNDP to support FACD to develop an AMP workplan for 2013-2016 (or 2013-15) clearly identifying any areas needing future external support with specific expected outcomes so that FACD can negotiate with DPs how such support could be provided, possibly from other existing programs.

If MoF is unable to contract a dedicated Senior Project Officer for the 2 or 3 years following completion of the project, UNDP consider funding the position, possibly under the auspices of the Public Administration Reform (PAR) program.

RECOMMENDATIONS

The recommendations made in the findings above are divided into those for the final year of the DCEAMC project and those post July 2013. They are based on the findings of the report and / or suggestions from respondents during the review.

FOR THE FINAL YEAR OF THE PROJECT

1. In the next quarter, formally launch AMP and DCR to Ministries, INGOs & NGO Federation representatives to promote transparency and mutual accountability, understanding of benefits of contributing to AMP data and engaging in subsequent policy discussions.
2. Don't make any major technical changes to the AMP database in the short-term to minimise reliance on external support and to embed its use in the Line Ministries.
3. Incorporate FMIS & BMIS data and then disseminate results of all data to Ministries and DPs **in order to start using information for sectoral planning & aid coordination.**
4. Present AMP findings (after analysis of data) at least on an annual basis (or every six months) to Local Donor Meetings (LDMs) to support sectoral policy discussions.
5. Encourage and promote increased participation in policy dialogue as a result of AMP information on the part of non-traditional donors, particularly for South-South cooperation.
6. Continue institutionalisation of AMP, not only within FACD/MoF but particularly within the Line Ministries.
7. Continue training of at least 3-4 staff within Ministries as AMP focal points including younger staff and staff at the start of a 2 year transfer cycle to minimise loss of institutional knowledge if staff are transferred.
8. Continue roll out of training to INGOs on voluntary basis promoting benefits of inclusion of their data for their own planning purposes plus visibility of their own contributions to development and to meet their own commitments to transparency, mutual accountability and coordination.

9. Encourage the Social Welfare Council (SWC) to include information about INGO aid flows from AMP into their own publications with a view to eventually supporting SWC to enter information from their own files / database into the AMP.
10. Support increased use of national training organisations including technical training of IT specialists within local companies to reduce dependence on Development Gateway and decrease cost of external support when required.
11. The DCEAMC project does not need to replace the international aid management advisor in August 2012 as national capacity is robust within FACD, however, it should respond positively to the request from FACD for providing an additional support (national programme advisor) within FACD to facilitate implementation of the AMP activities over the next 12 months and planning for beyond July 2013.
12. UNDP to support FACD to develop an AMP workplan for 2013-2016 (or 2013-15) clearly identifying any areas needing future external support with specific expected outcomes so that FACD can negotiate with DPs how such support could be provided, possibly from other existing programs.
13. Develop a budget and results monitoring framework for the continued roll-out of capacity development trainings, particularly to district planning officials, in order to determine if effective training (i.e. training resulting in desired outcomes) can and should be provided at a reasonable cost beyond July 2013.
14. If the FAP is able to be disseminated within the next 12 months DPs to respond in a timely and coordinated manner to facilitate reasonably speedy finalisation of the policy.

IN THE FINAL YEAR OF THE PROJECT AND BEYOND JULY 2013

15. DPs find ways to support AMP focal points within the line Ministries / sectors where they already have a comparative advantage in order to strengthen government led aid coordination and management in those sectors, particularly in sectors such as climate change where there is increasing aid flows, and in Local Governance, PFM & PAR to strengthen government systems.
16. Continue use of AMP information and analysis within the NPPR for mutual accountability and broaden to Management for Development Results in partnership with NPC.
17. Recognize and reinforce that the AMP is designed to support a broader range of stakeholders, in addition to the executive. These include supporting development partners in their partnership with government, CSOs in an implementation or advocacy role, parliamentarians seeking to promote more accountable and effective aid, and ordinary citizens in understanding progress in development programmes, and overall improving the transparency and accountability of development assistance to Nepal.

BEYOND JULY 2013

18. To institutionalise the AMP after the project itself has ended in July 2013 and strengthen identity FACD should consider creating a separate AMP section within the Division with identified staff positions and responsibilities.
19. At the end of the project MoF/FACD should consider maintaining and funding the position of senior project officer who would be responsible for implementation of all AMP activities, liaising with DPs and seeking external support when required.
20. After the end of the project create an advisory board for the program chaired by FACD and including 3 key line Ministries where SWAs or PBAs are implemented, 3 key development partners that are committed to supporting aid effectiveness (and inviting any others as and when necessary) , at least one AIN and one NGO Federation representative and two representatives from relevant private sector providers.
21. FACD, after negotiation with the Ministry of General Administration, develop appropriate modules in development effectiveness principles, results-based management, transparency and accountability to offer to entry level Government officials and in aid coordination and management for Under Secretary training at the Staff College.
22. If MoF has limited resources for capacity development training then, in the first instance, focus on the national level, particularly the weaker line Ministries to promote the use of AMP information and analysis in sectoral planning and implementation, before continuing at district level.
23. If MoF is unable to contract a dedicated Senior Project Officer for the 2 or 3 years following completion of the project, UNDP consider funding the position, possibly under the auspices of the Public Administration Reform (PAR) program.

