



House of Commons
International Development
Committee

DFID's Programme in Nepal

Sixth Report of Session 2009-10

Volume I



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Nepal**

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Report, together with formal minutes

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International Development Committee

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Summary

Nepal is the poorest country in South East Asia and the fifteenth poorest country in the world. It is regarded as a fragile state, having suffered 10 years of conflict prior to the signing of the Comprehensive Peace Agreement (CPA) in 2006. We examined the Department for International Development's (DFID) programme in Nepal in the context of the policy shift announced in its 2009 White Paper of focusing more of its resources on fragile and conflict-affected states.

Nepal managed to make progress on a number of poverty indicators despite the deaths, displacement, and disruption to services which occurred during the years of conflict. However, poverty and inequality remain acute in Nepal. One in three people lives in poverty and half of all children are malnourished. The mountainous terrain compounds the difficulty in gaining access to essential services such as health, education and livelihood support. Inequalities based on ethnicity, caste and religion exacerbate exclusion and poverty.

A high proportion of post-conflict states fall back into conflict within five years of a peace agreement being signed. The risks for Nepal are clear. The political situation remains fraught; agreement is yet to be reached on a new Constitution; and the future of the 20,000 ex-combatants who fought for the Maoists during the conflict has yet to be resolved. It is for the people and Government of Nepal to find long-term solutions to these issues and to decide on the new federal structure which will be put in place. The international community should support the mechanisms set up under the CPA to facilitate a long-term solution and to help to ensure that the voices of the many and varied communities are heard.

DFID has a range of innovative and effective programmes in place, including support for livelihoods and economic growth. However, governance, justice systems and the security sector remain weak and open to corruption. Additional support to strengthen these systems is required. DFID should move quickly to agree new programmes in these areas, particularly given the commitment in the White Paper to treat justice and security as a basic service.

Climate change compounds Nepal's vulnerability. Predicted impacts include more rain during the monsoon and less during the already dry winter, and more frequent and more severe extreme events such as floods. Despite uncertainties over exact timescales, in the shorter term melting of the Himalayan glaciers will increase flood risks in Nepal and the wider region. In the longer term loss of ice cover combined with changing rainfall patterns could lead to increased strain on water resources. Nepal is now very close to having an agreed National Adaptation Programme of Action. DFID has committed funding for its implementation. It must also support the Government of Nepal to give climate change the policy priority which it merits.

DFID must ensure that its programmes in Nepal reach the poorest people and those least capable of gaining access to essential services. Its new focus on fragility needs to include targeted assistance for the most vulnerable people and communities, as well as supporting

fragile countries more broadly. Besides being a moral imperative, if donors fail to assist the millions of people living in the most dire conditions, the global targets for poverty reduction enshrined in the Millennium Development Goals will not be achieved in Nepal or globally.

1 The inquiry

1. Nepal is the poorest and most unequal country in South Asia.¹ It suffered 10 years of conflict, in which thousands of people were killed and displaced. It is one of the fragile and post-conflict countries on which the UK Department for International Development (DFID) has decided to focus greater emphasis. DFID says that “international support is vital if Nepal is to build peace and avoid a reversal into further conflict, and if it is to tackle serious poverty and inequality”.²

2. DFID is the largest bilateral donor to Nepal and in 2009 agreed a new Country Plan which will run to 2012.³ Without progress on the peace process in Nepal and clear evidence of a “peace dividend” for the people, in terms of improved living conditions, there is a risk that the country might slide back into conflict. Support from the international community is therefore vital.

3. These factors led us to announce an inquiry into DFID’s programme in Nepal in July 2009. We visited the country in October. On our return, we held three oral evidence sessions, with non-governmental organisations (NGOs) working in the country; academics and commentators; and with the DFID Minister and officials. We also received a number of submissions of written evidence. We are grateful to all those who contributed to the inquiry.

Our visit to Nepal

4. We were in Nepal for four days. In Kathmandu, we held meetings with the Prime Minister and other members of the Government, the leader of the Maoist (Unified Communist Party of Nepal) party (who is also the former Prime Minister), members of the Constituent Assembly and donor partners. To ensure that we were able to see as much of DFID’s work as possible in the time available, we divided into two groups to visit the more remote areas of Nepal. One group visited Pokhara and Baglung in the West Region and saw DFID’s projects on forestry and livelihoods, transport, climate change and sanitation and water. The second group visited the Nepalgunj area in the Mid-West Region. The itinerary there included two schools and a hospital, and meetings with a Muslim women’s empowerment group, participants in skills-training and road-building programmes; and discussions with a wide range of NGOs and officials. Our full visit programme is set out in the Annex to this Report. We are grateful to all those who contributed to the visit and particularly the DFID Nepal staff who arranged our programme and accompanied us throughout.

Structure of the Report

5. Chapter 2 describes the context for delivering development in Nepal, and assesses both the challenges and the opportunities. Chapter 3 examines the political situation and

1 DFID, *The UK Government’s Programme of Work to Fight Poverty in Nepal*, Country Business Plan 2009-2012, para 9

2 Ev 52

3 Ev 63. The UK is the largest donor of countries which are members of the OECD Development Assistance Committee (DAC) and which therefore adhere to the development assistance criteria laid down by the DAC.

progress on the peace process, which are both fundamental to Nepal's development. In Chapter 4 we analyse how donors can best support Nepal to address the weaknesses in governance, justice and the security sector and to tackle corruption. Chapter 5 looks at the progress Nepal is making towards achieving the Millennium Development Goals, including those on poverty reduction, health and education. In the concluding chapter, we set out our views on the priorities for DFID's future engagement in Nepal, particularly in the light of its new emphasis on working in fragile states.

2 Development context and challenges

6. This chapter sets out the background against which DFID is delivering development assistance in Nepal and highlights some of the key challenges. DFID's support for addressing these issues is discussed in chapters 4 and 5.

Access to basic services

7. Nepal is the 15th poorest country in the world. One in three of the 27 million population lives in poverty. Women, girls and excluded groups suffer most.⁴ 1 in 16 children dies before its fifth birthday and half of all children are malnourished. Nepal is classified as "severely off track" on Millennium Development Goal (MDG) 5 on maternal health, despite recent progress. It is also off-track on MDG 6 on tackling HIV/AIDS.⁵

8. It is surprising that Nepal has made the degree of progress that it has on many of the MDGs, including education and poverty reduction, given the years of conflict it endured. Witnesses suggested that this demonstrated that there was a reasonably high level of capacity and capability within the country and an ability to "get things done" albeit in the absence of formal structures.⁶

9. However, the capacity of state systems to deliver basic services remains limited. There have been no local elections in six years and none are likely to take place until there is overall agreement on a new Constitution. This means that local government systems are not functioning effectively, including their role in provision of services for local populations. Surya Subedi, Professor of International Law at Leeds University, told us that the impact was being felt by local people who had no properly functioning local bodies to rely on. He said that "for the ordinary people living in rural areas the government has not come back to them" despite the peace process being in place for three years.⁷

The peace process

10. Analysis has shown that there is a 40% chance of a country sliding back into conflict within five years of a peace agreement being signed.⁸ The Comprehensive Peace Agreement (CPA) which brought the 10-year conflict in Nepal to an end was signed in November 2006. The conflict resulted from the Maoist insurgency which began in 1996 and which was fuelled by the high degree of social and political exclusion, poverty, deprivation and inequality. The CPA established an interim constitution and an interim Parliament.⁹

4 Ev 52-53

5 Ev 54

6 Q 69

7 Q 19

8 Country Business Plan, para 45

9 Ev 53

11. DFID told us last autumn that the peace process “has been stalled for some time”.¹⁰ Liz Philipson of the NGO Conciliation Resources said that the Comprehensive Peace Agreement had been “comprehensive” only in name and had left a number of key issues unresolved. This meant that “war has ceased but the violence has not [and] progress towards peace never really got off the ground other than rhetorically”. She stressed that the political blocs which formed during the conflict were still operating and that elite groups remained powerful, despite the removal of the monarchy.¹¹

Exclusion and inequality

12. DFID says that “exclusion was and is a key driver of conflict in Nepal.”¹² It highlights a “path-breaking report”, the Gender and Social Exclusion Assessment, produced jointly by DFID, the Nepal National Planning Commission and the World Bank in June 2005. This:

[...] documented what had been generally accepted as one of the root causes of the conflict: the fact that certain social groups—defined in terms of their gender, caste, ethnicity, region and religion—have persistently higher levels of poverty, lower education and health outcomes and less political voice.¹³

13. A number of people told us during our visit that the purpose of the CPA had been to create a “new Nepal” based on equal access and opportunity. Nepal has 103 ethnic and minority groups.¹⁴ The majority of the Nepali people are Hindus. Muslims are an excluded minority. The caste system acts as a considerable barrier to equality, as does gender. The gap between rich and poor in Nepal has doubled since the 1980s. Poverty amongst high castes has reduced by 46% but amongst Muslims it has only decreased by 5%.¹⁵ Other poverty indicators show similar inequalities: the rate of births assisted by a skilled birth attendant is 1 in 5 for higher castes but only 1 in 20 for Dalits, the lowest caste (previously known as “untouchables”). Almost 80% of Muslim women and 85% of Madhesi Dalit women receive no education, compared to a national average of 53% and less than 2% for higher caste (Brahmin/Chetri) men.¹⁶

Crime and insecurity

14. DFID says that: “public security is critical to secure the peace and enable the economy to grow. It is also the top priority of poor people”.¹⁷ Despite the conflict having ended, lack of security continues to undermine daily life in Nepal. Public security is very poor across many parts of the country. The Terai area is a particular concern with 100 armed groups operating. NGOs believed that people had lost confidence in the ability of the state to

10 Ev 65

11 Qs 2, 4

12 Country Business Plan, para 15

13 Ev 62

14 Q 137

15 Country Business Plan, para 13

16 Ev 53 and Country Business Plan, para 15

17 Ev 57

protect them.¹⁸ In a recent Saferworld survey, 60% of respondents said that there were no police in their locality and only 18% of people believed that the Government was able to maintain law and order. Nor were people optimistic that change was likely: only 28% believed that law and order would improve in future months, down from 41% in 2007.¹⁹ The impact of insecurity on ordinary people is that they are prevented from going to work and school, running their businesses and going about their normal daily lives.

15. As well as disrupting people's lives and causing many to live in fear, insecurity and crime threaten economic growth and development. Kidnappings with a financial motive are common. DFID argues that: "without a sustainable peace, it is difficult to improve the climate for local and international investment, including for small and medium enterprises, and thus create growth and raise incomes."²⁰ There were 50 murders of business people and an estimated \$200 million (5% of GDP) was lost as a result of strikes between July and October 2008. Witnesses believed that insecurity and the Government's failure to keep order were the biggest deterrent to private sector investment.²¹

Climate change risks

16. DFID identified climate change as one of the "key risks" for Nepal.²² According to the Intergovernmental Panel on Climate Change (IPCC), temperatures in South Asia will rise faster than the global average during the 21st century, potentially exceeding 3°C compared to 1990 levels.²³ In Nepal, this warming will affect all aspects of the climate. Nepal is considered particularly vulnerable to the effects of climate change because of its geographical and climatic conditions, high levels of poverty and dependence on natural resources.

17. Predicted effects include more rain during the monsoon and less during the already dry winter, more frequent and more severe extreme events such as floods, and significant loss of ice cover from Nepal's 3,500 glaciers. This will lead to serious consequences for water resources, food security, biodiversity and human health. According to some projections a 3°C increase in temperature could result in a 70% loss of ice cover across Nepal. Beyond 2050, loss of ice combined with changing rainfall patterns could lead to increased strain on water resources, not only in Nepal but for the 500 million people in India and Bangladesh who depend on Nepal's rivers for freshwater. Some of us flew over the mountain glaciers during our visit to observe the melting glaciers and the formation of glacial lakes.

18. The IPCC issued a statement in January 2010 which said that the predictions in its 2007 report on the "rate of recession and date for disappearance of the Himalayan glaciers" were based on "poorly substantiated estimates" and that "clear and well-established standards of evidence [...] were not applied properly". This has caused enormous discussion and debate

18 Ev 65

19 Ev 81

20 Ev 60

21 Q 94

22 Ev 55

23 IPCC Fourth Climate Change Assessment Report 2007, Working Group 1: The Physical Science Base, Chapter 11.4.3, Climate Projection, available at www.ipcc.ch/publications. South Asia is defined by the IPCC as consisting of Pakistan, India, Nepal, Sri Lanka, Bhutan, Bangladesh, Myanmar and the Tibetan Plateau.

about climate change. However, the IPCC asserted in the same statement that the overall conclusion—that “widespread mass losses from glaciers and reductions in snow cover” would accelerate during this century “reducing water availability, hydropower potential and changing seasonality of flows in regions supplied by meltwater from major mountain ranges”, including in the Himalayas—was “robust, appropriate and entirely consistent with the underlying science and broader IPCC assessment”.²⁴

DFID's Programme

19. DFID is the largest bilateral donor in Nepal.²⁵ It will provide £172 million in assistance over the three years to 2012 under its Country Programme announced in April 2009. This represents almost a doubling of the annual bilateral programme in 2003-04 (£32 million).²⁶ DFID says that it is seen by the Government as “one of the most important and supportive donors”.²⁷ Its programme has four key goals:

- to support a sustainable and inclusive political settlement;
- to help build a more capable, accountable and responsive state at local and national levels;
- to promote inclusive, low carbon, economic growth and better jobs for the poor;
- to reduce the vulnerability of the poor and improve resilience to climatic shocks;

together with an “internal goal” for DFID itself of “improved effectiveness of the DFID portfolio and management services.”²⁸

20. DFID's support to Nepal is focused on health (34% of the programme in 2008-09), economic growth (26%) and governance (15%).²⁹ Along with the Foreign and Commonwealth Office and the Ministry of Defence, DFID also provides assistance to Nepal's peace process through the UK's Conflict Pool and to a number of multilateral peace support programmes.³⁰

21. DFID has had to adapt its programme to reflect the political fragility and the high degree of uncertainty about the future. The Head of DFID Nepal told us that it had therefore been designed to ensure it could be delivered “even if you have a government that is not functioning properly and Parliament is not able to meet” so that “even if we have that dysfunctional political context, we can [...] still deliver development”. Some of its programmes were delivered directly, such as the Community Support Programme. Others,

24 Statement on the melting of Himalayan Glaciers by the Chair and Vice-Chairs of the Intergovernmental Panel on Climate Change, 20 January 2010; see also “UN climate chief admits mistake on Himalayan glaciers warning”, *The Times*, 21 January 2010

25 DFID is the largest bilateral donor amongst countries which are members of the OECD Development Assistance Committee and conform to its rules on providing aid. This excludes India and China.

