



House of Commons  
International Development  
Committee

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**DFID's Programme in  
Nepal**

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**Sixth Report of Session 2009–10**

***Volume II***

*Oral and written evidence*

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## International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for International Development and its associated public bodies.

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John Battle MP (*Labour, Leeds West*)  
Hugh Bayley MP (*Labour, City of York*)  
Richard Burden MP (*Labour, Birmingham Northfield*)  
Mr Nigel Evans MP (*Conservative, Ribble Valley*)  
Mr Mark Hendrick MP (*Labour Co-op, Preston*)  
Daniel Kawczynski MP (*Conservative, Shrewsbury and Atcham*)  
Mr Mark Lancaster MP (*Conservative, Milton Keynes North East*)  
Mr Virendra Sharma (*Labour, Ealing Southall*)  
Mr Marsha Singh MP (*Labour, Bradford West*)  
Andrew Stunell (*Liberal Democrat, Hazel Grove*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

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### Committee staff

The staff of the Committee are Carol Oxborough (Clerk), Keith Neary (Second Clerk), Anna Dickson (Committee Specialist), Ian Hook (Senior Committee Assistant), Vanessa Hallinan (Committee Assistant), and Alex Paterson (Media Officer).

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# Oral evidence

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## Taken before the International Development Committee on Tuesday 15 December 2009

Members present

John Battle

Mr Marsha Singh  
Mr Virendra Sharma

Andrew Stunell

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In the absence of the Chairman, John Battle was called to the Chair.

*Witnesses:* **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, gave evidence.

**Q1 John Battle:** May I welcome you and thank you for coming in to help our Select Committee in our inquiry into aid from DFID to Nepal. Most of us visited Nepal recently and this is the first session in our inquiry. For the record, could you just let us know your names and organisations so that is clearly on the record?

**Ms Cave:** I am Rosy Cave from Saferworld.

**Ms Philipson:** I am Liz Philipson and I am a director of Conciliation Resources.

**Professor Subedi:** I am Surya Subedi and a Professor of International Law at the University of Leeds.

**Q2 John Battle:** May I start by stressing that our Committee is not the Foreign Affairs Committee, it is the Select Committee on International Development? I think the largest bilateral OECD donor to Nepal is actually Britain and obviously Nepal is a post-conflict country to which we are providing £172 million over the three years to 2012 in direct assistance. We just want to make sure that money is spent wisely and well in a difficult post-conflict situation. Could I open the conversation with a question about the politics and in particular the peace process? The Comprehensive Peace Agreement was signed in 2006 and it seems to have stalled, not least because when we were there we met with a whole range of people including the Maoists who had been in the government and were refusing to cooperate. There was talk about whether it would be possible to get the budget through parliament, though I understand that has happened. At the same time there was a lot of talk about the Maoists going back to *bandhs*, great demonstrations to bring the place to a stop; since we have been the situation has become slightly worse and there was a big demonstration which brought the country to a halt on 6 December. How can the peace process be reinvigorated and what prospects are there for doing that when the Maoists decided themselves to withdraw from government and be in permanent opposition? What do you think are the prospects of that peace process actually working? Would you like to give us your comments on that?

**Professor Subedi:** First of all thank you for providing me with the opportunity to share my views with you; for inviting me to give oral evidence to the

Committee. I am very pleased to be here. In my opinion the peace process is still underway. One of the main objectives of the peace process is to draft the new constitution for the country. Although the full house has not been able to meet for some time, committee work is progressing. Different committees are working on different issues and many of them have actually completed their work and submitted their report to the full house. When there is some political compromise between the main political parties then the reports will be considered by the full house. Therefore, if there was the political will on the part of the three main political parties, having a new constitution in place within the time frame is still a possibility.

**Ms Philipson:** I take your point that this is not the Foreign Affairs Committee; nevertheless the peace process is inherently political by its very nature, so one needs to go to the politics of it. If one looks at the Comprehensive Peace Agreement, which you mentioned, it is not actually a comprehensive peace agreement: it is much more in the nature of a ceasefire agreement with one or two clauses added. If it were a comprehensive peace agreement, one would expect it to signify a coming together and a creation of a new social compact for the country. That is generally what we have come to expect such peace agreements to signify. It does not in Nepal: it is much more in the nature of a ceasefire agreement. Many of those fundamental issues remain at stake to this day and some of those fundamental issues have been postponed and postponed in Nepal; they have not been addressed by the peace process itself so the country has remained in a state where the war has ceased but the violence has not, as you know because you have been there. The war has ceased but progress towards peace never really got off the ground other than rhetorically. There has been much rhetorical talk of peace but in terms of fundamental progress towards that, that has been lacking. It has been lacking, going back to the politics, because the political structure of the conflict has not really changed in the sense that the political blocs which formed the conflict itself and which were part of the conflict are still as they were and still operating as they were and, to rephrase Clausewitz, the peace has indeed become war by other means.

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**Q3 John Battle:** I know that it is retrospective in a way but the Maoists had popular support and became the government. Do you think the international community should have done more to dissuade them from resigning en bloc from the government, to hold them in there? What is your view on that?

**Ms Cave:** My experience of Nepal is that the international community could well have suggested that to the Maoists but I do not think that would have changed their opinion; they are very nationalistic. Everything about the peace process in Nepal is that it is meant to be Nepali led and owned. You can see that in the way that, not just the Maoists but all the political parties interact with the international community, especially the international donors. They want some of their support but there are limitations as to how much they will let that contribute to the process, externally anyway. Very quickly going back to your other point, the key thing in terms of the peace process and how successfully or not it is being implemented is partly key sticking points like integration and rehabilitation of the Maoist army combatants which politicians cannot seem to get past; they cannot seem to find a resolution to it but they cannot look beyond it at the other key issues including public security. For me there is a fundamental lack of understanding or comprehension of the security challenges which the ordinary Nepalis face on a day-to-day basis, as I am sure you saw during your trip. That is not even being factored into the implementation of the peace process or the discussions that the politicians are having so there is quite a disparity between what is happening to the ordinary Nepalis and what is happening at the political level in Kathmandu.

**Q4 John Battle:** Do you think that there is a danger that Nepal will fall back into the kind of civil war which they had for 10 years? I know there is conflict and violence now but do you think there is a danger of them slipping back into that kind of civil war?

**Ms Philipson:** I do not think it has gone away but I do not think it is imminent. I said that I felt some of those fundamental political questions had not been addressed by the peace process. I think that the elite groups in Nepal, who have held power and have dispensed power in Nepal, remain. Obviously the monarchy has gone but the elite groups who were part of that dispensation remain. Whilst they have had some big shocks in the last five years, they nevertheless have not let go of the idea that they may cling to their powerful positions and that belief is bolstered by forces both within and outwith Nepal. That is resulting in the shoring up of the conflict as it was. Going back to your point about the Maoists in government, the Maoists had their own agenda there. They were also very much on the back foot at that point in that they did not really know where to go because they had won the election, they had the trappings of power, they were the government, however, they were unable to exercise that power because of the obstacles put in the way by others not being prepared to give them the space to dispense the

power. So their resignation was an acknowledgement of what was actually a reality for them at that moment.

**Professor Subedi:** May I take you back to your second question on whether the international community could have done something to persuade the Maoists to remain in power? I think they have regretted resigning from power in haste. They did not take long enough to consider the pros and cons of exiting from power. That is one thing. Whether the country will return to the period of conflict, in my opinion will depend very much on how they assess the possibility of winning the election when the constitution is in place. The constitution drafting process is underway and once that is in place the next big question for all political parties will be what the situation will be for them within the country. If their own assessment tells the Maoists that they are likely to win the election, then I think they will remain in the political process.

**Q5 Mr Singh:** What do the Maoists actually want by going back to the streets? What is their ambition by going back to the streets or do they harbour some kind of hidden agenda of trying to impose a one-party state on Nepal through revolution?

**Ms Philipson:** I think the Maoists have been fairly transparent about what their agendas are, for example in terms of them leaving office. I am not sure how hastily they left office at the end of the day. One of the reasons for leaving office was the frustration of not being able to take things forward, but another was that because of that frustration they were also having problems with their own party cadres and leaving office at that moment had a unifying effect on their own party and got everybody back on the same page. That was quite important at that time. In terms of hidden agendas, one-party states, they have been very clear; they have talked about competitive politics, but they do not talk about pluralism. Their positions have moved. As they have become more exposed to ideas of the outside world and ideas of democracy, their positions have moved and some of that may be rhetorical, they are after all politicians as well, but some of it is in fact—and I have interacted with some of the leaders quite a lot—actually development of their ideas. Whilst they are not quite ready to accept fully what they would call bourgeois democracy and we would call democracy, they are however talking about competitive politics, about other parties being accepted within that competitive framework, et cetera, et cetera. A hidden agenda? I think they have a fairly naked agenda that they want to change Nepal quite substantially and they have a mandate for that. They did win the election and this is something which gets lost a lot. This is not to hold any particular brief for their programme but to hold a brief for democracy in that they quite clearly won an election. Now they left office of their own volition at that moment but they had a bit of a Hobson's choice at that point and I think they regret not being in office. I do not know whether they regret leaving office but they regret now not being in office for all sorts of reasons. The fundamental thing about Nepal is that the structures

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remain the same and there are many small events but fundamentally those blocs and structures of the conflict have not changed at all and that is what needs to move. The Nepalis are very aware of the fact that it has not brought change and ordinary Nepalis are very politically sensitised and they are very aware of that situation and that stasis leaves open the whole area of impunity. Impunity has to be the biggest issue for the ordinary person in Nepal at this moment; above anything I would have thought.

**Professor Subedi:** There is a tension between the elite within the Maoist movement and the cadres. Public posturing to satisfy their cadres is one thing: actually changing their fundamental policies is another thing for them. That is the challenge. If they can have their policies with regard to state restructuring implemented, they will remain in this political process. As we speak they have been going round the country and declaring various federal units unilaterally. That should have been the job of the Constituent Assembly. Once the constitution has been drafted it will be up to the constitution to decide on how to carve out the country into different federal units. But now the Maoists have been going about declaring them unilaterally to satisfy their cadres. They realised their limitations when they decided to come back to mainstream politics or participate in the peace process. Given the geopolitical situation of Nepal they have realised that winning power through revolution was not going to be easy or possible for them. These limitations have increased. Thankfully they have been interacting with international players, national players, the leaders of the civil society organisations. The level of interaction they are having with intellectuals, civil society sector people has increased so much that it will be much harder for the leadership to do otherwise. I am hopeful that they will remain in the political process provided that they can implement some of their core agenda through the Constituent Assembly.

**Ms Cave:** May I add on the question of going back to the streets and build on Liz's point that they did win the election and if you look at the actual number of votes, I know it was done on proportional representation but in terms of coverage of the country, the Maoists were voted for by a large proportion of the country. Going back to the streets also demonstrates some of their popular support as well. It is also a very clear demonstration of how much power and control they have when they can shut down the entire country for a day or days at a time, which is quite a strong message to the other political parties and to the international community.

**Ms Philipson:** On the Constituent Assembly and the constitution-making process, I am hearing that Surya is quite hopeful on this.

**Professor Subedi:** Yes, because I have seen some of the reports published by different committees, because I my help has been enlisted by members of some committees so I know what is going on. The constitution-making process is moving forward slowly but surely. Once the committee stage work has completed then there would be a hope for a final draft. The Maoists themselves have said that "We

haven't prevented the committee work progressing". Once the committee work is there, the final report will have to be submitted to the full house. It is there where the conflict will be because the constitution has to be adopted unanimously if possible or by a two thirds majority. Without the Maoists' support no constitution can be adopted. I am hopeful, given the work that is going on within the Constituent Assembly at the moment, as a lawyer.

**Ms Philipson:** People are working quite hard in the Constituent Assembly in different ways. However, there are some fundamental political issues and the big one is federalism. At the moment we have however many—I cannot remember how many though I do know how many ethnicities there are—politically formed and politically organised ethnicities there are.

**John Battle:** We will be looking a bit more deeply into the constitution and the federal issues but on this general question of whether democracy is rooted.

**Q6 Mr Sharma:** The way you presented the current situation is very interesting. I would like to mention two areas. The first is whether that is popular support or support with fear. That is the first. The second is that amongst the Maoists it is now a question as to whether they accept Western democracy. Is a section amongst that group now happy to accept Western democracy or is their hidden agenda a one-state party but through the democratic process. What do you think?

**Professor Subedi:** I think they will keep on saying that they have their own definition of democracy and that version of democracy is different from the one practised thus far. In my opinion that too is to satisfy their cadres. They have realised that they have to work within a democratic framework. As we know, there is no universally accepted definition of democracy. Therefore, they will focus on the following three things. Number one is the electoral process. Number two is the federal structure. Number three is the system of governance, whether it is going to be parliamentary, presidential or a blend of both. These are the three sticking issues. How will the decision be taken on these three issues remains to be seen. A lot will depend on that.

**Ms Philipson:** When talking about Western democracy one has to understand the historical context in Nepal in that their understanding of Western democracy is what they have had, which was a continuation of caste domination, a continuation of majority caste domination, which frankly did not deliver. What the Maoists promised was something more egalitarian than the Western democracy they had experienced. One thing is what the Maoists intend and one thing is what the people want and those two have coalesced around this election.

**Q7 Mr Sharma:** That leads to my question. We all accept that democracy is not yet properly rooted in Nepal. What action should the international community take, including the UK, to strengthen the democratic processes in Nepal?

**Professor Subedi:** My number one worry would be the issue of impunity. The country has gone through a very violent, brutal period of 10 years of conflict but people from both sides who committed atrocities have not been brought to account. The feeling that you can get away with atrocities is something which worries me. That is the number one challenge in making democracy genuine and stronger. The other one, in my understanding of the situation, is the restructuring of the state. It is a complex society. The country at the moment, looking from a positive angle, is going through a period of renaissance, political and social renaissance. People have been able to express their views and outline how they have been traditionally marginalised; they are all staking claim to power. Gradually, as the debate goes on, people will realise, that different people belonging to different ethnic, linguistic and religious groups will have to find some accommodation within the larger picture. At the moment the country is going through a period of debate. It takes time for the debate to mature. When the debate has matured, people will see that they are not the only ones staking a claim to power; there are other competing interests. When people have found that accommodation and balance, then that will be the time that the country should be able to move forward, politically speaking. From that point of view, empowering the traditionally disadvantaged and marginalised people through the constitutional process is the challenge for all political parties. For this, they have committed themselves to do adopting a federal structure. However, what sort of a federal structure the country should have is a matter of debate. How will the powers be divided between the centre and the federal units and how land reform will be carried out are big issues, especially in the Terai. No meaningful land reform has been carried out in Nepal until now. One of the main issues that the Maoists raised during their campaign was to have meaningful land reform. How that will be implemented, what level of resistance that process will encounter from the privileged, remains to be seen. Therefore, if these issues are addressed, then the country will be able to move forward and that is where I think the international community, including the UK, can provide as much assistance as possible, investing in the process in such a way that it does not lead to further polarisation or disintegration of the society but makes it possible for everybody to get a fair deal from the system. That is the balance one has to strike.

**Ms Philipson:** I agree with what Surya has said. Impunity is the big question and will continue to be the big question and it affects everything. Impunity affects the lives of ordinary people, it affects the rule of law, it affects progress against corruption, it affects everything and it affects the running of the state itself in many ways. Impunity is very difficult but one thing is that there has been an avoidance of holding people accountable for serious crimes from the war and some are emblematic cases like Maina Sunuwar, a rape and murder case of a young girl which is very well known and the perpetrators are very well known. There has been no action on that and there are other cases.

**Professor Subedi:** There has been a little action in that direction in the recent past.

**Ms Philipson:** Very little.

**Professor Subedi:** I agree, very little.

**Ms Philipson:** 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. So the operation of the whole system has fallen apart and there is a relationship between those two—actually holding big people to account in order that small people can get justice today and that needs to be looked at much more carefully. It is very difficult and people back away from it because it is difficult but that [impunity] is probably the most fundamental thing. I understand you have been to the far west so you very well understand the difference between Kathmandu and other places, yet much of what we learn comes from Kathmandu. Our focus tends to be very Kathmandu focused. For DFID there is a huge analytical challenge in terms of understanding what is happening in all of these different pockets of the country. The whole less-for-more agenda means that the whole analysis tends to be farmed out rather than within DFID itself; it tends to go to consultants. I have been the beneficiary of this but I do not think it is helpful for the long-term understanding of DFID in terms of the Nepali context. That needs to be looked at. Something DFID has done very well has been that DFID's work has helped to catalyse the consciousness of the need for reform of ethnic repression in Nepal. That is something which DFID has begun to do well and can build on. Finally—sorry I am jumping around slightly—going back to impunity, DFID did some really good work on police in Nepal at one stage; a very good report. It has never been followed up on and this kind of not-following-through short-termism is also a problem. They do themselves no favours, because if they followed up on some of these things they would score more on their own work.

**Q8 Andrew Stunell:** I want to follow up the point you made about DFID and whether they have sufficient first-hand awareness of various parts of the country, which I understood to be what you were saying. Putting it in colloquial terms, do you think DFID should get out more in Nepal?

**Ms Philipson:** Yes.

**Q9 Mr Sharma:** At present there is a 22-party coalition government. Do you think they will stay in power? They have already agreed a Common Minimum Programme but what should be the priorities for reform if they stay in power?

**Professor Subedi:** My own assessment of the situation is that the political process has encountered problems of this nature in the past and some sort of compromise has been found eventually. As we speak, negotiations are underway between the Maoists and other political parties and today the three main leaders from the Nepali Congress, Maoists and the UML are meeting. People have realised that by not having this sort of consensus it will be very difficult

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for any of them to do anything for the country. Therefore, I would say that some sort of political accommodation is on the horizon. How far that is possible remains to be seen. Without Maoists joining the government or allowing the Constituent Assembly to function fully, they will not achieve their objectives. Whatever objectives they have for the time being they would like to have them implemented through the Constituent Assembly; it is in their own interest to re-join the political process. Whether they will be part of the government or not is a different matter but they are likely to come back to mainstream politics and let the house function fully. That is my assessment of the situation.

**Ms Philipson:** One of the characteristics of Nepali politics that I have observed over the last 10 years has been that they are extraordinarily skilled at brinkmanship and they go up to the wire every time. I have no doubt they will continue to do that. That does not necessarily result in very good outcomes because they tend to be cobbled together at the last minute around what is possible at that moment. So we end up with a whole list of agreements, for example particularly around the different ethnic groups, which are completely contradictory to each other and, again, lack of implementation of all of these agreements means they will come up again later. Brinkmanship. Will this government survive? I do not know that it will but I think that it may change its form somewhat in order to survive.

**Ms Cave:** I would agree with that but I think what you will get in government, even if there is a change in government, is just a permutation of what there already is. It is just a matter of time to see whether the Maoists will join that or not. Also, in terms of the priorities, there are the obvious ones like the constitution which need to be written and completed still; there is still the issue around the Maoist army combatants; there are still issues around justice and security; there are also issues still hanging around from the conflict in terms of transitional justice and disappeared persons. From my perspective the key things are to address the root causes of the conflict. If they really want to make change, if they really want to reduce poverty and have sustainable development, then they have to look at the root causes of conflict, they have to look at poverty, unemployment and look at those areas and what can be done there.

**Q10 Mr Singh:** You have already touched on the importance of the People's Liberation Army and their future in terms of the peace process. Is it possible to integrate the PLA into the armed forces? Does the leadership of the armed forces actually want that and if they were integrated into the Nepali armed forces, would they be soldiers but still under the control of the Maoist Party within the army?

**Ms Philipson:** These are questions which are always a problem at the end of any civil war. I do not think that these kinds of questions are unique to Nepal. In answer to your question, do the army leadership want it? I think you know the answer to that. They very plainly do not. What army, at the end of a war, did jump for joy at the thought that some of their

opponents were going to come into their organisation. In terms of the PLA, I will quote a friend of mine here who says "The PLA did not fight for 10 years in order to stand guard outside some shop or forest". They had greater expectations than that and they fought for 10 years for them. That is the dilemma which is at the heart of the problem. It does go back to what I said earlier, that this is one of the things that the longer it goes on the harder it is to deal with. It would have been possible to deal with it much more easily in 2006 than it is in 2009 or will be in 2010.

**Ms Cave:** I agree. There is a question-mark about whether we are talking about integration in the Nepal army or into the security services and then there are other options there, although I think that Maoist army combatants want to be in the Nepal army. So the Nepal army may look at integrating them but only into lower ranks and only a small number compared with the number of people who are in the cantonments and that will not do for the Maoists. There is talk about creating a broader security force. Is that an option for them? What about private security? I do not think these are the right solutions but they are the things which are coming up. Also, from some of the contacts we have in Nepal, it seems that the high level political discussion/engagement on this issue is not sufficient at the moment to tackle this. You have the technical committee working on it, the special committee working on it, but you can see that even these are looking at this issue but they are not looking at it in a serious way to come up with answers which can then be implemented.

**Q11 Mr Singh:** Is the government not saying that there is an issue of numbers, that they are trying to recruit people from different sections of society and they have been doing that so there is the issue that they cannot absorb them.

**Ms Cave:** There is an issue about whether the 19,000 that are in the cantonments are really 19,000 combatants and UNMIN verified them so therefore they may have a role in that. I think that was just a story earlier this year but yes, the longer they are in the cantonments the bigger this issue is. You have people moving in and out of the cantonments, you have women who have become pregnant who are moving out of the cantonments who work and combatants who may still want to be incorporated into the Nepal army. The longer this takes the more the numbers will vary and the Nepal army has its own issues in terms of recruiting now which in theory they are not allowed to do; they are not allowed to increase their numbers under the Comprehensive Peace Agreement, but they also have the normal retirements of army personnel over the years. They have an issue there in that they want to start recruiting people but feel they cannot.

**Q12 John Battle:** We visited one of their cantonments. Do you know what the latest position is because I got the impression there have been

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changes in the attitude of the Maoists on resettlement packages over the last few weeks since we were there?

**Ms Philipson:** I do not know whether there has been any agreement on that; not that I have heard about. One or two statements have been made.

**Q13 John Battle:** It was for the 4,000 disqualified and what the position was there.

**Professor Subedi:** The total number initially was around 19,000. Some of them, whom the Maoists themselves said were not suitable to remain in the cantonments, have been allowed to go home. Therefore, the number is going down and, getting back to your question, there are two issues involved here. Integration as a Maoist bloc or in a dispersed or not in an organised manner and at which level. The thorny issue here is that the Maoists want to have integration at all levels but the army's position would be integration at lower levels and not at senior levels. If the number was small and recruited not as a bloc but in a dispersed manner, I mean as individuals, passing the normal tests for qualifications to join the army, then there could be a special recruitment package to recruit people from within the cantonment as part of the normal process, I mean individuals who would otherwise have qualified to join the army. These are the issues here. If the number was small, if the claim from the Maoist side was not to integrate right up to the highest level, then perhaps some compromise could be found. That is how I see it. The international community could provide some help in that direction.

**Q14 Andrew Stunell:** Perhaps my remarks should properly go to you, Professor. You are clearly playing a very active part in the constitutional work that is going on. You are very optimistic but could you just give us some basis for your optimism about reaching a conclusion. Do you think it can be done by the deadline? Will they need the extra six months? Would it even be possible after six months?

**Professor Subedi:** My optimism is based on my own personal observations. I go back to Nepal in different capacities quite often and interact with people at all levels. The elite, no matter to which political party they belong, realise how behind the country is in terms of economic development. As you may have witnessed yourselves during your visit to Nepal in the autumn, even in the capital city the infrastructure is poor, load shedding means nearly 14 or 15 hours without power. People have been forced to live under these conditions. These are the people who are making the political leaders aware of the situation and saying "Look, we're living in this unacceptable situation". No meaningful cooperation has been achieved with India with regard to the exploitation of hydropower; only 1% of the hydropower potential has been harnessed. The possibility of better cooperation is there but the areas have to be identified. People are fully aware of the developments within the region and internationally and comparing the situation existing within the country; no matter whether they are supporters of the Maoist Party or supporters of

other political parties they have a dream for their children. To realise that dream the political process has to move forward. There is tremendous pressure applied on political leaders from people supporting different political parties, civil society. That is the sort of debate which is going on in Kathmandu. I agree with Liz that there is one situation within the Kathmandu valley and a different one outside the valley, but the decision will ultimately be taken in Kathmandu itself. I agree with you that whenever decisions have been made, they have not been very mature decisions. For example, it took a long time to discuss the issues around the interim constitution but by the time they came to decide on what sort of interim constitution should be put in place the decision was rushed; it was not a very well-thought-out document. It was more of a political document than a legal one. For a country going through such a huge process of transition one would have expected a more well-thought-out document rather than what it is today. That is also creating some problems. If I may characterise the Nepalese society, it has been a politically liberal, but culturally a conservative society but thanks to the developments within the past couple of years the society is becoming more liberal culturally as well. Once that cultural liberalism and political liberalism start to work together in society, it will be very difficult for people not to proceed, not to have compromises, not to move forward, not to have a constitution in place. On the question as to whether it will be written within the timeframe provided in the constitution—I would say the following: the interim constitution has already been amended three or four times and I cannot rule out the possibility of another one or two amendments—. In my opinion, sooner or later the constitution will be in place because politicians are coming under tremendous pressure from the people and because they have to live in that society they have to be responsive to the wishes of the people. Whether they are the elite or the activists or other civil society people the Maoists have to interact with ordinary people on a daily basis. For instance, when the Maoists were about to resign from power, a huge delegation of the civil society sector went to see the Prime Minister to see whether some kind of compromise could be found, but there was not enough time for the Maoists to consider the pros and cons of their resignation. I think they are now, with hindsight, regretting leaving power. That sort of maturity in the political decision-making process is coming; very slowly but it is there. That is the reason why I am optimistic.

**Q15 Andrew Stunell:** May I take you to one or two of the practical issues? Of course, after a short visit, we cannot claim to be experts but clearly there were tremendous differences between the people at the lower level on the lowlands in Nepal and the hill country, the mountain country, the ethnic divisions as well. How do you see that federal constitution being resolved? Political parties have very different interests, ethnic groups, very different interests. Your optimism has a real challenge when it comes to that federal element.

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**Professor Subedi:** Indeed. It will depend on how many federal states there will be. When the process has reached the full house it will have to decide how many federal units, whether 14 or eight or seven or 16, 17 there should be. The higher the number the more the people are likely to be satisfied with the outcome in the short-term. At the moment people are looking for a political framework, a political settlement for empowerment. What they will gain from that political settlement ultimately is a different matter but people are focusing now on a political settlement, but what sort of settlement there will be for them remains to be seen. I think if the leaders from all major political parties are able to come together and agree on the federal structure of the country that will satisfy a lot of people. Then there will be competition among all the different federal units to do as much as possible for their own unit, whatever name is given to that unit. If the energy which has been coming out at the grassroots level at the moment can be channelled in a constructive manner to strengthen the federal unit, then the people will perhaps realise that there is hope for them. At the moment the focus is on the number of federal units the country should have. But whether having more will mean more disintegration or whether they will be viable units economically or in terms of other factors remains to be seen. For instance, some of the natural resources the country has are rivers which originate up in the Himalayas and then flow through different valleys, different districts, different zones, and end ultimately into the River Ganges. Who will have a better say in the allocation of the water of these rivers? How can you agree on a formula? Even in India we have seen disputes going on between different federal states. In the United States the dispute was quite a prominent one in the 1920s and 1930s and they have settled most of their problems. When you create a new federal structure you create new problems with regard to the allocation of resources and sharing of resources. If people are able to pay attention to these possibilities of conflict before adopting a federal framework, then the country should be able to have a more politically stable system in place.

**Q16 Andrew Stunell:** For the sharing of resources you need a small number of federal units.

**Professor Subedi:** Yes, I agree.

**Q17 Andrew Stunell:** For the satisfaction of ethnicity and other factors you need a large number of federal units.

**Professor Subedi:** Yes, that is the demand.

**Q18 Andrew Stunell:** Do you have a personal view about what the right number will be and its constitution?

**Professor Subedi:** I have expressed my personal views through articles in the national and international media and on other contemporary affairs in Nepal. My own position is that with the federal structure could be based on the existing framework of five development regions. Nepal has not seen any meaningful decentralisation over the

past 60 or so years. While one of the problems is the absence of land reform the other is the absence of genuine decentralisation of power from Kathmandu. Even today too much power is concentrated in Kathmandu in Singha Durbar. To achieve a meaningful decentralisation you could perhaps have five federal units, broadly along the existing structure. If there is meaningful decentralisation of power people would be able to understand that they will have access to the resources which belong to that particular region. I would say perhaps five to seven federal states would be better to avoid further conflict—conflicts for resources, conflicts for revenues, conflicts for other things within the country—in the future. The numbers should be smaller rather than bigger but at the same time the demand of the population is for a larger number of federal units, around 14 to 16, and that may bring some problems in the future. It depends how the constitution is able to divide power between the centre and the federal units. If more power is given to the federal units and really meaningful decentralisation takes place people may be satisfied with a smaller but viable units. Federalism is just a name, you can have devolution, decentralisation or other different schemes but the ultimate aim should be a proper decentralisation—decentralisation of power from Kathmandu, not only in the constitution but also in terms of the physical infrastructure. At the moment the concentration of education, health and other facilities is in Kathmandu, a small valley. You may have seen it for yourselves during your last visit to the country. This has meant that to access public services people have to come to Kathmandu. Why should people all the way from Doti in the far western part or from the far eastern part have to come to Kathmandu for services that they need in their own region? Decentralising the infrastructure of the central government itself, not only in terms of the power in the constitution but taking out some of the big departments, big hospitals, perhaps the big university departments to different parts of the country. Then people will be satisfied and say “Look, a big hospital has come to my part of the country and I do not have to go all the way to Kathmandu all the time”. That is where the focus has to be put in the years to come.

**Ms Philipson:** I cannot comment on the legal aspects, that is absolutely Surya’s expertise and not mine, but politically I am not so optimistic; just to register that. I think part of that is because of some of the comments made earlier about political brinkmanship in Nepal around deals, but there is another factor and that goes back to the whole area of impunity in that I am not sure they will come to a solution quickly enough to avoid social disruption. You can talk about the Madhes but the Madhes itself is so divided both caste-wise, geographically and politically in terms of political means and ends. There are massive divisions within each of these so the level of social disruption can be very high and come up very quickly. I am worried that the whole constitutional process scheduled to end in May 2010 will not get its act together quickly enough to

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convince these social forces and that, combined with the levels of impunity which we discussed earlier which impinge on the rule of law, even if they do get their act together, means compromises, means people having to accept compromises and one has to ask whether the rule of law is strong enough to allow that to happen. These are very big questions.

**John Battle:** We will have some questions on security and impunity later. Just one other question on local government which ties in with the constitutional question before we go to inequality.

**Q19 Mr Sharma:** What problems are arising from the absence of elected local government in Nepal over six years now since that election took place? Do you expect local elections to take place in the near future and how can donors support the development of stronger, more effective local government?