CONCLUSION

The DCEAMC project has been very successful in meeting its objective to create a user-friendly, functional and transparent Aid Management Platform (AMP) that has been customized for Nepal. It is used by most development partners (DPs), including non-traditional DPs and the FACD has developed the skills and competencies to continue implementing the AMP in the future. There is every reason to believe that the work planned for 2012/13 fiscal year will be completed. That is, BMIS and FMIS data from Line Ministries, data regarding aid flows from key INGOs and some physical results from the National Planning Commission will be integrated into the AMP by July 2013.

In the political context of a transitional Government during the life of the DCEAMC project it has only been possible to draft a Foreign Aid Policy and circulate it to Line Ministries and INGOs and NGOs for comment. However, the most recent draft has incorporated development effectiveness principles from Paris Declaration and the Busan Outcome Document and should provide a useful platform for dialogue with development partners, CSOs and private sector representatives in the future.

Capacity assessments have been undertaken and a capacity development plan developed. Various capacity development trainings have been rolled out both within the Ministry of Finance, particularly the Foreign Aid Coordination Division, National Planning

Commission, key line Ministry officials and district planning officials. The capacities of FACD have been remarkably enhanced in the managing of the AMP and more broadly in the area of aid management. However, at the sectoral levels, there is not yet enough evidence that the broader functional capacities that have been developed as a result of the trainings have contributed directly to the desired outcomes of improved aid management and coordination. These have yet to be fully realized.

The DCMEAC will need to consolidate its achievements during the final year of the project in order to ensure that the AMP becomes institutionalized and indispensable to MoF, NPC and line Ministries as an effective tool for government-led national and sectoral aid coordination and management. FACD should use the final year of the project to plan for beyond 2013 and identify priorities, key areas of support and expected outcomes. It will also need to focus capacity building on Line Ministries, AMP focal points and ensure there is a robust evaluation framework for capacity building activities that will identify whether desired outcomes result from training and other forms of capacity strengthening.

Whilst beyond the scope of this project and not possible in the current political context, the review team concluded that in order for the achievements of the DCMEAC to be sustainable and useful, there needs to be an appropriate high level dialogue forum for Government of Nepal, development partners, CSOs and private sector interests at which information and analysis of data from the AMP can be discussed and used in practical ways to improve development planning and implementation for results, reduce fragmentation of aid and off-budget technical assistance, develop more functional and comprehensive sector wide approaches or program based approaches, reduce transaction costs for government, provide a mechanism for mutual accountability, and more predictable, accurate and transparent budgeting and planning processes within government, development partners and INGOs.

ANNEXES

ANNEX 1: Terms of Reference for the Review

Terms of Reference

Mission for a Review of Developing Capacities for Effective Aid Management and Coordination (DCEAMC) Project

1. General Background

International assistance plays a significant role in Nepal's socio-economic development, with foreign aid flows estimated at USD 1.1 Bn for fiscal year 2010-11. On-budget aid represents 26% of the national budget, and another 31% of total aid flows are delivered in parallel to the national budget. Foreign aid is provided by a wide range of partners including bilaterals from the OECD-DAC, IFIs, UN agencies, vertical funds and "emerging" donors including Nepal's two neighbours. Foreign aid plays a crucial role in supporting Nepal's peace and development agenda in the current context of political transition. Nepal is also expected to be among the main beneficiaries of climate finance in the next few years, due to its high level of vulnerability to climate change.

Nepal has seen some improvements in the coordination and management of aid flows over the past decade, with the establishment of Sector Wide Approaches or Programme Based Approaches in Health, Education, Local Governance and Peace and Reconstruction. However, these approaches have not been extended to more sectors and significant challenges remain for donors to make full use of national systems. While some good practices exist with regard to mutual accountability and results-based management at sector level, there is scope to improve the quality and results focus of Government-donor dialogue at the national level.

UNDP and the Foreign Aid Coordination Division of Ministry of Finance launched the *Developing Capacities for Effective Aid Management and Coordination* project in February 2009 with a threefold objective to 1) put in place a transparent and functioning aid information management system; 2) support the revision of the national Foreign Aid Policy and the implementation of a national action plan on aid effectiveness, and 3) strengthen the capacity of key ministries to better coordinate aid through a capacity assessment, a capacity development programme and exchanges of experience.