26 DFID, *Annual Report and Resource Accounts 2008-09*, HC 867, Volume II, p 82

27 Ev 64

28 Ev 54

29 DFID Key Facts on Nepal available at www.dfid.gov.uk. Details of DFID's expenditure on each of its recent and current programmes is available at Ev 71-73

30 Ev 54, 58, 63

including in health and education, were taken forward in partnership with the Government.³¹

3 Political situation and the Comprehensive Peace Agreement

22. DFID's 2009 White Paper said that: "Conflict and fragility are inherently political. They are about how power and resources are shared in society, between ethnic groups, social classes or men and women. Their solutions must be rooted in politics." It also says that "the UK will increasingly put politics at the heart of its action" to reduce the potential for conflict, giving Nepal as an example of where this approach will be adopted.³² The DFID Country Business Plan identifies the possible collapse of the coalition government as a "potential trigger for future conflict or increased instability."³³

23. The Comprehensive Peace Agreement mandated elections to a Constituent Assembly (CA) which took place in April 2008. DFID provided £1.4 million to support the process leading up to the elections, with a further £800,000 coming from the Conflict Pool. This contributed to the provision of 3,750 civic education sessions in all 75 districts and 100 international and 20,000 national election observers.³⁴ The elections were seen as free and fair and resulted in the "most representative legislature in Nepal's history." Representation of Dalits increased from 0 to 8% and that of women from 6% to 33%. Representation of high caste Brahmin/Chetris fell from 68% to 35%.³⁵ One of the first actions of the CA was to abolish the 240-year old monarchy and declare Nepal a federal, democratic republic.³⁶

24. DFID says that one of the impacts of its support for the political process was that the Maoists (Unified Communist Party of Nepal) "successfully moved from 'rebel' status into mainstream politics".³⁷ The Maoists emerged as the largest party in the April 2008 elections but did not have an overall majority. They won 33% of the vote which gave them 38% of the 601 seats in the Constituent Assembly. They were in power for nine months but resigned from Government in May 2009 in a dispute with the President when he overruled the sacking of the Head of the Army (see below). The Maoists protested against the President's action by blocking the effective operation of Parliament and at the time of our visit had organised a series of disruptive strikes and protests (bandhs). However, DFID reported that, since December, the Maoists had been allowing the CA to function properly.³⁸

25. The current Government is a 22-party coalition headed by the Prime Minister Madhav Kumar Nepal of the Communist Party of Nepal–Unified Marxist-Leninists (CPN-UML). He heads a cabinet of 44 ministers. The parties in government have agreed a Common

32 DFID, *Eliminating World Poverty: Building Our Common Future*, July 2009, para 4.9 and 4.19

33 DFID, *Nepal Country Business Plan 2009-2012*, October 2009, Box 1

34 Ev 56. The Conflict Prevention Pool is a funding mechanism operated jointly by DFID, FCO and MoD which "brings together the UK government's development, diplomatic, and defence interests and expertise to ensure a coherent response to conflict prevention." The Conflict Pool has a budget of £171 million in 2009/10 (see DFID website at www.dfid.gov.uk/Global-Issues).

35 Ev 56

36 Ev 53

37 Ev 59

38 Q 132

Minimum Programme and set six priorities: building political consensus; addressing impunity and promoting rule of law; implementing peace agreements; restructuring the state and writing a new constitution; providing immediate relief to the people; and promoting economic growth.³⁹

26. The leaders of the three main parties (the Nepali Congress, CPN-UML, and the Maoists) recently agreed to a High Level Political Mechanism (HLPM). The purpose of the HLPM is to “take the peace process to a logical conclusion, draft the Constitution within the stipulated timeframe of May 2010 and resolve the political crisis.”⁴⁰ Under the HLPM, the political leaders have launched a 112-day plan for resolving the major issues of contention, including PLA reintegration (see below).⁴¹

Drafting the new Constitution

27. The Constituent Assembly (CA) is tasked with drafting a new Constitution by May 2010. DFID is contributing £1.7 million over three years to the process, under a UNDP-managed programme, with a further £700,000 coming from the Conflict Pool.⁴² Many deadlines for the process have slipped. Only six of the 11 thematic committees have finalised their theme papers. There is provision in the CPA for a 6-month extension to the process.

28. Witnesses had different views on the likelihood of the deadline being met. Professor Subedi, who has been directly involved in the process, was optimistic. He said that a number of the committees working on different aspects of the Constitution had completed their work and that “having a new constitution in place within the timeframe is still a possibility”. There was greater “maturity in the political decision-making process” than previously and “politicians are coming under tremendous pressure [...] to be responsive to the wishes of the people.”⁴³

29. The 112-day plan launched under the HLPM reiterates that the constitution should be written by 28 May. DFID told us that at present, “they are still sticking to that timetable, although it is getting even more ambitious because the timing has now been squeezed”. In particular, the timing for community consultation “has been squeezed very much”.⁴⁴ A two-thirds majority is required in the Constituent Assembly to agree the Constitution. This will not be possible without support from the Maoists.⁴⁵

39 Ev 65. See also Country Business Plan p 9

40 “NC, CPN-UML leaders decide to induct PM as member in HLPM”, from Zeenews website, 13 January 2010; see also Q 112

41 Q 112

42 Ev 57 and 66

43 Qs 2, 14

44 Q 133

45 Q 137

Federalism and identity politics

30. DFID says that “a key challenge is to peacefully renegotiate the relationship between citizens and state, in particular in relation to inclusion of previously excluded groups.”⁴⁶ Many of these groups are now asserting their rights to representation and in the past two years there has been a strong move towards identity-based politics, accompanied by violent protest. There is a push for the creation of autonomous regions in Nepal, including for the Madhesi people (who make up 33% of the population).⁴⁷ There was an uprising by the Madhesi in 2008 which led to the Government recognising their separate identity and introducing new constitutional and legal measures to reflect this. State institutions are now required to reserve some seats for Madhesi. But the pressure for recognition by different groups continues to grow. DFID says that “ideally these claims should be negotiated in the CA, but are being taken forward outside the CA process.”⁴⁸

31. The CPA declared Nepal to be a federal republic. However, making federalism a reality is regarded as one of the most difficult challenges in drafting the new Constitution. Ministers we met during our visit said that the key issues to be decided were: how many states there would be under the federal system; what their boundaries and titles would be; how many districts and villages each would contain; and what their role would be within a new system. The leader of the Maoists stressed to us that federalism was not just part of the Maoist agenda but was supported by other parties. DFID witnesses told us that there was now a cross-party proposal for the creation of 14 states but a variety of ethnic and minority groups had already expressed opposition to it on the basis that it failed to recognise their specific claims.⁴⁹

Reintegration of Maoist ex-combatants

32. The People's Liberation Army (PLA) was the military wing of the Maoist party during the insurgency. Under the CPA, it was agreed that both the Nepalese Army and the PLA would stay in barracks. “Cantonments” were constructed to house the PLA while a permanent plan was worked out for their future. The PLA are split between 28 cantonments, in 7 divisions. They have now been there for three years. The cantonments are funded from the Nepal Peace Trust Fund (to which DFID is the largest donor).⁵⁰ Some of us visited a cantonment in Kailili and met the Deputy Divisional Commander of the camp.

33. There are 19,600 “verified” PLA members and 4,000 “disqualified”. Of the 4,000 PLA ex-combatants classified by the UN as “disqualified”, 3,000 have been confirmed as being minors when recruited, and 1,000 were recruited after the 2006 ceasefire (“late recruits”). Release of the minors is an international obligation but it took a long time for the parties to reach agreement on the process. The Head of DFID Nepal told us at the end of January that the discharge of minors had now begun, overseen by the UN. DFID had contributed

46 Ev 65

47 Asian Centre for Human Rights, *Madhes: the challenges and opportunities for a stable Nepal*, September 2009

48 Ev 65

49 Q 137

50 Ev 69

£2 million to the discharge packages which includes 10,000 rupees (about £90) to cover the cost of travel back to their communities and some subsistence. The discharged minors are also offered a range of advice and support to help them “reintegrate into civilian life”, covering health, skills and vocational training or support to set up a small business.⁵¹

34. Integration of the main PLA force into the Nepal Army remains a major issue of contention. The original aim was for half to return to civilian life and the other half to be divided between the Nepalese Army and the police forces. Saferworld says that the CPN-UML and the Nepali Congress parties would like to limit integration of the PLA into the Army to 5,000, “whereas the Maoists’ position is to integrate as many as possible and also to secure them senior positions”.⁵²

35. Through the joint Conflict Pool, the UK is supporting the work of the Technical and Special Committees dealing with reintegration.⁵³ These bodies were not functioning when we visited Nepal, as part of the Maoists’ refusal to co-operate with parliamentary procedures but there has since been progress.⁵⁴ One of the outcomes of agreement by the Prime Minister and the leaders of the three main parties to the High-level Political Mechanism (HLPM) has been renewed efforts to resolve the reintegration issue. DFID told us that the key issue was agreeing how many of the 19,600 ex-combatants would go into the security forces; “then there can be a discussion about what happens to the others. There is an expectation that they will be offered a similar package to [...] the minors.” But “until we have that number it is difficult for the process to move forward”.⁵⁵ The 112-day plan sets an ambitious target for the 19,600 ex-combatants to either be integrated into the security forces or provided with resettlement packages by 15 May this year.⁵⁶

Security sector reform

36. The question of integration of the PLA is not the only difficult issue in relation to the security forces. The Nepalese Army numbers 96,000 which is generally agreed to be too large for a population of only 27 million. Professor Moore highlighted that the Army was effectively autonomous and lacked proper civilian control.⁵⁷ The difficulty this causes was shown clearly when the Maoist Prime Minister tried to sack the Chief of Army Staff for reinstating eight generals retired by the Maoist government. The Prime Minister’s decision was overruled by the President and the Maoists then resigned from government.⁵⁸

37. The Head of DFID Nepal said that they would like to discuss “a broader security reform agenda” with the Government and the Army and that “that is something where the political situation in Nepal is not right at the moment”. She said that there were indications

51 Q 112

52 Ev 80

53 Q 107

54 Q 133, Ev 80

55 Q 138

56 Q 112

57 Q 69

58 See “Prime Minister Prachanda Quits”, *The Himalayan*, 4 May 2009 and “Nepal PM Prachanda resigns”, *indianexpress.com*, 4 May 2009

that “some elements within the army and the government [...] are beginning to think about that and that might be an area where the UK could provide some support”.⁵⁹

38. Pro-poor and inclusive development in Nepal will only be possible when political stability and security have been established. This will require full implementation of the Comprehensive Peace Agreement, agreement on a new Constitution and long-term resolution of the key contentious issues of federalism and the future of the Maoist ex-combatants. These are matters for the political parties and the people of Nepal to resolve. However, the processes and mechanisms which allow progress to be made on these issues must continue to be fully supported by the international community, including DFID. This needs to include support for the election process which will follow agreement on the Constitution. We recommend that, in response to this Report, DFID provide us with updated information on its plans for continued support for the political and peace processes in Nepal.

4 Governance, justice and security

Impunity

39. We were frequently told that there was a “culture of impunity” in Nepal and no apparent sanctions for wrong-doing. A report published by the International Crisis Group on 14 January stated that “failure to address the systematic crimes committed during Nepal’s ten-year civil war is threatening the peace process”. It highlighted that there has not been a single prosecution for abuses in civilian courts and that “political parties have shown no interest in dealing with past crimes.” International Crisis Group asserts that “of the more than 13,000 people killed during the war, the vast majority died at the hands of the state. [...] Many victims were from disadvantaged communities long marginalised by the state and more influential social strata.”⁶⁰

40. Senior Army officers accused of human rights abuses have not been brought to justice and “even high-profile alleged abusers have been deployed in lucrative posts in UN missions”.⁶¹ DFID highlights that the promotion to Deputy Chief of Army Staff of a general implicated in “grave human rights abuses” during the conflict “has sent a particularly negative signal regarding the government’s intentions to address past abuse.” However, it believes that a recent order from the Prime Minister to the Army to hand over to the police a major, also accused of grave human rights abuses, “may represent the first steps towards addressing such impunity”.⁶²

41. Witnesses stressed that impunity was the greatest challenge Nepal faces, including this lack of accountability for atrocities committed during the conflict. Saferworld’s view was that “impunity among security agencies risks entrenching divisions and sparking further conflict”.⁶³ Professor Subedi said that it was his “number one worry”. Liz Philipson agreed that “Impunity has to be the biggest issue for ordinary people in Nepal at this moment, above anything [...]. Impunity affects the lives of ordinary people, it affects the rule of law, it affects progress against corruption”. She pointed out that this is not just an historical issue: “Impunity is not only about crimes during the war, it is about the girl who was raped this morning and I bet there were several in Nepal as we speak and not only will there be no prosecution there will be no recourse to law.” She believed that “big people” needed to be held to account to ensure that “small people” could have greater confidence in the justice system.⁶⁴

42. The DFID Minister told us “we would recognise that there is a culture of impunity in Nepal, not just resulting from the conflict but general rule of law as well.” He was disappointed that the mechanisms established in the CPA for dealing with this had not “kicked in”. However, he thought that there were “signs of some movement” in that Bills

60 International Crisis Group, *Nepal: Peace and Justice*, 14 January 2010, Executive Summary

61 *ibid*

62 Ev 66

63 Ev 81

64 Qs 5, 7, 25

were now before parliament to establish a committee on truth and reconciliation and set in motion investigation of disappearances during the conflict, as provided for in the CPA.⁶⁵

43. The Head of DFID Nepal stressed that the diplomatic community and development partners had raised the issue of impunity “time and time again with the government and pushed for action. We have publicly said that it is regrettable that some of the high profile cases have not been resolved and in our view have not been taken to a satisfactory conclusion.” She said that “one of the important roles we can play is to keep this very high on the agenda and to continue the international pressure for the human rights cases on all sides to be taken seriously and resolved.”⁶⁶

44. The international community is also lobbying for the extension of the mandate of the UN Office of the High Commissioner for Human Rights (OHCHR), which currently runs out in June.⁶⁷ The UK is one of the major funders of OHCHR. DFID says that the organisation “has been key to ensuring both national and international actors place human rights at the centre of the peace process”. Its work during the conflict led to the end of conflict-related “disappearances” carried out by the Army by 2005, and it “acted as an important preventive influence on the patterns of abuses” committed by the Maoists. It says that more recently, “OHCHR has helped create greater space for human rights issues to be addressed; for human rights defenders to carry out their work, and for public dialogue on human rights issues to continue even in the face of suppression.”⁶⁸ The Asian Centre for Human Rights cautions that the Government of Nepal is considering whether to refuse to extend OHCHR’s mandate beyond June, or to restrict the extension to six months and with a more limited role.⁶⁹

45. It will be much more difficult to achieve long-term peace if people believe that there has been no redress for abuses committed during the conflict. We were pleased to hear that the UK and other members of the international community are robust in raising the issue of impunity and respect for human rights with the Government of Nepal. The UN Office of the High Commissioner for Human Rights (OHCHR) has made a significant contribution to upholding human rights both in the difficult circumstances of the conflict and since peace was agreed. We recommend that the UK lobby at the highest levels for the OHCHR mandate to be extended beyond June 2010 so that this important work can continue.