**Professor Subedi:** Thank you, that is one of the issues at the heart of the debate going on within the country. For ordinary people it is important to access resources and services through the local unit. However, at the moment the units are elected, in some cases not even in existence at all. Elections taking place for local bodies before the adoption of the constitution, given the situation the country is in at the moment, is unlikely. Therefore, the constitution has to be put in place, the election for the national parliament has to take place, then there will be the issue of the election of local bodies in the third or fourth phase of the political process. The absence of elected local bodies for normal people is the absence of a functioning state. Although the literacy rate has gone up to 58% or so a vast majority of the population still lives in the rural areas and for them the presence of the state, the relationship vis-à-vis the local government, does matter a great deal. They become frustrated when they do not see local authorities in their offices when they have to access public services and when they have to deal with the government. They worry how they are able to get these services. that they need That is what matters to most of the ordinary people. From that point of view the level of participation of the people in the decision making process at the local level has been ineffective or non-existent. The local bodies that were paralysed 1990s, ie during the conflict, are still not functioning properly. The political process has been with us for nearly three years but for the ordinary people living in rural areas the government has not come back to them.

**Ms Philipson:** That is right. Yes, there is no structure in place to have elections at the moment until the constitutional process carries forward. I think we should not be under the illusion that therefore there is a complete vacuum in these places. That is quite important in the sense that things have been happening, services have been delivered by somebody, somehow. Some of them may have been done altruistically, many areas of control are held by different political parties, some by the Maoists and one or two by other political parties. Actually enacting a constitution which deals with local structures will not make those go away and there are areas of potential conflict there at the local level with

the imposition of a new structure and that has to be dealt with as well and has to be borne in mind and not just assumed that putting the structure down is the end of the story. On a local level it might be the beginning of the story.

**Q20 Mr Singh:** It is quite clear that Nepal is a very unequal society at various different levels and one of the reasons for the Maoist insurgency was about equality and inclusion. There was some hope that the peace agreement might lead to a new Nepal which was more equal and more inclusive. That seems a distant prospect, given the situation in Nepal at the moment. Apart from the Maoists does any other party have that drive and agenda for inclusion and equality? If the Maoists were back in power, do they have the wherewithal to make the necessary reforms and changes?

**Ms Philipson:** The Maoists have undoubtedly led the way; there is no question about that. Whilst saying it is clearly a long way from a new Nepal, and I agree with you, one has to look how far Nepal has come on some of these issues. Even in the 10 years since I have been going to Nepal there have been huge differences, not just in Kathmandu. One of the good things which came out of the Maoist insurrection was that it gave a lot of confidence to some of the more repressed groups and that confidence has continued. That of course fuels demand, which is what we were talking about earlier. In my opinion the other political parties do not have that agenda as such. If one looks at the profile of the Constituent Assembly from the different parties, what you very much have is a whole influx of new people to politics and therefore a much more ethnically mixed and gender mixed group from the Maoists and from the other political parties. Of course the other political parties already had their cadres there, so they have to get rid of them in order to bring other people in which may take longer but, if I am honest, I do not see the driving force to do that at the head of any of the traditional parties.

**Ms Cave:** There is greater movement within civil society and growing pressure on political parties to change that and the international community is playing a role in that. You can see it with civil society, media, et cetera and, for example, with the Madhesi movement. There is a provision within parliament for a quota of women but there are flaws in that process and a lot of the women who are parliamentarians do not have previous experience of politics. They need to understand better how that works and of course you cannot guarantee that they will necessarily promote the rights you might want to see a woman promoting. You also see it in the Nepal army and the Nepal police. They all have quotas as well in terms of caste and ethnicity and gender but then you need to look a little deeper at what positions those people hold. For example, women tend to hold more administrative and local jobs, they do not have high ranking positions generally. Some change is happening but it is really the pressure which will be put on politicians and the government which will actually make more change happen over time. It is a very long-term process.

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When one of the issues we look at is gender and security, you are not going to get a cultural shift in perceptions on gender overnight at all and that is something which I think other donors also need to look at in terms of the support they provide to civil society organisations, to the government and other stakeholders. You have to be in for the long term; you are not going to get quick tangible results. You may get some in the short term but it is a long-term investment.

**Professor Subedi:** Inequalities between different ethnic, linguistic and religious groups and the widening gap between rich and poor within the same group has been a problem. That the gap has been widening in the recent past and that is worrying. With regard to the questions as to whether other political parties are as committed as the Maoists to eliminate inequalities, I did do a survey of the political manifesto of all three major political parties when they were participating in the election for the Constituent Assembly. That was an occasion when they had to outline how they were going to govern the country if elected. The other opportunity was during the drafting of the interim constitution was taking place. All political parties submitted a comprehensive document outlining their vision for the country. If you look at these documents, you will not see much difference in terms of their commitment on paper, but who is actually serious in implementing the commitments made is a different matter. If you just look at the commitments, the set of recommendations submitted by the three major political parties in the preparation of the interim constitution and in the run-up to the election for the Constituent Assembly, the wish lists are very similar; only 10% to 15% are different. Nearly 80% to 85% of the ambitions for the country of major political parties are the same. The ground reality is the same and they are aware of this. But having it adopted on paper, taking it seriously and pursuing it seriously are different matters. The commitment on the part of some of the political parties has been lacking in this regard. For instance whether the women who now are represented in the Constituent Assembly do exercise meaningful power or not is a matter worth considering. The composition of the Constituent Assembly itself is a very encouraging thing in Nepal. Women's participation is much higher than in other south-east Asian countries and the number of people represented from Dalits and other disadvantaged and marginalised groups is much greater; whether they are able to exercise meaningful power or are actually in the decision-making level of different political parties is a matter worth examining. We have come some way in achieving that gender equality and other forms of equality in the political process itself. Social and economic inequality is a much greater issue.

**Q21 Mr Singh:** Are the donors, for example DFID, making any difference at all in terms of gender equality or other forms of discrimination?

**Ms Philipson:** This is one area where DFID have actually made some small achievements and these small achievements are big achievements actually in

these things. The work that DFID have done, on the gender side particularly, but also with different ethnic groups, has and will continue to help to build the confidence of those groups to make those demands which Surya is outlining. To continue that work is very good. I go back to an earlier point, it may be—and I have not looked at in depth, so I do not know this is the case but it may be—given all of these groups have such a broad political spectrum within them, that DFID need to have a better understanding of the details of that spectrum within the various groups they are working with and where they are located, to understand the total picture. It is not just about getting out more but it is also about having an analytical capability in-house to respond to this and not just have reports which are done externally, which then get read or not, as the case may be.

**Q22 Andrew Stunell:** It would be interesting to pursue that point, but perhaps not just at the moment. To come back to the issue of economic power, clearly land ownership is a very important part of the equation. It has been described to us as currently being a rather feudal system, as we would understand it. What steps do you think can be taken to get more equal access to land ownership and what is the role of the donors in moving towards that?

**Professor Subedi:** I would say a genuine and sincere land reform project, including some sort of ceiling on land holding and compensating the the rightful owners of that land if they are going to be asked to give away their land is where I think the conflict will come. If you believe in democracy, you have to believe in the right to property. When you are asking somebody to part with their property, how are you going to compensate them? If they are willing to give up voluntarily for the greater good of the country, so much the better, but we know human nature is not like that. First, having a policy in place and then finding a mechanism to compensate the people who will be asked to give up their land in favour of the landless, those who actually till the land, those who are actually working on the farms, is the challenge.

**Q23 Andrew Stunell:** As simple as that?

**Professor Subedi:** It is not as simple as that because it is a very complex society. It is not a homogeneous society. For instance, whether the Terai parties, which have come to prominence and are led by the elite from the Terai, actually represents the real interests of the grassroots Terai people remains to be seen. It is a long-term process and land reform cannot be achieved overnight. Efforts were made in the past, I think, in 1964, when King Mahendra introduced some form of land reform including some ceiling on how much land people can own, but that was not implemented with the degree of seriousness required. When the Maoist conflict intensified around 2001–02, when Sher Bahadur Deuba was prime minister, action was taken at that time. But it was not through a piece of legislation but through a decision of the Cabinet to introduce some sort of land reform agenda but again that did not work that well. People know what ought to be done.

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Having the courage to do it and then seeing through the reform that they want to carry out in the country is the challenge.

**Q24 Andrew Stunell:** On the role of the donors, let us say DFID, in what action is it realistic for them to take part in supporting and promoting land reform?

**Professor Subedi:** Providing some comparative knowledge and experience of land reform elsewhere in other parts of the world, what the challenges were, how they addressed those challenges. Perhaps providing some models and working out some different strategies, understanding the realities within the country and sharing international experience and then encouraging the main political parties to have some common position. Political parties are mindful that if they goes too far in that direction, that may be a vote-losing exercise for them. Therefore, it is important to have a common policy agreed by the three main political parties. Some persuasion by giving examples of international experience by organisations like DFID would be helpful. Nepal is not the only country which is going through a period of transition; there have been several other countries which have been through similar experiences. It would be interesting to know how have they addressed such issues as very many countries have progressed to a better system or a more modern system, what has their experience been like, what can Nepal do, and consider what different measures and packages could be put in place in Nepal That is the challenge for DFID and other donor agencies.

**Ms Philipson:** In technical terms of course the whole area of land registration is a nice easy technical package which can be taken forward but to suppose that is the solution to the question would be a grave error. To understand the land question, which is acute in the Terai and much less acute in the hills, other than in specific places, one has to understand the whole feudal patron/client relationships around the caste and clan structures of the Terai and the current holdings, which of course are not properly registered in any way. That is a minefield which will require a much greater stability both in the Terai itself and at the central political level before there could be any hope of that going forward in any realistic way.

**Q25 Mr Sharma:** We are told that security and justice are the priorities for the poor people in Nepal, yet many people, especially women and other disadvantaged groups or marginalised groups, have very little faith in the ability of the state to protect them. What is your assessment of the main obstacles to improving security? What impact is the lack of security having on everyday life and economic development in Nepal? How can the international community support implementing it?

**Ms Philipson:** I have mentioned impunity several times already. I do think this is one of the most important issues. We have talked about impunity in terms of the impact holding some of the big people to account for some of the serious crimes they have committed will have on poor people in terms of

restoring their confidence in the system and perhaps persuading others within the system to do their duty. I have also mentioned the police report, a very good report commissioned by DFID. I cannot remember when, but a couple of years ago maybe. I do not think this has had the follow-through it deserved and if you are talking about any kind of reform of the police, then you need to have the tenacity to take that through. You are talking about changing the behaviour of an institution, behavioural changes are notoriously difficult to manage and do take time. I personally am rather disappointed that has not gone forward because I thought it had potential. In terms of the experience in the countryside, it is very much the rule of the gun by and large at the moment. Rosy can probably say more about this in terms of some of the experiences they have and some of the research they have done with poor people. My impression is that poor people have their own networks, they have their own patron/client relationships, they have their own links to political parties which they hope will somehow haul them out of trouble when they get into trouble, or not, as the case may be. It is really rather anarchic and that is why I put impunity and the rule of law as the most important thing and I think it affects everything we are talking about today throughout all classes and castes.

**Ms Cave:** Saferworld does an annual tracker on public perceptions of security and justice in Nepal; we have been doing this for three years now. It is quite interesting. The key point is that it is perceptions; it is not necessarily reality. Public perceptions are changing about safety and security for them on an individual and community basis and they are not surprising findings really but after the Comprehensive Peace Agreement people were very optimistic about the future of Nepal and how they saw it moving forward and that has diminished over time. Conversely, people have become more trusting of the police and feel that it can be effective but that does not necessarily make them feel that security has actually increased for them; they still feel there is quite a lot of potential danger from the threat of violence and crime. Also, something we are finding is that when you actually break it down, looking at, say, trust in the police and their effectiveness, there are disparities between different types of groups and it is the poor who feel they are not getting what they want from the police, that they are not represented by the police. Within that group of poor, obviously you have the key marginalised and vulnerable groups like women, like disadvantaged castes and ethnic groups and they do not necessarily use the police because they think they will get discriminated against because there is corruption, there is politicisation of the police. You might get someone who is caught for committing a crime but then the local political party leader comes round to the police station and says actually that person is pretty important in what they are doing and they need to let them go. So people cannot see that the criminal justice system is necessarily effective. The police also face their own challenges in delivering their service. They are poorly equipped, under-resourced, they have poor pay, long working hours, high rotation

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levels, so even if there is a will and a commitment to deliver a service they may not actually be able to do that. Also, thinking about the court system, again poor groups find there is a high cost involved and they cannot afford the lawyers' fees for it, there is no provision of legal aid for people, also the trial can be very lengthy and they feel they suffer discrimination and of course there is corruption too. A lot of people do use alternative mechanisms, informal security and justice mechanisms. Less so on the security side but there may well be an increase in that linked to the release of Maoist army combatants; they may move into private security and there are all sorts of implications then at the community level as well as nationwide. In terms of informal justice mechanisms, a wide number of different mechanisms are used including paralegal committees, also speaking to community leaders. So the chief district officers, the CDOs, are actually quite powerful and often you will find that cases go to them before they are taken to the police or to the courts. That also has some problems because they are in a quite powerful position and they do not want to see the successful development of local peace committees because they feel that would be taking power away from them. There are lots of issues there about politicisation of the criminal justice system but also practical restrictions on what they can deliver. Our research is also showing that small arms are proliferating and being used more frequently. Last year in the 2008 survey we found that it was mainly Madhesi groups who were aware of the use of small arms; they saw them in their community. Non-Madhesi mostly saw guns when they were with the police or with someone who was allowed to possess a weapon. However, this year the research found that actually now all groups are becoming more familiar with small arms within their community and there are obviously issues there around porous borders, especially coming over from India, from Bihar and also UP.<sup>1</sup> I think you will find there is transit from other areas as well and possibly also from China. The availability of small arms is increasing; they are not very expensive to buy now and you can even buy them in Kathmandu; they are there. Especially with youth unemployment, poverty issues, you may well see an increase in their use. Just thinking about the economic question, the business community is being targeted by the increasing numbers of armed groups we are seeing in Terai and elsewhere. Extortion and kidnapping are taking place on a much more regular basis, so there is not much incentive for them to develop their businesses, to invest in their businesses, to create jobs for those target groups which really need to get jobs. A colleague of mine was saying to me that this is also true for Nepalis who are not based in Nepal but are thinking about returning. They may well be able to invest in the economy but at the moment they have no desire to do that because it does not look like a good investment, yet they could be a really good opportunity for job creation in the future.

**Professor Subedi:** The situation varies from one part of the country to another, especially in the Terai. There are so many different gangs operating because

of the long, open and porous border. If you are talking about the hills, the situation has improved. Many people who came to live in the district headquarters or in Kathmandu have now started to return, especially to the hill areas. There is a greater confidence in the people now. Those who cannot afford to live any more in the big cities are returning. The state withdrew during the political conflict. That withdrawal was so widespread that it has taken much longer than anticipated for the state to return but it is returning and people are feeling much more confident now, especially in the hill areas; the problem is mainly in the Terai area. Another worrying trend is the high politicisation of the law enforcement agencies. Rather than developing them as professional forces, whoever comes to power tries to influence them as much as possible, changing the very structure of the institutions. That is a big risk for the effectiveness of the law enforcement agencies since whichever political party has held power they have tried to turn the law enforcement into their favour and that is a worrying trend.

**Q26 Mr Singh:** Obviously the poor access justice or dispute resolution through informal means, paralegal means. Should DFID be putting its money into improving access to the formal legal system or putting its money into the informal justice system?

**Ms Philipson:** It is not necessarily an either/or question. There is a grave need for the formal justice system to function but there is also an immediate need for there to be other systems. If you look throughout south Asia, there are very successful informal justice systems operating in different places. Indeed in Nepal there are many traditional mechanisms and some of them have all the problems associated with traditional mechanisms, of not being gender friendly, et cetera, et cetera, shoring up status quo, elite power, et cetera. Some of them are quite good and some of them may provide a basis, not only in the interim but in the longer term, for dealing with small crimes in many areas. To get a justice system in Nepal which is actually operating properly in every part of the country is going to take years. So those informal justice systems, if they are informal justice systems and not illegal justice systems—and there is a big difference and there are both in Nepal—can form a very important part of helping to provide a little more security for ordinary people in Nepal, which has to be the objective. It is not either/or: it is both.

**Professor Subedi:** I would agree with you there. The institution, before the conflict began, was that of local bodies known as *panchayats*, small bodies run by village elders under the framework of a village development committee but that process is now being replaced by the local political machine. That is a worrying trend in villages. When they have a small dispute, rather than going to the *panchayat* mechanism they go to the political party apparatus and that is where the problem is at the moment with regard to resolving small disputes at the local level.

**Ms Philipson:** I was not particularly thinking of the *panchayats* when I was talking about traditional mechanisms but all the different ethnic groups. Some

<sup>1</sup> Uttar Pradesh

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of them have quite similar traditional mechanisms which are more socially based rather than politically or structurally based. They might provide a better way forward in certain circumstances.

**Ms Cave:** Our research is coming out with the same kind of findings. There may be ways to tap into the informal mechanisms and use them in the short to medium possibly even longer term but with a strong note of caution that they are not all good and they are not all equal and inclusive. You need to be very careful. One of the challenges there is that there are hundreds of different types of mechanisms, having a good understanding of what is out there first and what functions well and needs to be done before you can automatically say “Right—we should be using those in addition, to complement the formal provision of security and justice.”

**Q27 Andrew Stunell:** Could Saferworld just say something about how you are contributing to that process? It is very interesting material about the survey and I would be quite interested if you could send some of that to the Committee, but could you just say something about the actual projects you are working on and whether that is in conjunction with DFID and how DFID might engage with that?

**Ms Cave:** Basically our Nepal country programme focuses on security and justice issues and we have three strands to it: the first is research where we do this annual tracker survey on public perceptions of security and justice. That is nationwide and we look at 3,000 households and supplement it with in-depth interviews, focus group discussions. We also do a series of validation work with different stakeholders including, say, the police, political party leaders, also the communities where we have conducted the research, to get them to validate or comment on the key findings that we are getting from it so that when the report is published it covers everyone’s opinions. A second strand of work which is supported by DFID is a high level security policy dialogue and that is much more Kathmandu focused but it is really trying to get information from other parts of Nepal into that Kathmandu policy dialogue on security and justice issues. At the moment that is actually focusing only on integration and rehabilitation and a lot of the work we are doing is supporting a Nepali think tank to support the technical committee on supervision, integration and rehabilitation. The overall programme for that particular project is meant to look more broadly at security and justice issues. The third strand is a bottom-up civil society project on justice and security. We work with a number of different organisations, four of whom are Nepali civil society organisations. What we are trying to do there is to raise people’s understanding and awareness of security and justice issues and their rights and to help them advocate more effectively for them. One of the key things we are finding, especially when we conduct a survey, is that you can ask people these questions, but they do not really know what you are talking about. I also see it more worryingly during the high-level security dialogue. People do not really have an understanding of what we may mean by

security and justice or they understand it maybe on an individual basis on a particular issue but not in a comprehensive system-wide approach to security and justice in the way that the work at Saferworld addresses these issues. For us that civil-society, bottom-up component is critical. We do a number of different things there with the training of trainers to then trickle down so training can be conducted at the district level on security and justice issues also how to advocate on it, how to do media work on it. There is a series of radio programmes on security and justice issues. One is a type of round table discussion programme where there is also a phone-in function for people to use and there is an audience who can ask questions; a sort of Nepali *Question Time* type of thing on the radio. It is done in local languages as well as in Nepali and that is a really good opportunity to bring the different stakeholders together. We piloted it last year and, for example, the police were not very interested in participating initially because they felt it was putting them on the spot in a difficult situation but as they did participate they realised it was a good opportunity to talk about the challenges which they faced. That is an opportunity to develop those relationships between communities and the other key stakeholders, local government authorities, security service providers which is really critical and something which you can see needs to be built on to develop trust and confidence, particularly with the disadvantaged and marginalised groups. There are lots of different strands. In terms of DFID support, I think it is great that they are supporting that high level security policy dialogue but I do feel much more needs to be done from the bottom up as well and that the two complement each other, especially then having the research where you have baseline data that you can track each year to look at indicators and see what kind of progress is being made, whether there are any changes in attitudes and behaviour, et cetera. My understanding is that DFID are looking to do more at the community level and I am only talking about security and justice. I am sure they do a lot at the community level already on other issues but in terms of the work we look at they are looking to develop that next year, linking into community policing, probably building on the work they have done previously, but I know they have had problems in terms of getting buy-in from the home ministry to take that work forward. There are some developments but we would always pitch that the UK keep doing stuff from the bottom up, even when you do not necessarily get the buy-in from the high level or you could be working just with champions of change within government even when you do not have that buy-in and complement it with work you do in civil society.

**Q28 Mr Sharma:** We have already touched on many areas concerning the police either directly or indirectly. Generally it is a considered view that the police are corrupt, police morale is very low and everybody says that there is political interference in the police work. What impact has the recently introduced Special Security Plan had? Do you

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regard this as a positive step? What support for reform in this area can the international community provide to improve the police in that area?

**Ms Philipson:** A lot of work has been done on this and DFID already has a lot of recommendations in this regard. Yes, they are regarded as corrupt, yes, they do not get paid enough, but maybe I will just tell a small anecdote. About a couple of years ago someone I know was in Terai and looking at violence in Terai and she was interviewing different police, people in different areas. The shocking thing at the end was that there had been all these reports of violence and she asked how many people were held in custody; it was some ridiculous number like two. She expressed surprise and said “Don’t you arrest them?” and the police said “Yes, we arrest them and every time we arrest someone we put them in prison and that night we get a call from a politician in Kathmandu, depending on which party they are affiliated to, and we are told to release them, so we never have anyone in custody”. I think that the police, yes, are corrupt and do not get paid enough, but it is not possible for a small policeman in some small place to say no when rung by a politician or a minister and as long as that pertains then the problems will remain. In Bihar across the border they have a new defence minister who gave his mobile phone number to every police station and said “As soon as a politician walks in you ring me or you are sacked” and they are beginning to have some impact.

**Q29 John Battle:** Thank goodness politicians and even ministers do not have that kind of power here.

**Professor Subedi:** The criminal justice system is outdated. It was put in place in 1964 through a Napoleonic-style code which covered both criminal and civil matters. The involvement of a legal official in the form of a public prosecutor right from the very beginning of the investigation process, i.e. since a crime has been reported to the police, in the form of some external scrutiny, has to be there; that has been realised and the process of adopting a new criminal code for the country is underway, but it is taking a long time. Hopefully within the next two to three years the new criminal code should be in place. When that code is in place, perhaps an active involvement of the legal official, the district public prosecutor, acting on behalf of the Solicitor General or Attorney General, will minimise politicisation and the opportunity for corruption in the police. .

**Ms Cave:** May I respond also to the point about the Special Security Plan—it has a number of different names. People are seeing that as a result of that there is a decrease in crime and that is happening in large parts of the country. There are still some issues in Terai but in parts of Terai crime has decreased since that has been implemented. There are still perceptions though and fears and concerns about crime and violence that still exist even if actual crime rates are reducing. From our perspective, one thing which seems a bit worrying about the implementation of that plan is the use of the armed police force that has been deployed to the Terai to improve security and I do not think that is

necessarily a positive step. Really that should be the role of the police and not the armed police force. That probably says a lot about the capacity and capability of the Nepal police but I think they need to focus on addressing that too.

**Q30 Mr Singh:** Can we come on to employment? This Committee observed in their 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”. Would you agree that applies also to Nepal? Would you be able to comment on the efforts of donors—obviously we are interested in DFID—in trying to generate employment for young people in Nepal, whether that has been effective or ineffective?

**Ms Philipson:** On the quotation, I think that the large numbers of unemployed men, if they are mobilised wrongly, present a threat. In Nepal we are at the end of a civil war and first of all one has to remember the ratio of women who were active in the Maoist militia; it is not just men we are talking about here. Demobilisation just has not happened and certainly the militia morphed into the YCL<sup>2</sup> and was never demobilised. So what you have is not only a lot of young men but a lot of young women who have learnt that the way to survive is through the gun. It is quite hard to generate employment at a fast enough rate at a level which gives the same gain and that is the big challenge. It is not just about creating employment, though that is important in itself and I am not saying it is not. However, it is about understanding the whole context where you have people who have not been through any transformation, have not been through any demobilisation process, who have been using the gun, where the gun is seen as the way forward. That is beyond just creating employment policies.

**Q31 Mr Singh:** That is specific to the demobilisation. In terms of more general employment amongst young men in Nepal.

**Ms Philipson:** The context is really that they are more likely to pick up a gun so it has a wider implication.

**Ms Cave:** I would add that a lot of the unemployed youth might be part of political armed groups but there are also increasing numbers of other armed groups which are criminal groups. The majority of the armed groups are criminal, only a very small number are political, but the political ones can have relatively high numbers and there is a direct correlation there between unemployment, poverty and the security and justice situation. From a Saferworld perspective we would very much say that you need to improve the security and justice situation before you are going to be able successfully to tackle issues around employment. You are just not going to get the business community wanting to invest in this and create jobs for them when they are worried that someone they employ is then going to kidnap them, extort from them, I do not know what.

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<sup>2</sup> Young Communist League

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In that sense we are very supportive of DFID's white paper and security and justice being identified as basic services with the delivery of development, because we do see it as quite critical. Nepal is a really good illustration of how that needs to be addressed to achieve longer-term sustainable development.

**Professor Subedi:** The level of unemployment at both graduate and non-graduate level, skilled and unskilled youth, is a big problem. That will remain a challenge to democracy and political stability in the country for a long time to come. That has not been addressed properly. If you are a young man or woman aspiring to do something for your family, one of the options you look for is to leave the country and go abroad. Therefore, Nepal has been exporting its young population in large numbers to other south Asian countries, the Middle East and increasingly now to European and American destinations. When I was going through DFID's report, I thought of a couple of things. Maybe the British Government are doing what I am going to say at a multilateral or international level. The priorities identified by the DFID in Nepal are as follows: improving governance, economic growth, health and education. From my reading, Britain had a policy in Nepal until recently of investing more heavily in infrastructure-related projects. Now the emphasis seems to be more on governance, more on soft issues, the issues of the day rather than infrastructure-related investment. For instance, the road built with the support given by the British Government is still delivering business; whatever produce people have they are able to market it, send to other bigger cities and supplement their income. Also, one of the ways of generating income for a country like Nepal, which is a least-developed country is promoting exports. If you are a prospective foreign investor, it would make sense to invest in Nepal rather than in one of the neighbouring countries because any product heading for international markets from Nepal will attract dual tariffs, duty free products, free access that any product produced in Nepal will enjoy. But for this there has to be political stability, more assurance around security and so forth, That would be one way of generating income and creating employment opportunities. I did not see the issue of aid for trade figuring anywhere in the DFID report. Also another area is, perhaps moving away from infrastructure-related projects, the melting of the ice in the Himalayas. We have to consider seriously what sort of impact will it have on people's livelihoods. The irrigation network that exists today may not work properly and the flow of water may diminish, especially in the dry season. We have to consider what alternative network of irrigation the country will require. Therefore, when I say infrastructure-related projects I also mean irrigation networks. That also does not seem to figure prominently in the report. Therefore, the issue of economic growth is related to youth employment, youth employment is related to supporting the activities which are more long lasting. There are so many other donor agencies working to improve governance today, helping the Constituent

Assembly; it is overwhelmed actually. Every donor is interested in helping in the political process, rightly so, because unless you sort out your political problems you are not going to address much larger, longer-lasting issues. At the same time, perhaps DFID could pay more attention to infrastructure-related projects, creating employment opportunities through the expansion of aid for trade and what is also lacking is investment in higher education. What sort of quality of graduates are the universities producing? Yes, rightly the focus has been on primary and secondary education, but higher education is also a problem because you have graduates who do not have adequate skills to compete in an open market, nationally, internationally, regionally. When the economies of both China and India started to grow, India benefited, China benefited from outsourcing but when that sort of business activity graduates from India and China it should come to Nepal. Would the country be prepared to take outsourcing, if not from Europe from America, from India and China? The graduate work force, the graduates leaving universities, should be trained to tap those opportunities. This is also an area where DFID could provide more assistance. That also seems to be missing from the report of the DFID that I have read. Just to give you an example, many of the problems we have encountered are due to lack of professionalism; expertise is required, whether it is in the administration of justice or administration of other sectors of activity. When there is a greater need of expert human resources to steer the country in the right direction in so many areas of economic development, the number of scholarships, for instance, for people coming to British universities from Nepal has declined over the years; whereas it has gone up with regard to other countries. Why is this so? Maybe there are already enough countries offering that opportunity or there are some other underlying reasons which I have failed to understand. As an academic working at a university in this country I have noticed the absence of scholarship opportunities for talented Nepalese people to come and to train here and go back to offer their services to the country does. This matter not figure in the DFID report. In conclusion, unless we do something to address youth unemployment the challenges will remain and political stability will remain an issue.

**John Battle:** What I just want to reassure you is that in our visit climate change did feature of course, energy, water resources, the ice melt. Just looking at my notes here, we could do another three hours but we have had a good session on the security issues and I just want to close with a question on the borders, the wider relationships that you hinted at there with China and India in particular. I do not want you to get the impression we came away with a negative at all. We were very positive about the economic potential, particularly in terms of natural resources, energy, water for the whole region, agriculture and, of course, tourism and what that contribution could be if all the other factors we discussed could be sorted out in due course.

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**Q32 Andrew Stunell:** You have already mentioned relations with India and with China from a number of different angles. It has been put to us that Nepal was “a soft fruit between two rocks.” I just wondered whether you could say something about how Nepal can take advantage of its position and what the risks are for Nepal.

**Ms Philipson:** Historically it is being “the yam between two stones” which has been the basis of Nepal’s foreign policy. My impression is that both India and China have seen Nepal as the buffer state, which is the corollary to that, but they are both perhaps not as confident of Nepal’s efficacy as a buffer state as they used to be. The events in Nepal over recent years have resulted in increased Indian interest and activity around Nepal.

**Q33 Andrew Stunell:** You nearly said interference.

**Ms Philipson:** I was trying to avoid that because of its specific legal meaning; I was trying to avoid it. Yes, in ordinary language there has been. If you go to Nepal people talk about the original 12-point agreement between the Maoists and the political parties which was brokered by India in Delhi and that is now a very transparent level of diplomatic assistance, interference, whatever you want to call it. Many people saw that as positive. I certainly did at that stage. However, India sees itself and has always seen itself as a regional power and India classically mistakes influence for control and has done on several occasions throughout south Asia and it did the same thing in Nepal. India was very close to the king and had its two pillar policies of supporting the king and the democratic political parties. When the king took executive power over the country, India lost patience with the king and that resulted in the 12-point agreement. However, India has found that the political parties have also not proved so amenable, Maoists in particular have not proved so amenable to India’s wishes and India continues to interfere. India sees the army as the sort of last bulwark against the Maoists in Nepal and India’s continual support for the army and continual support for the traditional political parties in relation to the position on the army is worsening and it is increasingly intransigent around the issue of integration particularly. India has a very genuine interest in the Terai in terms of security issues. There are many journalists and analysts who cite India as having interfered and fomented some of the problems in the Terai. I can neither verify that nor deny it. However, there is an open border and India undoubtedly has an interest in that regard and maintains a great deal of watchfulness around that area. The other area which Surya could talk an awful lot more about is the water question which India has always been interested in and which has always been a big issue. So you have India getting more and more fingers within Nepal as opposed to influence upon Nepal. At the same time, China, which has always been quite passive but watchful, and whose main interest is Tibet and Taiwan, has become more vocal in relation to Nepal over recent years particularly through academics associated with the government

of China but also more directly through an increase in activity in terms of army visits, et cetera, from the Chinese PLA.<sup>3</sup> So the yam between the two stones is getting a little bruised with all of this, much more than previously. It is not clear where it is going. China has not interfered internally so much as India has in the past. India has played a very negative role of late and will probably continue to do so. That is probably one of the biggest problems for the peace process, the role India has taken in relation to integration in the army. China’s nervousness around Indian interference has been demonstrated by statements and very little else.