The project was initially scheduled for completion in December 2011, but some activities were delayed due to the longer than planned political transition and frequent changes in Government. Ministry of Finance recently requested an extension of the project until July 2013, after which MoF would like to fully take over project activities.

Looking beyond the current project, several major changes are expected to impact aid coordination practices in Nepal over the next few years. These include 1) the need to mobilize resources and establish partnerships to support a medium to long term peace and development strategy once the political transition is over; 2) potential changes to the institutional arrangements for aid coordination if Nepal adopts a federal constitution (and resulting capacity development needs at national and sub-national level); 3) changes in the donor landscape, with a growing role for South-South cooperation partners and climate finance; and 4) implementation of the Busan Partnership for Effective Development Cooperation, with renewed emphasis on use of country systems, transparency and domestic accountability mechanisms.

A review of current UNDP support to aid coordination and management is being commissioned to document lessons learnt over the past three years, identify any remaining sustainability issues for current project activities, and suggest options for UNDP and donor support to GoN's aid coordination capacities in an evolving country context.

2. Purpose of the Mission

There are two main objectives of this mission: (1) to review the current DCEAMC Project, and (2) to identify any needs for future support in this area, taking into account the current donor, country and UNDP programme context

(1) Review of the Project (February 2009 - July 2013)

- Assess the project's performance in achieving its intended Outputs through its inputs and activities
- Assess the project's effectiveness in achieving the intended results (i.e. positive change(s) that can be attributable to the project)
 - *Has the Nepal Aid management Platform been designed and implemented?*
 - *Has the project facilitated the revision of the Foreign Aid Policy and action plan on aid effectiveness?*
 - *Has the project conducted a capacity assessment of target ministries and delivered the aid effectiveness component of the resulting capacity development strategies?*
- Assess the level of satisfaction of project stakeholders and beneficiaries (i.e. MOF/FACD and a sample of beneficiaries from line ministries) with the project's results achieved so far
- Assess the project's efficiency in resource utilization in achieving the results
- Discuss the sustainability of the activities implemented with UNDP assistance and identify any additional actions to be taken during the final year of the project to ensure sustainability
- Examine the project management arrangement and administrative structure
- Identify any outstanding issues and lessons learnt

(2) Identify any needs for further support

- Consult with project stakeholders, beneficiaries and key donors regarding trends in aid effectiveness in Nepal, implementation of busan commitments and their expectations for future support to GoN on aid coordination and management
- Formulate recommendations for UNDP support beyond 2013, including potential areas of support and management arrangements

3. Scope of Work

- 1) Pre-mission review of relevant documents
 - Project Document
 - Project Annual Reports for 2009, 2010 and 2011
 - Country Office ROAR (aid coordination and management section)
 - CPD and CPAP 2008-2012
 - Assessment of Development Results (ADR) 2011
 - Draft UNDAF and CPD for 2013-2017
 - Development Cooperation Report for Fiscal Year 2010-11

- 2) Face-to-Face interviews

- UNDP Country Office
 - Senior Management (DCD/P)
 - Strategic Planning and Development Effectiveness Unit (Programme Finance Analyst and PO for the project)
 - Government of Nepal
 - Ministry of Finance/ Foreign Aid Coordination Division (Joint Secretary, 2-3 Under Secretaries)
 - Selected Beneficiaries /Implementing Partners
 - Ministry of Local Development
 - Ministry of Education
 - Ministry of Health
 - National Planning Commission
 - Other development partners (suggested: DFID, Denmark, EU)
 - NGO and INGO representatives (joint meeting)
- 3) Writing (either on-site or off-site)
- Project Review Report, including a forward looking section with recommendations for next steps
- 4) Debriefing
- Debriefing to UNDP DCD/P, along with SPDE Unit
 - Debriefing to MOF/FACD Joint Secretary and concerned Under Secretaries (including National Project Manager)

4. Expected Deliverables

(1) Review of the Project

- Review Report in a Microsoft Word document
 - PowerPoint presentation on summary of key findings
- All deliverables to be submitted in soft copies via email to:1) the National Project Director, and 2) the Deputy Country Director (Programme), with copy to concerned UNDP Programme Officer.

5. Timeline of Assignment

- All deliverables to be completed and submitted by the **first week of July 2012**
- | | |
|--|---|
| 1) Approval of TOR by UNDP and MOF: | by 30May2012 |
| 2) Identification of Mission member: | by 30May2012 |
| 3) Arrangement of travel, visa: | by 10 June 2012 |
| 4) Review of relevant documents and UNDP briefing: | 22 nd June 2012 |
| 5) Face-to-Face interviews in Kathmandu: | 24 - 27June 2012 |
| 6) Writing key findings, debriefings (on-site): | 28 – 29 June 2012 |
| 7) Writing final report | 1 working day by end of first week of July 2012 |

The consultant would have primary responsibility for finalizing the report, with inputs from APRC. The consultant will be paid 8 working days, including one day for review of documents and one day for finalizing the report after the mission.