Corruption

46. DFID identifies fraud and corruption as one of the key risks in Nepal and says that corruption has been “endemic in Nepal for decades”.⁷⁰ Professor Moore told us: “I have rarely seen as corrupt a country as Nepal”.⁷¹ DFID is working with the Government on

65 Q 142

66 Q 143

67 Q 143

68 Ev 59

69 Asian Centre for Human Rights Briefing Paper, *The Withdrawal of OHCHR-Nepal: agreeing an alibi for violation?*, March 2010

70 Ev 55 and 57

71 Q 82

strengthening government systems against corruption and reform of public financial management, in joint work with the World Bank. Support has been provided at district level, including technical assistance to facilitate electronic transfer of data between the centre and districts. DFID says that performance has improved on “core public financial management issues as a result of performance-based funding, pioneered by DFID, and changes in district and village-level procedures to ensure greater participation of excluded groups in local development planning”.⁷²

47. The DFID Minister observed that the problem with corruption was that it “poisons the whole atmosphere in which development takes place” and that the Department had a “zero tolerance approach”.⁷³ The high levels of corruption have significant implications for DFID’s work in Nepal. Professor Moore believed that it was important for DFID to ensure that its money was not stolen by people in power, particularly at local level, given the problems around donors’ tendering and contract processes. He was dubious about whether corruption could be effectively tackled at present but said that “a lot of effort” was being made by DFID to ensure that its funding was correctly used.⁷⁴

48. DFID highlighted a number of threats to its operations from corrupt activities which include: fraud-related coercion, attempted “programme manipulation” through intimidation, particularly by youth groups of political parties; demands to comply with “pre-conditions from violent, federalist, non-state actors”; and increased fiduciary risk from groups seeking “to finance political activities or use opportunities created by weak law and order”.⁷⁵ Mary Hoble, an independent development consultant, said that district level development staff were under “huge pressure to deliver services to particular groups” and suffered threats to their families on a regular basis if they did not. People were afraid to challenge or speak out because of fear of reprisals from political parties, and particularly their youth groups.⁷⁶

49. The proliferation of NGOs involved in delivering services and advocacy in Nepal exacerbates the risk of corruption. Professor Costello told us:

[...] forming an NGO has been a route to corruption. When the Maoist government came in they clamped down a lot on NGOs and certainly a number of my friends said a lot of people were on the make here; they would set up an NGO as a way of getting money and then cream it off. What the extent of that problem was is difficult to quantify, but certainly it is the case that people were using the format of NGOs, and so when they had to be reregistered I think a lot of them were put out of business⁷⁷

50. That donors and international and local NGOs were targets for manipulation and fraud by both particular interest groups and criminals was reinforced during our visit. Coercion

72 Ev 57

73 Qs 116, 118

74 Q 82

75 Ev 55 and Country Business Plan, pp 12-13

76 Q 73

77 Q 63

was reported to us as being a problem in tenders for contracts with intimidation being used to prevent competitors bidding, or to demand a share of contracts won. The Head of DFID Nepal acknowledged that this risk “is a constant issue in Nepal”. Development partners have adopted a unified approach and agreed Basic Operating Guidelines which make clear that development assistance “is not political and cannot be used for any kind of political and/or other forces other than specifically delivering on development”. Donors had made representations about particular incidents to both the Prime Minister and Maoist leaders and action had been taken. However “it is a continuous issue and [...] it is not something that is easy to resolve.”⁷⁸

51. Procurement, for example of medicines and health supplies, is particularly vulnerable to corruption. DFID has had to put robust systems in place to ensure that the procurement which it funds is not open to abuse. This had been a “an area of very serious debate” for DFID in planning the next phase of its sector support for health and it had been decided to take procurement out of the sector support until government systems had been further strengthened.⁷⁹ DFID said that it was supporting a joint government-donor procurement action plan to address “the issue of collusion and intimidation of bidders” and was undertaking a comprehensive assessment of procurement in the health and rural roads sectors with the World Bank.⁸⁰

52. The Head of DFID Nepal was, however, confident that “we have pretty thorough mechanisms [...] to safeguard our funds”.⁸¹ The Minister said that, more generally in relation to the risk of corruption, he had personally “tested the system out”, including by asking for specific allegations to be investigated. He acknowledged that at a time “when public sector settlements are tight and people are looking at how the Government is generally using its money, we have to be seen in terms of development to make sure that the money does exactly get to people on the ground for whom it is intended.” He stressed that it was important that “we are seen to be whiter than white when it comes to tackling corruption”.⁸²

53. We were pleased to hear the Minister’s assurance that DFID took these issues seriously. However, we investigated fraud and procurement procedures as part of our recent annual scrutiny of the Department’s overall performance. We expressed concern that “DFID may not yet be taking the threat of fraud as seriously as it should” and highlighted that steps to improve procurement procedures were described by the Department itself as “a work in progress”.⁸³

54. It is a matter of serious concern that the people of Nepal have to suffer the detrimental effects of living in a society plagued by corruption. DFID’s support to the Government of Nepal to strengthen its own public finance systems is an essential part of its programme there. DFID should ensure that the highest standards of audit and

78 Q 144

79 Q 117

80 Ev 58

81 Q 116

82 Q 118

83 Fourth Report of Session 2009-10, *DFID’s Performance in 2008-09 and the 2009 White Paper*, HC 48-I, paras 24 and 29

scrutiny are applied to all of its own operations and that leakage in the form of corruption is prevented. DFID also needs to continue to work with development partners and political leaders in Nepal to prevent development assistance being open to manipulation by special interest groups. We recommend that, in response to this Report, DFID provide us with more detailed information about the precise anti-corruption and anti-fraud measures it has in place in Nepal.

Absence of local government systems

55. There have been no local elections in Nepal for six years. Elections will only be possible once overall agreement has been reached on the Constitution and the new federal structure.⁸⁴ The Prime Minister told us that local government was being run by appointed officials. We observed that this was the case in our visits to Nepalgunj and Baglung and were able to talk to some of the officials concerned about the burden this placed on them. The Head of DFID Nepal stressed that re-establishing local government was “absolutely” a governance priority for DFID but reiterated the need to await “a decision on how federalism will actually operate”.⁸⁵

56. Professor Subedi emphasised that the impact was being felt by local people who had no properly functioning local bodies to rely on for delivery of basic services.⁸⁶ Professor Costello agreed that “the biggest gap in Nepal [...] is the weakness of local Government [...] In the mid and late 1990s local government really began to take off and my experience of working in districts then was finally you had some very committed people trying to make changes and it was quite successful.” However, for the last seven or eight years “local government has been virtually dead in Nepal [...] you have only got civil servants there.” He believed that accountable local politicians and better systems were “absolutely crucial” to delivery of local services.⁸⁷

57. Liz Philipson stressed that the absence of local government did not mean there was a vacuum: “services have been delivered by somebody, somehow”. In many cases this was by political parties and other interest groups, which might be a potential trigger for conflict when new structures were put in place under the new Constitution.⁸⁸ Mary Hobley believed that the impact of the 10-year conflict was that donors, including DFID:

[...] focused on delivery of quick impact activities through non-governmental organisations [...] which in many cases act more like private management companies, bypassing any nascent local government structures and delivering services and money directly to local people.

This had resulted in community-based organisations (CBOs) “beginning to occupy the political space left empty by the lack of elected local government”. She acknowledged that NGOs and civil society had made a significant contribution to the provision of services and

84 Q 148

85 Q 148

86 Q 19

87 Q 39

88 Q 19

to representing the interests of particular groups, but was concerned that they had become “the engines of local development and have to an extent supplanted the role of local government”. This had undermined the democratic accountability between citizens and the state.⁸⁹ She also argued that CBOs “have the ability to determine who should or should not gain access to a service or resource” which risked reinforcing existing inequalities because such groups were often “highly exclusionary both of the extreme poor and socially marginalised”.⁹⁰

58. The Head of DFID Nepal was clear that the possible risk of directing support to “the better educated because they write better proposals” was mitigated by DFID staff focusing on the needs that would be addressed by funding support rather than how well-written the proposal was. She said “we do encourage minority groups to put forward proposals and we have funded quite a number of those proposals.”⁹¹ DFID has provided £4.3 million to civil society through its Enabling State Programme and the multi-donor Rights, Democracy and Inclusion Fund. This has been aimed particularly at supporting excluded groups (including Dalits) to increase their voice and influence and to negotiate proportional representation in state institutions and greater representation in the Constituent Assembly.⁹²

59. In a post-conflict state such as Nepal it is highly likely that formal delivery mechanisms, including local government systems, will have broken down. We accept that donors, including DFID, have to work with the situation that exists on the ground to ensure basic needs, including health and education are met. This may mean using community-based and other non-governmental organisations to deliver services. However, DFID must exercise caution, particularly in a highly complex country such as Nepal, that use of informal structures does not exacerbate exclusion and inequality and that services are genuinely provided to those in need rather than those most capable of lobbying for them. We discuss the challenge of reaching the poorest of the poor in more detail in the final chapter on DFID’s future engagement in Nepal.

60. Democratic accountability and a well-defined relationship between citizens and the state are key elements in good governance. The lack of elected local government and local service delivery mechanisms is one of the key weaknesses in Nepal. DFID has already provided some valuable support to district level authorities. It needs to build on this and expand its work with local government, both now and when the new structures have been agreed under the Constitution. We recommend that, in response to this Report, DFID provide us with more details of how this work will be taken forward in the period covered by the Country Business Plan.

Security and access to justice

61. Access to formal justice is limited both by geographical distance and by social and economic factors. We were told that it had been estimated that 85% of disputes were resolved by informal processes. Liz Philipson said that “there is a grave need for the formal

89 Ev 74-75

90 Ev 75

91 Q 147

92 Q 147 and Ev 56

justice system to function” but as this was going to take years, “there is also an immediate need for there to be other systems.” She emphasised that these should be “informal justice systems [...] not illegal justice systems” and pointed to the problem of some traditional systems discriminating against women. She was clear that where informal systems worked properly, they “can form a very important part of helping to provide a little more security for ordinary people in Nepal”.⁹³ Mary Hopley told us “I am not sure the justice system is redeemable until some of the bigger elements are in place, most particularly the constitution” and believed that in the meantime, paralegal committees did provide effective help at the local level.⁹⁴

62. DFID is funding initiatives aimed at improving access to justice for disadvantaged groups, including women, at community level. This work is also intended to tackle violence against women and will include a community mediation project in 10 districts and £6.5 million for women's paralegal committees across the country.⁹⁵ DFID told us that these committees have been found to be “a useful tool for mediation and resolving [...] issues at the local level”. It will scale up its current support from 500 paralegal committees in 23 districts to 1,300 in all 75 districts.⁹⁶

Police

63. Saferworld reiterated points made during our visit regarding political interference in the police and said that the police were poorly equipped, under-resourced and poorly paid.⁹⁷ Crisis Group describes the police force as “demoralised, ineffective and increasingly desperate”.⁹⁸ We were told that, when the police arrested criminals, local politicians often contacted them and demanded the release of the suspects. People did not trust the police and believed them to be corrupt, including expecting payment for helping a member of the public. The police were also believed to discriminate against poor people. In a recent Saferworld survey, 82% of respondents said that the police did not treat poor people fairly.⁹⁹

64. The Prime Minister acknowledged in his discussions with us that there was political interference with the police, that the service the police offered was not satisfactory and that morale within the police force was low. The Government plans to establish an independent commission to deal with police recruitment and promotion, to ensure that it is based on merit. The Prime Minister said that the capability of the police to investigate crimes needed to be increased and systems strengthened so that political interference would not be possible.

65. The 2009 DFID White Paper said that the Department “will treat access to security and justice as a basic service” on a par with health and education, and that it would triple its

93 Q 26

94 Q 79

95 Ev 57 and 59

96 Q 145

97 Q 25

98 International Crisis Group, *Nepal: Peace and Justice*, 14 January 2010, Executive Summary

99 Ev 81

direct project funding in this area.¹⁰⁰ The DFID White Paper made clear that support to Nepal would include “strengthening the core functions of the state by supporting the police to maintain law and order”.¹⁰¹ DFID told us in written evidence that:

Discussions are underway with the Home Ministry for a major DFID funded public security support project. This would focus primarily on helping the police improve the service they provide to the public at the community level, but would also provide strategic policy and planning support centrally to the Police and Home Ministry.¹⁰²

However, it is not clear that there has been any progress on development of this programme since our visit. The Country Business Plan says almost nothing about justice and very little about security, beyond the indication that DFID is in discussion with the Government and that it is awaiting “the outcome of a security sector reform commission to define need”.¹⁰³

66. We accept that it may be difficult for the Government of Nepal to define its own security and justice priorities in advance of full implementation of the peace agreement. This in turn hinders determination of DFID’s priorities in this sector. However, if the White Paper commitment to treat justice and security as a basic service is to be honoured, DFID needs to approach it with the same degree of urgency as ensuring people’s demands for health and education are met. This is particularly important given that the people of Nepal have themselves identified security as their top priority. We recommend that, in response to this Report, DFID make clear how it plans to honour its pledge on increased support for justice and security in Nepal, particularly in relation to police reform and formal justice structures. We also request more details on the services which the women’s paralegal committees are providing and the timescale for expansion of this support.