**Professor Subedi:** The level of China’s interest in Nepal has grown in the recent past. That has given India some cause for concern; hence both are competing for greater influence in the country. That is not necessarily a bad thing. Actually it is a good thing because whatever resources the country has, if two larger neighbours are competing for greater influence and the exploitation, the value will go up. Would Nepal be in a position to exploit its natural resources in the interests of the country? That is one big challenge. The other thing is that whenever people in Nepal talk about exploitation of hydropower potential, the talk has been about big projects, big dams. I know that to build a huge hydro-dam project it requires billions, not millions, but again one could take a different approach. Given the uncertainty surrounding science, the climate change and its impact on the Himalayas, perhaps smaller scale hydropower projects scattered along the middle hills and upper hills of Nepal could generate enough electricity to support the local population and industrial activity in cities like Pokhara, Dharan or in other places in the far west and mid west. An increase competition for greater influence on the part of two of the larger neighbours is not necessarily a negative thing in my opinion. Nepal can benefit from it if she is well prepared for it. We have seen very many countries exploiting the opportunity offered by greater competition amongst the regional powers’ immediate neighbours. At the same time, until recently people knew who to deal with in Nepal. There was a certain stability, but now there is an increase in the number of main political players and each of them is trying to seek favour from neighbouring countries. Prospective foreign investors too are not sure as to who to deal with and who to speak to in Nepal to do serious business in the country. That is the challenge. Once the political process, the peace process comes to a logical end, the new constitution is in place, the next challenge will be the first general election. If that election can take place in a reasonably free and fair manner and once people come to accept that even if you lose the election you must accept your role in opposition then Nepal will be on the road to democracy and stability. That will be the real test for the country. If you are more powerful, if you are bigger in size, economically and militarily, of course you want to exert as much pressure as possible or influence as much as possible the developments in your

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<sup>3</sup> People’s Liberation Army

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neighbourhood. That is a human nature. A state is no different from human nature. Exploitation of water resources has been a thorny issue between India and Nepal but that too can be worked out to mutual satisfaction. A system could be created if we were to focus more on smaller scale hydro-dam projects rather than waiting for one big one requiring billions of dollars. That may be the way forward. That is what DFID could consider carefully. I did put that question to the minister concerned when we had an interactive programme when the DFID report was being released. The

answer was that it requires a greater amount of money than the British Government can afford but again, yes, bigger amount of money for bigger projects but smaller projects can be supported and that is where I think the future lies.

**John Battle:** May I thank you most sincerely for your contributions to our inquiry this morning. It has certainly deepened our questions and our research. We will have other sessions and other witnesses and we will probably interview the minister as well to see how the programme has gone. Thank you very much for your contributions this morning.

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**Tuesday 12 January 2010**

Members present

Malcolm Bruce, in the Chair

John Battle  
Hugh Bayley  
Mr Nigel Evans  
Mr Mark Hendrick

Mr Mark Lancaster  
Mr Virendra Sharma  
Andrew Stunell

*Witnesses:* **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, gave evidence.

**Q34 Chairman:** Good morning. Thank you very much for coming in to help complete our evidence on our report on Nepal. Can I thank all of you for coming and, for the record, could you introduce yourselves, please?

**Professor Costello:** I am Anthony Costello. I am Director at the UCL Institute for Global Health. I lived in Nepal in the 1980s and I have been working with Nepali groups for the last 25 years.

**Ms Doull:** I am Linda Doull. I am the Director of Health and Policy with the UK NGO Merlin and we have had a programme in Nepal since 2006.

**Mr Brown:** I am Simon Brown. I was a VSO volunteer in Nepal and recently the Assistant Country Director for VSO in Nepal.

**Q35 Chairman:** Thank you. As you know, the Committee visited Nepal at the end of last year and had a look at quite a lot of different aspects. The Committee split into two groups and went to different parts of western Nepal. That will inform some of our questions. If we start off looking at health where, in one sense, DFID are able to point to quite good indicators of improvements in health but, nevertheless, both the groups of the Committee visited hospitals and were made aware of the things that were problematic. I wonder if I could start on that. Which do you think are the groups that are least likely to be able to access healthcare and have the most problems? The thing we obviously appreciated is you do not have to travel very far in Nepal to realise people are living away from roads, there is very mountainous terrain, so access is difficult, plus the cost of travelling, and also in the hospitals we went to, whilst the people we saw were extremely good and committed, there were not enough of them to do what was expected. Which are the groups that we probably did not even see that are not getting the benefits or are suffering from the least access to healthcare provision at the moment?

**Ms Doull:** From Merlin's experience, I would just say that our programmes are based in Pyuthan and Rolpa districts, which are in the Mid-Western region, which are already very remote and mountainous, so *de facto* geographically there is a physical access barrier for many people who live there. Within that, there are the usual cultural exclusions that you experience throughout Nepal, particularly for the women, which obviously has an impact on reproductive health, and then on a caste

basis. From our own information the Dalits still have a problem accessing healthcare. To that end, free health services have been introduced for reproductive health, which is a very positive move from our side, and DFID are very supportive of that.

**Q36 Chairman:** Is that only for reproductive health? I thought it was more general than that.

**Ms Doull:** For reproductive health services. This is positive from our side but it is too early yet, we need to indicate to what extent that has made a difference. Free services alone are not the only issues that people take into consideration about decision-making, about accessing healthcare, and for women a lot of those issues are still related to their power within households, their own ability to decision-make or not. The difference that free health services make for reproductive health needs to be tracked quite closely. Certainly we have insufficient evidence to say whether that is working or not. That said, more women are delivering at health facilities. Whether that is purely down to free care or is a wider cultural change that has occurred through awareness raising activities that we have been doing particularly with women's groups, trying to create greater demand for services, we have yet to see.

**Q37 Chairman:** You have talked about empowerment and I suppose what you are saying is that men are reluctant to allow their women to go to clinics or wherever they can get safe delivery. If so, is that for reasons of cost or power or control? How do you get through that? Clearly, from the men's point of view one would like to think that they would not like to see their wives suffering possibly a disability as a result of poor delivery, or children being sick. It affects the men as well as the women, so it is not rationally in the interests of men to deny it. What is the root of that problem?

**Ms Doull:** It is fair to say men have an impact on the decision-making, but we also know that in places like Nepal and elsewhere in South East Asia actually it is mothers-in-law particularly. When a woman marries into a new household it is the mother-in-law who has a very strong control over her decision-making power as well. We have evidence or experience where people recognise the need, whether those are men or women, for women to seek care but then it does come down to an issue of poverty and whether they can actually afford that, which is why

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we are very supportive of DFID's strategy of free health services. Even if there is free healthcare you then have to get from A to B, so the care may be free when you get to the clinic but you still have to travel and that remains a barrier for many people.

**Professor Costello:** I think it is a rational decision for many of them to stay at home because their nearest health facility would be a sub-health post that does not offer delivery. Health posts generally have very low quality or absent access to delivery care, so if they are going to go they have got to go usually to a primary healthcare centre or a district hospital which, for the great majority of people, is a long way away. The really interesting thing about Nepal is why it has seen such improvement in its health indicators as it has. It is on target to achieve both Millennium Development Goals 4 and 5 and yet access to health services remains really quite poor. We are getting up towards an overall figure of about 19% delivering in hospital but that is distorted a lot by the urban figures—in many of the rural populations less than 5% or 8% will actually go—yet we are seeing this decline in maternal as well as child mortality rates. Under-5 mortality rates are now down to about 60. The latest figures from this, I think as yet unpublished, report from Options is a maternal mortality figure of around 230 for the country with, of course, variation. Generally, the further west you go in Nepal the indicators are worse than the east, as you will have discovered from your trip. It does raise the issue of why that is the case. One factor that I have noticed was when I lived in a district called Baglung in the 1980s—

**Q38 Chairman:** We visited there.

**Professor Costello:** That is an interesting place because when I was there it was a two day walk to get there, but now there is a road and it has quadrupled in size. In those days, if you went out to the health posts very few of them had regular supplies of drugs and that was the only option for people. In the 1980s and 1990s the government trained up a great number of people called community medical auxiliaries—CMAs—and they were not taken into the government system and a very large number of those—there are thousands and thousands of them—set up their own pharmacies and diagnostic facilities. To a large extent that private sector care does deliver a lot of the care to households in the more remote, mountainous areas. It is not just about the government facilities providing, say, access to antibiotics. I think that is one of the reasons why maternal mortality rates have come down, that even the poorest people in remote areas can get access to some lifesaving drugs even if they cannot get access to skilled birth attendants or a hospital delivery. The other thing to say is the quality of care at health facilities often remains very poor. Although DFID has done a lot to improve maternity care at some of the major hospitals, very often they are treated badly so, therefore, there is a big incentive for them to stay at home.

**Chairman:** The problem we saw in Baglung was that the place we visited was supposed to have seven doctors and it had two. They were very good doctors and we had a very good presentation but clearly they had an awful lot of work.

**Q39 Hugh Bayley:** My question would be what should donors be doing to try and strengthen the health delivery systems locally?

**Professor Costello:** That is a big question. Personally, I think the biggest gap in Nepal, and this has got a political undertone, is the weakness of local government. After the democracy movement in the early 1990s when you had a return to democracy, 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. Effectively, for the last seven or eight years local government has been virtually dead in Nepal. The constitution has not really resuscitated elected government. You have only got civil servants there and I think that is absolutely crucial because with accountable local politicians and better systems, that is going to be the most sustainable way to maintain the quality of local services.

**Ms Doull:** I would concur on some of that. From Merlin's perspective, while there are very good policies and strategies in place in terms of health system strengthening, and reproductive health in particular, to what extent those are applied effectively at local level is the challenge. What we see are gaps in relation to that in having a proper skilled workforce in place. In the districts where we worked previously, during the conflict a lot of health staff fled and, although there have been significant improvements, probably 85% of the staff are in the facilities where they should be on a relatively permanent basis, there is still that 15% gap to fill. Also, the incentives that have been introduced to retain staff in the remote areas do not necessarily filter through as they should do, there is a lack of transparency around that. There needs to be much more accountability and monitoring that these initiatives are actually happening and being used for the correct purpose. I would agree with what was said earlier about staff at community level, non-government staff, and the emphasis on building up the cadre of community workers and creating a connection between them and the formal health system to create that stronger compact between the communities which are using the services and those who are providing them, so again there is greater accountability and awareness of what services should be available to people. From our perspective of where DFID is, some of the other donors in Nepal are much more engaged at the regional and district level with health services whereas our perception is DFID is slightly more Kathmandu centrally based. There are perhaps ways that we can strengthen that regional engagement that may be quite useful to add some sort of pressure on local government and accountability mechanisms.

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**Q40 Hugh Bayley:** Is it a wish list or a policy? If there were active, strong effective local government I quite understand that would provide the framework for promoting and holding accountable health services, but at the moment there is not, and if we were to say, “Well, donors, you would be strengthening local government”, it could be a long time before you would have the delivery systems and you could be five health emergencies down the track. What could be done without resuscitating local government to create local accountability structures of the kind that you think are needed to improve delivery?

**Ms Doull:** There is a very robust civil society movement throughout Nepal, even in the most remote areas, but there is insufficient engagement with those groups. There are fora but, again, they are fairly centrally focused, so if there are ways in which those fora could be encouraged for those discussions to take place, because unless you create that dialogue you do not create demand for accountability, it could almost come from a bottom-up approach. That is where organisations like ourselves can facilitate civil society to take that step and work, because we work with the district health authorities, to encourage those agencies or groups to come together. I think it is important that there is donor engagement in that as well. It does not have to be particularly often but at least so there is some sort of tripartite dialogue going on. I think there is a potential mechanism there but it is not being as encouraged as it should be.

**Mr Brown:** Coming back on to local government, it is right that there has to be a very strong Ministry of Health and health programme and there has to be a very strong local government. We need to recognise that those things are beginning to happen as well, there is an active DFID and other organisations’ sponsored programme to resuscitate local government and get it moving, and that will take time, but in the interim there still needs to be an improvement of health services. There is, and has been, a very strong national health sector programme. The first five year strategy is now ending and finishing this year, the next one is just being created. We need to recognise there are things that are very positive that can be built on. The Ministry of Health, particularly, are recognising that women are disadvantaged in access to healthcare and there are very specific parts of maternal healthcare that need to be addressed with more vigour—for example, there is a huge problem of prolapsed uterus in Nepal—and there are other groups that need specific support, such as mental health. We need to recognise that DFID sponsored programmes that are happening already are doing quite a decent job and need to be encouraged to do even more. There is good work going on there.

**Q41 Mr Sharma:** Very briefly, and you have touched on it, there are the village doctors as I would call them, those who go into the remote villages but are not qualified under the present system. How much recognition do they have or any working relationship between the official health state and

those people who traditionally have given the service and maybe have closer links with the communities? What is the link there, if there is any?

**Professor Costello:** I would want to go and look at some of the evidence on this from latest surveys, which I do not have. Compared with, say, Bangladesh, where a lot of the village doctors are self-appointed and untrained, the difference in Nepal is a lot of these people running pharmacies did receive quite good training. A community medical auxiliary would have two years of training. They understand the basic conditions and are probably as good as a lot of the auxiliary workers in the health posts and have got access to drugs. I suspect the quality of care issues there are not too much of a problem, but there will be variation and in the remote areas you will probably find them the least qualified. There will be quacks. Unquestionably there will be quacks in many parts of the country.

**Q42 Mr Sharma:** What impact has the Safe Delivery Incentive Programme had on the numbers of women giving birth in health clinics and attended by skilled health workers? What we are looking at is what the main weaknesses in this area are. For example, has it reached the poorest women in the more remote areas? Are there sufficient numbers of trained health staff available to meet increased demand created by this scheme?

**Professor Costello:** The incentive scheme was introduced in 2005. It was after a report prepared by one of our researchers, Jo Borghi, for the DFID programme which had shown that there were quite substantial costs for any woman even having a normal delivery at home, but certainly if they went to hospitals. At that time, which was during King Gyanendra’s time in charge, one of the royalist ministers said, “Right, we’re going to roll an incentive scheme out across the whole country”, when the proposal at the time was to evaluate this in a number of different districts to see how it would work, but they said, “No, across the country”. I think DFID were slightly wrong-footed by this, but agreed to stump up the cash for a lot of this programme. We were asked if we would evaluate the maternity incentive scheme and we got Tim Powell-Jackson, who is a health economist from the London School of Economics, to get involved. Then DFID ran into financial problems because they had spent too much on the tsunami and the money was cut for that evaluation, but we were extremely keen that should go ahead and, fortunately, Tim managed to get an ESRC scholarship, so we carried on doing that evaluation with the DFID funded Safe Motherhood Programme and also looking at one of the sites where we have been doing continuous surveillance of maternity outcomes in a large population for about 10 years. What was interesting about that was the figures that Tim came up with were that the economic cost for a normal delivery to any household, out of pocket payments, was \$63 and if you had a caesarean section it went up to \$350. That would account for almost 20% of your entire household income for a year. The incentive scheme in the Middle Hills was 1,000 rupees, which is about

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\$15, in the Terai it was 500 rupees and in the high Himalayas it went up to 1,500 rupees, but there was no targeting of the poor. When this programme was rolled out they did an evaluation of what happened. There was not very high awareness of the scheme and when they reviewed this a couple of years ago only about 30% of women knew about it and only about 30% of women who went to facilities where the scheme was supposed to be implemented actually received the incentive. We looked from our household data in Makwanpur at what happened to delivery rates before the introduction of the incentive and then immediately afterwards to see if there was a time series effect. The effect was about a 6% increase in institutional deliveries, but when we broke it down by socioeconomic quintile, richest 20%, poorest 20% and the rest, we found that almost all of the incentive was taken up by the wealthier quintile groups. That was not surprising because most of those who lived close to hospitals were in towns and better off so they went to receive the incentive. The conclusion overall was it is having some impact but there is not sufficient targeting and it remains open to question how you should continue. Obviously things have changed a little bit in the last year because now services are offered free and, therefore, that changes a little bit of the economic equation but, unlike the Latin American example of conditional cash transfers where there was a lot of targeting towards poorer groups, that has not happened so far in Nepal.

**Ms Doull:** We do not have as detailed information as that to provide because we have not done a study. As I said before, while there has been an increase in the number of women delivering at health facilities, it is only about 16% overall in the areas in which we worked, which is still quite low, which indicates there are other factors beyond the incentive as to whether people choose to go to the facility. Of course, the challenge then is to provide the quality of care once women have reached that centre, hence a lot of the focus of the work we have been doing is trying to ensure that there are 24-hour services available. Similarly, with the health worker incentives we know there are issues that when people get to the clinic the incentive is not necessarily disbursed.

**Professor Costello:** There was some evidence also that providers were charging more to women who were receiving the incentive. So you would go in, you would receive the incentive but then the cost would go up. That may have changed now. I do not know enough about the actual implementation of this free at the point of delivery scheme that the Maoist government introduced a year ago and do not know how far that has been rolled out. It highlights the importance of whenever you do these policy interventions, and DFID has spent a lot of money doing this, it is really important to evaluate them. Something similar is also happening with DFID support in India in Orissa and informally I was told in India last month that has had a much better effect on institutional deliveries. I asked for the figures but they did not give them to me. Anecdotally I have heard that it has been much more successful. It would be interesting to compare and contrast those two policy initiatives.

**Mr Sharma:** The Safe Delivery Incentive Programme is only one element in the Support for Safe Motherhood Programme in Nepal which DFID has supported and which we praised in our 2008 report on maternal health. What other elements of the SSMP have made it such an effective intervention? What other strategies should donors pursue to support Nepal towards achieving the MDG of reducing maternal mortality? Long question, long answer!

**Q43 Chairman:** When we were doing the maternal health report, DFID was highlighting how much they had achieved in Nepal and it was one of the things we were particularly interested to follow up when we visited.

**Professor Costello:** I think they have done a great job in strengthening central ministry capacity. Their scheme meant that very good quality people kept a presence in the Ministry of Health, whereas if they had not been there I think they would have left. Some of them were being paid at different levels from civil servants but, nonetheless, it kept an integral Safe Motherhood group together over an extended period of 10 years when otherwise I think things would have fallen apart. There has been a high emphasis on maternal healthcare in Nepal. Also, through this scheme they have done a lot to improve quality of care at district hospitals. Curiously, I would contest the idea that all of this necessarily has been the main reason why maternal mortality rates have come down; I think that might be explained by other factors. Nonetheless, generally I would give good marks to DFID for having sustained this investment and, indeed, having gone with this conditional cash transfer scheme. Although I have been a little bit critical in evaluating it, I think it was a very courageous decision to do this, it is a very important policy initiative for developing countries and we can learn the lessons from it to make it more effective.

**Ms Doull:** In addition to that, the one thing I would add within the strategy is the emphasis on having skilled birth attendants at different cadres. We all know that human resources in a health gap is a major issue, not just in Nepal but in many other countries, and without that sustained focus I think there would have been less advances made. As I said earlier, one of the issues was where those skilled birth attendants are located and deployed and there has to be consistent monitoring of ensuring that skilled birth attendants are put as far out into remote areas as possible, and if you are going to deploy them to remote areas how do you ensure that they stay there. That will demand incentives of some kind, not always financial, perhaps housing or whatever. Without that I think you will see quite a high attrition rate. We are relatively pleased about the degree of retention in the areas where we are working, but it is still quite a fragile base and it would not take much for people to be attracted back to the main urban areas.

**Q44 Mr Evans:** Can you tell us something about the HIV/AIDS problem in Nepal?

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**Professor Costello:** There are about 75,000 people estimated to have HIV in Nepal. Personally, I have not worked a great deal in this area. I know a little bit about some of the people working in this area and there has been quite a strong HIV/AIDS group within the Ministry and a lot of civil society groups particularly looking at the high risk groups, the trucking routes, the commercial sex workers, some men who have sex with men and, I think, the growing problem of intravenous drug use. It is still a relatively small problem and I would not like to say any more about the efficiency and effectiveness of the interventions that have happened to try and ameliorate the problem.

**Mr Brown:** VSO do have a programme in HIV/AIDS in Nepal. You are right, it is a concentrated epidemic with about 0.49% of the population living with HIV/AIDS. It has been estimated by organisations like UNAIDS that it is around about 70,000 people. Official registration is now between 14,000 and 15,000. Historically, the most at risk parts of the population have been female sex workers, men having sex with men, injecting drug users and migrant labour. Recent surveys suggest, and it is still very much a suggestion although there has been a Family Health International survey run through the Ministry recently, that the prevalence amongst female sex workers, men having sex with men, and injecting drug users is actually falling, which is very good news, and hopefully it will be reinforced by other surveys. It is very good news that the programmes that have been there, mainly run through civil society, have been the most effective advocacy and awareness programmes and provision of testing and counselling and do seem to be having a good impact. However, the most at risk population then shifts quite alarmingly towards migrant labour and particularly the wives of migrant labourers having sex with their husbands who have returned from places like India where they have had unprotected sex. Overall, it is very good news on the effectiveness of civil society's awareness and advocacy, but concerning news that prevalence amongst migrant labourers, and the wives of migrant labourers, seems to be increasing.

**Professor Costello:** One of the issues that I have always wondered about, and I do not know any figures and do not know how reliable they would be anyway, is the scale of the problem of trafficking of women from the traditionally trafficked groups with the Tamang women from around the Kathmandu Valley, many of them being told they were going to go to carpet jobs or service jobs in India and then being taken to the red-light districts of Calcutta or Mumbai. I have seen all kinds of figures bandied around. Some people talk about 200,000 and others talk about much smaller numbers. It certainly goes on and it is difficult to know how many of those women come back and how many of them are infected.

**Q45 Mr Evans:** It is a hugely religious society, is it not? Do you believe there is a big stigma attached to HIV/AIDS in Nepal?

**Professor Costello:** Definitely.

**Q46 Mr Evans:** How do you tackle that stigma? Do you think the government can help or do you think it just ignores what is going on?

**Mr Brown:** Gosh, that is a huge question. Yes, there is a huge amount of stigma and discrimination. There are a lot of programmes that are funded to try and encourage people who feel they have been exposed to HIV to test, to go to clinics. Within the family, within the religion, there is a massive amount of stigma and discrimination of people who have disclosed their positive HIV status. How do you tackle it? I guess you continue to try and break those things down. There are programmes that are trying to make people more aware of HIV/AIDS, that it exists, and of the risks of contracting HIV/AIDS, and you continue to try to support those programmes that try to make people more aware, particularly amongst youth. Both the Ministry and a lot of other agencies are recognising that particularly youth sexual and reproductive healthcare is an area that needs a lot of attention and part of that is making youth more aware of the risks, making them more willing to talk about the risks, and avoiding, hopefully, what could be very disastrous.

**Professor Costello:** I think things are changing. People are talking more openly now. Certainly in Kathmandu young people talk more openly about sexual behaviour. The world is changing and you are moving towards nuclear families now. The other big factor, of course, is the availability of anti-retrovirals. In Africa that has transformed the situation because you have now got opportunities for treatment whereas that was not the case maybe half a dozen years ago. Things are changing a bit, but the worry is that the donors are losing interest in HIV and whether that will affect the funding of programmes for HIV will be interesting to see.

**Q47 Mr Evans:** Is the government proactive on this? What do they do about educating people to the dangers?

**Mr Brown:** It is mainly a civil society activity at the moment. It is in the national health sector plan for the next few years, and it does have some very important indicators on the awareness of youth of HIV/AIDS and sexually transmitted infections, but so far it has been very much a civil society activity.

**Q48 Mr Evans:** Can you say something about the health provision that is made available for those who are tested if they test positive? Can anybody get access to anti-retrovirals?

**Ms Doull:** In the districts where we work there is very limited provision, if at all. Basically it is awareness raising activities, prevention, but there is no access, there is no voluntary counselling and testing—VCT—in many of the facilities and there is certainly no access to anti-retrovirals.

**Q49 Mr Evans:** There is no access?

**Ms Doull:** In the areas where we work there is not. My understanding is that around the Kathmandu area there is.

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**Q50 Mr Evans:** If you can get tested, it is a death sentence?

**Ms Doull:** You cannot get VCT or you would have to travel and that has a cost.

**Professor Costello:** The rates of positivity are very low in those areas. A lot of the HIV is focused in the Kathmandu area and the trafficking routes, the bigger towns, and certainly there you can get access to anti-retrovirals. There is quite a good scheme run by the Teku Infectious Disease Hospital in Kathmandu and all the major hospitals in the Valley would be able to provide that as well.

**Q51 Mr Evans:** You mentioned something about the donors. Could you say something about the funding? Do you think there is sufficient funding for the needs of Nepal on HIV/AIDS?

**Professor Costello:** I was talking more about a worldwide thing. I was talking to Mark Dybul, who was the Director of PEPFAR<sup>1</sup>, who was saying that interest in HIV/AIDS in the Senate and in America had plummeted in the last couple of years. I do not know how that will relate to Nepal.

**Q52 Mr Evans:** You are not aware of DFID's involvement in this particular sector?

**Professor Costello:** No.

**Mr Brown:** DFID has been leading the work across the sector in HIV/AIDS. It will be replaced by the World Bank, which was supposed to happen this year but is probably going to happen a year late so DFID will continue to lead. Is it enough? It is very difficult to say. It is an epidemic, it is 0.49% of the population, but probably more people die from other, waterborne diseases at the moment so it is very difficult to say it is enough. Clearly the Ministry have recognised that their ability to provide services is not good enough and it wants to do more. The money that has been spent on advocacy and awareness has been well used. Clearly with some most at-risk groups showing a decline in prevalence it is working. Civil society groups are being included in policy by government. The government has recognised that their service delivery is inadequate, so to improve it they recognise they will have to spend more money on it and where that money comes from, whether it is donors or other sources within the country, is something they will have to work on. On the awareness, and rights awareness, it is going very well; on service delivery clearly not enough is being spent.

**Q53 Mr Evans:** Do you have a view about the World Bank taking over lead responsibility for this?

**Mr Brown:** In what way?

**Q54 Mr Evans:** Do you think it will be a good thing?

**Mr Brown:** I do not necessarily think it should be a bad thing. Within the bilateral and multilateral donors they have come to the conclusion that the World Bank is probably best placed to do it.

**Q55 Mr Evans:** If you get it and prove positive, do you lose your job? How bad is the stigma there?

**Professor Costello:** I would not have thought so, but you may be able to find anecdotes of that happening. These days if you are positive and on treatment most people are not going to know, you are going to look pretty well unless you get lipodystrophy or something.

**Mr Brown:** If people do find out you will probably lose your job.

**Professor Costello:** Really?

**Mr Brown:** Yes.

**Q56 Mr Evans:** Can testing be done confidentially so that people will not know that you are being tested for it?

**Mr Brown:** There are discreet testing facilities, but how discreet they are I do not know. They are places you go into that do HIV/AIDS testing so if you are seen going in there is probably going to be some suspicion that you are going in to be tested, which naturally starts rumour. There are places where you can be tested and they are readily available for people just to walk in when they feel comfortable.

**Q57 Mr Hendrick:** DFID's evidence tells us that Nepal is on track to meet its Millennium Development Goals for universal access to primary education and gender equality in education. We are told that the enrolment of Dalit children is up to nearly a million and we are getting gender parity now. Certainly on our visit to one of the schools we looked at there seemed to be a lot more girls than boys and I was told that a lot of the boys work out in the fields with their fathers. Leaving that aside, can you tell us how you feel that social exclusion and inequality are affecting access to education? Do you feel that multi-donor support for the government's education programme is addressing these issues effectively? What about the quality of education? Do you feel that the children are getting a decent quality of education?

**Mr Brown:** I am surprised DFID say that Nepal is on target because the target is 100% and I cannot see that they will get to 100% by 2015. The Education for All Programme has clearly done some really good things in increasing enrolment. The not so recent Millennium Development Goal assessment by the government with UNDP suggested that they would not hit it, but that is quite old, that is a 2005 review. I would not say to get to 100% is impossible, but it is really challenging. To get to 100% of children enrolled in primary school and 100% of literacy in youth with complete gender parity is going to be really difficult. The current School Sector Reform Programme recognises that and that it has done some good work in Education for All, but recognises that it is not going to get close to the Millennium Development Goals without another programme, another initiative. Even that does not target the 100%, it only gets to 98% of enrolment in class one. The government's programme is less than the Millennium Development Goal. It is very close—

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<sup>1</sup> US President's emergency Plan for AIDS Relief

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98% of 100%—but it is not the Millennium Development Goal, which is why I say it is surprising.

**Q58 Mr Hendrick:** Can you just back that up a little. DFID is saying through its Community Support Programme that it has contributed to the construction of 2,500 schools and also that 8% of children remain out of school in the primary age group, which is down from 16% in 2004, which is effectively half. There seems to have been some great progress.

**Mr Brown:** That is what I am saying, there has been fantastic progress through the Education for All Programme. It is very important to have the schools but it is a lot more than building the schools, it is about getting the community involved and making them aware of the specific availability of subsidies and grants to help children get into school, but it is not going to be 100% enrolment by the government's own target. They are targeting 98%, which is still quite close, to be fair. The government through its own analysis recognises that it is still quite a long way short of that. To get from that, if you take the 92%, from 92% to 98% is going to be a stretch. Even that 92% figure comes through the Education Management Information System which, again, is a government statistic, a government database of enrolment and retention. The UNDP have questioned the accuracy of that data, that there may be some double counting.

**Q59 Mr Hendrick:** Do they know how many Dalit children there are enrolled, for example?

**Mr Brown:** Yes. In EMIS<sup>2</sup> the number of Dalit children is quite considerable and in certain districts exceeds the population projection from the 2001 Census, so you have got more Dalits in school than the population projection was saying would be eligible to go to school. Again, we should be congratulating Nepal and the education system, the government, DFID and all the others for getting this data going but there is a lot of cleaning to be done in the data still, it is not necessarily 100% accurate, and UNDP through the Millennium Development Goal report certainly questioned that maybe it is not quite as high as we think. Yes, Dalits and girls still have less access than others and it is not uniform across the country. If we look at the top 25% of districts in terms of primary school enrolment there is very good gender parity, almost 100% gender parity, but if we look at the worst then it goes down to between 0.6 and 0.7 in terms of gender parity. It is not geographically equally dispersed and neither is it equally dispersed across caste groups.