6. Place of Assignment / Requirement of Presence and Travel

- The assignment requires a travel and stay in Kathmandu

7. Reporting

- The Mission will report to the National Project Director (MOF/FACD) and the UNDP Deputy Country Director (Programme), and will work closely with the UNDP Strategic Planning and Development Effectiveness Unit.
- The Mission will also work closely with the Project management, i.e. Under Secretary/National Project Manager of the Foreign Aid Coordination Division, Ministry of Finance, and the project team.

8. Proposed Mission Member

- 1 staff from UNDP Asia-Pacific Regional Centre (part time), who will provide inputs on the capacity development component, and one consultant with expertise on capacity development programmes in the area of aid effectiveness/ aid management

9. Cost of the Mission

- All required costs of the mission will be borne by *Developing Capacities for Effective Aid Management and Coordination project*.

10. ToR Approval

TOR approved by: Mr.Bhuban Karki Date:
Under Secretary
National Project Manager
Foreign Aid Coordination Division
Ministry of Finance

TOR approved by: Mr.Jorn Sorensen Date:
Deputy Country Director (Programme)
United Nations Development Programme

ANNEX 2: List of Documents read for the review

Project and Government of Nepal documents

- CDEAMC Project Document
- Development Cooperation Report (DCR) March 2012, Government of Nepal, Ministry of Finance
- 2011 Survey on Monitoring the Paris Declaration: Nepal Country Report, Government of Nepal, Ministry of Finance
- Implementing Busan Outcomes in Nepal: Discussion Points and Suggested Next Steps
- Project Annual Reports for 2009, 2010 and 2011
- Project Quarterly Reports 2012 (first and second quarters)
- Draft Foreign Aid Policy (FAP), Government of Nepal
- NPPR 2011 Action Plan for Improving Portfolio Performance
- NPM Talking Points for and Minutes of Project Board Meeting 10 April 2012
- Training Completion Report on Aid Effectiveness Regional Training in Pokhara June 2012
- Interim Three Year Plan Approach Paper for 2010-2013, Government of Nepal

UNDP documents

- Assessment of Development Results (ADR) – Evaluation of UNDP Contribution in Nepal January 2012
- UNDP Country Office ROAR (aid coordination and management section)
- Country Programme Action Plan (CPAP) 2008-2012
- Draft UN Development Assessment Framework (UNDAF) and Country Programme (CPD) for 2013-2017
- UNDP Guidance Note on Aid Coordination, April 2011

ANNEX 3: List of interviewees

DATE	NAME	POSITION	ORGANISATION
26 June	Mr. Jorn Sorenson	DCD	UNDP
26 June	Mr. Julien Chevillard	Aid Effectiveness Advisor	UNDP
26 June	Mr. Niraj Shrestha	Program Finance Analyst	SPDE Unit, UNDP
26 June	Mr. Binod Lamsal	Program Finance Analyst	SPDE Unit, UNDP
27 June	Mr. Kailash Raj Pokharel	Under Secretary	FACD, MoF
27 June	Mr. Abinath Rai	Under Secretary	FACD, MoF
28 June	Mr. Thakur Gairhe	Former AMP project manager	FACD, MoF
28 June	Mr. Purushottam Ghimire	AMP project manager	FACD, MoF
27 June	Mr. Tilakman Singh Bhandari	Senior Project Officer	FACD, MoF
28 June	Mr. Lal Shanker Ghimire	National Project Director, Chief/Joint Secretary	FACD, MoF
28 June	Ms. Maria-Ana Petrera	Deputy Head of Mission	DANIDA
28 June	Mr. Neil Briscoe	Deputy Head of Office	DFID
28 June	Ms. Shailee Manandhar	AMP focal point	DFID
28 June	Mr. Kavindra Subba	Program Officer	DFID
28 June	Mr. Surya Narayan	Program Officer	DFID
29 June	Meeting of NPPR		GoN & DPs
29 June	Mr. Ramesh P. Adhikari	Under Secretary, Planning Section	MLD
29 June	Mr. Ashitosh Tiwari	Country Representative, Water Aid + Chair AIN	AIN
29 June	Ms. Julie Brethfeld	Country Manager, Saferworld + Mbr AIN	AIN
1 July	Mr. Narayan Krishna Shrestha	Under Secretary	MoE
1 July	Mr. Indra Kumaar	Program Officer	MoE
1 July	Ms. Mina Regmi	Program Officer	MoE
1 July	Mr. Nehtra Timilsina	President	NGO Federation
1 July	Dr. Baburam Marasini	Coordinator, Health Sector Reform Unit	MoH
3 July	Mr Bhuban Karki	National Project Manager, Under Secretary	FACD