100 DFID, *Eliminating World Poverty: Building Our Common Future*, p 74

101 *ibid*, p 72

102 Ev 59

103 Country Business Plan, paras 37 and 48

5 Progress towards the Millennium Development Goals

Economic growth

67. Poverty reduction is one of the targets of MDG 1 and is DFID's overall objective for all its programmes. The most effective way to reduce poverty in a country is through economic growth. Growth in Nepal averaged 4% between 1995 and 2004. The estimated rate for 2008–09 was 4.7%, revised down from 7% to reflect the impact of the recession. DFID says that remittances and migration account for 25% of GDP, and are four times as important as aid.¹⁰⁴ There are obvious growth opportunities. Nepal's proximity to India and China offers access to huge markets; one of the Government's priorities is to "harness international cooperation and regional economic prosperity for national development".¹⁰⁵ There is also significant potential in hydropower (see below), where Nepal currently exploits around 1% of its capability, and in agriculture, which makes up a third of GDP. DFID says that there are also opportunities to develop tourism, which has historically been a key economic sector.¹⁰⁶

68. The key constraints to growth which DFID has identified in Nepal are political instability and insecurity, poor infrastructure and an over-regulated labour market. Nepal is not closely integrated into the global economy and its banking sector has not been much affected by the global economic downturn but tourism, one of its key sectors, has suffered.¹⁰⁷

69. Foreign direct investment into Nepal is very low at only \$6 million.¹⁰⁸ As we have highlighted, criminality and insecurity are deterrents to investment. Saferworld emphasised in oral evidence that the targeting of the business community for kidnappings and extortion has deterred inward investment and the return of Nepalis living abroad who might otherwise be interested in developing business opportunities in the country.¹⁰⁹

70. DFID's Country Business Plan emphasises that economic development and jobs significantly increase the prospects for long-term stability. It points to the Government of Nepal's commitment to private sector-led growth and its ambitious job creation plans. However, DFID also stresses the importance of growth in Nepal being inclusive, given that it is the most unequal, as well as the poorest, country in Asia.¹¹⁰ The Plan sets out the support which DFID will provide for creating an enabling environment for private sector development, including capacity building in public financial management and the financial sector and funding a Nepal Investment Climate Facility (with the World Bank) to promote

104 Ev 53

105 DFID, *Nepal Country Business Plan 2009-12*, Oct 2009, Box 6

106 Ev 61 and Country Business Plan, para 7

107 Country Business Plan, para 7

108 ibid

109 Q 25

110 Country Business Plan, paras 8-10

better dialogue between the Government and the private sector, with the aim of overcoming obstacles to investment.¹¹¹

71. DFID plans to help establish a Centre for Inclusive Growth in Nepal which will “provide robust analytical support to the government to increase the quality of decision making and accelerate inclusive growth.” It says that the overall aim of the centre is to “increase the quality of decision making and strengthen the government's accountability to the Nepali public on key areas of reform.” The Nepal Centre will be linked to the DFID-funded International Growth Centre to ensure that it can draw on the best international experience.¹¹²

Employment generation

72. DFID made a commitment in the 2009 White Paper to “help fragile and post-conflict countries generate economic opportunities which will benefit 7.5 million men, women and their dependants in five priority countries over five years.” Nepal is one of the five countries selected to receive this assistance.¹¹³ We said in our 2009 report on Nigeria that “in an ethnically diverse country with a long history of political instability, the existence of large numbers of young unemployed men presents risks to stability and security” and this is equally true in Nepal.¹¹⁴ Saferworld highlights that guns can be bought for £8 and that young unemployed men are “keen to arm themselves so that they can acquire the ‘3 Ms’— mobile phones, money and motorcycles”.¹¹⁵

73. DFID acknowledges that “jobs are needed for post-conflict stabilisation” and to demonstrate a peace dividend.¹¹⁶ It plans to provide skills training and job placement schemes with a national target of creating 170,000 short-term and 130,000 long-term jobs.¹¹⁷ An estimated 50,000 jobs are planned in agriculture and tourism.¹¹⁸

Agriculture and land reform

74. DFID's Country Business Plan highlights agriculture as one of the sectors to which it will be reducing its support “given strong World Bank and ADB engagement”. However, support will continue in four areas:

- proven decentralised community-based agricultural commercialisation programmes;
- private sector-led development of agricultural markets to enable Nepal's 20 million farmers, particularly women, to increase their returns from agriculture;

111 Country Business Plan, paras 48-51

112 Ev 61

113 DFID, *Eliminating World Poverty: Building our Common Future*, para 4.32. The other countries are: Afghanistan, Ethiopia, Nigeria, and Yemen.

114 Eighth Report of Session 2008-09, *DFID's Programme in Nigeria*, HC 840-I, paras 38-39

115 Ev 80

116 Country Business Plan, paras 8-9

117 *ibid*, paras 48-51

118 *Eliminating World Poverty: Building our Common Future*, p 72

- rural roads which “dramatically increase farmers’ profits by lowering costs for inputs and increasing prices for produce”;
- reducing vulnerability to climate change, improving irrigation, reducing flooding and raising awareness of different crops and planting practices.¹¹⁹

75. Mary Hopley was sceptical about DFID’s plans to promote employment in agriculture. She said that, in her experience, there was no interest amongst young men in the villages in being involved in agriculture. Expectations had changed and their aim was to find jobs in service industries or to migrate to the Gulf and Malaysia for jobs. The absence of men aged between 18 and 40 in the villages was noticeable for these reasons.¹²⁰

76. Land reform will also be necessary in Nepal if more people are to get their livelihoods from agriculture. The land ownership system in Nepal was described to us during our visit as “feudal” and skewed by the caste system. 75% of the population is rural. DFID says that it is working to increase access to land for women and disadvantaged groups. Currently only 14% of women have land registered in their names. Half the population owns less than 0.5 hectare which is too little to generate enough food to live on and 2.3 million people have no land at all, with most of the landless coming from marginalised ethnic groups and the lower castes. Only 6% of Brahmin/Chetris are landless compared to over a third (37%) of Muslims.¹²¹

77. DFID is supporting the High Level Land Reform Commission to analyse and propose new reforms to address land issues, and is working with poor and disadvantaged groups to gain access to government forest land.¹²² Professor Subedi said that previous attempts at land reform had not been successful but that “People know what ought to be done. Having the courage to do it and then seeing through the reform [...] is the challenge.” He believed that donors could support land reform by sharing international experience from other countries which have been through the process.¹²³

Rural Access Programme

78. DFID has already supported 100,000 short-term jobs, over half for women, in projects to build 1,200 kilometres of roads and 2,200 trail bridges. We saw examples of these projects in Nepalgunj and Baglung. DFID’s contribution takes two forms: joint donor support to the Government’s Rural Reconstruction and Rehabilitation Sector Development Programme (£10 million); and a directly-implemented Rural Access Programme (RAP) (£22 million, 2007-2010).¹²⁴ As we saw, as well as providing employment, RAP aims to improve livelihoods by increasing accessibility for some of the most remote communities to enable them to get their agricultural produce to markets and to reach health and other essential services. The second phase of RAP is employing 15,000 workers, all of whom are

119 Country Business Plan, para 38

120 Qs 98-9

121 Ev 62 and informal discussions during visit

122 Ev 62

123 Q 23

124 Ev 60 and Ev 69

from the poorest and most disadvantaged groups and a third of whom are women. RAP has been implemented in seven districts.¹²⁵

Skills training

79. As well as funding short-term jobs, DFID is supporting longer-term skills-training for young people, particularly those from excluded groups.¹²⁶ In Nepalgunj we met beneficiaries of a DFID-funded programme delivered by the Swiss NGO Helvetas. DFID allocated £3 million in 2008 for skills training for 13,200 young people. 60% were women and 80% were from disadvantaged groups. DFID says that 80% of trainees found employment. Most participants doubled or trebled their income. The cost of the programme was £320 per person, which DFID believed was “very good value for money”¹²⁷ The participants we met had received training in plumbing, telecoms, brick-moulding and sweet-making. DFID plans to continue its funding for skills training through Helvetas. £9 million has been allocated for the 2009–2013 period to provide training for 35,000 young people.¹²⁸

Forestry

80. Forest covers about 40% of Nepal and the forestry sector contributes about 10% to Nepal's GDP.¹²⁹ Deforestation and forest degradation take place for many reasons, including the clearing of land for agricultural use and for firewood, exacerbated by population growth and unemployment. The productivity of Nepal's agricultural land is expected to decline as a result of climate change, which will act as a further trigger for deforestation. Over 70% of its people depend on agriculture and forestry for their livelihood.

81. A significant portion of Nepal's forest is still under government control, where experts say deforestation is continuing.¹³⁰ There have been some notable steps forward in Nepal's approach to forest management over the past few decades and it has become increasingly participatory. The Master Plan for the Forestry Sector (MPFS) was drawn up in 1989 and provided a 25-year plan for Nepal's forests. As part of this, significant efforts have been made to increase community ownership of forests. DFID says that a fifth of Nepal's forest area is now managed by local communities.¹³¹ Mary Hopley, a forestry expert, commended DFID for its long-term commitment to forestry in Nepal, which extended over 20-25 years. The environmental impact was “huge” with “trees now where there never were trees”.¹³²

125 Ev 68-69

126 Country Business Plan, paras 48-51 and DFID White Paper, p 72

127 Ev 66

128 Ev 66

129 Q 125 and DFID Press Release, “Nepal's forests to be handed over to local communities”, 15 November 200

130 Hemant R Ojha, Jagadish Baral, Ngamindra Dahal, Ramu Subedi, and Peter Branney. 2008. *Can Nepal Benefit from Forest Carbon Financing? An Assessment of Opportunities, Challenges and Possible Actions*. Livelihoods and Forestry Programme (LFP), Kathmandu, Nepal, available at www.forestrynepal.org

131 DFID Press Release, “Nepal's forests to be handed over to local communities”, 15 November 2009

132 Q 93

82. Despite progress on community ownership, the Head of DFID Nepal made clear that entitlement to forest land remained a difficult issue. Communities manage forests on the basis of a plan agreed with the district forest officer, but there is no guarantee of how long this “lease” arrangement will last. DFID has been pushing for community land rights to be written into the Constitution to give greater security. Agreement was likely to be much more difficult to reach in the Terai area of Nepal, where land is extremely valuable and “highly contested”, than in the mountain and hill areas where most community projects are currently implemented.¹³³ DFID recently announced it would be providing £40 million towards tackling deforestation through support to the 10-year National Forestry Programme (NFP). Increasing community ownership of the thousands of hectares of forest still under government control is one of the objectives of the DFID funding.¹³⁴

Livelihoods and Forestry Programme

83. DFID has allocated £19.9 million over the 2001-2011 period to community forestry through its Livelihoods and Forestry Programme (LFP), which it says will “help almost one fifth of the population of Nepal to make a better and more sustainable living from forest resources.”¹³⁵

84. We visited one of the LFP sites in Parbat. The programme aims to build the capacity of local people to manage resources themselves in partnership with Government, NGOs and other stakeholders at local level. It works with 5,000 Community Forest User Groups in 15 districts across the country. These groups have legal status and have replanted and restored forests in a way that improves rural livelihoods by sustainable harvesting of timber, fuel-wood, and fodder.

85. DFID reports the following impact from the LFP programme:

- Forest user group incomes increased by 61% from 2003-08 “with over a quarter of this being directly attributable to DFID’s programme”. Income for excluded groups (including Dalits) nearly doubled.
- About 1.5 million person days of employment were created annually in the 15 LFP districts (equivalent to about 7,500 full time jobs), either directly or indirectly by forestry groups.
- 433,000 people were lifted out of poverty in 7 LFP supported districts.

DFID estimates that for every £35 spent through the LFP in those districts, one person permanently left poverty.¹³⁶ Mary Hopley thought that the £35 figure was “a touch optimistic”.¹³⁷ However, she believed that community forestry had been an “extraordinary success” in empowering so many user groups to own and manage resources, although she reinforced that the programme had yet to address the much more intractable problem in

133 Qs 125-6

134 DFID Press Release, “Nepal’s forests to be handed over to local communities”, 15 November 2009

135 Ev 62

136 Ev 68

137 Q 93

the Terai.¹³⁸ The Head of DFID Nepal emphasised that the LFP user groups were very inclusive and that a “by-product” of them had been women’s groups which discussed health issues and set up microfinance schemes.¹³⁹ The LFP community group we met was led by a Dalit woman.

86. We commend DFID’s Livelihoods and Forestry Programme as an effective intervention which has increased community ownership of forest land. Its participatory approach has helped to tackle inequality and exclusion, particularly for women and people from lower castes. However, forestry ownership issues are far from resolved in Nepal, particularly in the Terai where land values are high and ownership is therefore more contested than in the hills and mountainous regions where most projects have so far been implemented. We recommend that, in response to this Report, DFID provide us with information on how its 10-year funding for the National Forestry Programme will seek to address these issues and further increase community ownership.