**Professor Costello:** My impression, and this is just having been there and visited, is that there is huge demand for education, and I am sure the supply has met some of that demand, but there is a huge issue around the quality of what goes on in schools—class sizes, availability of teaching materials, motivation, supervision of teachers—and I think that is a

massive issue, but I do not have the statistics to hand about it or to what extent there have been quality evaluations.

**Q60 Mr Hendrick:** On the quality issue, like a lot of other countries it is slate and chalk for writing with, which takes you back to my parents' generation in this country.

**Professor Costello:** Yes.

**Q61 Mr Hendrick:** In the English class we saw the teacher had trouble conversing with us, never mind teaching the kids English. I think there is a serious issue around quality.

**Mr Brown:** Again, the School Sector Reform Programme, so the Ministry of Education, is recognising that. It is a programme that is funded through DFID and others and is one that is very positive. They recognise that it is about getting children into school and not only into class one, into primary school, but also into pre-primary school, that is a very important foundation, and we need to get into the quality of teaching, that it is learning by rote. ECD facilitators, until recently, only had 15 days' training. 15 days from nothing to then being eligible to teach or facilitate 20-25 pre-primary children day in and day out. They are recognising there is a lot of work to be done on training, on qualification, on in-service training, on infrastructure, both in terms of building new schools and new classrooms but also within the classrooms in making them more child-friendly. All of these things are in the School Sector Reform Programme. That is a very stretching, hugely ambitious programme, but at least there is the recognition that it is more than just getting the kids through the door, it is getting the quality of the institution, the teaching staff, the support staff and the school governors increased to provide a quality education.

**Q62 Mr Lancaster:** Some of the evidence we have received has suggested that DFID should be doing more to support capacity building in civil society and, indeed, I think VSO's evidence said just that. A simple question: what should DFID be doing and in what areas? What specific programmes should we be doing more to support?

**Mr Brown:** I think it is more about finding a balance. In the submission, some of our civil society partners—in fact a lot of our partners—felt that organisations like DFID had moved away quite significantly from supporting civil society to almost uniquely supporting the government. It is about finding the balance, to go from there to there—it is something quite aggressive. It is finding somewhere in the middle. All countries need very strong governments, very capable governments, to provide services, essential services. Equally, all countries, particularly developing countries, need a very sovereign and strong civil society movement to advocate for people's rights, to hold the government to account and, where appropriate, to support the government in the provision of some of the services,

<sup>2</sup> Educational Management Information System

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whether they be HIV services or education services or whatever. I think it is more finding the balance, and I think, particularly in the case of Nepal, there is still money that is available that DFID contribute to but it is not directly providing it; it is going into a basket of funds that are coming from lots of different organisations. It is making civil society aware that those funds exist and how to access them that is probably the biggest thing that DFID could do right now.

**Professor Costello:** Our research has been on looking at the impact of working with women's groups in quite poor and remote populations, and some of this has been DFID funded. We published a paper a few years ago showing that if you just mobilise women's groups to help themselves on issues around reproductive health and particularly new born care, we showed a 30% reduction in new born mortality rates, just through that process over a two-year period, and that most of those women's groups have actually sustained themselves after we withdrew funding. We have just repeated this in Jharkhand and Orissa in India with even bigger impact—a 45% reduction in neo-natal mortality. This is using a cluster of randomised control trials. One of the interesting things there was how do you scale that up? It is not something necessarily that really fits into a ministry of health that is struggling to deal with supplies of drugs, vaccines, and the like. Ideally, it would go through local government but local government is a problem in Nepal until you get the constitutional settlement. Do you work through major civil society organisations? Yes, a bit, but ultimately you need some kind of public/private solution whereby the local government does take it on, because there is a local development office and, also, women's development offices, but you also need the help of civil society organisations. I think DFID could look at that because the benefits are not just directly on health; they improve women's access to money, to credit and probably they improve forestry. We showed in India, actually, that post-natal depression rates were halved as a result of this initiative because women felt the solidarity, and it brought a lot of these family issues out into the open—the mothers-in-law attended the groups and a lot of the power issues seemed to be improved. So I think this is an area about mobilising women which has multi-dimensional effects and could be invested in on a large scale through both government and civil society.

**Q63 John Battle:** I would be interested to look at the kind of wider question. You refer to the balance of civil society and the institutions of the state, really. It does not only apply, of course, in Nepal. I wonder, as someone who does believe that you have got to have really strong advocacy groups championing it and trying to get to the parts the state never reaches—to lift up the poor and, as we said in the first questions, building up from the base—whether we need to question civil society groups, organisations and NGOs as well, and ask whether they have got it

right, whether they really are reaching the parts that other groups are not and whether, in fact, by providing services as well as championing they do not act as a displacement of local government, for example, or even undermine the possibilities of local government. One of our witnesses has suggested that in Nepal, in particular, some of the groups could be highly exclusionary of both the extreme poor and the socially marginalised. I would be disappointed if that was the case, because I look to NGOs, civil society groups and the community to be the very groups that must be with the people building it up from the base. Is there a tension there? How do you respond to that challenge of not really reaching the parts that it should and that they are undermining local government?

**Professor Costello:** One thing, 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 business. You could say, also, with the international NGOs, that if they are going in and trying to set up their own management systems it undoes some of the other, local systems, and, also, you may have differential salaries. So the huge UN problem is always there; that you are taking out the really creative, talented people from the national systems and sticking them into international organisations and producing lots of reports. So I think these are important issues.

**Ms Doull:** I cannot really say for Nepal, per se, but I think there are examples from other fragile states—Afghanistan being quite an interesting one—where the role of civil society and local NGOs has very much been promoted, certainly within the health sector in terms of delivering and partnering. One of the stipulations of an international NGO in that country delivering services is that you do partner with national NGOs and build capacity over a period of time with de facto then handing over whatever service delivery or advocacy role within an agreed time frame. That is agreed from the top down as part of a kind of overall national strategy. We certainly had experience of that in terms of delivering basic health services in Northern Afghanistan where, over a period of three years, we have now completely handed over to a national NGO, who is now delivering and is perfectly capable of doing that. That required that all parties understood what the joint objective or shared objective was, and that there were also sufficient resources not just financial but, also, in terms of technical assistance to capacity build as part of that programme. So I think there is work to be done because inevitably small groups will go off on self interests, and you see that everywhere. If there is a greater shared understanding of what is being tried to be achieved—

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**Q64 John Battle:** I do not even think we have got it right in Britain, because I am worried about the trickle down theory. Sometimes, as NGOs, you get involved in the mezzanine floor and really to reach the poorest of the poor in difficult circumstances is just too hard; the spark, the ideas and imagination come and you have to train people to even get to there. Would you, in your NGO, for example, make it a policy priority to regularly be checking and asking yourselves: “Are we really reaching the poorest of the poor”, and then, perhaps, encouraging local NGOs to ask the same question, so they have a responsibility to really try and reach those that government systems do not reach, local authority systems do not reach and even NGOs do not reach? Would you think that was one of your policy priorities as an NGO?

**Mr Brown:** Absolutely, yes. We are doing that right now in terms where we have been questioning ourselves: are we reaching the people who are the most poor, the most in poverty and the most unequal in society, and really questioning ourselves. Do we encourage our partners to do the same? Absolutely, through their own strategic planning processes, to really understand who are the people who are wanting this help. As Linda said, and I think it is a very important point, it has all to be joined up; there has to be some plan there.

**Q65 John Battle:** Just to push the logic a bit further, would you push that question at DFID, with whom you have a partnering relationship, to make sure that they are aware of and asking that same question?

**Mr Brown:** Are they working for the most poor?

**Q66 John Battle:** Are they working with NGOs that are working for the most poor? DFID can get caught into the idea: “We have gone with some NGO” and then they find out later that that NGO is corrupt—to use the worst example—or are they find they are working with an NGO that is in the mezzanine floor and not really reaching the parts we need to. Maybe DFID needs to be focused as well as you are so focused.

**Professor Costello:** I was just going to state the importance of measurement here. For anything you do now, measuring the impact across poverty quintiles is very, very important. So the example of the incentive scheme, like so many things that you try and supply from the top, is that the better-off groups tend to benefit over the poorest—the inverse care law. The thing we found with women’s groups, because you are setting them up across all communities, in India is that actually the mortality effect was bigger in the poorest groups than in the wealthiest groups. So it was not just a pro-poor, it

was an excessively pro-poor, intervention. I think you need to do the measurement on of all of these things and really test them out.

**Q67 John Battle:** Following on then (and I am grateful for that emphasis on measuring because we can move away from that), is DFID doing enough to support measuring and investing in it?

**Professor Costello:** I would say one thing, and I have said it previously in relation to Bangladesh: try and get DFID (and DFID are aware of this problem but somehow organisationally it happens) to link up the research groups that they fund with the country programmes. We do do it informally; we have had some very good links with the DFID programmes in Nepal (rather less so in Bangladesh) but I think if that could be structurally done you would get much better bang for your buck. We in the research community would love to do that, because looking at stuff at scale is what you want; you do not want to do just all these pilot projects.

**Ms Doull:** Can I just add to that? Again, you are not going to know whether you are reaching the poor unless you have got some robust monitoring and evaluation and that requires resources to do that, both financial, technical and human. I think an example that we are experiencing now from Congo not Nepal is where DFID has made gestures to support that research but seems quite undecided whether that is something they should or want to do or not. We have gone through a very difficult negotiation with them; this is actually to be measuring the impact of the abolition of user fees and it is not helpful when the goalposts keep changing throughout the programme and process. I think, again, it is understanding right at the beginning what is it you are trying to achieve and that all partners are engaged in that process, that resources are applied and that you stick with that for clear outcomes. I think to change policy halfway through programming does not help monitoring and evaluation.

**Mr Brown:** Also, patience; patience and simplicity. Do not overburden with too many measures or a collection of indicators; get it simple and be patient.

**Chairman:** Thank you for that. The Committee’s question always is: “What works?” and that is actually what interests us. What we are finding out about Nepal is that, on the face of it, nothing should work but, in reality, quite a lot does. Obviously, it is a complicated situation post-conflict but I think your contribution has been very helpful. We have one more evidence session with the Minister after the second half of this one, which will enable us to do a report. It is particularly interesting—I think it is unique—there is no country like it, I guess. Your evidence has been extremely helpful. Thank you.

*Witnesses: Dr Mary Hobley and Professor Mick Moore, Research Fellow, Governance Team, Institute of Development Studies, gave evidence.*

**Q68 Chairman:** Thank you very much for waiting. Just for the record, could you just introduce yourselves, please?

**Dr Hobley:** Yes. Hello, I am Mary Hobley. I have worked on and off in Nepal for 20-plus year with frequent visits. I used to live in two districts and worked in a couple of villages there near Kathmandu. So I have had a long association in Nepal and, also, in the South Asian region as well. I am currently working as an independent consultant.

**Professor Moore:** I am Mick Moore; I am a researcher/political scientist from the Institute of Development Studies. I do quite a lot of work for DFID around issues of governance, broadly speaking. I do not know Nepal anything like as well as Mary does but I have been there several times for DFID in the last few years in relation to political and governance issues.

**Q69 Chairman:** Thank you for that. I guess as a case study Nepal must be an interesting political study. One of the things, of course, that DFID has stated in its recent White Paper is that it is focusing more attention on fragile states, and by any definition Nepal has to be classified as a fragile state; very much, hopefully, in a post-conflict situation but one that is still full of tension. We were discussing in the previous evidence sessions the extent to which things have actually happened in terms of poverty reduction in Nepal, but the interesting question is to what extent do you think Nepal is a country where DFID can make a difference? What are the particular features, circumstances or characteristics of Nepal that possibly offer that compared with other post-conflict countries? That seems to be what is coming back.

**Dr Hobley:** I think there are several characteristics about Nepal. Yes, 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 in some ways it is a country that still has that; it is not a country where it has failed in every form of its governance; it has not and it has got those elements of governance that people understand and wish to continue to try and rebuild. So you are building on a strong base rather than a weak base. You often hear people say: “Capability is not very great” but I think, as we have already heard this morning, actually out there in the villages there is a lot of capability and there is a lot of willingness now for educated people with good technical skills to go back out into the districts and to deliver services. So, in a sense, although, yes, fragile 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. For the UK there is a very particular reason to remain engaged and positive there because of our own long history working in Nepal, but for me it is that which distinguishes it from other fragile

states—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.

**Professor Moore:** I think, Mr Chairman, the central paradox is the one you mentioned earlier, that on paper nothing much should work in Nepal but, in fact, an awful lot does work. As you say, it is such a fascinating country to study. I would add, I think, to what Mary said that we have a very small formal government in Nepal, a very small number of people and an even smaller number of professionals in government, but still things get done. I think it is partly because of past training but partly because there is this inheritance of what you might broadly call the feudal monarchy, which was really quite recent, and Nepal has this very long tradition of just managing at sub-national level; things get done. It is very hard to say exactly how it happens, and I am sure it varies from place to place, but there is an enormous resilience there that you might not find in many other of those countries we call fragile states. I suppose if I can make a comment on fragile states in general, I think it is a little bit (excuse the cliché) like Tolstoy: every happy family is alike but every unhappy family is unhappy in its own way. I really think fragile states are quite different one from another. Nepal, partly because it was not a British colony and it did not have a modern civil service, is quite distinctive; it does have this resilience about it. There are parts of the government that actually do work surprisingly well. Fiscal management has actually been very good in Nepal in the last few years despite civil war and conflict, which I think is quite striking. So there is a lot we can build on. I would just add one thing about the role of DFID, which I think is an issue with the international context of all this is. From my perspective, the biggest single problem that Nepal faces at present is the difficulty of constructing an effective, authoritative government when it is in that context where you have the India/China problem. To be frank, I think India has been playing a slightly negative role in recent months, in particular, particularly because the government of India has a very close relationship with the Nepali Army. That army is more or less autonomous, and all the time you have an army that is autonomous and is not under the control of a civilian government it is very hard to get effective governance more broadly. I think DFID plays a very important role because it is not India, it is not China, it has these very long links and traditions and it is very widely trusted; I sensed very little hostility or suspicion towards Britain. It is not just DFID; it is the British Embassy as well—let us say it is the British presence, not DFID. I think that is actually quite important. There is every reason to think that Nepal will do rather well. I happen to think that the biggest single factor about the future of Nepal—one is governance and the second is the Indian economy. The Nepali economy is a bit of a fiction because it is so integrated with the Indian economy on all sides—people are crossing the border all the time—and the Indian economy is doing very well, again, and I suspect Nepal will do very well on the back of that.

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**Q70 Mr Lancaster:** It is fascinating. I have got a long history with the place, for reasons I will not bore with you, but it is very hard, is it not, to actually put your finger on how it works, particularly at a local level. This, really, I suppose, begs the question whether or not you feel that DFID has the expertise to be able to deal with that very complex situation, not least because, as we have talked about, local government does not really exist. I was impressed at the number of local staff that DFID were employing, which I think is very encouraging, but do we have the expertise to be able to deal with this very complex society in-country? If not, what do you think we should be doing?

**Dr Hobley:** My feeling is that because Nepal is highly complicated and the understanding of the local is so important in terms of understanding how the whole will work that I do not think DFID has sufficient local political intelligence to help it inform the national level policy decisions that are being made. I say that because of the complexity of the country, because understanding how the political process is happening in the villages and towns across Nepal is incredibly important to understanding how conflict arises at the high levels. I think DFID has done very well in terms of engaging local staff but there is something very different about having people from outside as well as local staff. People from outside are able to ask questions that for local people are often quite hard to ask; they are also able to move up and down the system in a way that is different from Nepalis, but of course, also linking into Nepalis to understand their own networks and relationships and how informal decisions are made and how those informal decisions affect major policy decisions and operations. So, for me, reflecting back on the evidence we were hearing earlier, I would be looking for more DFID engagement at the local level, which I think would require staff to have good local language skills and would also, I think, require them to remain in-country longer than is currently the case. This whole process of how you hand on political and institutional knowledge within DFID, I think, is a crucial issue and a very important one, particularly in these types of contexts where complexity is key to understanding how the future of that country is going to run through. I would definitely be looking for staff with both much deeper local knowledge and local historical political knowledge than they have necessarily, and a longer commitment to the country and much stronger local political networks as well as ones within Kathmandu.

**Professor Moore:** My sense is that relative to other countries where DFID works they are rather good in Nepal at employing local staff and knowing what is going on in the countries (it is relative) but it is very challenging. I absolutely agree with Mary on this; this is not pre-agreed. I do think, particularly when we are talking of working in fragile states, there is a structural problem in DFID's employment practices. People really do not spend that long in-country. I do not know what the actual average tenure is of people in jobs, as opposed to the formal tenure, but it is not long enough; people do not have

enough expertise, they do not learn local languages and I think that in terms of working in fragile states this is probably the biggest single thing that DFID should do. Let me say here (I hope DFID people will forgive me), I know there is an enormous resistance in DFID to doing anything about this issue because it is quite inconvenient for a whole lot of people and there are families and everything else, but if we are going to be serious about—

**Q71 Chairman:** Could you put it the other way round, just to probe you on that (I take your point entirely): is it difficult to get people who are prepared to make that kind of commitment, or is your argument that if they went out and changed that practice they could get people who would make that commitment?

**Professor Moore:** Under the current remuneration system it is difficult to get people to do it and people will commit for three years, but sometimes people will leave in less than three years because they get another posting. However, there are no rewards to spending longer in-country and learning the local language. I believe, although this is only on the basis of what people have told me, that there may be problems in the remuneration structure for local employees such that after a few years it is no longer very remunerative for them to stay with DFID, so experienced people will then move on to the World Bank, to give a recent example. I do not know the details but I do think this is something that DFID should look at very seriously.

**Q72 Mr Lancaster:** Whilst you were talking the lovely little Nepali word which they use to describe this has come back to me, which is Ghajimaji (?), which means mixed up, which I think sums the whole thing up. It perhaps then goes back to your quote earlier. Do you think, given the situation as you have described it, given the need for local expertise and given how Nepal is unique as a fragile state, as indeed all fragile states are (I think that was the point you were making), and given that in broad terms the current government White Paper is saying that 50% of all bilateral spending should be on fragile states, do you think the skills that we are learning in Nepal are potentially transferable to other fragile states, or is your quote highlighting that what we are doing in Nepal is simply so unique that we cannot take those skills elsewhere, and vice versa?

**Dr Hobley:** I think at a certain level, of course, they are transferable, but at another level they are not. Obviously, at the very local level it is very particular. Just having been in Cambodia, which was a very fragile state and is still in some regards also very fragile, I think there are some quite interesting lessons. It is back again to this business of being able to engage long enough in a country to really understand where the key actors are operating. They may be all over the place. Looking at people in Kathmandu, yes, there are power brokers there but there are so many other power brokers all over Nepal, and unless you are there long enough it is very hard actually to know where to go and who to engage with to be effective. Looking at Cambodia,

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aid agencies which have been most effective are those that have remained there long enough to get that knowledge and understanding, and where their staff have remained there long enough to build those connections. I think there are things around processes and types of aid instruments as well that are probably transferable between these fragile states, but how you engage on the ground, obviously, is completely specific. So what you can transfer from Nepal to these other countries is very much about how you work with local organisations, how you work with the various political parties but, also, about how you remain completely responsive to change as it emerges so you do not come in with great big programmes that necessarily cut across the whole of Nepal, or the whole of any other country like that, but are responsive to the very local conditions, which requires a different type of staff to be able to do that and, as Mick was saying, a different set of incentives. These are incentives about being able to engage over the long term, incentives about taking risks as well, and often with the types of processes that DFID is involved in it is very difficult sometimes for people to take those types of risks. I think there are a variety of ways in which there is a little bit of crossover between these countries.

**Professor Moore:** Two or three things. I think, in general, the type of people that DFID recruits and employs are around right—I do not think they are radically wrong—because they are, on the whole, pretty much generalists. DFID is no longer recruiting lots of medics or engineers or people like that, and even if they do they end up with fairly broad portfolios. So we have got people who are generalists, which is in a sense what we want. There is quite a lot of overlap in practice, I think, with the people who will work in the Foreign Office, which is another issue but that is probably what we would want, but I think the issues are incentives. Also, and this is a very difficult issue to tackle, the whole question of can they take risks? On the one hand, in fragile states you want people to play a long game and you want them to be able to take risks and be rewarded, or not punished. On the other hand, the system that DFID has, the targets, the country assistance plans, etc, are not terribly conducive to that kind of thing. This is one of the big contradictions, I think, of all aid agencies (I am not sure we can crack this very easily), but I think in certain fragile states we need some shift away from, as it were, the programmed approach to the more flexible approach.

**Q73 John Battle:** I wonder if I could switch to a policy area of security and justice because DFID, in their White Paper, suggested that they want to treat access to justice and security as a basic service, really. I wondered if you could give us your impression of what has been described to us when we were there and in other submissions as a culture of impunity in Nepal, and a lack of sanctions. Do you think it is a fair impression, and how is it manifest?

**Dr Hobley:** I think it is a fair impression. I think there have been a lot of abuses at different levels that have not been brought to justice, and there is a real

sense, when you talk to people, particularly in the villages, of fear. It is a growing fear particularly in the Tarai, and people are afraid to step out of line or to challenge because of what might happen. It is not just people living in villages but it is district staff who are being put under huge pressure to deliver particular services to particular groups and if they do not they are threatened regularly on their mobile 'phones that awful things will happen to their families. So there is a sense of fear that pervades a lot of areas in Nepal.

**Q74 John Battle:** Fear of whom? Who does the 'phone calling?

**Dr Hobley:** Fear of criminal gangs; fear of the youth elements of the political parties—obviously, the Young Communist League—but it is not just that. There is this very growing fear of the youth elements of the parties and not just in the Tarai; it is also come across quite a lot in the hills now. Again, people are beginning to say they are afraid to speak out; they are afraid to challenge somebody from one particular political party because of what might happen to them. So, in a sense, impunity has come down to a very individual level in that way that there is a real fear that there is no clear recourse to justice, and if you stand out and challenge, even at the most local level, you will be put into trouble for that. This comes back to this whole thing, because it is not that there is a political vacuum at the local level; there is not; there are political parties operating there and controlling the political level, but because there is no formal local government institutions and a lot of what goes with that it is much more difficult for people to see how they move themselves round the system to get access to services, to get access to benefits and to get access to justice. So a lot more informal and difficult systems are evolving and have evolved during the conflict around patronage and who gets access to what and how. These are, in a sense, becoming reinforced by the ongoing local government vacuum where political parties are really now struggling to get down to the very local level and to control resources as much as they can. So, yes, at the higher levels I do not have so much experience, but at this very local level I feel there is a greater sense of insecurity.

**Q75 John Battle:** So it is the pressure of political parties bearing down on people and it is affecting their everyday lives. I get the impression the situation is getting worse and more oppressive.

**Dr Hobley:** Yes, it is.

**Q76 John Battle:** What, then, would you see the main obstacles in the way of actually improving security? Where would you go to change things? Where would you start?

**Professor Moore:** To me, yes, Mary is absolutely right, there are these problems, but I do not see that trying to intervene here at any sub-national, local level is going to be very helpful. What we have got is a government that, even with a good will, cannot reliably call on the armed force that any government, ultimately, needs to defend its borders and keep its

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criminals out. The army are in barracks; the Maoist Army are, effectively, in camps. Bring one of those out and you will know what would happen. The police are not very large; some of them, particularly the armed police, have a very compromised reputation as a result of the civil war, and to me the answer is something has to be done pretty quickly about an agreement over the army and recruitment into the army and some kind of compromise between the two sides over this. If a government is in a position it can call the army out of the barracks then you can get the police to work, because if the police do not do it they can call the army.

**Q77 Andrew Stunell:** You have mentioned the police and, obviously, in a peaceful society you would expect that that would be the force. Poor people in the villages, how often do they see the police? What is their perception of the police? There also seems to be quite a bit of evidence of direct political interference with the police, not perhaps at national level but, maybe, the local political parties, or whatever, and manipulating outcomes. Do you see a way of moving forward on that?

**Professor Moore:** To me the way to move forward is that you have a cabinet and a government that does reach an agreement over the military and the police and then that the leaders of the political parties can begin to discipline their own people. That is part of the problem here, that the political party leaders have good intentions (many of them do have good intentions—they do not want to see Nepal fall apart) but find it very difficult to actually discipline their own cadres, their own people lower down. I am afraid I do see this as the army being the central issue here. I do not see how it is going to be resolved otherwise.

**Q78 Andrew Stunell:** Okay. In some other countries DFID has programmes working with the police at local levels to develop community policing, if you like, to change the culture within the police force. Are you saying that that is going to be a waste of time until we have got the central political and constitutional issues resolved?

**Professor Moore:** I do not think it does any harm to have small programmes like that that send a signal that says: “We are interested in doing this and if you sort out your other problems we will give you more resources”, but I do not think in terms of real impact on the ground you are going to see anything for years from small programmes for the police.

**Q79 Andrew Stunell:** The justice system—magistracy, or whatever it might be—the local justice system? Is that redeemable prior to a constitutional settlement?

**Dr Hobley:** I do not think I have got enough experience. The things that I have seen that have worked quite well are the paralegal committees, where they really do help at the very local level. It is back to small, local stuff does make a difference. No, I am not sure the justice system is redeemable until some of the bigger elements are in place, most particularly the constitution. Until you see some of

these big planks in place I do not see how you are going to get the right types of pressures on to the justice system and the political parties starting to pull back from the way they are using the justice system. So, no, I think there is a way to go. As I say, I do not have enough experience to be able to give you clear guidance on that area.

**Q80 Andrew Stunell:** If you were in charge, you would say that the UK’s collective input—not necessarily DFID’s—should be on getting that constitutional settlement PDQ.

**Dr Hobley:** Absolutely. Definitely. Also, helping to inform that settlement by getting very, very clear vision and understanding at the more local levels about what forms of governance do people really want; just trying to get that understanding at the district, whatever level it is. However, that dialogue is not sufficiently in place, so what you are getting instead is these political parties trying to control those spaces without a bigger decision about what local government, local governance, local structures should be. For me, I think this is a real role for something like DFID, and, particularly with their support to the local government community development project, this is an opening. However, there is a real lack of vision at those lower levels about what this could be, and an informed understanding and challenge to the parties to help open up that space at the local levels. I would be very, very keen to see that happen.

**Q81 Andrew Stunell:** Does that suggest that DFID should be investing some time and effort in educating or, at least, conversing with the political parties?

**Dr Hobley:** Yes, but at lower levels as well as at the Kathmandu level; so getting down there. Also, just opening up debate, more sort of town hall debates about what is the future of Nepal at the local level, so that it is not just all happening in Kathmandu.

**Chairman:** Corruption is also a problem, which I guess requires a settlement.

**Q82 Mr Lancaster:** Yes it is endemic in Nepalese society, so I suppose the obvious question is where do you think it is at its worst, and how can donors such as DFID engage to try and tackle it? Certainly when we went on our visit there was a stated political will to try and deal with it, although whether or not that has actually seen much action in reality is a different matter. What can we do to try and help tackle it?

**Professor Moore:** I have rarely seen as corrupt a country as Nepal, in the broad sense of the term. That is partly just people stealing money but I also mean, when I say that, the extent to which it is a very exclusionary political system and there are small numbers of people who steal money, and they are setting the system up so they can stay in power to carry on stealing money. So it is awful at the local level. I think my pragmatic attitude to this—I think it is pragmatic—will be to say that, frankly, there is very little we can do. We have to do certain things, as I understand DFID is trying to do at present,

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which is to say: “You are not stealing our money”. We have to try and protect the British aid programme. I was told the stories there (Mary probably knows many more) about more or less direct intimidation over tenders and contracting, etc., and real attempts to do something about that. My own view is that given the size of the security and order problems, generally speaking, to really try to tackle corruption, at this stage, would be a waste of effort. I think there is very little we can do about it. What we need is a little more order and, hopefully, with a little more order if the Indian economy carries on growing the general economic environment will get better and I think it will be much easier to tackle that somewhere down the road, but not at present as a major concern. That would be my view.

**Dr Hobley:** I think that is probably a very sad reflection on the truth. It is very interesting and you often hear—and I do not know true this is—some people say that corruption has been important in maintaining the peace and, in a way, it buys off particular groups and people who may cause more problems. I am not sure I subscribe to that but maybe there is a short-term period in which corruption has to be accepted but managed, and it is only when some of these other, bigger parts of the state are in place that it can really be dealt with. For me, when corruption hits at the lowest level and for the poorest people I do find it very difficult to say: “Yes, let’s just turn a blind eye to it”. We are back, again, to these issues of how you begin to build more accountable systems at the local level. Again, I think, even though the political settlement is not properly in place, there is still a moment now to be building the right types of accountability at the local level in order to start addressing some of these issues around corrupt practice so that it is not allowed to embed. I have seen in other countries where corruption has been allowed to foster and to build that it embeds itself so deeply in the system (Cambodia is a very good example of this) that it is almost impossible to unpick it when the state becomes more stable. It becomes the way the state and citizens expect services—everything—to be delivered; you have to pay, you have to do this. For me, in Nepal, yes, corruption is very bad but let us try not to embed those structures that are already being developed at the moment and look at how we can start pushing back and making sure that we get the right forms of local government accountabilities in place, even at this very early stage, to try and start pushing back up the system.

**Professor Moore:** Could I just add one thing there, Mr Chairman? I think a very good short-term target would be that more of the corrupt money actually goes into the central coffers of political parties rather than into the pockets of individual politicians, because the more parties we have with a decent amount of resourcing, who can actually employ staff and campaign, the better politics will be. One of the very unpleasant features of so much that goes on in Nepal at present is that corruption really does go into the pockets of individuals; politics is very “fashionalised”; people join parties and leave parties very quickly.

**Q83 Mr Lancaster:** Just picking up on one thing you said, can we be confident that British taxpayers’ money is not involved in this? You are smiling, which I sense means that we cannot be confident. When DFID is running its programmes, you hinted that you thought that, perhaps, DFID money was—not intentionally but as part of the culture—being siphoned off and heading elsewhere.

**Professor Moore:** Mary, you should answer this in more detail, but I know that this is a major concern, at least it has been in the DFID office. I talk to people, and a lot of effort is going in to trying to make sure it does not happen, in terms of auditing—I had descriptions of attempts at intimidation on tenders for DFID projects and how they tried to circumvent that. So this is something that DFID are concerned about for very understandable reasons.

**Q84 Mr Lancaster:** So the short answer is yes, or historically yes.

**Dr Hobley:** And very, very difficult to know exactly where every single bit of money is going; really difficult to track it. As Mick says, a huge amount of effort is going in to making sure that money is being correctly used and is going to the right places, but it requires an enormous amount of monitoring to do it. All the donors are really concerned about this and I think DFID has done a huge amount to try and address these problems, but you hear the Swiss, everybody—they are all looking at how they can better track the way money is being used. It is not just money; it is who the services go to, what the money is buying and who actually benefits from this? You see so much corruption in that way as well where money is supposed to go to the very poorest groups; you go down to the villages, they are not getting it, it is going to another group because of the way the patronage system works at that level. Unless you have incredibly able, independent and politically removed people facilitating these processes it is very difficult to erase those forms of corruption, where services are directed to a particular group of people away from another group. So, yes, I think you can do as much as is possible to protect but, again, unless at the local level you are building systems where accountability can really be built in a more democratic process then it is going to be very hard to challenge, at those local levels, who gets the services and who does not, and who is included and who is excluded.