Hydropower

87. Nepal is harnessing less than 1.5% of its 43,000 economically viable megawatts of hydropower potential. The country depends mainly on biomass (wood) to meet its energy needs. Nepal’s demand for power is growing by around 10% per year.¹⁴⁰ The potential benefits of increasing Nepal’s exploitation of hydropower include curbing deforestation and increasing access to electricity. Currently 40% of Nepali households have access to electricity and only 11.5% in rural areas. DFID highlighted the significant potential for Nepal to earn money from exporting electricity to other countries.¹⁴¹ The Minister told us that “there is real private sector interest” in hydropower generation in Nepal.¹⁴²

88. However, growth in the sector has been slow. The Nepal Hydropower Association attributes this to a number of factors including: lack of a consistent government policy; lack of co-ordination between key stakeholders; inequitable participation and benefit sharing in hydropower; failure to exploit indigenous expertise and resources; slow pace in electricity market development; insufficient awareness of hydropower amongst the general public; and lack of research and development.¹⁴³

89. The DFID Minister believed that the donor community should focus its efforts on improving the overall investment climate in Nepal. This was crucial because hydropower projects were likely to take 10 or 20 years to come to fruition. Investors needed to see evidence that the business environment was secure and functional and that the necessary infrastructure, including roads and energy, was in place to facilitate big construction

138 Q 93

139 Q 127

140 Note on Seminar on “Opportunities and challenges for hydropower in Nepal”, 24 June 2005, organised by the Independent Power Producers Association Nepal (IPPAN) available at www.ippan.org

141 DFID Press Release, “Fighting floods in Asia’s water-tower”, 2 January 2009

142 Q 128

143 See Nepal Hydropower Association website at www.nepalhydro.org.np

projects.¹⁴⁴ Professor Moore told us that India and “Indian capital” was key to hydropower exploitation in Nepal.¹⁴⁵

Health

90. DFID has provided a total of £71 million over the past six years to health care. This includes £23 million for the Support for Safe Motherhood Programme; £15 million for HIV/AIDS; and £33.5 million for the Government's health sector programme to which DFID is the largest bilateral donor.¹⁴⁶ DFID says that its support to the health sector has contributed to the halving of child mortality over 15 years, as well as progress on maternal mortality (see below). The Department told us in evidence that it was now “considering future support to the health sector”, with a second phase of its health programme due to start in mid-2010.¹⁴⁷ On 11 March, DFID announced that £55 million would be allocated to the Nepal Health Sector Programme over the next five years. This will represent a contribution of 6% to the Government's overall health budget of £900 million for the period to 2015.¹⁴⁸

91. The NGO Merlin said that there had been a marked improvement in the support which the Government of Nepal provided for the health system since the end of the conflict. The Government currently allocates 7-8% of the national budget to health care and this is projected to rise to 11% by 2015 in support of a 20-year health sector strategy. Supplies of drugs and equipment have improved. Linda Doull of Merlin told us that a large number of health staff fled from rural areas during the conflict. Many had now returned to their locations and 85% of trained staff were now in post, but this still left 15% of health professional posts vacant.¹⁴⁹

92. The DFID Minister told us that the Department was working with the Government “to incentivise healthcare in more geographically remote areas through payment of training costs” which the trained worker then “repays” by working in remote areas for two of three years”.¹⁵⁰ Merlin reported that the financial incentives put in place to retain staff, including skilled birth attendants, in more remote areas did not always reach the intended beneficiaries and that there was a lack of transparency in their administration.¹⁵¹

93. As discussed above, the absence of elected local government and effective structures to deliver services is a significant factor. Merlin highlighted that most of DFID's support to health services is focused on the Ministry of Health and that this did not address the severe problems in disbursing funds to the local level. This, combined with the lack of capacity to deliver services, meant that an effective response to emergencies (such as a recent diarrhoeal outbreak in the Mid-West Region) relied on the capacity of international and

144 Q 128

145 Q 100

146 Ev 60 and Ev 69

147 Ev 70 and Q 156

148 DFID news release “Saving lives in Nepal”, 11 March 2010

149 Q 39 and Ev 78

150 Q 162

151 Qs 39, 43

local NGOs to provide services, rather than government bodies.¹⁵² Professor Costello believed that DFID had “done a great job in strengthening central ministry capacity” but agreed that the challenge remained of ensuring that this progress filtered down to local level.¹⁵³

94. The DFID 2009 White Paper said that use of health facilities in Nepal more than doubled in one year following the recent abolition of user fees.¹⁵⁴ It was not clear to us whether this included all user fees or just those for maternal care. The Minister was not able to clarify the position in oral evidence but subsequent written information indicated that maternal delivery services are free in all government hospitals and this is gradually being expanded into both profit-making and not-for-profit private hospitals. User fees have also been abolished for health services at all facilities “up to but not including a district hospital”. At district level, out-patient care is free for all but free in-patient and emergency care is only available for selected categories of patients, including the elderly and extremely poor.¹⁵⁵ DFID made clear that cost was not the only barrier to health services: access is also limited by the difficult terrain: 36% of the population have to walk between two and four hours to reach a road.¹⁵⁶

95. DFID’s support to the health sector has contributed to good progress on some indicators such as child mortality. The Department has now announced further funding of £55 million over five years to support the Government of Nepal’s health reform programme. It is important that this second phase of health sector funding continues to focus on strengthening government systems but it must also increase the quality and availability of health services at district and community level. We recommend that, in response to this Report, DFID provide us with details of how its health funding will help to achieve improvements in local health care provision in the period to 2015.

96. The abolition of user fees by the Government is a welcome development which has made health services much more accessible. This is worthy of DFID support, to ensure that free services are made available to as many poor people as possible. Geographical barriers to access also need to be tackled by bringing services closer to communities. DFID support for providing incentives to health staff to work in clinics in more remote areas appears to be a helpful initiative, although it clearly needs to be rigorously monitored to ensure funding reaches the intended recipients. We request further details about the programme and how it is monitored in response to this Report.

Maternal health

97. Millennium Development Goal 5 is to reduce maternal mortality by 75% by 2015. Despite the maternal mortality rate falling from 526 per 100,000 live births in 1996 to 281

152 Ev 79

153 Q 43

154 DFID, *Eliminating World Poverty: Building our Common Future*, para 5.36

155 Ev 86

156 Ev 53

in 2006, Nepal is assessed as being severely off-track on this MDG.¹⁵⁷ Approximately 80% of women in Nepal give birth at home and the figures are even higher in the more remote areas.¹⁵⁸ Only a third of deliveries are assisted by a skilled health worker, although this has increased from 4.8% in 2000.¹⁵⁹ We visited maternal health facilities at the public hospitals in Nepalgunj and Baglung. The latter had only three doctors in post against an establishment of 11.

98. We identified the main obstacles to women achieving a healthy pregnancy and birth in our 2008 report on *Maternal Health* and these apply equally in Nepal. They include reluctance to access services because of remoteness, lack of transport, cost of care and cultural values which mean that women may choose to give birth at home or need permission to seek medical care.¹⁶⁰ The Head of DFID Nepal told us that the cultural issues in Nepal included women who have given birth being regarded as:

[...] unclean and sent to the cowshed for [...] a week or two weeks after they have given birth. A number of women have died because of the cold, but it is culturally accepted that that is what people do. If you are talking about changing the culture and mindset, that is very difficult.¹⁶¹

We discuss the wider issues of women's equality in society in Nepal in the gender equality section below. Supply side weaknesses are the ones common to developing countries. They include the quality of maternity services, including a lack of trained, competent staff, blood, and basic key drugs and sterile supplies. Inadequate referral and transfer of care services have also been identified as problems.¹⁶²

99. DFID's Support to Safe Motherhood Programme (SSMP) was a five-year bilateral programme launched in 2004 which received a total of £23 million.¹⁶³ In our 2008 Report on *Maternal Health*, we highlighted the achievements of the SSMP in Nepal:

The SSMP takes a multi-pronged approach that seeks to assist policy formulation, provide safe abortion services, improve emergency care and strengthen infrastructure. DFID funds are given in the form of financial aid, technical assistance and direct support to UNICEF, the agency which helps to implement the programme. [...] We applaud DFID for its contribution to the Nepal Safe Motherhood Project and Support to Safe Motherhood Programme, which have included a range of interventions relevant to maternal health in Nepal over a decade that has witnessed progress in reducing maternal mortality.¹⁶⁴

Merlin agreed that:

157 Ev 54 and Ev 60

158 Q 37

159 Ev 70

160 Fifth Report of Session 2007-08, *Maternal Health*, HC 66-I, Summary and Chapter 2

161 Q 159

162 Fifth Report of Session 2007-08, *Maternal Health*, HC 66-I, Summary and Chapter 2

163 Ev 72

164 Fifth Report of Session 2007-08, *Maternal Health*, HC 66-I, para 95

The DFID funded Support to Safe Motherhood Programme (SSMP) has largely contributed to improved performance and DFID support in terms of strengthening policy (eg Health Sector Programme Implementation Plan, Skilled Birth Attendants, safe abortion) has been crucial in ensuring that adequate national policies are in place.¹⁶⁵

Safe Delivery Incentive Programme

100. The Safe Delivery Incentive Programme, which DFID has supported, was launched by the Government of Nepal in 2005. It aims to encourage women to deliver at a health centre by providing a cash transfer to cover transport costs. A cash incentive is also offered to health care staff to provide delivery care. A number of evaluations of the initial scheme have been conducted.¹⁶⁶ Professor Costello pointed out that it had had most impact amongst wealthier women who lived nearer to towns, rather than poor women in remote areas.¹⁶⁷ Some of the other weaknesses highlighted by the study included:

- Weak administrative procedures which led to a wide variety in the way the rules were applied. There were delays in moving the cash from the centre out to the districts and only 29% of women received the cash transfer payment at the time of delivery.
- A wide range of health workers could claim the provider incentive including those with no training in delivery care. No monitoring system was established for the scheme leading to false claims by health workers, district level staff and women.¹⁶⁸

Whilst acknowledging these flaws, Professor Costello believed that DFID's support for the cash transfer scheme had been "very courageous" and "a very important policy initiative".¹⁶⁹ DFID told us that 400,000 women had received the delivery cash incentive and 90,000 had received free delivery care under DFID programmes.¹⁷⁰

101. Delivery care services were not free at point of use when the scheme started but, as we have indicated, user fees, including for maternal care in public health facilities, have recently been abolished by the Government. However, faced with the fact that 80% of women still deliver at home in Nepal, we asked DFID whether incentive payments could ever be an effective incentive to overcome the physical barriers women in more remote areas face in reaching a health centre. The Head of DFID Nepal accepted that "there is a limit to how far that incentive scheme will go and women in the very, very remote areas, even if you pay them 1,500 rupees to travel four days to the nearest health centre to give birth, are probably not going to do it."¹⁷¹

165 Ev 79

166 *The experiences of districts in implementing a national incentive programme to promote safe delivery in Nepal*, BMC Health Services Research, June 2009

167 Q 42

168 *The experiences of districts in implementing a national incentive programme to promote safe delivery in Nepal*, BMC Health Services Research, June 2009

169 Q 43

170 Q 157

171 Q 157

Future DFID support for maternal health

102. DFID acknowledges that “disparities persist in maternal health”. Use of antenatal care is 18% amongst the poorest fifth of the population compared to 84% amongst the richest. Only 6% of deliveries are assisted by skilled attendants amongst the poorest groups compared to 47% in the wealthiest.¹⁷²

103. The Support for Safe Motherhood Programme ends in August 2010. DFID's Nepal Country Business Plan 2009–2012 did not give details of how its maternal health activities would continue.¹⁷³ However, DFID has now said that its new health sector programme will build on its previous support for maternal health. It states that DFID funding will contribute to increasing the number of births assisted by a midwife from 246,000 in 2009 to 406,000 in 2015; and that the number of women receiving treatment to deal with birth complications will increase from 33,000 a year in 2009 to 50,000 a year in 2015.¹⁷⁴

104. We agree with witnesses that DFID's support for maternal health services in Nepal has been courageous and innovative. The halving of the maternal mortality rate over the 10 years to 2006 was a great achievement for the country. Nevertheless, Nepal is judged to be severely off-track in relation to meeting Millennium Development Goal 5 by 2015. It makes sense for DFID to support maternal health through its overall health sector programme in co-operation with the Government of Nepal. This must not, however, mean that the targeted approach to addressing the specific factors underlying high levels of maternal deaths is lost. We recommend that, in response to this Report, DFID provide us with information on the mechanisms it will use to monitor the impact of its new funding for the health sector on maternal health outcomes for women who are poor, from excluded groups and from remote areas.

105. The challenge of addressing cultural obstacles to improving maternal health is one which we have addressed in a number of previous reports. The low value placed on women's lives is by no means unique to Nepal but until it is tackled, women and babies will continue to die unnecessarily as result of inadequate care during childbirth. Working with community and religious leaders has been found to be effective in changing attitudes. We recommend that DFID continue to work with all sectors of society in Nepal to press for a greater recognition of the health needs and rights of women, including at the highest political levels.

Education

106. DFID allocated £20 million over the period 2004–2009 to a multi-donor sector-wide programme supporting the government's Education for All (EFA) programme. Donor assistance accounted for 25% of the Government's basic education budget in 2007–08 of around \$160 million. DFID says that it has encouraged a special emphasis within this programme on poverty and exclusion, particularly the problem of out-of-school children, many of whom are socially excluded. In future, DFID assistance will be provided through

172 Ev 63

173 Country Business Plan 2009-2012

174 DFID news release “Saving lives in Nepal”, 11 March 2010

the European Commission, including seconding a DFID education adviser to the EC to oversee the programme.¹⁷⁵ Through its Community Support Programme, DFID has also contributed to the construction of 2,500 schools. We saw examples of the support which had been provided in the Nepalgunj area.

107. DFID highlights that its funding has contributed to the following impacts:

- The number of children enrolled in basic education has increased from around 4 million in 2003 to 4.8 million in 2008, with enrolment of Dalit children up from 600,000 to 970,000.
- Gender parity in enrolments is close to achievement.
- Approximately 8% of children remain out of school in the primary age group, down from 16% in 2004.¹⁷⁶

While these achievements are very welcome, VSO pointed to weaknesses in the quality of information collected on enrolment: they told us that the number of Dalit children recorded as enrolled in school in some cases exceeded the number of Dalit children in the community. VSO also highlighted that, despite DFID's emphasis on reaching socially excluded children, wide disparities still existed between the best and worst performing districts in terms of access to education for girls and lower caste children.¹⁷⁷

108. DFID's new Education Strategy, published in March says that "Ensuring that all children receive quality basic education is not only a moral duty. It is an essential investment in our common future." It cautions against complacency about the progress which has been made and highlights that "The challenge of enrolling all children in school and ensuring that they complete a full cycle of good quality education is far from being met." Meeting the challenge will require "a renewed effort from national governments and donors".¹⁷⁸

109. DFID says that Nepal is on track to meet both the MDG education targets (of universal access to primary education and gender equality in education). However, the latest assessment in the 2009 Autumn Performance Report indicates that Nepal (along with a number of DFID's other PSA countries) will not meet the target for universal primary education *completion* until 2021.¹⁷⁹ As we have pointed out in previous reports, the target for MDG 2 is to ensure that all boys and girls complete a full course of primary education by 2015.¹⁸⁰ It appears that this has been watered down to ensuring that all children are *enrolled* in primary education by 2015.

175 Ev 60

176 Ev 60

177 Qs 57-59

178 DFID, *Learning for All: DFID's Education Strategy 2010-2015*, March 2010, Foreword

179 DFID, *2009 Autumn Performance Report*, p 19. Under its Public Service Delivery Agreement 29, DFID monitors progress against the MDG targets in 22 countries, including Nepal.

180 Second Report of Session 2008-09, *DFID Annual Report 2008*, HC 220-I, para 32. For MDG targets see UNDP website www.undp.org/mdg

110. The Minister was not able to explain to us how this disparity had arisen but in a subsequent note DFID acknowledged that “the Committee is correct: MDG 2 for all children to complete primary education is off-track in Nepal.” The current completion rate is 54% with a target of 84% by 2015. The target for enrolment remains 100% by 2015–16. We were told that, in future, DFID Nepal will report on the completion as well as the enrolment indicator.¹⁸¹ The new Education Strategy makes clear that the MDGs are “universal education completion and gender parity at all levels of education”.¹⁸²

111. It is worrying that DFID informed us in the course of this inquiry that Nepal was likely to meet the Millennium Development Goal (MDG) education target when its own statistics produced elsewhere clearly demonstrated that this was not the case. We are pleased that DFID has accepted that its evidence was misleading and that it will report on both enrolment and completion rates in Nepal in future. It is vital that DFID's future support, to be provided through the European Commission, continues to focus on excluded children, particularly girls and children from lower caste and minority groups. We request further information on how the next tranche of DFID support for the education sector programme will specifically address exclusion.

112. Our main concern, however, is that the intention of the MDG on universal access to education, that by 2015 all children should complete primary education, has been watered down to a requirement for them simply to be enrolled. As we have pointed out previously, if all children in the cohort are to complete five years of primary education by 2015, 100% enrolment should have been achieved by 2010. This is clearly not going to happen. We believe that the international community is failing children in developing countries by accepting enrolment in primary education, rather than completion, as a sufficient measure of progress. DFID's new Education Strategy makes clear that completion of primary education is the MDG target, not simply enrolment. We recommend that, in response to this Report, DFID provide us with details of how its new Strategy will help address this failure to make more progress on the education MDG, both in Nepal and more widely. The UK should also advocate for much faster progress on education at the UN Summit on the MDGs in September.

Gender equality

113. As we have said, exclusion and unequal access to services based on religion, caste and ethnicity is pervasive and persistent in Nepal and was one of the factors contributing to the conflict. Gender inequality exacerbates other forms of exclusion. We were told during our visit that almost 80% of Muslim women in Nepal still received no education, compared to a national average of 53% and just 7% for Brahmin/Chetris men. Only 14% of women have land registered in their names.¹⁸³

114. We have referred above to women being particularly vulnerable to the effects of insecurity and lack of access to justice. Saferworld reports that violence against women,

181 Ev 86

182 DFID, *Learning for All: DFID's Education Strategy 2010-2015*, March 2010, Executive Summary, p 8

183 Ev 61

including domestic violence, is prevalent.¹⁸⁴ The Head of DFID Nepal told us that the Department was supporting the Government's Violence Against Women programme which the Prime Minister was leading and which he had described as one of his top priorities. Nepal now has an action plan in place and the Prime Minister has declared 2010 as a year of action on violence against women.¹⁸⁵

115. DFID Nepal's work on gender equality is governed by its Gender Equality Action Plan which focuses on four areas:

- More and better jobs for women
- Greater political voice for women
- Focusing education support on women and excluded groups
- Sustaining progress on maternal mortality

It also has an internal objective of "a more inclusive gender-balanced office and programme".¹⁸⁶

116. DFID has ensured that its employment generation schemes provide equal opportunities for women, including in the Rural Access Programme (RAP) and the Livelihoods and Forestry Programme. DFID says that that RAP has enabled more than half of the beneficiaries to clear their debts "freeing women from the clutches of moneylenders".¹⁸⁷ The skills training programme we saw in Nepalgunj provided additional incentives to the private sector to train and employ disadvantaged groups. Higher payments were given for training women and the highest incentives were given to those who provided training for women from excluded groups such as Dalits. 60% of the beneficiaries of the scheme to date are women.¹⁸⁸ DFID is also providing £2 million to the World Bank's Adolescent Girls Initiative which will provide training and support to 4,400 young women. DFID says that earnings of participants in the programmes it supports are expected to be twice the national average.¹⁸⁹ DFID has also indicated that half of the 50,000 "green" jobs which its climate change funding is intended to support will go to women.¹⁹⁰

117. In Surkhet in the Mid-West region, we visited a Muslim Women's Empowerment Project funded under DFID's Community Support Programme (CSP). Muslim women are one of the most excluded groups in Nepalese society. One of the elements of the CSP was "awareness raising of excluded groups for increased access to political participation and representation".¹⁹¹ We were very impressed by the Chairwoman's account of the difference the project had made to her personally and to the 276 women in the group. The project

184 Ev 80

185 Q 160

186 Ev 62

187 Ev 63 and Ev 68

188 Ev 66

189 Ev 61

190 Ev 85

191 Ev 67

had included a six-month literacy programme as well as income generation schemes including training in activities such as goat-raising. The Chairwoman said that the benefits of the group were that it encouraged women to meet together and had increased their confidence to tackle social issues such as domestic violence, multiple and child marriage and petty disputes. They could be united in tackling these issues, which made them stronger. DFID reports that anecdotal evidence about the CSP more broadly suggests that “Muslim women appear to have been empowered to voice their opinions, have increased their involvement in savings and credit schemes, and girls’ enrolment in school has increased.”¹⁹²

118. DFID support has contributed to progress against a number of indicators of gender equality, including improved maternal health outcomes, parity in primary enrolment and increased representation of women in the Constituent Assembly and public bodies. This is very welcome. It is also essential that women are given support to find employment and build livelihoods. DFID has further plans for employment generation schemes which offer at least equal opportunities to women. We fully support these. It is also important that the social and cultural barriers to women’s equal status in society are tackled, particularly the most severely affected such as Muslim and Dalit women. The Community Support Programme provided support to increase political participation and representation for excluded groups, including women. This programme has now ended. We request that DFID provides us with information on its plans for future support for excluded women in the period covered by the Country Business Plan.

Hunger and food security

119. DFID says that “food insecurity is a chronic problem in Nepal” with 40% of the population unable to meet their full food requirement. The price of rice rose by 30% in 2008 and price volatility is likely to continue. Women and children are worst affected by food insecurity.¹⁹³ Nepal is on track to meet the MDG 1 target for poverty reduction but off-track on the hunger target “to reduce by half the proportion of people who suffer from hunger”. Half of all children are malnourished.¹⁹⁴

120. To address malnutrition, DFID argues that “the complex interactions between health status, education of girls, and women’s status and income” need to be considered. It is working with the Government and other donors to develop a country nutrition strategy and to agree “a common cross-sectoral approach to improving nutritional outcomes”.¹⁹⁵ Given the devastating impact which malnutrition has globally, we have long argued that DFID should have a Nutrition Strategy in place.¹⁹⁶ This was finally published on 11 March.

192 Ev 68

193 Ev 71

194 Ev 53-54. For MDG targets see UNDP website at <http://www.undp.org>

195 Ev 71

196 See Tenth Report of Session 2007-08, *The World Food Programme and Global Food Security*, HC 493-I, paras 51-53 and Second Report of Session 2008-09, *DFID Annual Report 2008*, HC 220-I, paras 36-37

DFID says that it will focus on the six countries which are “home to half of all undernourished children under five in the world.” Nepal is one of these focus countries.¹⁹⁷

121. DFID provided £5.4 million to the World Food Programme (WFP) in 2008–09. We saw the work of the WFP in a remote area of Nepalgunj where DFID was also supporting the construction of rural roads to improve access to local towns. DFID informed us that, in December 2009, a lack of funds forced WFP to reduce the number of people it was supporting from 1.2 million to 600,000 just as the winter hunger period was beginning. DFID provided £5 million to fill the immediate gap and the UN Central Emergency Response provided another £8 million. This will allow the full 1.2 million people to be fed over the next three months, with DFID's contribution supporting 450,000. The support goes beyond food aid and includes cash-for-work on irrigation systems, micro-hydro projects and constructing trails.¹⁹⁸

122. DFID is also assessing how to improve its wider food security and nutrition work. It plans to work with the Government and partners “to assess when food aid is the most appropriate transfer, when cash transfers are more effective, and when these approaches could be combined.” It is also discussing a joint support programme with WFP to help the government target social protection programmes more effectively to support increased food security.¹⁹⁹

123. Half of all children in Nepal are malnourished and more than a million people depend on food aid. DFID's long-awaited Nutrition Strategy has now been published. We have pressed for this, and for DFID to monitor hunger and nutrition more closely. We welcome Nepal's inclusion as one of the six countries on which the Strategy will focus. We recommend that, in response to this Report, DFID provide us with details of the timescale for implementation of the Strategy in Nepal and how it will help to ensure that tackling child malnutrition is prioritised by both donors and the Government. We would also welcome details of the longer-term support which DFID will provide for the World Food Programme's work in Nepal.

197 DFID, *The neglected crisis of undernutrition: DFID's strategy*, March 2010. See also DFID Press Release “New drive to tackle malnutrition in 12 million children”, 11 March 2010. The other focus countries are Bangladesh, Ethiopia, India, Nigeria and Zimbabwe.

198 Ev 86

199 Ev 61

6 DFID's future engagement in Nepal

Implications of the White Paper

124. As we have highlighted, the 2009 DFID White Paper outlined a policy shift, refocusing resources onto fragile countries.²⁰⁰ Our recent Report on the White Paper assessed the broad commitments it made.²⁰¹ Part of our motivation for undertaking the inquiry into DFID's work in Nepal was to examine in more detail what DFID had learned from its activities to date in fragile and conflict-affected states which might inform its future increased engagement. DFID says that "Nepal has a close fit" with commitments in the White Paper, particularly those on climate change, peace-building, economic support, provision of basic services and increased working with multilaterals.²⁰²

125. Professor Moore, echoing a point made to us earlier by the Permanent Secretary, used Tolstoy's assessment that "every unhappy family is unhappy in its own way" to characterise the very different nature of the challenges donors faced in different fragile states.²⁰³ However, DFID believes that there are lessons to be learned from its activities in Nepal and that these have already "fed into the DFID approach to peace and state-building", including in the White Paper.²⁰⁴

126. The Minister told us that the "strong historic links" between the UK and Nepal would contribute to the UK being an effective partner. Mary Hopley acknowledged the importance of the long relationship, but believed that there were stronger reasons to justify the UK's engagement in this particular fragile state:

[...] it is fragile and it is post-conflict now but it has previously had a very long period of settled political process—very difficult in many ways—but a period where a lot of investment went into building a capable public service and a capable government structure [...]. So you are building on a strong base rather than a weak base [...] there are some huge building blocks there that I think distinguish it from other countries which have not had that sort of history of engagement and support.

She stressed that what distinguished Nepal from other fragile states was that "it has this strong basis of civil society, it has strong local organisations and it has a strong base of educated and able people."²⁰⁵ Professor Moore agreed that "there is an enormous resilience there that you might not find in many other of those countries we call fragile states."²⁰⁶

200 DFID, *Eliminating World Poverty: Building Our Common Future*, p 71

201 Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48-I

202 Ev 53

203 Q 69. See also Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48-II, Q 12

204 Ev 55

205 Q 69

206 Q 69

DFID resources and expertise

127. In our recent report on the 2009 White Paper, we raised concerns about whether DFID has the necessary staff resources and expertise to increase its activities in fragile and post-conflict states and still deliver effective outcomes.²⁰⁷ We explored these issues with witnesses in relation to Nepal. They emphasised that the political and social context in Nepal is extremely complex with numerous ethnic groups, castes, religious groups and political affiliations. In addition, as we have discussed, the conflict in Nepal has resulted in local government systems breaking down and more informal systems replacing them, including in terms of providing basic services. Witnesses were in no doubt about the challenge which this complexity presented for DFID.²⁰⁸

128. Mary Hopley was sceptical about the extent to which DFID's resources and expertise were sufficient to enable it to operate effectively in Nepal: "I do not think DFID has sufficient local political intelligence to help it inform the national level policy decisions that are being made". She also believed that lack of language skills prevented UK-based DFID staff from engaging fully at local level. Professor Moore highlighted that DFID's staffing structure worked against development of the necessary expertise because postings were too short and the system offered few incentives for UK-based or local staff to remain in post for long enough. Nor were there mechanisms in place to ensure institutional knowledge was passed on.²⁰⁹

129. DFID witnesses were robust in countering these claims. The Minister told us that "it was very easy" for DFID staff to get access to the political leaders of all the parties and that there was a "genuine willingness" on their part to engage with DFID representatives.²¹⁰ He said that, in respect of understanding the complex relationships at local level, DFID staff had made 90 field visits in the last year, despite the difficulties of travel to the more remote areas. However, DFID reports that it has 50 staff based in Kathmandu.²¹¹ This would therefore represent less than two visits per member of staff.

130. The Head of DFID Nepal challenged the argument that the staff lacked detailed knowledge of the country. Most UK-based DFID staff stayed in post for at least three years and many extended beyond this. DFID Nepal also makes extensive use of locally-engaged staff, who were "very professional [and] very highly qualified". She also emphasised the role played by field officers and staff running DFID programmes at local level in collecting "intelligence" about the situation on the ground in their areas.²¹²

131. We were very impressed by the professionalism and dedication shown by all the DFID Nepal staff whom we met and the many very effective programmes which they were leading. Our concern is not about the quality of individual staff members but the overall burden which is placed upon them by working in more difficult environments. As we have

207 Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48-I ,paras 82-88

208 Q 70

209 Qs 70-71

210 Q 113

211 DFID, *The UK Government's Programme of Work to Fight Poverty in Nepal: Development in Nepal 2009-12*, p 9

212 Q 114

said, it is essential that they are given the necessary support and training to enable them to fulfill these roles effectively and that they are properly incentivised to work in difficult countries. The Permanent Secretary acknowledged to us that there were signs of staff experiencing strain and feeling “overloaded”.²¹³

Climate change

132. As we have said, Nepal is particularly vulnerable to the impact of climate change. Our recent report on Bangladesh highlighted the socio-economic impact which tackling climate change has in poor countries by diverting resources which could otherwise be used for poverty reduction and supporting development. We also stressed the need for donors to implement programmes which build the resilience of the poorest people to climate change.²¹⁴ This is equally true in Nepal. We have also previously argued strongly that donors should provide new and additional funding for climate change work.²¹⁵

133. Nepal has the highest carbon per capita emissions in South Asia at 6.6 tonnes per year, to which deforestation is the most significant contributor.²¹⁶ The DFID Minister suggested that reducing deforestation could cut emissions by as much as 72%.²¹⁷ Community forests, which we have discussed in the livelihoods section, also “lock up” around 1.2 million tonnes of carbon each year and the DFID programme is helping communities to access carbon funds for the trees they grow. The National Forestry Programme, to which DFID will contribute from 2011, aims to take this work further so that communities can access at least £10 million from international carbon funds per year.²¹⁸

National Adaptation Programme of Action

134. In late 2008 Nepal committed to developing a National Adaptation Programme of Action (NAPA) on Climate Change, with support from UNDP. The aim of the NAPA is to help Nepal understand and predict the likely impacts of climate change and improve its capacity to mitigate the negative effects. Under the Kyoto Protocol, least developed countries must submit NAPA proposals in order to access international adaptation funds.