**Q85 Chairman:** We have talked briefly about the lack of local government. Those of us who were in Baglung had a couple of examples—and those were really a positive feedback about the desire for it—first of all, I think, in the forest community where, particularly the women, were saying: “We used to have a jolly good local chairman of the local council who was a woman, who we could turn to and now there is nobody local”. The agent who was effectively charged with delivering services locally commendably said: “I am here on behalf of the government to do this, but my problem is I am not accountable or responsible.” So he was anxious to

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say: “I would like to have a locally accountably and a locally elected body”. What are the chances of this happening and what can donors do to bring it about?

**Dr Hobley:** Unfortunately, a lot of it is still dependent on getting the constitution in place by May 2010, and that will then determine the structure of the state and then determine when the local government elections can happen. In the interim there is, at the very local level, a committee of political parties and other interested people who are supposed to provide this initial form of decision making, accountability and local development planning and budgeting. There is, as you know, through the local governance programme and now through government, large amounts of money going down to the village development committees, which are for planning local development activities. So there is now an active process of trying to re-engage government and citizens at that local level. In a sense, the more that can be done to strengthen that and to occupy it in a way that is not going to lead to greater patronage, I think, is a very important thing, because this is what it is demonstrating to people what the future of Nepal may be. This is now where they are beginning to feel: “Okay, local government is coming back into place”. I think the work that DFID is doing with the other donors in the national programme around local governance and community development is very important, but it does come back, again, to needing to build this understanding of what local government should be like and not what local government has been even during the civil war and was previous to the civil war, where a lot of the local government experience was still around highly patronage-based politics. So how we reconstruct that understanding of local government at that local level, to me, is critical to how people take Nepal into the future. So, yes, the constitution is essential but building the blocks underneath is really, really critical, and some of the things I was seeing recently were around how, again, the political parties are trying to control the different projects and services that are coming down, and are trying to allocate those to their party members or co-opt particular local groups—forestry groups, mothers groups, whatever it is—to those particular political parties. These are the future vote bank so there is a huge amount of effort going in by the political parties to start really positioning themselves to control the space. So I think this is a very, very important moment in time. This next year/two years are really critical for Nepal looking forward into a future where it has a different form of political process. It is obviously going to take a long time to embed it but what I think we do not want to do is reinforce what was there in the past and people’s expectations of the past.

**Q86 Andrew Stunell:** Dr Hobley, you have given us evidence to show that, if you like, the community-based organisations are a somewhat ambiguous concept and you have mentioned the political parties’ influence on them, and it is not all Age

Concern and CAB<sup>3</sup> when it gets down to the village level; it is perhaps something which the community based organisations convey that might not quite translate well. Can you say something about the balance of the provision that they make and the influence and advocacy that they have against the risks there are to having the kind of independent local government system you have got? If I could just press you a little bit on that, is it perhaps a little bit naïve to think that you could have a local government structure where the local politics was essentially removed?

**Dr Hobley:** It is impossible to have local politics removed, but what I think you would hope to see is some balance to the way politics are being used at the local level. Obviously, that is around, again, how you build people’s ability to engage in these political processes. At the moment, in a lot of villages, not all, there are a lot of community-based organisations which do a variety of things. The forestry ones are interesting because they have a resource, they have money and they have a large number of members. Because of that they can actually act in a way like a local government; they can decide who gets access to the resource, they can decide who gets access to funds, and a lot of very positive things have happened from that process. Also, what they are tending to do now is to occupy what should be the local government space because they have funds, they have services and all the rest of it, which, during the period of conflict was important; they did deliver and they did maintain a level of social cohesion that I think was quite critical. Again, I think what we should now be looking at is how you balance those dangers and the positive sides of these community-based organisations with their relationship with an emerging local government and how you can balance the power of that so that the decisions that are being made about who gets access to services are not ones that just remain the very patronage-based ones which generally they are (particularly in the Tarai areas they very much are), but are based much more on careful exploration of who really requires the services and why they are getting them. So how that interface between over 400,000 more of these community organisations plus local government is developed is critical to make sure that local government itself has the power, the space and the authority to start making decisions for the whole citizenship and not for an interest group based on forestry or an interest group based on water or on mothers’ health, or whatever else it is, but is looking across the whole populace. At the moment, there is a real issue of these different groups dividing up territory within the local area, and if you are not in a group you do not have a voice and you do not have access to services. For the very poor there are very high transaction costs to being involved in all these different groups to get access to services and often they both do not go into them because of the high transaction costs but, also, they are excluded because of their own social conditions. So local government should be sitting over this and should be

<sup>3</sup> Citizen’s Advice Bureaux

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able to take a whole overview of all the systems that are within that. The problem we have and the one we need to guard against is to avoid the community-based organisations remaining and the de facto way in which decisions are taken about who gets access to services and who does not. So it is redressing that balance that is going to be crucial in getting local government into a position and at a sufficiently high level as well as local level to be able to take decisions that are not influenced by politics or by patronage. Of course it will continue to happen but we need to be aware and understanding of how to try and prevent that.

**Q87 Andrew Stunell:** Can I take you just a little bit further on that? We visited a forest management project and we were given the impression that that, also, encompassed the fact that a school was being built, water and sanitation, bio-gas—a whole lot of projects seemed to be integrated there. Are you saying that that is a pretty unusual case?

**Dr Hobley:** It is not unusual. A lot of the forestry groups have, over the years, taken on a local developmental role and not just a forestry role, for good reason: they did have the funds and there was a real belief that this was a way of trying to get local development going. I do see considerable dangers in that becoming a reasonably unaccountable form of decision-making about who gets what, and I am not sure that for the future of Nepal this is necessarily the way to continue. I would like to see some of those activities moved into the local government space and not remain within these forestry groups where the levels of accountability are not very great and you have either a strong voice within it or no voice within it. Definitely for a lot of the groups where they are very poor people, although they may be members, they do not necessarily have access to the facilities.

**Q88 Andrew Stunell:** I would just comment on that that if I was on the village committee or the forest management group and local government was set up in my area I would want to be on that local government. So I think, actually, you would see quite a transfer across. I would also comment that we were told and introduced to people who were members of the Dalit community who had apparently benefited from that. Could I possibly take you off in a completely different direction for a moment?

**Professor Moore:** Can I go back to an earlier point, Mr Chairman, before we go there, which was what can donors do? I would like to say I think there is one thing donors could do in terms of local government which is they could provide more active encouragement for setting up a reasonable urban property tax system to give at least urban governments and local governments a financial basis. They do not have one, at present. I think we are a long way away from—

**Q89 Chairman:** We are back to this country, again!  
**Professor Moore:** They also do not have a system of central fiscal transfers from Kathmandu, so really sub-national governments have very little funding. It

is not actually that difficult to do these days, and I think that would be one very positive thing that donors could encourage.

**Q90 Andrew Stunell:** The point I was going to make is that drawing on the experience of visiting one project during our visit, obviously, I am a world expert on this! However, it seemed as though the provision of services was being reasonably well integrated; it seemed as though it was being provided or, at least, made available to all members of the community including Dalit members, and so on. Indeed they seemed to have census figures and a very clear perception inside the village of who were high-paid, low-paid, Dalits, etc, etc. So that looked like a good model. Can I just test you on another project that we visited, which was relating to the retired Gurkha village development project? You have expressed concern that, maybe, aid and projects are not getting to those at the bottom of the pile. Would it be your judgment that in the case of the retirement projects that is happening, or is there a selection of villages and, maybe, people within villages there which is not pro-poor?

**Dr Hobley:** I think it is quite difficult for me to comment on because I do not know the project at all. It is very interesting if you do not look at projects but you look at people, and you go and spend time with people and say: “Okay, what are you doing? How are you getting your livelihood together? What services are you getting? What credit are you getting?” They will reel off, maybe, 10 groups that they are members of to get access to water, to get access to education, to get access to different types of credit, and they will tell you how many hours they spend in each of these groups and different types of meetings. For some people it is a huge amount of time. Then you start looking at who these people are, and what you find is that those who are more capable are able to spend more of their time accessing these groups and accessing services, and also what you find is that those who are generally the wealthier or were former patrons within the village often control most of these groups and control access to them as well. So what it is is a very conditional way in which development is allowed to people. If you go further down the system to extremely poor or to particularly marginalised groups, the forestry programme has been very good at trying to get the Dalits involved but this is not the case across all projects. Even though people talk about it, actually when you go down there and look what you find is that a clustering of people who get access to services are generally those who are more able, and a clustering of those who are extremely poor who really get access to very little at all. Often they would also be in the most dire situation and a lot of them will have to migrate for the very poor labour services; there is very little agricultural labour left because of the change to the Land Reform Act in 1997, which meant that the tenancy arrangements there changed a lot. So, again, there is a lot of agricultural land that is not being properly used now, so local labour opportunities are very limited. In the absence of that these people are looking for daily labour—that is

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what they spend their days doing—and trying to get into these groups is very difficult for them; they do not have the time, they actively exclude themselves and they are, also, passively excluded by the groups because they cannot pay regular amounts of money on credit, which is usually a requirement to be part of that group. So there are lots and lots of barriers, why projects are causing further exclusion, and lots of reasons why they do that, and it is not until you start looking at people, rather than projects, that you start to see this. If you look at one project it actually looks quite successful but if you look at the people in that area and look at all the projects that they are involved with, actually there is a large number who are not in any of these projects, and you start seeing a very different story. It is interesting, once we start getting these questions going, that lots of projects have started asking the same questions and found the same answers across much of Nepal, that what looks good from a project perspective is not so good when you look at it from an individual household perspective instead of from a project eye.

**Q91 Andrew Stunell:** Is there a way of dealing with that? Could the donors, and DFID in particular, take a different approach which would overcome that problem or mitigate it?

**Dr Hobley:** Yes, moving away from projects, obviously (and DFID has been good about trying to reduce the use of projects), and, again, looking into the future around how you get more sub-national budgeting which allows decisions to be made at the more local level for all the citizens rather than on a highly-projectised basis approach where you do X project delivering X services, where, again, the accountabilities are very clear. When you ask people where that money has come from and who are you going to hold to account, it is the NGO that has delivered the project or it is a donor that has delivered the project—it is not government. They are not putting pressure on local government or the district or central government and saying: “Why are you not doing this?”; they are putting pressure back on to the project: “Why are we not having more of this? Why are we not having more of that?” Again, how do you reconstruct relationships where people are looking into the government, into the local government and into those that should be providing the services to push there for greater accountability? The projects, because of the conflict, have really got in the way of that.

**Q92 Andrew Stunell:** My point about Gurkha retirement villages?

**Dr Hobley:** I have only been to one and that was on a casual walk-through, so I cannot answer you. I am really sorry. If I had been there and looked at it more carefully I could answer.

**Q93 Mr Lancaster:** I am going to embarrass you, actually, Mary, and say that apparently you describe yourself as one of the main international commentators on community forestry, which I am sure is the case, so can I ask you, perhaps, to comment on the effectiveness of DFID’s forestry

programmes? In particular, they claim that for every £35 spent on the LFP one person is permanently taken out of poverty, which sounds fantastic. Is that what you would expect? Is that realistic, or are they perhaps being a touch—well . . .

**Dr Hobley:** I think they are being a touch optimistic there. Currently, they are about to do some longer-term evaluations in looking at exactly these issues and to look at their poverty impacts. I think, hopefully, those will provide a more systematic and more careful analysis. That was a fairly quick study. Actually, the forestry programme is very interesting in DFID because this is an example of where DFID has committed over a very, very long period to one sector (we are talking 20, 25 years) and what we are seeing in many ways is the good harvest of that investment. If you are looking at it in terms of forests, so environmental impact, it is massive: there are trees now where there were never trees and there is huge change across the hills of Nepal. If you are looking at in terms of people’s access to forest resources who are members of forest user groups, it has changed. The question always is: who has it changed for and by how much has it changed? My life started out in community forestry and most of my work was in community forestry—I was a great believer in it—but, as I have been saying, one of the things I am very concerned about is how it forms interest groups rather than forming a political process where everybody has a chance to make decisions about how resources are allocated. So I think, for the future of community forestry and the future of DFID’s involvement, it is how it looks wider than just forestry and it looks at these interfaces between the groups that are being formed and the local government processes that are being put in place, and that is where I think it should be shifting. In terms of investment, in building a huge network of organisations that are able to mobilise and to manage resources, it is an extraordinary success. If you look at the Tarai, however, it is nowhere; you have very valuable forest resources, government will not hand them over to communities, they are a source of large corruption, they are a source of huge amounts of money and they are now also a source of huge political tension because they are areas where the Maoists are pushing land encroachments for landless peoples. So forests in the mid-hills are an easy story; there was already a very strong informal structure there. Forests in highly contested areas are very difficult, and I think, again, for the future for DFID, how it deals in the Tarai in forestry is going to be a very critical element of how peace or conflict starts to continue within the Tarai. The Madhesh issues, the indigenous issues around the forests are huge—really, really huge. The questions around land and those forests are also very big. Yes, success after a huge amount of long-term investment (and I think that also is interesting in the sense of how much time do you have to invest to bring success), but also the very, very big thorny questions that even over these 20 years DFID has not been able to address in the Tarai, which are going to grow even more.

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**Q94 Mr Evans:** How difficult is it to encourage more private businesses to set up in Nepal?

**Professor Moore:** One thing that was quite striking to me was in 2008 when the Maoists were about to come into power and came into power. The private sector actually was not terrified, and you think they would have been, but they seemed to be relatively happy. The biggest problem the private sector face is not particular political parties or particular policies, it is just the general insecurity and everything that goes on around it—the extortion, etc. All the surveys and talking to business people just give you the same answer: if they had a government that could actually keep order and deliver on what it said it was going to deliver, frankly, I do not think they would care which party or which combination of parties was in it. The other very big issue over this is because most economic activity in Nepal is in the Tarai, not far from the Indian border, there is so much cross-border activity that it is very hard, often, to say if you are talking about the Nepali economy or the Indian economy. There are lots of reasons for businesses to shift both sides of the border. So I think there is every reason to think that with a reasonable amount of political order the private sector would be okay. It is interesting, the rate of private investment in Nepal. If you look at success stories, it has gone up in the last 10 years quite appreciably as a proportion of national income, even during the course of the civil war. So, clearly, the private sector sees profit opportunities here; this is not regarded as a hopeless case.

**Q95 Mr Evans:** Is this something that you think donors can help in trying to support?

**Professor Moore:** My sense is that because the primary problem is the security there is nothing that donors can do directly about that. There are all kinds of little things that need to be done about the investment climate, but I think they are only secondary at present, and they are the kind of things—small changes in legislation—that could take place later. I do not think donors need to do more than give the right signals. I would also add on that that much to my surprise I do not see that the Maoist party, even, is anti-private sector. What is quite interesting about the Maoists is that they controlled enough of rural areas for long enough that they learnt how you tax people, and they realised that a thriving private sector is good for them and good for everyone else. So although there is a lot of rhetoric, of course, at one level, I think in reality there is no big problem here.

**Q96 Mr Evans:** What could they do? You mentioned taxing. What more could they do to strengthen the taxation system to get the revenues in and to have better public finance management?

**Professor Moore:** The Maoist finance minister claims—I cannot remember whether it was in the first six months he was finance minister—he increased tax revenues by something like 30%, I think (I cannot remember the exact figure). However, there is a tremendous amount of leakage, and that is partly because the dominant source of tax

revenue is the border with India, and that is where its import duties and VAT—most taxes—are levied, and that is a very corrupt operation. My understanding is that they raised more taxes just because there was more oversight of what was going on and probably a lot people were frightened of carrying on with the previous corruption. So my sense of this is that it is not that you need major reform of the tax system; it is just improving the current system and making sure there is less leakage and corruption and you would be okay. The government of Nepal is not big enough or competent enough to spend much more money very quickly. You would not actually want them to have masses of money. I do not think there is a sort of fundamental fiscal problem there.

**Q97 John Battle:** If I can ask a brief question about employment. You mentioned that the economy of Nepal is a function of the development and growth in India, but we met people that wanted to know where are the jobs for young people, particularly, and DFID, again, have made that a priority. There is some suggestion that jobs can be generated in agriculture, in tourism and, indeed, in renewable energy and water for the region. Are there realistic prospects there? Should DFID be involved in employment generation at that level?

**Professor Moore:** I think there are a lot of realistic prospects. Agriculture in Nepal has done very badly over the last 30 years or so—surprisingly badly when you compare it to India next door where agriculture, on the whole, has been booming. As the Indian economy grows India is going to run short of labour and they are going to want to import agricultural commodities from Nepal. So I think there are real prospects and people have all kinds of ideas—bio-tourism, and many other things. There are real possibilities. Whether DFID can actually do much at this level I am a bit sceptical. I think it is right, Mary (and you know more than me), that the big donor investments in agriculture in Nepal, as opposed to forestry, have ended up not terribly successful.

**Dr Hobley:** No.

**Professor Moore:** There is just a sense now that the country does not have the agricultural extension experts, the researchers and everything else that they would really need. I do not see any kind of “big bang” here in the agricultural sector. One thing the other donors could do, we have in India now the National Rural Employment Guarantee scheme, which does mobilise large numbers of people on public works—roads etc. There is quite a lot of expertise in that region, especially in India, in running these things in a not-too-corrupt fashion, and Nepal could do that. I think from the political point of view there is a lot that will be very advantageous for any government in Kathmandu to have one flagship programme saying: “Look, we’re generating a lot of employment”, and there is something very visible. If you could get a decently designed scheme and DFID were willing to fund it, that would be fine.

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**Q98 John Battle:** What has come across very clearly in this session, as Mary puts it, is the need for these bigger questions politically (in the full sense of political not party political) of governance to be right up there and tackled first or we are getting nowhere.

**Dr Hobley:** One of the things around employment, one of the things I found really startling, going round the villages, is how few young men there are between the ages 18 to 40; it is almost like an absent generation. You ask questions where they are; they are in Malaysia, they are in the Gulf, they are in India. You ask young men before the age of 18: "What do you want to do?" and the last thing they want to do is stay in the villages in agriculture. They said it is a complete waste of time; there are no markets, it is drudgery—they are not interested. I have seen (again, on small scales) interesting things around developing the skills for people to migrate, which is a dreadful thing to do, and, basically, Nepal has been a migration remittance country for generations, but that is what it does to be able to help them migrate more effectively. There are problems now, of course, with the Gulf and the downturn and all of that. What you do see is a lack of willingness for people to stay. Or, if they do stay, they want service jobs; they do not want to be in agriculture.

**Q99 John Battle:** It will be controversial to say it but I was quite strangely disturbed over the break when Gurkhas that can now come to Britain came to see me at my advice surgery in inner city Leeds to tell me they are very disappointed in Britain because their jobs and cars were not there. I said: "And you were expecting to get straight to a job?" Partly it was: how

could they get a licence, could they drive a car and what jobs could they get? So sometimes the expectation is part of the problem.

**Dr Hobley:** Very definitely. This is a new generation that has those expectations; they have different exposure now and they are not prepared to accept what was there before.

**Q100 John Battle:** Sadly, they were asking could it be arranged for them to go back, having just arrived, because they felt that they had been misled into expectations. So balancing the expectations and impressions (I think was the word you used earlier on) is very difficult, internationally as well.

**Professor Moore:** Could I just add one other point on the private sector? The big thing in Nepal is hydropower. The potential is enormous. No one wants to risk their money at present, for very good reasons. India, once again, is key to this—it is going to be Indian capital that does this. If you got significant Indian private money in hydropower you really could flip expectations in a major way in the country.

**Q101 John Battle:** You control the water table.

**Professor Moore:** Yes. It could do extremely well.

**Q102 Chairman:** Thank you both very much indeed. We have found the whole experience of Nepal a bit different from other developing countries, fascinating and interesting. There are a lot of good stories but, obviously, the political settlement is key to the future. We are very grateful for the background experience you have and for sharing it with us. Thank you very much indeed.

**Professor Moore:** Thank you.

**Dr Hobley:** Thanks.

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Thursday 28 January 2010

Members present

Malcolm Bruce, in the Chair

Hugh Bayley

Andrew Stunell

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

**Q103 Chairman:** Good morning. Just for the record, we know who you are, but could you introduce yourself.

**Mr Foster:** Mike Foster, Minister for International Development, and Sarah Sanyahumbi, the Head of DFID Nepal.

**Q104 Chairman:** Can I welcome you, and it is nice to see you again, Sarah, as obviously we did have a very interesting visit. Just to go straight to it, one of the interesting things about Nepal, and actually it is one of the reasons we went there and it has been raised a number of times in evidence beforehand, is that it is one of those key states on which DFID is focusing as a fragile state, as evidenced in the White Paper. The simple question is: what is it about Nepal which makes you feel that DFID has the ability to make a positive impact, that you see it as a fragile state in which our engagement can make a difference?

**Mr Foster:** I think, Mr Chairman, there are strong historic links between the UK and Nepal, which certainly help. We, without doubt, believe we have the level of engagement, both as a Department and HMG as a whole, to talk to the political leaders of all the different shades, and to representatives of the Armed Forces, who of course play a key role in a sort of post-conflict situation with clear links with our Ministry of Defence, so that gives us, I think, the political opportunity to take a strong role in helping Nepal through this fragile state that it is in following the civil war. Also, I do think we have the skills in-post and the expertise in-post to be able to address the specific points that will help facilitate the peace process in-country, and we have demonstrated that with our work leading up to the Constituent Assembly, for example, and using our strength as a bilateral donor, and I think we are the largest bilateral donor in Nepal, so we have a strength there which does not command attention, but enables us to have the high-level dialogue that is important in making the peace process as effective as possible and using development in the appropriate place to help deliver the peace and stability amongst the community groups that have suffered for so long as a result of the civil war.

**Q105 Chairman:** Those answers though are specific to Nepal to some extent, but is there something about that which is transferable? If DFID is saying, "We want to engage with fragile states", plural, is there a transferability? Yes, you say you can engage with it successfully, but are those circumstances unique to Nepal, or do they have transferability?

**Mr Foster:** I do not think they are unique, but I do think it is a niche area in development that the Department has taken on board, as witnessed in White Paper 4 last July. We recognise that conflict and poverty go hand in hand and you need the secure environment in which to be able to have good development work to operate, and some of the mechanisms that we have in place as a Government, let us say, the Conflict Prevention Pool, the Stabilisation Unit, give us perhaps an edge over other international donors in terms of the work that they do, so we have perhaps a bit more flexibility in how we would operate compared to other donors that might be limited in terms of their engagement, let us say, with the military.

**Q106 Chairman:** That is fair enough, but just what I am really drawing out is that DFID is setting itself up as a bilateral donor with a specific focus on fragile states, and that is quite a high-risk and difficult area to do, so I am just trying to tease out the extent to which those lessons can be transferred. I will put it the other way round: is there anything which you have been able to bring to Nepal that you have got from other fragile states, or is this change of focus really too early to assess on that basis?

**Mr Foster:** I do not think we would have put that focus in the White Paper, Mr Chairman, if we did not think, as a Department, that we had learnt lessons from our experience on the ground, working in fragile states already and knowing that there was a niche there that had to be addressed by international donors. Without wishing to blow the trumpet of the Department too loudly, DFID is seen as the world leader in terms of international development, so to signal to other countries our intent about dealing with fragile states, albeit with the associated risk that goes with it because some of the work is, by nature, going to be risky, working in conflict areas, the lessons that we have learnt from earlier engagement in Africa, lessons from Iraq and lessons from Afghanistan will of course help inform processes that are currently ongoing and of course future ones. There will be future conflicts that are going to require engagement from a development arm and, the more we can learn, then clearly the better it is going to be for those people who are caught up in a conflict.

**Q107 Hugh Bayley:** How much funding this year, 2009/10, from the Conflict Pool has gone to Nepal, and what is it funding?

**Mr Foster:** It is approximately £2 million, and Sarah, I know, has the details because we have been looking at some of the issues around how the

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Conflict Prevention Pool will work, and Sarah will go through some of the details of where it has been spent.

**Ms Sanyahumbi:** Just to underline the Minister's point, it is the tools like the Conflict Prevention Pool which give us the flexibility to operate in Nepal, and it is not a huge amount of money in the grand scheme of things, but we have been able to respond quite quickly and when asked for support. For example, we are funding SaferWorld and a local organisation called NIPS to provide support to the Technical Committee and the Special Committee and to support the process of reintegration and integration by giving them experiences and examples from other places in the world where this has also happened, army integration and the process of integrating the combatants. We are engaging with the security forces on professionalisation of the forces, we have done a workshop on civil and military relations, so trying to bring the army and the civil society closer together and support that dialogue, we have supported the International Crisis Group who have published a number of very influential and quite challenging reports on Nepal, and we are also supporting on the human rights side as well, so it is a mixture of things and it is very much demand-driven based on the discussions that we are having and the opportunities that we see within the peace process to try and drive things forward.

**Q108 Hugh Bayley:** This sounds like important work, but it is a fairly low level of funding, given that the Conflict Prevention Pool has now £170 million in it. Why is relatively little allocated to Nepal? Is it because you see less need in comparison with other countries?

**Mr Foster:** The two major commitments of the Conflict Prevention Pool are Iraq and Afghanistan where there is a greater engagement clearly with the military forces as well as clear development needs, but, as Sarah said, the use of the CPP in Nepal is demand-driven where we see opportunities to fund schemes that will engage with the peace process and hopefully take it that next step further forward. I do not think that we have had demands on the CPP that are above the allocation of the £2 million. If we did, then I think, Mr Bayley, you would have a very good point to raise.

**Q109 Hugh Bayley:** In December, you announced the recruitment of 1,000 personnel to the Stabilisation Unit. Can you explain to the Committee what the role of the Stabilisation Unit is and whether any of those personnel will be going to Nepal?

**Mr Foster:** This is the civilian stabilisation cadre where we have been recruiting people with expertise in civilian life, but could be used for post-conflict situations, fragile states, and the purpose is that there will be a group of them, 1,000-strong, who are on a database, their skills are listed so that, if situations arose where there was a need for a civilian infill, these are people who have volunteered their skills and services to help. I have not seen at the moment any requirement for the cadre to be posted

and allocated to Nepal. Clearly, if the demand on the ground was there, then Nepal, as a country coming out of conflict and still in a fragile state, of course would be looked at.

**Q110 Hugh Bayley:** Could I go back to the answer you gave on demobilisation and reintegration of the guerrilla fighters. I was on the part of the team that went to one of the Maoists—I forget what they are called.

**Mr Foster:** Cantonments.

**Q111 Hugh Bayley:** Exactly. Although the command structure appeared to exercise military discipline, potentially, it seemed to me, having tens of thousands of testosterone-filled young men who have had an irregular military background and who have access to weapons, as they have the weapons they guard the camp with, with which they could open the arsenal of weapons under UN control, and the UN made it clear to us they had no way of stopping it, there are huge inherent risks if the political process breaks down, particularly if the Maoist military commanders think that the political process is breaking down, or if the young men themselves think that they do not have a civilian future in Nepal, so when do you expect there to be large-scale civilianisation and demobilisation of these guerrillas? When is it going to start?

**Mr Foster:** Well, obviously Sarah has flown in this week, so she will have the up-to-date position on this, and I suspect it is probably better news than had you had this hearing before Christmas in terms of the progress that has gone on.

**Ms Sanyahumbi:** It is, indeed. To start from the beginning, there are two sets of combatants. There are the disqualified, which is around about 4,000, which includes 3,000 of the minors who were underage when they were recruited and 1,000 of the late recruits, and then there are the 19,600 of the, if you like, fully-fledged ex-Maoist fighters that are in the camps. On the first one, the discharge of the minors, that process has already started and is actually going very well, so I think there have been about four camps where the minors have already been discharged and about another three to go. It is a process that the UN has overseen and we have contributed funding to that of £2 million so that the UN can put together the packages, and so far, as I say, the process has been very good. Would you like me to tell you a little bit of how it works or is that too much detail for now?

**Q112 Hugh Bayley:** I think we would actually, yes, please.

**Ms Sanyahumbi:** They are discharged and there is a kind of official ceremony where the Maoist commanders, the UN and others are present, and they are officially discharged and told to go. They are given 10,000 rupees, of which 5,000 is a kind of allowance, 4,000 is for travel costs to take them back to their villages and 1,000 is a kind of per diem, a sort of subsistence allowance. They are also given a card which identifies them as an ex-combatant and on that card there is a telephone number which they can

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phone any time in the next twelve months to talk to a kind of careers counsellor on the packages which are available to help them reintegrate into civilian life, and we supported the UN putting together those packages. Those packages, there are four areas, so there are packages for health training, they can go back to school, they can do some kind of skills training/vocational training, or they can have support to set up their own business. Now, obviously it is too early to say what the uptake of those packages will be, but we are hopeful that there will be significant uptake which will help these people reintegrate. On the second part, the 19,600, again there has been positive progress because the Special Committee and the Technical Committee, when you were there, had not been formed and they have now been formed and they are actually meeting, and these are cross-party committees. The High-Level Political Mechanism has also been formed and that involves the heads of the three main political parties plus the Prime Minister, and it is for them to really decide on how reintegration is going to happen and one of the critical things that they have got to decide is how many of the 19,600 who will be reintegrated will be integrated into the security forces, and we do not know that yet. However, they have launched a 112-day plan which takes us roughly until the middle of May, by which time integration is supposed to be complete, so by 15 May the Government is optimistic that 19,600 ex-combatants will be either integrated into the army or security forces or will be rehabilitated in the districts, so there has been some positive movement on that.

**Q113 Andrew Stunell:** Can we move to DFID's own resources in Nepal and just have a look at what is there. We did take some evidence and I will just give you one specific quote: "I do not think DFID has sufficient local political intelligence to help it inform the national-level policy decisions that are being made." The suggestion is that the staffing regime has very few incentives for people to stay for a long time and to learn and become really familiar with the very complex geography and politics of Nepal and, perhaps linked to that, that the geography of Nepal means that it is really quite difficult for people to get out of the Kathmandu office to visit and see projects, so I would be interested to know how you would want to respond to that criticism in respect of Nepal, but also maybe DFID's overall structure and incentives for staff to become really familiar with the local territory that they work in.

**Mr Foster:** Mr Stunell, I have to say, I am disappointed to hear that comment. That is certainly not the experience I have had in the two visits I have done to Nepal since coming into this job. On both occasions, my experience was that there was a very clear link to the political process, it was very easy to get access to the political leaders of all the parties and a genuine willingness to engage with DFID representatives and with the Minister from DFID, so, as I say, I am disappointed that some people think there is a lack of engagement at a political level. In terms of staffing—

**Q114 Andrew Stunell:** I wonder if I could just pause you there. I do not think that our witnesses were criticising engagement with the political establishment in Kathmandu, but I think linked to it was perhaps a view from them that that political establishment in Kathmandu was not necessarily well-connected back to the area where the projects and development were needed.

**Mr Foster:** Part of the visit structure that, I think, the Committee did and also that I did was not just limited to Kathmandu and certainly I have been to the east and to the west. Certainly the relationship, I would say, in places like Nepalgunj, which are some distance from Kathmandu and in Nepal it is difficult to travel those distances, again there was a real engagement with DFID personnel. In terms of the number of visits that staff make, I think, Sarah, I am right in saying there were 90 field visits last year with DFID staff going out and about, not only to obviously check upon the projects that are being run by DFID, but as part of that engagement with communities. Some of the work that we have been engaged in with the political process has been at the community level, and it could be the community forest programme, it could be working with individual Constituent Assembly members who represent particular geographical areas, so I would feel confident that we have the necessary skillsets, the experience and the expertise because the staff hold posts there for, is it, three years and then an optional one or two after that?

**Ms Sanyahumbi:** It is at least three, and most people ask to extend.

**Mr Foster:** Certainly, the impression I got on both visits was that working in Nepal actually was a very challenging environment to work in, but one that people genuinely wanted to go to, as DFID staff, to work in Nepal. The previous Head of DFID, I know that she left with more than one tear in her eye that she was leaving to move on because she had had that close engagement, not just with the political establishment, but a far wider reach in the community of Nepal.

**Ms Sanyahumbi:** The question seems to be alluding to UK-based staff and, as the Minister said, a lot of staff do actually stay longer than their three years because it is such an interesting and challenging place to work, but we also have a number of very professional, very highly qualified local advisers there, so they also help us. They are an integral part of the team and help us understand the local context, so I think that is an important factor also to remember. With regard to our local knowledge, we do have it in people's objectives to actually get out of the office regularly, so they are definitely encouraged to get out. It is not always as easy to do as that, and last week I spent three hours at the airport trying to get to one of the discharge processes and had to turn back because the helicopter could not fly. We did do 90 visits last year and we aim to do as many as we can that make sense, but we do also have information coming to us at the local level through the risk management office that has field officers and also through our programmes, so through the CSP programme, which you saw, the

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Community Support Programme, where we have officers on the ground and through our roads programmes, so through our programmes, which are all over Nepal, we have also got information coming back to us all the time on what the situation is on the ground. I would have to say, I am also a little bit disappointed, as the Minister said, to hear that quote, but I would hope that our local information is pretty good.

**Q115 Andrew Stunell:** Perhaps to follow through from that, which you may have partly answered, maybe the institutional knowledge, how do you ensure that that is passed on as post-holders rotate and change?

**Mr Foster:** Well, obviously not every post-holder will have their three-year term of office end on the same day, so there is the overlap which will automatically be in place, and then there is the recruitment and employment of local staff who are not part of the three-year rotational cycle, so inbuilt into the system, I think, is a platform for a proper, professional handover, but ingrained in that will be the base knowledge provided by locally employed staff.

**Q116 Chairman:** One of our witnesses said that they had rarely seen a country as corrupt as Nepal and, by definition, I think some of us possibly have, and that that is part of the problem of fragile states, but the point, nevertheless, is, when you are engaging with a country which has endemic corruption, how do you follow your own funding and ensure that it goes where it is supposed to go? Do you have to put in place especially robust monitoring services to follow it through, and is that worse or better in Nepal than in other fragile countries in which DFID is engaged?

**Mr Foster:** Obviously, Sarah can go into the detail on the process that we use in Nepal to deal with corruption, but clearly, as part of the establishment of the country plan and the programmes that we have set out, there is that risk assessment that is undertaken because of the reputation that Nepal has of corruption, and we know that corruption actually poisons the whole atmosphere in which development takes place, but in terms of the detail of how DFID works to protect its programmes, Sarah, do you want to say a bit more?

**Ms Sanyahumbi:** We are doing a lot of work on that, as I think we touched on during your visit as well. On corruption, we have very extensive monitoring plans for our programmes, so regular monitoring where we go to the field and we do actually look through the financial reports and check those. We are working with the Government very closely on public financial management reforms and how to strengthen the government systems. We have had a lot of difficult discussions also on procurement, which is obviously one of the areas most vulnerable to corruption, and through our sector support in health and in education we have very much strengthened our procurement plans, which we are confident will safeguard the UK's money that is going through government systems. We have a zero

tolerance on fraud, so, if fraud is reported to us in the office, and quite often we will get generally an anonymous email alerting us to something, we have a UK-based fraud officer in the office who makes sure that there is an investigation of all of these cases that are brought to our attention, and we also involve the UK-based Counter Fraud Unit based in Abercrombie House, so we have pretty thorough mechanisms, I think, to safeguard our funds.

**Q117 Chairman:** But have you had problems? Have you had to terminate programmes or take steps to recover money?

**Ms Sanyahumbi:** We have seen it as very necessary to strengthen procurement arrangements, particularly in the health sector, and that has been an area of very serious debate as we move towards the next phase of our sector budget support for health. We are in fact proposing taking out the procurement component of that sector budget support so that it can be managed externally until we have strengthened the systems sufficiently that we could allow the health procurement, the drugs procurement, to be done through government systems, so we do change our programmes and adapt them, as necessary. I am not aware of any case where we have actually stopped funding, but there might be and through our RDIF<sup>1</sup> or our ESP<sup>2</sup> there may be instances there.

**Q118 Chairman:** You will be aware obviously that the PAC has occasionally investigated it and I think it has just produced a report on Malawi. I do not know whether on a wider basis there is any kind of discussion about how to improve the systems because the PAC has been critical of DFID in one or two cases, not necessarily very specific, I accept that, but they have tended to say, "We're not satisfied that it is open and transparent and that the money really is going".

**Mr Foster:** We share the concerns, Mr Chairman, in that, at the very 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, and that is why, as a Department, we take seriously the concerns about fraud and corruption. As Sarah said, we have the zero tolerance approach and internally we have the systems that are there to kick in, and I have seen sometimes anonymous and sometimes non-anonymous complaints come in that I have put through the system to say, "I want this checked", and some weeks later it will come back and there has been the investigation that reassures me that the allegation that had been made had no grounds behind it. In effect, I have tested the system out along those lines and it is important for us, as a Department, that we are seen to be whiter than white when it comes to tackling corruption.

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<sup>1</sup> Rights Democracy and Inclusion Fund.

<sup>2</sup> Enabling State Programme.

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**Q119 Chairman:** Is corruption or other reasons part of the reason why you have difficulty in reaching the poorer sections? The evidence suggests that in a lot of these schemes it is not the well-off, but the ones who are a little better organised who take advantage of them and that the really poor, one way or another, do not. Is part of that finding people who can actually deliver honestly to the poor, or is it just a lack of access because they live in such remote areas and, therefore, it makes it hard to reach them?

**Mr Foster:** If I were making a more general point, Mr Chairman, I would say that probably in most countries in the world the very poorest were the ones who did not always access the provision of services made available, and I think in the UK we suffer from the same blight in that services are set up, but sometimes it is getting the very poorest to gain access, so there are always challenges about the fact that people are poor and are not educated to a level that enables them to gain access to a service. Clearly, in places like Nepal there are geographical access problems as much as there are educational access challenges, but I do not think the inability to reach these groups is because of a lack of intent and certainly I would not say it was a lack of concern over the risk involved with it, but I think there are more challenges out there than those two.

**Q120 Andrew Stunell:** If we could just take a look at the National Adaptation Plan of Action and the whole climate change issue, clearly the IPCC has had a very embarrassing couple of weeks with the recognition that some of their proclamations were not right. Is that making any difference to the approach to this, as far as DFID is concerned, or the programme in Nepal?

**Mr Foster:** I think, Mr Stunell, the science generally is very clear about climate change and about the need for us all to tackle it. The disappointment was clearly at Copenhagen in not getting the binding agreement that nations like ourselves wanted, and certainly within the UK this Department have been very clear in pushing for binding agreements to tackle climate change. Certainly, regardless of what happens with the argument over whether data was fiddled or not, we will continue to press for action in Nepal and work with the Government in Nepal in terms of their National Adaptation Plan for Action, but also we see real opportunities in Nepal to make a big difference combining tackling climate change with development on a scale that could in maybe a generation change the life chances of people in Nepal.

**Ms Sanyahumbi:** Just to say something about the NAPA<sup>3</sup> process in Nepal, it is part of our overall climate change programme and the Government has really taken the lead on this and seized this with our support, which is a really good thing to see. They are proposing to come out with the National Adaptation Plan of Action by April, which is now the new timetable, and they are working on that with our support. They have got seven working groups on different areas, for example, agriculture and food

security, forests, biodiversity, water resources and management, et cetera, and we are supporting that, so we are providing technical support to some of those working groups through our forestry programme, but also directly with our climate change adviser. Once the overall plan has come out, the plan will be prioritised, and we have set aside funding already now to try and take some of the key priorities that come out of the plan and start funding them, so actually get some action going as quickly as possible, so it is quite positive. It has been delayed, which is unfortunate, but it is very much a Government-owned process and it is actually quite a positive process going on in Nepal now.

**Q121 Andrew Stunell:** Can I just pick up that point about it being Government-owned because perhaps the impression I got mistakenly when we visited was that it was rather a donor-driven process, but you are saying there is definite ownership by the political classes, if I can put it that way, in Nepal?

**Ms Sanyahumbi:** Absolutely, and the Prime Minister himself heads a climate change commission—I have forgotten the exact name—and he actually has made this one of his top priorities and it is one of the top priorities of the entire Government. You will know that there was just before Christmas a Nepal Cabinet meeting held at Base Camp to highlight the issues of climate change in Nepal, so it is an issue that is taken very seriously by the Government and it is, I think, now genuinely Government-led. I think there was a process to put the Government in the lead, and the regional conference, which we had in September which DFID supported in September, I think, was a helpful stimulus to the Government that this was also an opportunity for them to tackle the challenges that Nepal faces of climate change and to make the most of the unique position that Nepal actually has because, as you know, it has the opportunity, we hope, to access some significant climate change resources which have been internationally agreed.

**Mr Foster:** I think it is part of that evolving process from the end of the civil war that, just coming out of a civil war, perhaps climate change is not the first thing on the minds of the political leadership, but the sense of direction and impetus that is there now, I think, Sarah has described very well. Certainly, in the meetings which I held with the former Minister of the Environment at the time, he was an activist in every sense of the word, not just in terms of his interest in the environment and knowing that this is what Nepal had to do, but he was out in the community, engaging with them and campaigning with them to make climate change something that ordinary Nepalis took to their hearts as well, not just for the clear benefits for the development of their economic prosperity that it brings, but actually the contribution to the wider world, and they are in the unique position in the world to take this forward.

**Q122 Chairman:** Just as a supplementary to that, our brief tells us that the total budget for the NAPA project is \$1.325 million, of which the UK or DFID has provided \$875,000. Is that currently the case?

<sup>3</sup> National Adaptation Plan of Action

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**Ms Sanyahumbi:** That is right, yes, £½ million which is roughly \$875,000.

**Q123 Chairman:** Is that just for 2008?

**Ms Sanyahumbi:** That is for this financial year. That does not include the funding that we have set aside to then pick up some of the priority actions that come out of the NAPA. That is really just to support the actual process of coming up with it.

**Q124 Chairman:** Is it possible perhaps to get a note of what additional funding you are planning or you are proposing?

**Ms Sanyahumbi:** Okay.<sup>4</sup>

**Q125 Chairman:** Some of us went to look at forestry, and obviously we only got a bit of the community forestry flavour and the rest of it was what we were told or heard rather than anything else, but on the downside apparently there has been an awful lot of deforestation across Nepal, and it is not unusual in development and it happened in this country after all, but the implication we have is that it has been above average and serious for a variety of reasons. Although some of our witnesses have said that some of the forestry or reforestation programmes have been successful, and it was put to us by one witness that there are trees now where there never were trees, however, there is illegal deforestation, ownership disputes and corruption or whatever. What is the key problem, and is the deforestation accelerating, decelerating, or where are we with it?

**Mr Foster:** I think there is a recognition now within the Government of the importance of forests, not just for their aesthetic qualities, but actually as a way of enhancing development, and programmes like the one that the Committee saw and I have seen, the Livelihoods and Forestry Programme, it was very clearly demonstrated there how communities can not only earn income themselves, but actually can bring about some regeneration in their community as a result of surpluses that they gather, so there is a development opportunity which I think the Government have now recognised. In terms of the stats that I have got on it, the forestry sector contributes about 10% to Nepal's GDP, so economically it is a major area that the Government has got to get right. They have the strategy which embraces community forestry. Of course, it brings in the climate change benefit that, if you are not stripping down the land of forest, you are actually locking in the carbon in the trees, and the figures we have suggest that, if we could reduce deforestation, it could account for some 72% of Nepal's greenhouse gas emissions, so there is a real benefit for the country in that sense. One of the challenges of course is over land ownership and that is always the case with forests, be it here or in Indonesia where we have looked at forestry, and the work ongoing there is in a fragile state, and Sarah might want to explain a bit more.

**Ms Sanyahumbi:** Yes, land tenure is obviously one of the tricky issues in forestry. The communities manage the land through our forestry programme which, I would say, is a great programme and has really benefited large numbers of people in Nepal, but one of the remaining issues that we still have is the land entitlement, if you like. The way that it works at the moment is that the community manages the land based on a plan which they have agreed with the district forest officer, so it is kind of leased land, but there is no guarantee of how long that arrangement will last, so one thing that we are lobbying for through LFP<sup>5</sup> and with members of the Constituent Assembly is for more community land rights to be written into the constitution so that the communities do have security when they are managing the forests and it cannot be then taken away from them at a whim. Obviously, this may not be such an issue if you are talking about mountain areas or hill areas where perhaps the value of the land is less, but, if you are talking about community-managed land in the Terai where the land is extremely valuable, then the incentives for handing over the land for community management obviously are a lot less. So it is a big issue and it is one that we are working on and it will be part of one of the things that we are looking to tackle in the National Forestry Programme, which will be the kind of next stage of LFP that we are working on now, it will be the next stage of that.

**Q126 Chairman:** That almost implies though that deforestation will go on in places like the Terai, if that is where the land is valuable, and then you have the community forest programme planting trees elsewhere, so it is kind of shifting around, which probably explains the trees being where they were not before. If DFID is putting a substantial amount of money into forestry, how can you be sure that what you are doing is not just moving it around rather than actually delivering real change?

**Ms Sanyahumbi:** Well, on the Terai we are gradually expanding our forestry programme into new areas. We do not have evidence that we are just kind of moving things around, as you say, because where the communities are already operating they continue to operate, and I have met communities that have 60-year community management plans and they are there for the long term. Moving into the highly contested Terai area, that will be a challenge and that is why it is so clear that we need to have the land entitlement issues sorted out in the constitution as there needs to be legal entitlement for the communities, and there is quite a lobby actually pushing for this in Nepal. Until the constitution is written, which we hope will be by 28 May, we will not really know on this.

**Q127 Chairman:** The forest community that we visited looked like a model community, and we were shown the women's committee and the school which was being extended, the water supply and the Dalit work programme and so forth. Some of our

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<sup>4</sup> Ev 85

<sup>5</sup> Livelihoods and Forestry Programme

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witnesses have suggested that they are not all quite like that and in quite a lot of cases the Dalits, the women and so forth are not given the same degree of engagement. So to what extent do you feel that is typical, or to what extent do you accept that there is a problem in trying to ensure that it is representative of all people in the community?

**Ms Sanyahumbi:** That is not the experience that I have had or that I am aware of. It is not a criticism that I have heard before because the communities that I have visited and that I am aware of are very inclusive, and actually it has been that all the different ethnic groups and caste groups that happen to be in that area are fully involved in the forest management. Certainly, some of the most impressive women's groups that I have met who are talking about health issues and they have set up their own micro-credit schemes are a kind of by-product of the LFP approach and the forestry programme.

**Chairman:** I accept that, but it was just as a challenge and you have answered the question.

*The Committee suspended from 11.18am to 11.38am while it was in quorate*

**Chairman:** Apologies for that hiatus and appreciation for your co-operation, but, as I have informally established that Sarah is flying back to Nepal tonight, it is important that we get all of this on the record.

**Q128 Andrew Stunell:** Hydropower is obviously one of the great unexploited resources of Nepal and it is obviously highly dependent on getting private sector capital involved. I wonder if you could just set out for us DFID's approach to how donors can engage with this, or is it something that really we should just step back from and let the market deal with?

**Mr Foster:** First of all, your analysis, Mr Stunell, is absolutely right. It is described as 'Nepal's oil' and neighbouring Bhutan have really shown the way forward in terms of harnessing hydro. I think there are a couple of areas where DFID and the international donor community can play a role. Certainly, in the discussions that I have had with the private sector and with the Asian Development Bank and the World Bank, it has been very clear that there is real private sector interest in exploring large-scale hydropower generation. There are two power-hungry countries neighbouring Nepal, India and China, who would love the opportunity to harness carbon-free generation of electricity, and there is clearly the benefit for Nepal itself as one of the drawbacks to development there is the number of power shortages and lack of electricity available for sustained development. Where I think the donor community can play a role is to enable the business climate to be more secure for the long-term investment to take place, and the problem is that some of these projects are 10 or 20 years in duration, so there has got to be the security and knowledge that, when somebody comes along and invests large sums of money, it is going to be protected, so the business environment has got to be right. The discussions I have had with private sector developers have very much been along the lines of, "Leave the hydro to us, as the business community, but please

can you do something about maybe the roads and the infrastructure to be in place to enable the equipment and construction gear to get to the site", and some of the conditions around supporting enterprise, maybe even setting up enterprise zones around where these developments can take place, so I think the donor community can play a role working with the Government there. I also think there is a broader role for DFID to play, and we have embraced that already through the South Asian Water Initiative because Nepal and the Himalayas are at the head of the river systems and whatever is done in terms of hydropower generation is going to require stored water and that will have a downstream impact in many other countries. So there needs to be a regional dimension as well to make sure that there is broad agreement on what can be done to the river flows in terms of harnessing hydropower so that it is not to the detriment of agriculture and development further downstream, so I think those are two areas where the international community can play an important role.

**Q129 Andrew Stunell:** You have focused on large schemes and water storage, but small hydro schemes might have quite a lot more immediate and practical application. Is that something DFID has taken a look at?

**Mr Foster:** I agree totally, that micro-hydro generation is something that is there and it is already proving its value in terms of development. It is not an area, I have to say, of expertise that DFID has. The Norwegians are certainly better-placed with their expertise at micro-hydro, so I think there is certainly the scope there to benefit the people of Nepal, but not necessarily from DFID doing it directly because other donors are better-placed.

**Ms Sanyahumbi:** It is not an actual project area for us, as such, but within the LFP programme communities have taken it upon themselves to build small micro-hydro schemes. Similarly, within our roads programmes, where there is a bit of funding set aside for small-scale infrastructure, some of the communities have taken it on themselves to actually set up micro-hydro, so there is a little bit of, if you like, indirect DFID support for it, but we would also anticipate some of the NAPA pilot funding to go towards micro-hydro and possibly some of the Fast Start funding also to go towards micro-hydro.

**Q130 Andrew Stunell:** In terms of community development and engagement with smaller schemes, would it, first of all, be quicker and, secondly, perhaps more sympathetic to them without the displacement and so on of larger projects? Are you looking at that broader societal impact of the different schemes?

**Ms Sanyahumbi:** Micro-hydro certainly, when it is community-managed, is sustainable and it is something that the communities put a lot of store by, but micro-hydro, unless it is on an absolutely massive scale, will not solve Nepal's power shortages and, when you are talking about up to 20 hours a day

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in the dry season with no power, then you really do need the big schemes as well, so I think that actually both complement each other.

**Q131 Hugh Bayley:** This is a country where development is held hostage by political instability. What is your assessment of the consequences of the Maoists being out of Government, and will the recently established high-level political process help to move the peace process forward?

**Mr Foster:** Undoubtedly, the process will be moved forward by having all of the major parties engaged in the high-level committee. As I say, Sarah flew in this week, so she can perhaps explain on the ground a more up-to-date analysis of what that means in terms of the process.

**Ms Sanyahumbi:** The high-level mechanism is really focusing on the sort of top-line areas of disagreement that need to be sorted within the CPA, so it is talking about integration. Development, as the Prime Minister himself—

**Q132 Chairman:** Meaning military integration?

**Ms Sanyahumbi:** Yes, military integration, so that is one of the big areas that they need to pay attention to and sort out. The Prime Minister himself told you that development is actually not really a priority for his Government, unfortunately, but that is the reality that we are facing and, quite rightly in some ways, they are focused on the peace process and drawing that to a successful conclusion. Our ability to deliver development with the Government, that is the reason that we have the kind of programme that we have got in Nepal, and we have got a programme that is with the Government, through the Government and it is around the Government, so, even if you have a Government that is not functioning properly and Parliament is not able to meet, as has been the case for many months, although now, you will be pleased to hear, the Maoists have lifted their blockade on Parliament and since December it is now functioning properly, but, even if we have that dysfunctional political context, we can, because we have different kinds of programmes, still deliver development. We have programmes, like the Community Support Programme, the CSP, which you saw, which are direct implementation and which will deliver anyway, and we have programmes with the Government that we deliver, whether it is roads or whether it is health or education, where we think we can, whatever the political context, continue to deliver on those.

**Q133 Hugh Bayley:** Is there any prospect of the Maoists re-entering Government on a power-sharing basis?

**Ms Sanyahumbi:** Who knows? The 112-day plan says that the integration should be completed by May and then UNMIN<sup>6</sup> will leave and then the constitution should be written by 28 May, and they are still sticking to that timetable, although it is getting even more ambitious because the timing has

now been squeezed and certainly the timing for community consultation has been squeezed very much. Once the constitution has been written at the end of May, then you start preparation for the elections. What will happen in the interim is not clear at the moment, and there are a lot of discussions going on at the moment. It is one of the heartening things to see that those discussions are now happening formally through the high-level mechanism, and through the Special Committee and Technical Committee they are happening formally with all the parties, but what kind of agreement they will come to after 28 May is not yet clear.

**Q134 Chairman:** You have partially answered the question I have next about the constitution. You say they are on course in their own minds for May. How likely is that, and what would be the consequences if it were not finalised by the end of May?

**Ms Sanyahumbi:** If the constitution is not finalised by 28 May, there is a provision to extend by six months, so the process can continue for another six months.

**Q135 Chairman:** Elections presumably cannot take place until the constitution has been cleared, which was something which was raised with us, and local elections would not take place either. Is the constitution addressing the context for local elections?

**Ms Sanyahumbi:** One of the kind of sticking points of the constitution is that, of the numbers of papers that have been presented, one of the ones that has obviously been most discussed is the one on federalism and the one on what the State will possibly look like. I think that, until that has been sorted, it is very difficult to then know how we are going to take this process forward.

**Q136 Chairman:** I will certainly press that a little bit harder because the constitution requires the Maoists' support because of the two-thirds majority rule.

**Ms Sanyahumbi:** Yes.

**Q137 Chairman:** Clearly, creating the space for an election while the Maoists are popular is motivation for them, but this sort of federal thing, I did not quite understand it, but I got the impression that it was almost as if the Maoists were carving out the pieces of the country where they knew they would have control and wanting maximum autonomy, which does not sound like a good recipe for long-term unity. That is a tension for them and they want to defend their strongholds, but, on the other hand, they want to have national elections and they have got to get a constitution agreement to do it, so how does that all play out?

**Ms Sanyahumbi:** The process that is coming up with the papers which will ultimately form the constitution, they are cross-party, so all the parties are represented in those, hence why perhaps the discussions are taking so long because they are trying to thrash out some of these critical issues in those discussions. There is a proposal on the table which is

<sup>6</sup> UN Mission in Nepal

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now being openly discussed for 14 states, and that is a cross-party paper which has now been put forward. There is already a reaction from various minority and ethnic groups who are saying, “We don’t agree with it”, because that does not give them their ethnic state that they were obviously hoping for. I think it would be very difficult for any plan for federalism to actually satisfy the wishes of all the different groups. You have got 103 different ethnic and caste groups in Nepal, so if they all want their own part of Nepal it is going to be very difficult to satisfy that wish. What is on the table at the moment is a cross-party proposal that is now to be discussed and needs to be agreed at the highest level for it to then be agreed by the Constitution. You were quite right in saying that the Constitution has to be agreed by a two-thirds majority which would mean the Maoists have to be on board and part of the government in order to pass that.

**Q138 Hugh Bayley:** What might the deal on military integration look like? That is question one. Question two: I know DFID believes, and I believe, that it is important to establish more clearly civilian control of the military, but what progress has been made on that front and what help is DFID giving?

**Ms Sanyahumbi:** What might it look like? That is really partly what the High Level Mechanism has been set up to do and what the Special Committee and Technical Committee are talking about. They are talking about the detail of how that will happen. One of the key things that need to happen is to agree on a number of how many of the 19,000 actually will go into the security forces. Once we have that then there can be a discussion about what happens to the others. There is an expectation that they would be offered a similar package to what is being offered to the minors. Until we have that number it is difficult for the process to move forward much from where we are now.

**Q139 Hugh Bayley:** It is not just a question of numbers, is it, it is whether you set up a separate brigade or unit, whether the Maoists maintain their command and control structure of their soldiers or whether you distribute the former Maoist combatants throughout the armed forces, and whether there are officer posts available.

**Mr Foster:** That is the discussion we have been having about how integrated the agreement will be. Will it be corps commanders, then an officer cadre and then foot soldiers integrated into the army? That is how we understand integration will take place. It is part of the discussions and negotiations that are ongoing.

**Ms Sanyahumbi:** It has to be something that the Maoists are happy with because promises have been made. That is why it is such a sensitive area for discussion at the moment.

**Q140 Hugh Bayley:** And on the civilian control?

**Ms Sanyahumbi:** You are aware of the reason why the former Maoist prime minister resigned?

**Q141 Hugh Bayley:** Yes.

**Ms Sanyahumbi:** That issue still has not been resolved, so that is outstanding. We would like to discuss with the government and the army of Nepal about a broader security reform agenda. That is something where the political situation in Nepal is not right at the moment, there are more pressing issues that need to happen. We have an indication from some elements within the army and the government that they are beginning to think about that and that might be an area where the UK could provide some support. Specifically on that issue there has not been much progress.

**Q142 Andrew Stunell:** The evidence that we had from witnesses was very much that a large challenge is the impunity that the security forces have. I would just say in parenthesis that when we met the very well-spoken and literate military officer you introduced us to we did not really get any impression of that, but nevertheless it seems about the last thing on earth the senior officers want is the integration of the Maoists into their army and, at the same time, on both sides there seems to be almost an acceptance that the abuses of the past are going to go unpunished. I wonder if you would like to comment on that.

**Mr Foster:** We would recognise that there is a culture of impunity in Nepal, not just resulting from the conflict itself but general rule of law as well. We are disappointed that the mechanisms that have been set up to deal with this have not kicked in and performed as they should have done. That said, the Bills for the establishment of the truth and reconciliation committee and the committee for investigating the disappeared are at least now before Parliament. The progress certainly has not been as fast as we would want, but there are signs of some movement in the direction that we welcome.

**Q143 Andrew Stunell:** Yes. That is good to hear, but what do you see as DFID’s role or the donor community’s role in actually moving that process forward? The evidence we have taken is that it is really undermining the people’s sense of personal security, it is damaging their chances of access to services and impacts on the whole of society.

**Mr Foster:** Certainly the engagement that we have is to encourage movement to make the schemes work more rapidly than they are and to give some degree of sense of justice to ordinary members of the community. Sarah, in terms of the community you might want to say a little bit more.

**Ms Sanyahumbi:** On the general human rights and impunity issue, it is regrettable that no action has been taken. The embassy, diplomatic community and, indeed, development partners have raised this 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. We are supporting OHCHR—the Office of the High Commissioner for Human Rights—and are very strongly lobbying for the extension of OHCHR

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beyond June, because its current mandate comes to an end in June. We think 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 to be resolved.

**Q144 Andrew Stunell:** It was put to us that far away from Kathmandu there are plenty of places where pressure is put on the deliverers of services to give favourable treatment to one group or another, or to withhold treatment from others, and this is a current problem, it is not just a question of dealing with historic situations. How is DFID responding to that? If I could link that back to my question about having local awareness and engagement, are we satisfied that where we are delivering projects they are not actually being manipulated by similar forces?

**Ms Sanyahumbi:** This is a constant issue in Nepal and we do recognise that. It is not unusual for our programmes to be approached and asked for contributions or for some pressure to be put on programmes or communities. That is one of the reasons why all the development partners have put together the Basic Operating Guidelines—the BOGs—which basically set out 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. Where we have had letters written, for example, or we have had evidence where pressure is being put on a programme we have taken that and a few months ago we actually went to see one of the Maoist commanders and to see the Prime Minister as head of the government. We brought this to his attention and asked that a message should be passed on all sides back down—we gave him the letters—to say that this was not acceptable and such approaches and pressure should not be put on programmes or the communities. Action was taken at the time. It is a continuous issue and we are aware of that. It is not something that is easy to resolve.

**Q145 Andrew Stunell:** At the lowest level in the community the evidence we were given was that it is very difficult to access justice to get wrongs put right or to have any trust or reliance in the formal systems of justice. Can you say something about the paralegal help and the mediation service, how effective you think that is and whether that could be replicated more widely?

**Ms Sanyahumbi:** I am very pleased you have mentioned the paralegal committees because we are actually scaling up the work of the paralegal committees as part of our strengthening of local governance but also as part of our programme on violence against women. We have recently agreed that we will scale up paralegal committees from 500 currently operational in 23 districts to 1,300 in all 75 districts because we think that paralegal committees have shown they are a useful tool for mediation and resolving some of the issues at the local level. You will appreciate from your visit that if you talk about local government in Nepal it is very difficult to know what you are talking about because a lot of it does

not function. I saw from the news reports today that in two of the VDCs—the village development committees—one secretary has just been returned from being abducted and another has been killed. They are the central point that communities will go to and bring their issues to, yet there are many VDC secretaries who are not in post for obvious reasons when they are facing these kinds of issues. There is no local government structure that really functions well. We think the paralegal committees will help with this, but also we have another programme which we are doing with the government, the LGCDP programme—the Local Government Community Development Programme—which will specifically look to strengthen some of the local government mechanisms that at the moment are incredibly fragile and not functioning.

**Q146 Hugh Bayley:** Although Nepal is doing well overall at a national level on quite a number of the Millennium Development Goals there are still huge inequalities between different areas, different ethnic groups, and so on. It was suggested to us during our visit that the absence of functioning local government made it difficult to deliver locally targeted services to address these problems. To what extent do you agree with the importance of re-establishing local government? How else could development partners like DFID seek to address inequalities?

**Mr Foster:** First of all, we recognise your assessment in terms of the inequalities in Nepal and you are right to point out that some of the MDG targets are, indeed, on track. Some are off track and some, like maternal health, are severely off-track, which is why we have taken the lead in terms of the work on maternal health. I think you went to see some of the same programmes I have seen on that issue. In terms of what international donors can do to support good development practice and deal with the inequalities, we have to be mindful of what we have said on aid effectiveness in terms of pooling our support, reducing the number of individual donors that are engaged in delivery, and to that end on education, for example, we have pooled our support with the EC, so there is one person who does the work and negotiations rather than two donors. We get a bigger bang for our buck by pooling the resources. For us, the added benefit is that actually it is a DFID member of staff we have seconded to the EC who is running the programme. That is an example of where we think the international donor community can work together to more effectively deliver on the ground for Nepal. Sarah, you must have other examples as well.