135. Production of the plan is behind schedule but DFID told us that it will now be published in April.²¹⁹ The Asian Development Bank says that climate change and environmental issues are given inadequate priority in Nepal’s national development agenda, and environmental governance is weak. Most government agencies lack adequate resources to address climate change risk and environmental protection effectively.²²⁰ The DFID Minister pointed out that “coming out of a civil war, perhaps climate change is not

213 Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48-I, paras 33 and 88

214 Third Report of Session 2009-10, *DFID's Programme in Bangladesh*, HC 95-I, Chapter 5

215 Fifth Report of Session 2008-09, *Sustainable Development in a Changing Climate*, HC 177-I, paras 60-61

216 DFID Press Release, “Nepal’s forests to be handed over to local communities”, 15 November 2009

217 Q 125

218 Ev 68

219 Q 120

220 Federal Democratic Republic of Nepal: Strengthening Capacity for Managing Climate Change and the Environment, Asian Development Bank, November 2008, para 5

the first thing on the minds of the political leadership” but he believed that there was now a sense of direction and more impetus. The Head of DFID Nepal acknowledged that the NAPA had been delayed but asserted that it was “very much a Government-owned process” and that the Prime Minister was now leading the climate change commission in Nepal.²²¹

136. The budget for the NAPA process in Nepal is \$1.3 million, of which the UK has provided \$875,000 in 2009–10.²²² The funding is supporting working groups on issues such as agriculture, health, water and energy. DFID has also recently committed a further £10 million over five years to support implementation of the NAPA over three phases: (1) development of climate change strategies and pilot projects; (2) scaling up of pilots into full action; (3) implementation supported by adaptation funds. The first phase will begin this year. DFID says that the outcomes which this support is expected to deliver are:

- reduced vulnerability to climate change for 2 million people;
- “green” jobs in sectors such as flood protection for 50,000 highly vulnerable people, 50% of whom will be women;
- assisting Nepal to access global climate change funding;
- establishment of a clear strategy for Nepal to address adaptation and low carbon development.²²³

137. It is understandable that the Government of Nepal has not been able to treat climate change as a priority, given the many other more immediate and pressing issues the country has faced and is still trying to resolve. However, Nepal is particularly vulnerable to the impact of climate change and it is a key risk to development and poverty reduction in the country. We welcome the prospect of Nepal’s National Adaptation Programme of Action (NAPA) being published in April. DFID has provided support to the NAPA process to date. Implementation, including assisting Nepal to access global climate change funding, will be a key part of DFID’s future engagement with the country. We request that DFID provides us with an update on progress with NAPA implementation, and how it has supported the process, in 12 months’ time.

Working with other donors

138. DFID says that Nepal has “a relatively small and increasingly well-coordinated donor community”. DFID, the Asian Development Bank (ADB) and the World Bank will provide 70% of aid to Nepal in the period covered by the DFID Country Business Plan (2009–2012).²²⁴ Responsibility for particular sectors is shared between the main donors.²²⁵ This division of labour has enabled DFID to withdraw from some sectors.

221 Qs 120-121

222 Qs 122-3

223 Ev 85

224 Country Business Plan, para 34-37

225 Country Business Plan, p 11

139. We have already referred to DFID's education funding now being channelled through the EC. It is not appropriate for DFID to be active in every sector and we fully support division of responsibility between donors, as we set out in our 2008 Report on aid effectiveness.²²⁶ However, it is important that DFID's move out of a particular sector is properly managed. Written evidence from Oliver Jones, Rural Programme Manager, WaterAid Nepal, questioned DFID's approach to its withdrawal from the water and sanitation sector and the passing of lead responsibility to the World Bank and ADB. He argued that DFID took a "cut and run" approach, with no lesson-sharing and without taking responsibility for setting up a sector-wide approach to replace the DFID programme. This led to a "collapse" in the discussions between the World Bank and the ADB and a "haemorrhaging of the process".²²⁷ DFID strenuously denied that its withdrawal from the sector had not followed proper procedures and emphasised that the water and sanitation sector is "well-supported" in Nepal.²²⁸

140. Different problems have occurred in relation to support for HIV/AIDS. Nepal is unlikely to meet the MDG6 target for tackling HIV/AIDS (universal access by 2010 to HIV/AIDS treatment for all who need it). DFID has allocated £15 million to HIV/AIDS over the last 6 years (out of a total allocation to the health sector of £71 million). HIV/AIDS funding is currently channelled through UNDP.²²⁹ DFID has been the lead donor for the Nepal national HIV/AIDS programme. The World Bank was due to take over that responsibility in 2010 through a trust fund. However, DFID told us in evidence that this decision had been made on the basis that Nepal's latest application to the Global Fund to fight AIDS, Malaria and TB would be successful and that World Bank funding "would be coming on-stream". Neither of these had happened. The intention now was to "revisit" the decision to transfer lead responsibility to the World Bank "in a year's time".²³⁰

141. The Minister's view was that this change of plan did not mean that there was "a structural problem" in dealing with multilateral agencies but it highlighted the need for flexibility: "It is a feature of working in a fragile state [...] that we have that flexibility to be able to move at relatively short notice. It is something that we accept is a feature of life working in an environment like Nepal."²³¹

142. We support the principle of DFID's programme in Nepal being based on division of labour between the main donors. We have previously acknowledged the benefits that this can bring in terms of aid co-ordination and effectiveness. We also credit DFID for being willing to fill the gap in essential services when multilateral donors fail to fulfil their commitment to take over responsibility for them as has been the case recently with the World Bank in relation to HIV/AIDS. This flexibility is an essential component of delivering development in fragile states, where the context is bound to be more uncertain. It is, however, important that DFID is not diverted from delivering its own objectives in Nepal, and supporting those of the Government, by compensating for

226 Ninth Report of Session 2007-08, *Working together to make aid more effective*, HC 520-I

227 Ev 77. The witness made clear that his evidence expressed his personal views and not those held by WaterAid.

228 Qs 151 and 155

229 Ev 53-54, 69

230 Q 153; see also Ev 64 and Country Business Plan, para 39

231 Q 154

weaknesses in other donors' programmes. We recommend that, in response to this Report, DFID update us on progress with the arrangements for the World Bank taking over lead responsibility for HIV/AIDS work and provide further information on how division of labour in the main development sectors will be organised over the period covered by the Country Business Plan.

Reaching the poorest and most excluded

143. DFID's capacity both to reach the poorest of the poor and to monitor whether this was being achieved was queried by Mary Hopley. She suggested that, in Nepal, the role played by civil society in delivering services meant that the people who received services were the ones who were most capable of engaging with the plethora of local organisations rather than the "extremely poor and most marginalised". She believed that DFID should carry out impact assessments at individual household level rather than simply looking at the overall effect of a project or programme.²³²

144. The Minister acknowledged that "in most countries in the world the very poorest were the ones who did not always access the provision of services made available", including in the UK. Part of the problem was that people "are not educated to a level that enables them to gain access to a service." In Nepal, this was compounded by the geographical access problems. He said that "I do not think the inability to reach these groups is because of a lack of intent" or concern.²³³ The Head of DFID Nepal emphasised that the next phases of the health and education programmes "will really focus on the excluded and those who are more difficult to access. That will be a specific target area more so than it has in the current programmes."²³⁴ The Minister highlighted that "some of the work that has gone on on the maternal health programmes [...] is geared towards some of the most disadvantaged groups within Nepal."²³⁵

145. Our recent Report on DFID's programme in Bangladesh highlighted the problems governments and donors faced in ensuring their poverty reduction measures reached the poorest of the poor and described some of the innovative ways in which this has been approached. We commented that the Targeting the Ultra Poor programme run by the Bangladesh NGO BRAC demonstrated what could be achieved. However, this programme had been very carefully devised and meticulously implemented to ensure that it met the needs of the people whom other development interventions had failed to reach, and that it provided lasting benefits.²³⁶ DFID's own Chars Livelihood Programme in Bangladesh is another example of a successful programme which reaches previously neglected communities living in particularly vulnerable circumstances. Both these programmes demonstrated the extent to which success can be achieved, but only through extensive customisation of the interventions used and a willingness to bear quite substantial administrative costs.

232 Qs 90-91

233 Q 119

234 Q 146

235 Q 147

236 Third Report of Session 2009-10, *DFID's Programme in Bangladesh*, HC 95-I, Chapter 3

146. We believe that DFID's new focus on fragile states might usefully be broadened explicitly to encompass "fragile people": the most vulnerable and marginalised; those with the least resilience to economic shocks, such as drought or food price rises and to climate change; and those who are incapable of earning a livelihood for reasons such as age, disability, widowhood or lack of education. DFID has already shown some progress in this respect in Nepal and, given the level of need, exclusion and inequality, it would be an appropriate place to test the Department's capacity to reach the poorest of the poor. We recommend that, in response to this Report, DFID provide us with information on how it will ensure that its interventions, including the new health and education programmes, will reach the most disadvantaged people in Nepal.

7 Conclusion

147. DFID is delivering assistance in a country where the Government acknowledges that it cannot make development a priority until the peace process is brought to a successful conclusion.²³⁷ DFID's own assessment of the challenge its country programme in Nepal faces is that it "needs to balance constantly the strategic imperative to work with and build state capacity and legitimacy if we are to secure peace and development in the long-term, against the need to ensure UK tax-payers' resources are used responsibly and efficiently".²³⁸ DFID must guard against fraud and corruption. It needs to have robust mechanisms in place to enable it to demonstrate that funding is reaching the intended recipients. It must also be able to demonstrate that its programmes are targeted on those most in need, not those who are most vocal or adept at using the system.

148. We do not underestimate the difficulty faced in achieving such a balance in a country only recently emerged from a conflict which arose at least in part from exclusion, inequality and poverty. However, if DFID is to fulfil the objective set out in the 2009 White Paper of increased working in fragile states, it must demonstrate the capacity to manage the complex challenges evident in Nepal.

149. We have been impressed with the resilience the people of Nepal have shown over 10 years of conflict and the period of uncertainty and insecurity which has followed. Progress made against the MDGs demonstrates that there is capacity within the country, both to deliver much-needed services and to find a way to resolve the many contentious issues, despite the highly complex context created by so many ethnicities, religions and castes. But there is still much to do, particularly on tackling maternal mortality, hunger and inequality.

150. The UK's long association with the country and DFID's position as a key development partner give the Department a considerable advantage in providing effective support in the country and influencing the Government's approach. DFID must ensure that it capitalises on this to support progress towards peace and security and to deliver development programmes, in partnership with the Government and other donors, which are focused on the needs of the poorest and the most vulnerable.

237 Q 132

238 Ev 58

Conclusions and recommendations

Political and peace processes

1. Pro-poor and inclusive development in Nepal will only be possible when political stability and security have been established. This will require full implementation of the Comprehensive Peace Agreement, agreement on a new Constitution and long-term resolution of the key contentious issues of federalism and the future of the Maoist ex-combatants. These are matters for the political parties and the people of Nepal to resolve. However, the processes and mechanisms which allow progress to be made on these issues must continue to be fully supported by the international community, including DFID. This needs to include support for the election process which will follow agreement on the Constitution. We recommend that, in response to this Report, DFID provide us with updated information on its plans for continued support for the political and peace processes in Nepal. (Paragraph 38)

Impunity

2. It will be much more difficult to achieve long-term peace if people believe that there has been no redress for abuses committed during the conflict. We were pleased to hear that the UK and other members of the international community are robust in raising the issue of impunity and respect for human rights with the Government of Nepal. The UN Office of the High Commissioner for Human Rights (OHCHR) has made a significant contribution to upholding human rights both in the difficult circumstances of the conflict and since peace was agreed. We recommend that the UK lobby at the highest levels for the OHCHR mandate to be extended beyond June 2010 so that this important work can continue. (Paragraph 45)

Corruption

3. It is a matter of serious concern that the people of Nepal have to suffer the detrimental effects of living in a society plagued by corruption. DFID's support to the Government of Nepal to strengthen its own public finance systems is an essential part of its programme there. DFID should ensure that the highest standards of audit and scrutiny are applied to all of its own operations and that leakage in the form of corruption is prevented. DFID also needs to continue to work with development partners and political leaders in Nepal to prevent development assistance being open to manipulation by special interest groups. We recommend that, in response to this Report, DFID provide us with more detailed information about the precise anti-corruption and anti-fraud measures it has in place in Nepal. (Paragraph 54)

Local government

4. In a post-conflict state such as Nepal it is highly likely that formal delivery mechanisms, including local government systems, will have broken down. We accept that donors, including DFID, have to work with the situation that exists on the ground to ensure basic needs, including health and education are met. This may

mean using community-based and other non-governmental organisations to deliver services. However, DFID must exercise caution, particularly in a highly complex country such as Nepal, that use of informal structures does not exacerbate exclusion and inequality and that services are genuinely provided to those in need rather than those most capable of lobbying for them. (Paragraph 59)

5. Democratic accountability and a well-defined relationship between citizens and the state are key elements in good governance. The lack of elected local government and local service delivery mechanisms is one of the key weaknesses in Nepal. DFID has already provided some valuable support to district level authorities. It needs to build on this and expand its work with local government, both now and when the new structures have been agreed under the Constitution. We recommend that, in response to this Report, DFID provide us with more details of how this work will be taken forward in the period covered by the Country Business Plan. (Paragraph 60)