**Ms Sanyahumbi:** Yes. Both through the pooled health and education programmes we have worked with other donors to make sure that the next phases of those 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. We are keeping the emphasis on that. With the current education programme we have ensured that more than 1.4 million socially excluded children, including over

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750,000 girls, have received primary education scholarships. We have also created over 100,000 additional jobs for women from minority groups, from excluded groups, in our livelihoods programme who have been specifically targeted. Also, you will be aware that the Constituent Assembly we have at the moment is the most representative Constituent Assembly that Nepal has ever had. We supported Janajati and Dalit federations in putting forward their candidates. The Dalit representation in the Constituent Assembly went from zero to 8% and Janajatis from 25 to 35%. With women, there were 6% before and there are now 33% in the CA in Nepal. We do keep the focus very much on inclusion of all groups. We do not target one specific group but we do try and make sure that our programmes are as inclusive as possible.

**Q147 Hugh Bayley:** I remember going to visit a school in a Muslim village and it struck me as a very good place to make an intervention because this was a poor and excluded religious group. It has been suggested to us that by working through civil society organisations you are more likely to have civil society organisations amongst the better educated, the more prosperous and elite groups of society and, therefore, likely to reinforce inequality. I was interested to hear Sarah saying there is not an attempt to target resources on excluded groups, on Dalits, on minority religious or ethnic groups, but should not special efforts be made to provide resources for these groups? If you do not do it through targeting, how do you do it?

**Mr Foster:** Some of the work that has gone on on the maternal health programmes, let us say, is geared towards some of the most disadvantaged groups within Nepal. By the nature of the incentive scheme to attend antenatal classes, to go to see a skilled birth attendant to give birth, there are financial incentives for the mother to do that, and that is reaching out not only to communities in the most rural of circumstances but it tends to be the most disadvantaged of groups that are targeted in that way. We do build that into particular schemes to address the concerns that you have expressed.

**Ms Sanyahumbi:** There are so many minority and excluded groups and that is why we try to take the approach of inclusion. On your point that civil society organisations tend to be the better educated because they write better proposals, we try and mitigate that. We encourage proposals for our Rights, Democracy and Inclusion Fund and also ESP<sup>7</sup> from any group that comes to see us and asks for assistance and the quality of the proposal, as in terms of the quality of the writing of the proposal, is not what we are looking for. We are looking for whether it will actually address a particular need for that group. We do encourage minority groups to put forward proposals and we have funded quite a number of those proposals.

**Mr Foster:** The basis of going through government systems, through sector budget support, is to give universality of opportunity for people to gain access

to better services, strengthening health systems in this case, but also making sure there is the opportunity for people particularly from disadvantaged groups to gain access to what we are putting forward.

**Q148 Hugh Bayley:** I was very interested to hear that 8% of the Constituent Assembly is now Dalit deputies. If one were to re-establish local government on the basis of universal franchise you would be likely to be giving a voice locally to more representatives of excluded and disadvantaged groups and they would be operating at a level where they would have much more leverage over the nature and provision of local services. Does that not make re-establishing local government an important governance priority?

**Ms Sanyahumbi:** Yes, absolutely. Yes, it does. We have the LGCDP programme which we want to strengthen because, as I say, we want to strengthen the local government mechanisms which exist and particularly on the financing of community activities and how that will be channelled, but we also need to have a decision on how federalism will actually operate in Nepal for them to decide how they want to structure the country and then we can work with the government on that as well.

**Q149 Andrew Stunell:** I just wanted to follow up on this about making sure that we are giving help to the poorest. What evaluation have you made of pro-poor elements of the retired Gurkha Welfare Programme? It is a clean water and sanitation programme, has got some very positive effects and probably fulfils a number of other policy objectives of the UK Government. Have you done an evaluation of its pro-poor impact bearing in mind that the Gurkhas themselves are recruited in quite a selective way?

**Mr Foster:** The figures that we have, Mr Stunell, are 33% of the user committees are women and 60% are from excluded groups working with the Gurkha welfare system. The figures would suggest that we are reaching out to the members of society that you are concerned with. I do not know about specific evaluation that has been done.

**Ms Sanyahumbi:** There have been evaluations of the scheme in terms of is it achieving its objectives in terms of eradicating waterborne diseases, providing safe and clean water to the communities, but on your specific point I am not sure, I would have to check that.

**Mr Foster:** If we have got it then we will submit that to you.<sup>8</sup>

**Andrew Stunell:** That would be useful. Thank you.

**Q150 Chairman:** We have previously done a report on co-ordinating aid and aid effectiveness and we see that you are working with other donors, especially the World Bank and the Asian Development Bank, and with DFID that is 70% of the programme. Correct me if I am wrong but that is what we are advised. You have done some specialisation on

<sup>7</sup> Enabling State Programme

<sup>8</sup> Ev 85

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division of labour which means that you have withdrawn from certain sectors, and in principle that is fine, and you have answered one of the questions about how you have handed over education to the European Commission, but I just wonder if you are fully satisfied about that. Let me be specific. On the issue of withdrawal from water, you will probably be aware that WaterAid have been particularly critical.<sup>9</sup> They have said that DFID adopted a “cut and run” approach with no lesson sharing, without taking responsibility for setting up a sector-wide approach to replace the DFID programme and they say this led to a “collapse” in the discussions between the World Bank and the ADB and a “haemorrhaging of the process”. That is pretty strong criticism. What do you have to say first of all about why, if you were doing so well, you decided to withdraw from that sector and the process by which you did it?

**Mr Foster:** I do not necessarily agree that we have withdrawn from the water sector given our support through the Gurkha Welfare Scheme, which has a large water component to it. In terms of overall aid effectiveness the decision was one that we had got in place certain back-ups with other donors and we informed other donors well ahead of the decision being made. Sarah can perhaps explain more detail on that.

**Ms Sanyahumbi:** Before the decision was taken there was a sector review carried out with other development partners in the sector and the review concluded that there were five major donors and over 20 NGOs providing support, so it is a very well supported sector. Both the World Bank and Asian Development Bank are very well placed to take a leading role. It is not just that DFID has to be there in order to take a leading role.

**Q151 Chairman:** Was there something you did to WaterAid that specifically upset them?

**Mr Foster:** Clearly there was from the nature of their comments.

**Ms Sanyahumbi:** I have no idea. In terms of whether the water sector in Nepal is well supported, we would say from the analysis we did before we took that decision that it definitely is.

**Q152 Chairman:** Do you reject their criticism when they say that not enough was done to secure the transition to pass on the experience?

**Mr Foster:** I think it would be wrong to suggest that we cut and run given the timetable and the chronology of events from the sector review and engaging with the other major donors, like the World Bank and Asian Development Bank. It would be wrong to say that we cut and run.

**Q153 Chairman:** Perhaps looking at another sector, HIV/AIDS, which you are passing over to the World Bank. I appreciate you do an evaluation and decide who is best to lead, but in the process of handing

over how do you ensure that where DFID has been leading and is handing over the lead to somebody else that transition is done in an orderly way, it is the right decision and you can ensure whatever DFID was doing is continued even if the programme changes thereafter?

**Mr Foster:** In terms of the principle of the decision, it was on the basis that the World Bank and the Global Fund were looking to expand their work within Nepal. In terms of the details of the process, Sarah, you might want to say what we have done.

**Ms Sanyahumbi:** As the Minister has said, when we took that decision the expectation was that World Bank funding would be coming on-stream and the application to the Global Fund would be successful. World Bank funding has not come on-stream as quickly as we thought so we have extended our support by a year to HIV/AIDS and, unfortunately, the application to the Global Fund has been rejected. It may be that in a year’s time we need to revisit that decision and that is something we are open to.

**Q154 Chairman:** That raises the question, and I do not expect you to be undiplomatic, given that you are a bilateral donor and the other two are multilaterals, are there problems sometimes? In other words, you have an agreement, you have decided who is going to lead in principle but then it does not quite work out. Are there practical problems about ensuring that what you have agreed actually happens? Is there a problem dealing with the international agencies in this context?

**Mr Foster:** I would not say that there is a structural problem dealing with the agencies. Clearly in terms of individual decisions on a country-by-country basis or scheme-by-scheme basis there is an issue regarding the HIV/AIDS programme which is why in terms of the overall programme that we have in Nepal we have that flexibility. It is a feature of working in a fragile state in particular that we have to 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.

**Q155 Chairman:** Are you satisfied that the water and sanitation programme is in reasonably good hands given the criticisms that have been made?

**Mr Foster:** Yes.

**Ms Sanyahumbi:** Yes.

**Chairman:** You mentioned maternal health and obviously both groups did have a look at maternity hospitals.

**Q156 Andrew Stunell:** Perhaps I could just ask you to fill in a little bit of the detail—we have already touched on it a few times—about what specific strategies DFID is planning to improve maternal health and then perhaps go on to one or two more detailed points.

**Ms Sanyahumbi:** At the moment for health we have got the Nepal Health Sector Programme, which is our budget support, and then we have a separate Maternal Health Programme which has been very successful, as you know, and maternal mortality has

<sup>9</sup> The written evidence was submitted by Oliver Jones, Rural Programme Manager, WaterAid Nepal. The submission made clear that the evidence expressed his personal views and not those expressed by WaterAid.

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declined by half in the past ten years despite a conflict, which is quite a significant achievement. Our plan for the future with the next Health Sector Programme that we have got, which we hope to start in the middle of this year, is we are looking to wrap up maternal health within that programme as well, so it will be a focus of the overall Health Sector Programme which we will support through the government. It is bringing it into the government systems but we will still ensure that there is a specific targeting on maternal health so we do not lose that focus. Rather than doing it separately outside government systems, our preference is to bring it into the whole government system.

**Q157 Andrew Stunell:** Can you tell us something about the Safe Delivery Incentive Programme and whether that is actually working? We also gather that the government is abolishing health charges. We were a little bit unclear in the evidence we got about how thoroughgoing that was. Can you talk us through that?

**Mr Foster:** Anecdotally, I went to visit a maternity hospital that was probably the same one the Committee went to see and the evidence was clear that there were women who had given birth who were getting care who, had they given birth in the villages or communities where they lived, would have died. The evidence was literally in front of you in terms of a live mother and baby. It is there that the programme works. Talking to the women, part of the benefit of the scheme for them was bearing the cost of the transportation to the hospital actually made it a functioning system so that people went along to get that care. In terms of the statistics about the scheme, Sarah, have we got anything?

**Ms Sanyahumbi:** Over 400,000 women have had the safe delivery cash incentive in the last 4 years and since January 2009 about 90,000 women have had free delivery care from DFID supported programmes. The data is that the incentive scheme is working. As the Minister has said, they are paying the travel costs. We have done an evaluation in the last couple of months which suggests 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 4 days to the nearest health centre to give birth, are probably not going to do it. There are limits to that and it is something we need to look at and will be looking at it in the next Health Sector Programme as to other ways we can ensure those women also have access to good quality care.

**Q158 Andrew Stunell:** A skilled birth attendant service or something like that?

**Ms Sanyahumbi:** Skilled birth attendants certainly. One of the big challenges that the health sector has got is how do you encourage doctors, skilled birth attendants and nurses to go and work in really remote areas. There are big personnel, human resource issues that we are hoping we can come up with some solutions to in the health sector plan. For example, with doctors and nurses who have been trained, if they had financial assistance with their training part of the quid pro quo on that is they then

have to go and work in a remote area for a couple of years or so to pay that off. Those are the kinds of issues that we are looking at. The remoteness of many of the areas in Nepal is quite a big issue and challenge for us.

**Q159 Andrew Stunell:** Are there some cultural issues too about women actually accessing the service and not being stuck at home?

**Ms Sanyahumbi:** There are certainly cultural issues that are very difficult to tackle and this brings us on to the broader question of the position of women in Nepal. There is certainly a lot that we can do to change the mindset and the role of women. It has been very sad to see in the papers that there have been a number of women who have died. There is a practice for women who have given birth that they are unclean and sent to the cowshed for, I think, 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 the mindset, that is very difficult. Through the Violence Against Women Programme, which we are supporting and which we have helped the Prime Minister to launch, we are trying to change attitudes towards women. We include that kind of discrimination and control over women as a kind of violence because they are stopping women from having access to services to which we feel they have a right. There are a number of activities going on under the Violence Against Women Programme where we are trying to change how women are treated in their own homes. It is not just about domestic violence; it is also about other kinds of abuse which women suffer.

**Q160 Andrew Stunell:** Is the government sympathetic or an advocate for that line of action, or are they just letting you get on with it?

**Ms Sanyahumbi:** They are not just letting us get on with it. When I paid my formal call on the Prime Minister he told me that violence against women was one of his top priorities. We took that opportunity to say we would work with him to try and help him take that forward. We used the visit of Geri Halliwell to Nepal to launch a campaign on violence against women with the very strong leadership of the Prime Minister of Nepal. Nepal now has an action plan on violence against women and the Prime Minister has declared 2010 as the year for action on violence against women. They are allocating money to it and have asked all the ministries to come up with plans as to what they are going to do to contribute to this. It is very much government led and I have to say the Prime Minister has played a very important role in taking this forward and we have supported it where we can.

**Q161 Chairman:** On a point of clarification, have user fees been abolished generally or are there still charges?

**Ms Sanyahumbi:** I would need to check that. I know

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that women have received free deliveries. I think they have been abolished generally in government hospitals, but not in all the private hospitals.<sup>10</sup>

**Q162 Chairman:** We have done quite a bit on health so I do not want to take much longer on that, but the suggestion is you are supporting the Ministry of Health, which is based in Kathmandu, although the Committee visited hospitals in the regions that presumably were being supported from a distance. An awful lot of health workers abandoned the rural areas, although some have gone back, and the hospital we visited was supposed to have a quota of seven doctors but had two. Through your support, how are you ensuring that healthcare is being provided well out of the main centres? What is the role of the subsidiary services, pharmacy, community medicine and the informal sector in achieving that and how is DFID engaging with it?

**Mr Foster:** We recognise the capacity issue about delivery of healthcare and, Chairman, you had the same experiences I have had of going to individual clinics and the quota of skilled medics that should be there compared to what was there in reality. As Sarah explained, one of the areas that we are working with the government on is to incentivise healthcare in more geographically remote areas through payment of training costs and then the repayment is a year, two years, three years, working in a remote area, not unlike schemes that have operated in the UK in terms of the Local Government Training Support Scheme.

**Q163 Chairman:** That is with DFID's partnership?

**Mr Foster:** That is one of the areas where we are working with the government, yes.

**Q164 Chairman:** You have explained on education how you handed it over to the European Commission and how you did it, but what about the actual success on that. There are two points that have been raised with us. One is that the MDG target of completion of universal education by 2015 now appears just to be enrolment in education by 2015. Even on that, the figures we are getting is that it is likely to be 98% and not 100%. All of that raises the question of who knows anyway. In other words, how effective is the monitoring of the information? In a country like Nepal, to some extent they could almost tell you anything about some places if you do not have the means to find out.

**Mr Foster:** One of the challenges that we have put to the pooled programme of education funding is to change some of the emphasis of where our support should go. We recognise there has been real achievement in terms of enrolments at primary school up to 92% in 2008 and the next stage for us in terms of where we want part of the support to go is for better national monitoring so that we get a more accurate feel for the delivery towards the target of the Millennium Development Goals of universal education. That is one of the key points about our continued support.

**Q165 Chairman:** I am not nitpicking but your evidence says that Nepal is on track to meet the MDG 2 target of universal primary education, which is completion of primary education by all children, by 2015 and yet the Autumn Performance Report says that it will not achieve that until 2021 and will not even achieve 100% enrolment by 2015 but 98%. As I say, I am not nitpicking but if you are refining the definition of the MDGs then we should know, should we not?

**Mr Foster:** Chairman, we will look at whether there might be a discrepancy between the assessments we have given and we will look at where that lies. Certainly the work that we have done to date was based on being on track in terms of universal primary education. We will go and look at the details of that and dig down a bit deeper.<sup>11</sup>

**Q166 Andrew Stunell:** This question comes back to some of the earliest questions. If you want private investment you have got to have a secure business environment and a secure security environment. Can you say something about DFID's approach to this and what reasonable measures can be taken?

**Mr Foster:** The discussion I certainly had was about the creation of employment zones, economic generation zones, where there is that focus on enterprise and drive towards private sector investment. Sarah, have you got any specific details on that?

**Ms Sanyahumbi:** We are working with the IFC<sup>12</sup> on investment climate reform and creating a better business environment. We are facilitating the dialogue between the Nepali private sector and the government so that the government better understands what kind of regulations need to be enforced in order to create the confidence that people will then invest. That is part of our overall programme. We have the investment climate reform and also market development programmes which are looking to stimulate the development of the market particularly focusing on the agricultural and tourism sectors which we see as two sectors where there is an awful lot of currently untapped potential. We have the skills training programme, which you also visited. It is part of our overall approach to trying to kick-start and support growth in Nepal.

**Q167 Andrew Stunell:** Relations with India and the Indian business community are surely going to be the biggest partners in all of this.

**Mr Foster:** In terms of potential inward investment into Nepal it will be huge for Nepal and of great benefit. Part of the job, therefore, is to help equip the workforce in Nepal to be in a position where they can offer the skills that inward investors from India are looking at, and that is why we have put this focus on skills training so that we can have a better equipped workforce within Nepal.

**Ms Sanyahumbi:** Regional trade is obviously

<sup>10</sup> Ev 85

<sup>11</sup> Ev 85

<sup>12</sup> International Finance Corporation of the World Bank

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28 January 2010 Mr Michael Foster MP and Ms Sarah Sanyahumbi

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something where if Nepal can really develop and exploit its advantages there is huge potential. Nepal is very well integrated into South Asia through the South Asia Free Trade Agreement and also the World Trade Organisation. There are not any major trade barriers. We are still supporting the Government of Nepal to develop a trade integration strategy, which is part of this overall plan that I have just outlined. That will specifically identify products and services which have export potential where they can do more and then identify institutional strengthening requirements to benefit trade. It is very specific and targeted how we can encourage Nepal and make sure Nepal is making the most of the regional opportunities which also exist.

**Mr Foster:** Infrastructure rebuilding in terms of roads and bridges is clearly key to providing the ability to access markets in some of the more rural areas of Nepal. Some of the work that you have seen in terms of the World Food Programme and cash for work schemes in rural parts give people the ability to

conduct trade in a way that was impossible if it required walking to markets compared to access by road.

**Chairman:** Thank you very much. Clearly it is a very complex situation where you have got to operate on a lot of different fronts and co-ordinate with other donors. We have had a very interesting look at the different things that you have done and our visit was extremely productive, interesting and informative. The background politics is obviously something for Nepal to resolve with whatever help we can give them and we will watch with interest. I thank my colleagues under the slightly difficult circumstances we have had in enabling us to ensure we have got all this on the record. Sarah, thank you for organising the programme and coming to give evidence again, and to you as well, Minister. We will endeavour, and we are putting our staff under an awful lot of work, to get all of our reports, including this one, published in time to be of use and interest, I hope. Thank you very much indeed.

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# Written evidence

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## Written evidence submitted by Christian Solidarity Worldwide

### ABOUT CHRISTIAN SOLIDARITY WORLDWIDE (CSW)

1. CSW is a human rights non-governmental organisation, established in the United Kingdom in 1979, which specialises in religious freedom, works on behalf of those persecuted for their Christian beliefs and promotes religious liberty for all. We exist to redress the injustice faced by those who are discriminated against or persecuted on religious grounds, to champion human rights and to stand in solidarity with the oppressed. In much of our work we address broader human rights issues that affect all people regardless of their religion, working with people of all faiths or none.

### INTRODUCTION

2. This submission follows CSW's participation in the 2008 DFID consultation on its new Nepal Country Assistance Plan, two submissions to DFID, and a meeting with its Kathmandu office in January 2009. During the same visit, CSW staff also met the then Minister for Administration, Pampha Bhusal and the then Minister for Law and Constitution, Dev Gurung, and many of the issues discussed with them are directly relevant to the terms of this inquiry. Each of the core issues to be considered in the inquiry are addressed in turn.

### DFID'S SUPPORT FOR GOVERNANCE AND STATE-BUILDING

3. Minister Pampha Bhusal highlighted the following areas which the UK government, including DFID could support in Nepal:

- the peace process;
- the smooth functioning of the coalition government;
- the process of finalising the new constitution;
- the restructuring of Nepal into a federal state; and
- the integration of the Maoist People's Liberation Army (PLA) into the state security services.

4. Minister Bhusal expressed the view that there is a vital need to restructure the civil service and tackle corruption. The civil service in Nepal, staffed by the old ruling class, could be a significant blockage to progress. She expressed the view that UK government assistance, both financial and technical, could make a significant impact. The UK government could therefore make a clear difference to the success of Nepal's coalition government. It would be helpful for the Select Committee to inquire as to whether and how DFID could make useful contributions in these areas.

### HOW DFID WORKS WITH THE FOREIGN OFFICE AND THE MINISTRY OF DEFENCE TO SUPPORT THE COMPREHENSIVE PEACE AGREEMENT AND SECURITY SECTOR REFORM

5. CSW asked DFID whether any help was being offered to the government of Nepal on the issue of rehabilitation of child soldiers and the integration of the Maoist PLA in the Nepal security services. These are vital components of the Comprehensive Peace Agreement. The release and rehabilitation of child soldiers has now started. CSW was informed that UN Peace Funding was ready to help when the release of child soldiers began. DFID might usefully make additional contributions in this area.

6. Minister Dev Gurung stated that the concern should not only be for child soldiers but for the rehabilitation of all disqualified by age or physical disability who must leave the PLA. DFID could offer further support for the full range of rehabilitation required in this process.

7. CSW understands from meeting officials at the British Embassy in Kathmandu, that the UK is giving technical support to the Army Integration Special Committee (AISC), which is concerned with civilian oversight of the armed forces and their reform. It would be useful to inquire about the nature of the technical support which the UK has offered and whether DFID is involved.

8. Minister Dev Gurung made clear that integration of armed forces is not simply a matter of inserting PLA soldiers into the existing Nepal Army and security services, but of a complete restructuring to ensure a full representation of all tribes and castes in the national security services. It would be very relevant to consider further ways of supporting the government of Nepal through this fraught and controversial process, especially in light of the UK's recent experience in Northern Ireland.

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**DONOR COORDINATION IN SUPPORT OF GREATER PEACE-BUILDING**

9. CSW has raised with DFID the central issue of how the UK could help Nepal to develop into a peaceful multi-faith secular state. There is a danger of religiously-motivated violence proliferating in Nepal. Recent incidents such as the bomb which exploded in the Dhobighat Catholic Church in May 2009 indicate very clearly the danger of a Hindu extremist backlash against recent developments such as the declaration of a secular multi-faith state and the abolition of the Hindu monarchy.

10. It would be pertinent to inquire as to whether DFID might have a role in building a peaceful multi-faith state, and how it might work to encourage religious co-operation and harmony. CSW and its partner organisation, the National Council of Churches of Nepal (NCCN), have been involved in the development of the Inter-Religious Peace Group which later became officially recognized as the Inter-Religious Council (IRC). However, this receives no state funding. CSW has been deeply impressed with the dedication to active work for peace and harmony amongst the members of this body, which represents Hindus, Buddhists, Muslims, Christians, Baha'is, and traditional religions, and works under the leadership of a Hindu president and a Christian vice-president. However, its work would benefit considerably from significant external funding.

11. CSW would recommend the work of IRC, to build peace and co-operation between religious groups, as being worthy of DFID funding within its peace-building mandate. So far, DFID has not been involved or working in this area. However, DFID could lead a number of donors in funding a peace-building programme, into which UK experience from Northern Ireland and mainland UK in inter-faith co-operation could also be of considerable help to Nepal.

**DFID'S EFFORTS TO REDUCE SOCIAL EXCLUSION AND INEQUALITY, INCLUDING ITS WORK WITH WOMEN**
*Social exclusion of religious minorities*

12. There was mention in the DFID Nepal Country Assistance Plan of Muslims being one amongst the excluded groups in Nepal. However, Christians (of whom there are now an estimated one million in Nepal) have historically been equally excluded, and large numbers of them are doubly excluded by virtue of being Dalits or members of "low" castes. Baha'is are another socially excluded religious minority.

13. The overarching aim of addressing social exclusion within the new Nepal should therefore take account of religious exclusion for all minority faiths. Work for religious liberty and full recognition of all faiths is very relevant to this issue.

*Social exclusion on the basis of caste*

14. In meetings with DFID in Kathmandu, CSW staff raised the question of how DFID is helping to promote social inclusion for Dalits and members of "lower" castes. CSW recommended that DFID consider supporting the under-funded National Dalit Commission, and re-consider the decision to end funding for the National Dalit Federation? DFID has had a long-standing commitment to helping Dalits realise their rights under the Enabling State Programme, but the reasons for the ending of funding to the National Dalit Federation were not explained.

*Social exclusion and education*

15. Education, particularly that of girls, is rightly recognised by both the government of Nepal and by DFID as a crucial issue. Minister Pampha Bhusal had a deep commitment to the rapid development of underprivileged girls in Nepal education. Nationally, many fewer girls than boys complete secondary education, since girls have been given much less priority and status within the family. In discussions with the minister, political and social objectives for the urgent issue of the advancement of women and girls in Nepal were considered. CSW has been heavily involved in the education of Nepali girls from illiterate and "low"-caste families for the past fifteen years. The building and development of Solidarity International Academy at Hetauda has been funded by CSW. At this independent school, free places for 250 "low"-caste girls has been a priority.

16. It is clear that DFID and other EU partners provide a large proportion of the funding for the state education system in Nepal, which is most commendable. However, most Nepali education experts are aware that the state system is not generally able to provide education of a comparable standard to that provided by the independent schools. CSW recommends that DFID fosters a constructive dialogue with the government of Nepal on the issue of developing access to free education, particularly for girls.

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**Written evidence submitted by the Department for International Development**
**OVERVIEW**

1. Nepal is a fragile country emerging from a decade of civil war, going through an historic process of transition. 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. Nepal is the 15th poorest country in the world, and the poorest and one of the most unequal in Asia. The civil war was, in part, driven by poverty and social exclusion of minority and ethnic groups.

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**Table**
**KEY FACTS**


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*Size:* 147,181 km<sup>2</sup>

*Elevation:* from 8,848m to 60m

*Population:* 27 million

- 1 in 3 people live in poverty, women, girls and excluded groups fare the worst.
- Socially-excluded groups such as indigenous Janajatis, Dalits (formerly known as untouchables) and Muslims are worse off; women of all groups are worse off than men.
- Brahmin (high caste) children (under five years of age), living in the hills, are twice as likely to survive as Dalit children (low caste).
- Literacy as low as 29% among some ethnic groups.

*Health:* Average life expectancy: 63 (79 in the UK)

- 1 in 16 children die before their fifth birthday.
- Half of all children are malnourished.
- Women are 40 times more likely to die in childbirth than in the UK.

*Income:* Average annual income per head: £200 (£22,000 in the UK)

- 15th poorest country in the world.
  - Poorest and one of the most unequal countries in Asia; inequality is growing and is a driver of conflict.
  - While poverty reduced overall by 11% between 1996 and 2004, it did so unevenly; by nearly 50% for high castes like Hindu Brahmins, but by only 5% for Muslims.
  - Over 8 million people live below the national poverty line.
  - Over a third of people walk more than four hours in the hills and two hours in the plains to reach a road.
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3. The peace process has made some progress since agreements were signed in November 2006. Elections to a Constituent Assembly were held in April 2008, making it the most representative in Nepal's history. Its first decision was to abolish the 240 year-old monarchy, and declare Nepal a federal, democratic, republic. This new political moment in Nepal provides a huge opportunity for the country to renegotiate power relations between differing groups, in particular elite groups, and agree on a particular form of state—its “political settlement”. People's expectations have been raised and Nepal's leaders face the challenge of meeting them and agreeing a way forward that will help to achieve sustainable peace.

4. But many challenges remain, and the momentum behind the peace process has slowed in recent months. A new government, led by the Maoists, was formed in August 2008, but fell in May 2009. A 22 party coalition government, led by the Communist Party of Nepal (Unified Marxist Leninist—UML) took its place. This coalition continues to look fragile due to internal and external pressures on the partners. According to international evidence, post-conflict countries have a 40% chance of sliding back into conflict within five years of signing a peace agreement.

5. Despite the 10-year conflict the economy registered strong economic growth and poverty rates fell from 42 to 31% between 1995–96 to 2003–04, although mainly driven by the rise in remittances. The economy grew at an average annual rate of 4% between 1995–96 and 2003–04 and GDP/capita increased at 1.6% per year in the same period. The global downturn reduced economic growth from a forecast 7% in 2008–09 to 4.7%. However economic growth has remained buoyant being driven by high remittances from migrant Nepalese labour overseas, and geographical proximity to the high growth economies of India and China.

6. There are indications of significant macroeconomic instability with average annual inflation of 13.7% (2008–09), and food price inflation pushing 18%. Inflation has been driven by a surge in remittances in the first quarter of 2009, food shortages created by unfavourable weather conditions in 2007–08 (and a decision by India to restrict food exports in response to its own food crisis), and a hangover from the international fuel price crisis.

7. Remittances and migration are a critical factor in the Nepalese economy accounting for approximately 25% of GDP, and are more than four times as important as aid. There are opportunities to accelerate the rate of growth and poverty reduction through stronger economic links with India and China, investment in agriculture, tourism and hydro power, and more effective utilisation of remittances.

8. Child mortality was halved over the past decade, and maternal mortality reduced by 48% according to government figures. Primary school enrolment is at 89% and gender parity has been achieved. However, with 40% of children underweight, Nepal will be unable to achieve the hunger Millennium Development Goal (MDG). The HIV/AIDS goal is unlikely to be met, and maternal mortality, despite significant progress made by government, is severely off-track.

**Table**  
**MDG PROGRESS**

<i>No</i>	<i>Millennium Development Goal</i>	<i>Progress</i>
1.	Eradicate extreme poverty and hunger—2015 target: halve 1990 \$1 a day poverty and malnutrition rates	Poverty: On Track Hunger: Off Track
2.	Achieve universal primary education—2015 target: net enrolment to 100	On Track
3.	Promote gender equality—2005 target: education ratio to 100	On Track
4.	Reduce child mortality—2015 target: reduce 1990 under-five mortality by two-thirds	On Track
5.	Improve maternal health—2015 target: reduce 1990 maternal mortality by three-fourths	Severely Off Track
6.	Combat HIV/AIDS, malaria and other diseases—2015 target: halt, and begin to reverse, AIDS, malaria and other major diseases	Off Track
7.	Ensure environmental sustainability—2015 target: halve the proportion of people without sustainable access to safe drinking water and sanitation	On Track

9. The UK government has been helping Nepal tackle poverty for the past 50 years, opening a DFID office in 1999 following the creation of the new department. An Interim Country Plan guided DFID's work between November 2007 and March 2009, with a focus on supporting the implementation of the peace agreement; helping to build a more effective and inclusive state, and promoting inclusive economic growth (see Interim Country Assistance Plan 2007–09).<sup>1</sup> A new Country Business Plan (CBP)<sup>2</sup> was launched in April 2009 for 2009–12.