Security and justice

6. We accept that it may be difficult for the Government of Nepal to define its own security and justice priorities in advance of full implementation of the peace agreement. This in turn hinders determination of DFID's own priorities in this sector. However, if the White Paper commitment to treat justice and security as a basic service is to be honoured, DFID needs to approach it with the same degree of urgency as ensuring people's demands for health and education are met. This is particularly important given that the people of Nepal have themselves identified security as their top priority. We recommend that, in response to this Report, DFID make clear how it plans to honour its pledge on increased support for justice and security in Nepal, particularly in relation to police reform and formal justice structures. We also request more details on the services which the women's paralegal committees are providing and the timescale for expansion of this support. (Paragraph 66)

Forestry

7. We commend DFID's Livelihoods and Forestry Programme as an effective intervention which has increased community ownership of forest land. Its participatory approach has helped to tackle inequality and exclusion, particularly for women and people from lower castes. However, forestry ownership issues are far from resolved in Nepal, particularly in the Terai where land values are high and ownership is therefore more contested than in the hills and mountainous regions where most projects have so far been implemented. We recommend that, in response to this Report, DFID provide us with information on how its 10-year funding for the National Forestry Programme will seek to address these issues and further increase community ownership. (Paragraph 86)

Health sector

8. DFID's support to the health sector has contributed to good progress on some indicators such as child mortality. The Department has now announced further

funding of £55 million over five years to support the Government of Nepal's health reform programme. It is important that this second phase of health sector funding continues to focus on strengthening government systems but it must also increase the quality and availability of health services at district and community level. We recommend that, in response to this Report, DFID provide us with details of how its health funding will help to achieve improvements in local health care provision in the period to 2015. (Paragraph 95)

9. The abolition of user fees by the Government is a welcome development which has made health services much more accessible. This is worthy of DFID support, to ensure free services are made available to as many poor people as possible. Geographical barriers to access also need to be tackled by bringing services closer to communities. DFID support for providing incentives to health staff to work in clinics in more remote areas appears to be a helpful initiative, although it clearly needs to be rigorously monitored to ensure funding reaches the intended recipients. We request further details about the programme and how it is monitored in response to this Report. (Paragraph 96)

Maternal health

10. We agree with witnesses that DFID's support for maternal health services in Nepal has been courageous and innovative. The halving of the maternal mortality rate over the 10 years to 2006 was a great achievement for the country. Nevertheless, Nepal is judged to be severely off-track in relation to meeting Millennium Development Goal 5 by 2015. It makes sense for DFID to support maternal health through its overall health sector programme in co-operation with the Government of Nepal. This must not, however, mean that the targeted approach to addressing the specific factors underlying high levels of maternal deaths is lost. We recommend that, in response to this Report, DFID provide us with information on the mechanisms it will use to monitor the impact of its new funding for the health sector on maternal health outcomes for women who are poor, from excluded groups, and from remote areas. (Paragraph 104)
11. The challenge of addressing cultural obstacles to improving maternal health is one which we have addressed in a number of previous reports. The low value placed on women's lives is by no means unique to Nepal but, until it is tackled, women and babies will continue to die unnecessarily as result of inadequate care during childbirth. Working with community and religious leaders has been found to be effective in changing attitudes. We recommend that DFID continue to work with all sectors of society in Nepal to press for a greater recognition of the health needs and rights of women, including at the highest political levels. (Paragraph 105)

Education

12. It is worrying that DFID informed us in the course of this inquiry that Nepal was likely to meet the Millennium Development Goal (MDG) education target when its own statistics produced elsewhere clearly demonstrated that this was not the case. We are pleased that DFID has accepted that its evidence was misleading and that it will report on both enrolment and completion rates in Nepal in future. It is vital that

DFID's future support, to be provided through the European Commission, continues to focus on excluded children, particularly girls and children from lower caste and minority groups. We request further information on how the next tranche of DFID support for the education sector programme will specifically address exclusion. (Paragraph 111)

13. Our main concern is that the intention of the MDG on universal access to education, that by 2015 all children should complete primary education, has been watered down to a requirement for them simply to be enrolled. As we have pointed out previously, if all children in the cohort are to complete five years of primary education by 2015, 100% enrolment should have been achieved by 2010. This is clearly not going to happen. We believe that the international community is failing children in developing countries by accepting enrolment in primary education, rather than completion, as a sufficient measure of progress. DFID's new Education Strategy makes clear that completion of primary education is the MDG target, not simply enrolment. We recommend that, in response to this Report, DFID provide us with details of how its new Strategy will help address this failure to make more progress on the education MDG, both in Nepal and more widely. The UK should also advocate for much faster progress on education at the UN Summit on the MDGs in September. (Paragraph 112)

Gender equality

14. DFID support has contributed to progress against a number of indicators of gender equality, including improved maternal health outcomes, parity in primary enrolment and increased representation of women in the Constituent Assembly and public bodies. This is very welcome. It is also essential that women are given support to find employment and build livelihoods. DFID has further plans for employment generation schemes which offer at least equal opportunities to women. We fully support these. It is also important that the social and cultural barriers to women's equal status in society are tackled, particularly the most severely affected such as Muslim and Dalit women. The Community Support Programme provided support to increase political participation and representation for excluded groups, including women. This programme has now ended. We request that DFID provides us with information on its plans for future support for excluded women in the period covered by the Country Business Plan. (Paragraph 118)

Hunger

15. Half of all children in Nepal are malnourished and more than a million people depend on food aid. DFID's long-awaited Nutrition Strategy has now been published. We have pressed for this, and for DFID to monitor hunger and nutrition more closely. We welcome Nepal's inclusion as one of the six countries on which the Strategy will focus. We recommend that, in response to this Report, DFID provide us with details of the timescale for implementation of the Strategy in Nepal and how it will help to ensure that tackling child malnutrition is prioritised by both donors and the Government. We would also welcome details of the longer-term support which DFID will provide for the World Food Programme's work in Nepal. (Paragraph 123)

Climate change

16. It is understandable that the Government of Nepal has not been able to treat climate change as a priority, given the many other more immediate and pressing issues the country has faced and is still trying to resolve. However, Nepal is particularly vulnerable to the impact of climate change and it is a key risk to development and poverty reduction in the country. We welcome the prospect of Nepal's National Adaptation Programme of Action (NAPA) being published in April. DFID has provided support to the NAPA process to date. Implementation, including assisting Nepal to access global climate change funding, will be a key part of DFID's future engagement with the country. We request that DFID provides us with an update on progress with NAPA implementation, and how it has supported the process, in 12 months' time. (Paragraph 137)

Working with other donors

17. We support the principle of DFID's programme in Nepal being based on division of labour between the main donors. We have previously acknowledged the benefits that this can bring in terms of aid co-ordination and effectiveness. We also credit DFID for being willing to fill the gap in essential services when multilateral donors fail to fulfil their commitment to take over responsibility for them as has been the case recently with the World Bank in relation to HIV/AIDS. This flexibility is an essential component of delivering development in fragile states, where the context is bound to be more uncertain. It is, however, important that DFID is not diverted from delivering its own objectives in Nepal, and supporting those of the Government, by compensating for weaknesses in other donors' programmes. We recommend that, in response to this Report, DFID update us on progress with the arrangements for the World Bank taking over lead responsibility for HIV/AIDS work and provide further information on how division of labour in the main development sectors will be organised over the period covered by the Country Business Plan. (Paragraph 142)

Reaching the poorest people

18. We believe that DFID's new focus on fragile states might usefully be broadened explicitly to encompass "fragile people": the most vulnerable and marginalised; those with the least resilience to economic shocks, such as drought or food price rises and to climate change; and those who are incapable of earning a livelihood for reasons such as age, disability, widowhood or lack of education. DFID has already shown some progress in this respect in Nepal and, given the level of need, exclusion and inequality, it would be an appropriate place to test the Department's capacity to reach the poorest of the poor. We recommend that, in response to this Report, DFID provide us with information on how it will ensure that its interventions, including the new health and education programmes, will reach the most disadvantaged people in Nepal. (Paragraph 146)

Annex: Committee's Visit Programme in Nepal

The Committee visited Nepal from 27 to 31 October 2009.

Members participating: Malcolm Bruce (Chairman), John Battle, Hugh Bayley, Mr Nigel Evans, Mr Mark Hendrick, Mr Mark Lancaster, Mr Virendra Sharma, Mr Marsha Singh, Andrew Stunell

Accompanied by: Carol Oxborough (Clerk); Anna Dickson (Committee Specialist)

Kathmandu

Tuesday 27 October

Foreign Office/DFID briefing

Wednesday 28 October

Meeting with donor partners:

- Barry Hitchcock, Country Director, Asian Development Bank
- Finn Thilsted, Ambassador, Denmark
- Alexander Spachis, Chargé d'Affairs, Finland
- Richard Bennett, Office of the UN High Commissioner for Human Rights (OHCHR), Nepal
- Caroline Vandenaabeele, Head of Unit, UN Resident Coordinator's office
- Christine Kimes, Senior Operations Officer, World Bank

Meeting with Hon Surendra Pandey, Minister for Finance

Meeting with Hon Rakam Chemjong, Minister for Peace

The Committee divided into two groups for parts of the visit.

Group 1: Mid-West region (Nepalgunj)

Wednesday 28 October

Field visit to meet participants of the Helvetas Skills Training Programme, Nepalgunj

Field visit to Bheri Zonal Hospital, Nepalgunj

Thursday 29 October

Field visit to Community Support Programme projects, including community school in Surkhet and Muslim Women's Empowerment Project

Field visit to Turmakhand, Achham District to see World Food Programme activities and the Rural Access Programme

Meeting with police and local government in Nepalgunj:

- Birendra Kumar Baniya, Chief District Officer, District Administration Office
- Narayan Prasad Bastakoti, Senior Police Superintendent Police, Zonal Police Office
- Mingmar Lama, Police Superintendent, District Police Office

Roundtable discussion on justice and security with:

- Rita Khatiwada, Project Officer, and Sarah Dalrymple, Saferworld
- Damodar Acharya, Chairperson of the bank chapter and Chamber of Commerce
- Bhola Mahat, regional coordinator of Informal Service Sector Centre (INSEC) and member of Local Peace Committee
- C P Singh, human rights activist from the Madhesi Community and president of the Forum for Community Development Centre (FORCE)
- Bishnu Prasad Dhungana, independent social activist and teacher
- Ganga Neupane, focal person of Institute of Communication (IHRICON) Mid-West region

Friday 30 October

- Field visit to People's Liberation Army (PLA), Cantonment Division 7, Kailali

Group 2: West region (Baglung and Pokhara)**Wednesday 28 October**

Field visit to Gurkha Welfare Centre

Thursday 29 October

Mountain flight over Annapurna range

Climate change briefing

Field visit to Dobila Motorable Suspension Bridge, Baglung district

Field visit to Livelihoods and Forestry Programme (LFP) Shivalaya, Parbat

Roundtable discussion with local government, private sector, civil society and security sector in Baglung with:

- Bharat Paudel, Chief District Officer
- Janak Raj Paudel, Local Development Officer, District Development Committee
- Dhruva Raj Gautam, Chairperson of Federation of Nepalese Chamber of Commerce and Industries
- Haribansha Neupane, District Forest Officer
- Ram Khrisha Sharma, Federation of Nepal Journalists

Friday 30 October

Visit to Baglung District Hospital

Kathmandu (whole group)

Meeting with members of the Constituent Assembly:

- Ms Uma Adhikary (Nepali Congress Party, NCP)
- Mr Khim Lal Devkota (Unified Communist Party of Nepal (Maoists))
- Dr Arzu Rana Deuba (NCP)
- Ms Radha Gyawali, (Communist Party of Nepal-Unified Marxist-Leninist, UML)
- Ram Janam Chaudhary (Madhesi Janaadhikar Forum, MJF)
- Mr Navindra Raj Joshi (NCP)
- Padam Lal Bishwakarma (Maoist)
- Atmaram Prasad Shah (MJF)
- Pansang Sherpa (UML)

Meeting with Rt Hon Mr Madhav Kumar Nepal, Prime Minister

Saturday 31 October

Meeting with Mr Pushpa Kamal Dahal, Maoist leader and former Prime Minister

Formal Minutes

Tuesday 16 March 2010

Members present:

Malcolm Bruce, in the Chair

John Battle	Mr Nigel Evans
Hugh Bayley	Andrew Stunell
Richard Burden	

Draft Report (*DFID's Programme in Nepal*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 150 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 13 October and 15 December 2009, and 12 January 2010.

[The Committee adjourned.]

Witnesses

Tuesday 15 December 2009

Page

Ms Liz Philipson, Director, Conciliation Resources, **Professor Surya Subedi**, Professor of International Law, University of Leeds and **Ms Rosy Cave**, Head of Asia Programme, Saferworld

Ev 1

Tuesday 12 January 2010

Professor Anthony Costello, Director of University College London Centre for International Health and Development, **Ms Linda Doull**, Director of Health and Policy, Merlin, and **Mr Simon Brown**, VSO

Ev 17

Dr Mary Hobley, independent consultant, and **Professor Mick Moore**, Research Fellow, Governance Team, Institute of Development Studies

Ev 26

Thursday 28 January 2010

Mr Michael Foster MP, Parliamentary Under-Secretary of State, and **Ms Sarah Sanyahumbi**, Head, DFID Nepal, Department for International Development

Ev 36

List of written evidence

Christian Solidarity Worldwide	Ev 51
Department for International Development	Ev 52; 64; 85
Dr Mary Hobley	Ev 73
Oliver Jones, Rural Programme Manager, WaterAid Nepal	Ev 76
Merlin	Ev 78
Saferworld	Ev 80
VSO Nepal	Ev 83

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2009-10

First Report	Progress on the Implementation of DFID's HIV/AIDS Strategy	HC 49-I&II (HC 342)
Second Report	Work of the Committee in Session 2008-09	HC 167
Third Report	DFID's Programme in Bangladesh	HC 95-I&II
Fourth Report	DFID's Performance in 2008-09 and the 2009 White Paper	HC 48-I&-II
Fifth Report	Scrutiny of Arms Export Controls (2010): UK Strategic Export Controls Annual Report 2008, Quarterly Reports for 2009, licensing policy and review of export control legislation	HC 202
Sixth Report	DFID's Programme in Nepal	HC 168-I&-II
Seventh Report	Draft International Development (Official Development Assistance Target) Bill	HC 404
Eighth Report	DFID's Assistance to Zimbabwe	HC 252-I&-II

Session 2008-09

First Report	Work of the Committee in Session 2007-08	HC 138
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