10. The approach the UK government is taking in Nepal has a close fit with commitments in the new UK government White Paper, *Eliminating World Poverty: Building Our Common Future*. These include programmes that address the economy, climate change, peace building, basic services, working with the international system, and transforming impact and ensuring value for money.

11. The plan is managed through a country results framework which has five key goals:

- (1) to support a sustainable and inclusive political settlement;
- (2) to help build a more capable, accountable and responsive state at local and national levels;
- (3) to promote inclusive, low carbon, economic growth and better jobs for the poor;
- (4) to reduce the vulnerability of the poor and improve resilience to climatic shocks; and an internal goal
- (5) improved effectiveness of the DFID portfolio and management services.

**Table**  
**PAST AND PLANNED DFID PROGRAMME FUNDING**

<i>2007–08</i>	<i>2008–09</i>	<i>2009–10</i>	<i>2010–11</i>	<i>2011–12</i>	<i>Total for CBP</i>
£53m	£52m	£56m	£56m	Up to 60m	Up to £172m

12. Vital to delivery of an effective programme in a post-conflict environment, is the need to manage risks—political, security and fiduciary. DFID seeks to ensure delivery of its programmes through both active risk management, and through a range of actions to improve public financial management and other safeguards (see Enquiry Issue 1).

13. Generally security considerations do not greatly impede DFID's work in Nepal, although this can change at short notice. However, the failure of law and order is a major issue for programming. Some districts in the Tarai are insecure, where there are up to 40 armed groups operating. Staff security and direct programme delivery is protected through measures developed through the conflict, including high quality advice from the DFID/German Technical Cooperation (GTZ) Risk Management Office, use of Safe and Effective Development in Conflict (SEDC) procedures, and joint donor/NGO Basic Operating Guidelines<sup>3</sup> which set out agency neutrality in delivering development.

<sup>1</sup> <http://www.dfid.gov.uk/Documents/publications/nepal-interim-cap-07-09.pdf>

<sup>2</sup> <http://www.dfid.gov.uk/Documents/publications/nepal-country-plan.pdf>

<sup>3</sup> SEDC is a methodology for assessing development interventions with regards to their potential to promote conflict—a “do no harm” approach—and in order to maximise their peace-building impact. The Basic Operating Guidelines were developed by donors and NGOs during the conflict; they set out minimum standards for behaviour of humanitarian and development agencies, and call for reciprocal behaviour from other parties, including agitating groups.

14. Expectations of tangible development are high across the country and it is expected that, generally, conditions for development will improve with an evolving peace process. However on the road to stability, conditions for development may be challenged by:

- Lawlessness, criminal activity—including fraud related coercion, and in the worst case, low-intensity conflict in the Tarai.
- Attempts at programme manipulation through intimidation by the youth groups of political parties.
- Increased fiduciary risk as groups seek to finance political activities or use opportunities created by weak law and order.
- Demands to register and comply with pre-conditions from violent, federalist, non-state actors in regions such as the Eastern Hills.

15. Part of the approach to managing risk is also to use a mix of instruments, with, through and around the state, to allow flexibility of response in various scenarios, in order to maintain delivery. In roads for instance, DFID is implementing two programmes, one with government by putting money into an Asian Development Bank programme, and another directly implemented around government. The direct programme (around government) delivered successfully during conflict, whereas the Asian Development Bank programme works through government, and will be riskier, but also helps build the state. DFID can switch resources between the two depending on an assessment of risks involved.

16. DFID Nepal has scenario plans for all programmes over £5 million, undertake Fiduciary Risk Assessments, with government, of key sectors and update them annually, and undertake routine monitoring of the political and socio-economic context with the Embassy using agreed stability indicators.

17. DFID's risk register highlights five key risks:

- (1) Political instability and return to conflict: which is addressed through our UK government strategy to support peace and stability, including through an improved international response.
- (2) Global economy, food and fuel prices: addressed in the short-term through food relief, and in the long-term through building private sector activity, improving market linkages through roads, and exploring social protection measures.
- (3) Climate Change: addressed through support to delivery of a National Adaptation Plan of Action, work on forestry, and support to water resource management.
- (4) Fraud and corruption: addressed through ensuring DFID operates to the highest standards, takes appropriate measures to safeguard the programme, and supports Nepal's efforts to tackle corruption.
- (5) Risk of natural disasters: addressed through contributing to national risk reduction measures through the UN and World Bank, and by having contingency plans for staff in place.

18. Building in learning from evaluations and lessons from elsewhere is key to improving impact. The DFID Country Programme Evaluation 2007<sup>4</sup> noted that DFID Nepal's approach to risk management was a good model for working in a post-conflict context, through using a mix of instruments—with and through government, and directly implemented around government, to ensure delivery regardless of the changing context. Areas for improvement included aid predictability; documenting and sharing lesson learning; risks of over-aligning with government systems; further mainstreaming of use of Safe and Effective Development in Conflict and other approaches; creating better synergies with partners, and increasing Nepali staff representation and diversity.

19. These recommendations have been addressed. DFID Nepal has benefited from additional resources above the agreed aid framework over the past three financial years; lesson learning and programme evaluations are being shared, for instance DFID Nepal learning fed into the DFID approach to peace and state-building approaches, including in the recent White Paper; a careful use of a variety of instruments has been adopted to help ensure delivery in fragile conditions, rather than any over-alignment; work is underway for further mainstreaming of SEDC, and better synergies with partners have been enabled through joint sector work (eg Nepal Peace Trust Fund or the national Local Governance and Community Development Programme).

20. Internally, managing risk requires significant staff resources, and there has been a two-thirds increase in the number of national middle level management/advisory staff, including representation in the DFID Nepal Management Team. Diversity is addressed through having an office champion, focused advertising of posts to excluded groups, and the implementation of an internship programme targeted at excluded groups (two Dalit staff are currently interns).

<sup>4</sup> <http://www.dfid.gov.uk/Documents/publications/evaluation/ev679-summary.pdf>

21. Independent evaluations, including of impact, have been carried out of specific programmes, for instance, of DFID's agriculture, forestry and community support programmes, and an impact evaluation is planned to assess several decades of DFID's work on roads in the eastern Nepal. Cross programme learning is important. For instance, DFID's experience with the private sector in Bangladesh has been used to good effect in the design of programmes in Nepal.

22. DFID Nepal has used global experience of working in post-conflict contexts eg using lessons from Peace Trust Funds around the world to help design the Government and the UN Peace Funds in 2007, or using lessons from Afghanistan's National Solidarity Programme to feed into design of the national Local Governance and Community Development Programme. DFID has also commissioned analytical studies to help better understand the political, social and economic context. For example these include:

- Participatory Governance Assessment (2007) to assist the government of Nepal to respond more effectively to poor and excluded groups' priorities, and which fed into national planning (Three Year Interim Plan) and into priorities in the Country Business Plan.
- Strategic Peace Building Assessment (2008) to identify the key drivers of on-going and potential conflict and instability in Nepal, which was used in developing priorities in the Country Business Plan, including a new public security and justice programme.
- Growth Diagnostic (2009) to assess barriers to economic growth in Nepal, jointly carried out by the Asian Development Bank and the UN's ILO. DFID also undertook the political economy analysis for the diagnostic in order to ensure that the report's recommendations were feasible in Nepal's post-conflict context. This work is being used in defining priorities for the DFID Inclusive Growth Centre and private sector development programme, as well as feeding into government and donor planning.

#### INTERNATIONAL DEVELOPMENT COMMITTEE

##### 1. *Key enquiry issue: DFID's support for governance and state-building*

1.1 The civil war may be over, but many of the issues underlying the conflict still remain. There are still fundamental issues around the nature of the state, and the inclusion of Nepal's many ethnic and other groups in the political process, that remain unresolved. Thus to secure sustainable peace and development in the longer-term, DFID must do more than focus on the MDGs. A capable, accountable and responsive state is key to a sustainable peace, and to development in Nepal. For this reason DFID has taken a peace and state-building approach in Nepal, highlighted in the recent White Paper, and focused on three core areas:

- The political settlement.
- Core state functions.
- Meeting expectations of the people.

1.2 This approach requires efforts from across all UK government departments—DFID, the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD). So the same approach is used to frame the UK government strategy for Nepal, and close working across UK government departments—bringing together development, diplomacy and defence—increases the overall impact of UK government efforts, including through joint management of the UK government Conflict Prevention Pool (CPP, see Enquiry Issue 2 below).

1.3 Political settlement: In order to be sustainable, the political settlement needs to include a much wider range of groups previously excluded from power and influence in Nepal. Our work on the political settlement includes:

- Exclusion: Support to excluded groups such as the Janajati and Dalit federations, in order to increase their voice and influence—DFID has provided £4.3 million through the DFID funded Enabling State Programme and the multi-donor funded Rights, Democracy and Inclusion Fund over seven years. DFID-supported Janajati and Dalit federations successfully negotiated proportional representation for Janajatis and Dalits in state institutions, and helped achieve greater representation in the Constituent Assembly (see next bullet).
- Elections: Support to national elections—DFID funded £1.4 million and the Conflict Prevention Pool funded £0.8 million for the elections in April 2008, including provision for 3,750 civic education sessions in 75 districts, and more than 100 international and 20,000 national observers. These elections were widely seen as free and fair, and helped create the most representative legislature in Nepali history, with Dalit representation up from zero to 8%, Janajatis from 25% to 35%, and women from 6% to 33%. The elite Brahmin/Chetri group reduced from 68% to 35%, compared with the 1999 parliament. The assembly is also the youngest.
- Gender: Support to training of female political leaders. Of the new female CA members, 40 were trained through DFID programmes. In 11 districts where DFID worked with local women political leaders, the number of female members on party committees increased from 9% to 15% in two years.

- Constituent Assembly: Support to the writing of the constitution in the Constituent Assembly, through a UNDP managed programme to which DFID will fund £1.7 million over three years, and the CPP funded £0.7 million, and through a nation-wide programme of consultation on the constitution at village level.
- Comprehensive Peace Agreement: Support to delivery of the Comprehensive Peace Agreement (see Enquiry Issue 2 below).
- Human Rights: Support for improving human rights through funding of the UN Office of the High Commissioner for Human Rights (see Enquiry Issue 2 below).
- Media: Support to a number of media initiatives to ensure wider discussion of the Constituent Assembly and the political process, and to hold government to account, including through the BBC Worldwide trust to include programmes to raise the profile of the views of poor and excluded. This included, for example, support to a media organisation to host TV-based discussions on the Constituent Assembly. Some 25 weekly episodes took place. As a result, voters and the general public were better informed about the CA election processes and issues of importance to them.

1.4 Core state functions: The state in Nepal is historically weak, hierarchical and over-centralised. It needs to be strengthened across a range of functions if it is to provide basic services in a more effective and equitable way. Our work on core state functions includes:

- Justice and public security: Working with government and civil society on improving justice and public security. Public security is critical to secure the peace and enable the economy to grow. It is also the top priority of poor people. As the recent White Paper highlighted, it should be treated as a vital and necessary basic service. DFID plans to support improved police capacity, and also access to formal and informal justice for the poor. This will include particular measures for women, in order to reduce domestic violence through a nation-wide system of village level paralegal committees.
- Jobs: Support to job creation and improved incomes, through agriculture, roads and other programmes (covered in Enquiry Issue 3 below), but which contributes to delivery of a “peace dividend”, and also address unemployment in a post-conflict environment.
- Climate change: Support to government on preparing for climate change (covered in Enquiry Issue 3 below), and key to a sustainable future for Nepal.
- Governance: Support to improved local governance through the national Local Governance and Community Development Programme. This programme builds on a number of donor interventions in community development and local governance, bringing all of these together in one sector-wide approach under government leadership. DFID intends to commit £12 million over three years within the £342 million programme.
- Community support: This Local Governance and Community Development Programme is partly built on a DFID funded Community Support Programme, which funded community development initiatives across Nepal, including during the conflict. Impacts of this programme include:
  - Almost 70,000 households with clean water supply.
  - Almost 18,000 households with sanitation.
  - 2,500 school buildings constructed.
  - Electricity installed in 7,700 rural households.
  - 26,000 hectares of land irrigated.
  - 200km rural roads and foot trails constructed.
  - 5 million days of employment.

1.5 Corruption is and has been endemic in Nepal for decades. Very intense political competition between parties, a legacy of the war, combined with the need to amass funds for future elections, mean drivers of corruption are strong. DFID is combating corruption in the longer term by helping government build systems and in the shorter term taking immediate action to protect our resources from fraud. DFID is building systems through:

- Public financial management: Helping develop a Public Financial Management reform program with the World Bank, whereby the Ministry of Finance has now produced a detailed action plan for improving public financial management.
- Systems: Providing technical assistance to improve financial management systems and speed up the flow of information between the districts and the centre. DFID support has meant that 67 out of 75 districts in Nepal are now able to send electronic expenditure data to the centre, improving budget disbursement. There has been an increase in the performance of districts 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.

- Procurement: Supporting a joint government/donor procurement action plan to address amongst other problems the issue of collusion and intimidation to bidders. In addition, DFID is undertaking a comprehensive assessment of procurement in the health and rural roads sectors with the World Bank.
- Sector governance: Improving governance at the sector level by incorporating governance and transparency action plans in all sector budget support programs (roads, health and education).
- In health, DFID support has helped deliver:
  - A new computerised annual planning, budget and expenditure system.
  - The use of a web-based logistics management system.
  - Guidance and standard bid documents for (national and international) procurement.
- Performance based funding: Introducing performance-based funding for our new sector budget support in health and education, including plans to expand the scale and nature of Technical Advice in health and in health procurement. Supporting performance-based financing of district and village development committee level budgets within the Local Governance and Community Development Programme.
- Accountability: Promoting accountability to communities and user groups at the local level in our projects (eg Community Support Programme, Livelihoods and Forestry Programme).

1.6 Fraud: DFID operates a zero tolerance policy on fraud, and is undertaking the following to protect our programmes from fraud:

- Taking action: Agreeing actions with the Ministry of Health to improve government procurement in the sector, including use of additional technical support, and in some cases where problems have occurred, managing procurement directly instead of through government.
- Investigation: Reporting all allegations through the DFID Head of Internal Audit and follow agreed investigation plans.
- Fraud Officer: A designated Fraud Officer leads on fraud in the DFID office; fraud awareness training conducted and will continue.
- Protect staff: Continue to protect staff through detailed analysis of risks through our Risk Management Office.
- Increased transparency: Use of the Basic Operating Guidelines, and Safe and Effective Development approaches which helps to reduce the risk of fraud at the project level through increased transparency.

1.7 Expectations of the people: Finally, state legitimacy, and so peace in the long-term, will depend on the state meeting the expectations of the Nepali people. DFID's work here, in addition to public security mentioned above, and jobs (see Enquiry Issue 3 below), includes:

- Health and education: Support to government health and education sectors, including vocational skills for jobs.
- Roads: Support to rural infrastructure, in particular roads.
- Social protection: Engagement with government and others on social protection.

1.8 The peace and state-building approach focuses and prioritises DFID and UK government efforts across the spectrum of actions needed to build sustainable peace in the long-term, rather than just deliver the MDGs. These actions are intended to mutually reinforce each other for greater impact thus, for example, supporting greater law and order through work with the police will also promote private investment and so growth. However this approach also introduces new dilemmas: DFID Nepal 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.

## 2. Key enquiry issue: How DFID works with the Foreign and Commonwealth Office and the Ministry of Defence to support the Comprehensive Peace Agreement (CPA) and Security Sector Reform (SSR)

2.1 UK government approach and strategy: Close working between DFID, FCO and MoD is vital for the success of UK government efforts. In Nepal, all of the departments are focused on support to the peace-building agenda. The jointly developed UK government strategy is structured around a peace and state-building framework—bringing together development, diplomacy and defence. At its inception, this strategy was agreed by ministers, and helps guide UK government actions in Whitehall, posts, and in Nepal. DFID spend is over 95% of total UK government programme spend in Nepal. However, pension payments, some £54 million annually, from the MoD to British Gurkha ex-servicemen form an important part of the remittance picture, as does their administrative support to the Gurkha Welfare Scheme.

2.2 The strategy, and 6 month action plan, provides a framework for coordination. This is revised regularly at Chancery meetings. The UK government Conflict Prevention Pool (CPP) is managed locally through a cross-departmental steering committee, and benefits from significant devolved authority from

Whitehall. The CPP has been a vital tool in Nepal to help deliver cross-departmental interventions that complement the larger DFID programmes. The Pool's flexibility and the ability to take decisions very quickly locally have been critical to its success. In addition, departments locally use and agree "stability" indicators which use a variety of measures to assess levels and trends of national stability to inform planning and manage risks to programmes. A UK government communications grid helps to coordinate activities.

2.3 DFID, FCO and MoD work most closely together on the political settlement, the peace process, security sector reform (including public security) and human rights. The UK government Stabilisation Unit and the Security Sector Development Advisory Team have been providing advice on security sector reform issues and policing. The UK government in Nepal also works with the cross Whitehall Climate Change and Energy Unit in Delhi.

2.4 Comprehensive peace agreement: The UK government has provided substantial support to the CPA. The UK government, through the FCO, is a major contributor, both financially and diplomatically, to the work of the UN Mission in Nepal (UNMIN), which plays a major role in monitoring arms and armies (Maoist Peoples Liberation Army and the Nepalese Army). UNMIN's mandate began in January 2007, and has been renewed a number of times; the current mandate expires in January 2010. The UK government is the UN Security Council sponsor for the UNMIN mandate, and in the early months of UNMIN's deployment provided direct financial support through the CPP to ensure rapid deployment of personnel.

2.5 The UK is also one of the major funders (more than £2 million) of the UN Office of the High Commissioner for Human Rights (OHCHR). OHCHR has been key to ensuring both national and international actors place human rights at the centre of the peace process. The UK, largely through CPP and the small Embassy programme budget, also supports the capacity building of the National Human Rights Commission and the work of domestic human rights NGOs.

2.6 OHCHR's work during the conflict led to an end of conflict-related disappearances by the Army by 2005, and acted as an important preventive influence on the patterns of abuses committed by the Communist Party of Nepal (Maoist). It is also widely acknowledged that their monitoring of the April 2006 protests acted as a crucial deterrent to violence by state authorities in repressing the demonstrations. 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.

2.7 The UK government through DFID and the CPP, directly supports the implementation of the CPA through two funds. Firstly, the UK government has provided £7 million to the Nepal Peace Trust Fund—the government owned and implemented peace fund. To date this fund has disbursed over \$80 million to support the elections, the Constituent Assembly process, the construction and upkeep of Maoist military cantonments, and Internally Displaced People. Secondly, the UK government has also contributed £4 million to the UN Peace Fund for Nepal. This UN fund has supported verification of Maoist combatants, disposal of explosive ordnance at cantonments, mine clearing (also directly supported through CPP), targeted employment creation and technical assistance to the electoral process. The fund has also promoted cross agency working within the UN Country Team.

2.8 DFID, and CPP, has also provided direct support to the holding of the 2008 national elections, including the direct funding of 20,000 domestic and 100 international observers, and to the ongoing Constituent Assembly process.

2.9 Impacts to which DFID contributed include:

- Communist Party of Nepal (Maoist) successfully moved from 'rebel' status into mainstream politics.
- Maoist Army successfully confined and maintained in 28 purpose built camps.
- No serious violation of the ceasefire by either Maoist army or Nepal Army.
- UN assisted de-mining on track to remove all minefields in Nepal within three years.
- National elections successfully held, seen as generally free and fair; and most inclusive Constituent Assembly in Nepal's history formed (see Enquiry Issue 1 above).

2.10 Security sector reform: Security Sector Reform is a major issue for Nepal, and is a major issue for the peace process, primarily around the future of the armies. The UK government, led by DFID, has provided international experience of integration and reintegration of military forces, and supports improvements in parliamentary oversight of security forces, improved understanding of and dialogue between politicians, government, civil society and security providers on SSR, and low level support to the Nepal Ministry of Defence. 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. This work would be complemented by additional DFID funded initiatives aimed at improving access of women and other disadvantaged groups to justice at the community level, part of UK government commitments in the White Paper, including a Community Mediation Project in 10 districts, and £6.5 million to Women's Paralegal Committees nationwide.

### 3. Key enquiry issue: DFID's approach to poverty reduction and improving access to basic services

#### 3.1 The approach to poverty reduction and basic service provision involves a number of strands:

- (1) DFID's focus on peace is key. 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. It is also difficult to deliver basic services in health, education or roads.
- (2) A focus on building a capable, responsive and accountable state, mentioned earlier in DFID's governance work, including helping the state deliver effective and inclusive services, and a core commitment in the White Paper.
- (3) Through work on promoting inclusive, low carbon growth, and better jobs for poor people. These are key strands in the White Paper which the DFID Nepal programme addresses, and which, in a post-conflict context where the need for job creation is high, are vital to peace as well as to poverty reduction.
- (4) Through reducing the vulnerability of poor people and improving resilience to climatic shocks. This strand of work is a major part of helping Nepal's vulnerable people adapt to climate change. In addition to work on low-carbon growth, DFID Nepal's programme addresses much of the climate change agenda described in the White Paper.

#### 3.2 Effective and inclusive basic services

Health: DFID has supported the health sector over the last 12 years. £71 million is currently being spent for three five-year programmes: the health sector programme, safe motherhood and HIV/AIDS. DFID has played a key role in supporting the expansion of free services, free maternal delivery, incentives to increase the use of Skilled Birth Attendants, and provision of safe abortion. Impacts where DFID has contributed include:

- Maternal mortality substantially reduced from 526 in 1996 to 281 per 100,000 live births in 2006: a reduction, according to government figures of 48%.
- Infant and under five mortality rates have dropped by a quarter in the last five years, and halved over the past 15 years, such that in 2006, only one in sixteen children died before their fifth birthday compared to one in eleven in 2001.
- Deliveries by Skilled Birth Attendants has jumped six fold from 4.8% in 2000 to 32.8% in 2008.

Education: DFID allocated £20 million over a five year period from 2004–09 to the multi-donor sector-wide programme supporting the government's Education for All (EFA) programme. External assistance accounted for 25% of the government's basic education budget (around \$160 million in 2007–08). DFID, with other development partners, is currently appraising the government's School Sector Reform Programme for potential sector support on a similar basis to the EFA programme, although wider in scope. DFID has encouraged a special emphasis within this programme on poverty and exclusion issues and especially the problem of out-of-school children, many of whom are socially excluded. DFID assistance will be provided through the European Commission, including seconding a DFID education advisor. Impacts where DFID has contributed include:

- 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 over 600,000 to 970,000, and gender parity in enrolments is close to achievement.
- There are now approximately 8% children remaining out of school in the primary age group, down from 16% in 2004.

Water supply and sanitation: DFID has supported the Gurkha Welfare Scheme-delivered Rural Water and Sanitation Programme for the last 20 years, and continues to do so. It includes good sanitation practice and provides access to potable water for Gurkha ex-servicemen, their dependents and their wider communities across the country. Impacts where DFID has contributed include:

- During the 20 years of support to the Gurkha Welfare Scheme, over 800 rural water and sanitation schemes have been constructed, benefiting more than 160,000 people. At present, an additional 159 schemes are under construction for a further 33,000 people.

#### 3.3 Promoting inclusive, low carbon growth, and better jobs for poor people

Roads: DFID continues its support to road and bridge building. DFID works closely with government, the Asian Development Bank, World Bank and Swiss Development Cooperation. DFID has current commitments of £34.5 million, with £22.5 million on the directly implemented Rural Access Programme, £10 million through the government's Rural Reconstruction and Rehabilitation Sector Development Programme, and £2 million on trail bridges. The expected impact from DFID's contribution includes over 1,200km of roads and 2,200 trail bridges, connecting 4.3m people to jobs and services and creating 100,000 short term jobs, over half for women. Impacts where DFID has contributed include:

- Better infrastructure support to the government helped to reduce poverty from 42% to 31% in the last decade.

- Between 2000 and 2008 DFID spent £42m on rural road programmes, connecting over 2.4 million people in remote districts to the national road network, to markets and services, through the construction of 1,500km of rural roads and 1,200 pedestrian bridges.
- In doing so, it provided 17.5 million days of employment for poor and disadvantaged people.

Agriculture: DFID has also invested £10 million over the last five years on pro-poor agriculture programmes working in 20 of the most needy districts and targeting the poorest and the most marginalised members of the communities. The programme introduced an innovative government-NGO partnership approach, which has now been adopted within government agriculture programmes in some Districts. Impacts where DFID has contributed include:

- The five year programme has increased the incomes of 550,000 people and lifted 130,000 out of poverty.

Jobs and skills: In addition to jobs provided through roads, agriculture and forestry programmes, DFID funded Helvetas, a Swiss NGO with £3 million in 2008 to provide short term market-led training to 14,000 young men and women. 60% of these were women and 80% were from disadvantaged groups. DFID Nepal will spend around £11m in the next three years in this area, providing training to 35,000 young people of whom 60% of which will be women, including £2 million to the World Bank for the Adolescent Girls Initiative—training and support to 4,400 girls. Linking their training to real jobs with decent pay and working conditions. Earnings following these programmes are expected to be at least 4,500 Nepali Rupees (£35) per month, around twice average national income. Impacts where DFID has contributed include:

- Since the approach to training is market-led, eighty five percent of those trained were in gainful employment six months after the training, while creating new jobs.

Investment climate and access to markets for poor people: Over the next three years DFID Nepal will work to improve the investment climate and enhance access of the poor to markets in the agriculture and tourism sectors. This work is expected to generate around 30,000 jobs—both direct and indirect—in the next three years.

Inclusive growth centre: The Centre for Inclusive Growth will provide robust analytical support to the government to increase the quality of decision making and accelerate inclusive growth. It will promote a national dialogue on reform and support the government in communicating the rationale for reforms. 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. It is envisaged that the Centre will be operational from March 2010, and will be linked to the DFID funded International Growth Centre to ensure Nepal can pull on the best international experience.

Low Carbon growth: DFID will work in three main areas, all of which are key commitments in the White Paper. Firstly by helping Nepal develop a low carbon development strategy, linked to its climate change adaptation plan. Secondly, to increase utilisation of its abundant hydro power resources (enough to provide clean electricity for the whole of the UK) by helping Nepal access global low carbon energy funds. Thirdly by increasing support to the Forestry sector to increase its contribution to GDP and job creation for the poor, whilst capturing carbon. Impacts where DFID has contributed include:

- DFID's Livelihoods and Forestry Programme sequesters over 7 million tonnes of CO<sub>2</sub> each year. This would have an annual value of between £11 million–£27 million in carbon markets, if it can be traded as is expected to be agreed at Copenhagen (current rules do not allow trade in carbon sequestered through the management of natural forests, only that of plantations).

### 3.4 Reducing the vulnerability of poor people and improving resilience to climatic shocks

Social Protection: DFID is working with the World Bank, the Asian Development Bank, and the UN (ILO, WFP, UNICEF, and UNCDF) to support the Government of Nepal to develop a robust national social protection strategy. Our work focuses on building an evidence base of what works in Nepal through evaluations and pilots, strengthening government capacity in this area, and working to improve the effectiveness and efficiency of social protection systems. DFID is spending £250,000 through a Social Protection Trust Fund with the World Bank, and plans to spend approximately another £500,000 over the next two to three years. Additional support to the sector will be considered after the national strategy had been developed and approved.

Food Security and Nutrition DFID will also consider ways to improve food security and nutrition. This will involve working with 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. DFID is currently discussing joint work with WFP to support government in more effective targeting of social protection programmes to support increased food security, and with UNCDF a social protection pilot (within the Local Governance and Community Development Programme) to support better nutrition. Whilst analysing these issues DFID has already been addressing immediate food security needs having given £5.4m to the World Food Programme over the last year—funds which have provided food to over 80,000 malnourished people.

Access to land: DFID is working to increase access to land for women and disadvantaged groups. Recent research shows land is a critical asset that reduces poor peoples' vulnerability in Nepal's largely agrarian society. Currently only 14% of women have land registered in their names; half the population own less than

0.5 Ha (too small to generate enough food to live on) and 2.3 million people have no land at all, with most landless coming from marginalised ethnic groups and the lower castes. DFID is addressing this issue in two ways. Supporting the High Level Land Reform Commission to analyse and propose new reforms to address land issues, and by working with poor and disadvantaged groups to gain access to government forest land.

Climate Change: DFID is supporting Nepal to develop the priorities identified in its National (Climate Change) Adaptation Plan of Action (NAPA) to reduce the vulnerability of poor people to climate change. DFID will then pilot work on the ground in these priority areas including water management, disaster risk reduction, agriculture, health, and low carbon energy provision for the poor. This will demonstrate how the far larger “adaptation funds” that will flow post Copenhagen can be used effectively in highly vulnerable countries such as Nepal. Other work includes support to the South Asia Water Initiative, where DFID is working with the World Bank to improve water resource management regionally and to manage the impacts of climate change, for which Nepal, the source of many regional rivers is key to its success. Recent support included helping to fund a government hosted regional Climate Change Conference “Kathmandu to Copenhagen”. Finally DFID will also be ensuring that all our programmes are reviewed and include climate proofing measures where relevant. Impacts where DFID has contributed include:

- Nepal is already selected to receive support from adaptation, forestry and renewable climate funds, worth between \$75–150 million over the next five years.
- The Nepal Prime Minister will lead a delegation of Nepali government, academic and civil society to the COP 15 (Conference Of the Parties) climate change negotiations in Copenhagen.

Forestry: DFID is investing £19 million over 10 years in community forestry, which will help almost one fifth of the population of Nepal to make a better and more sustainable living from forest resources. This support will help reverse deforestation and also help Nepal capture an estimated 8 million tonnes of CO<sub>2</sub> a year, worth between £11 million and £27 million every year in the carbon market, many times the annual cost of the programme. Impacts where DFID has contributed include:

- Forest user group incomes increased by 61% from 2003–08 with over a quarter of this being directly attributable to DFID’s Livelihood Forestry Programme (LFP) and community forestry. For excluded groups (eg Dalits) incomes nearly doubled. The same study showed that 433,000 people came out of poverty in seven LFP supported districts over the same period. For those districts during that period, it is estimated that for every £35 spent by LFP, one person left poverty. Within all 15 LFP districts, about 1.5 million person days of employment (equivalent to about 7,500 full time jobs) are created annually either directly or indirectly by forestry groups.

#### 4. Key enquiry issue: DFID’s efforts to reduce social exclusion and inequality including its work with women

4.1 A path-breaking report, the Gender and Social Exclusion Assessment—a joint undertaking of the National Planning Commission, DFID and the World Bank—was completed in June 2005. It documented what has been generally accepted as one of the root causes of the conflict: the fact that certain social groups—defined in terms their of gender, caste, ethnicity, region and religion—have persistently higher levels of poverty, lower education and health outcomes and less political voice.

4.2 This work has had a huge impact on the policy and political landscape in Nepal. The country’s 10th National Development Plan for the first time acknowledged that marginalised groups are not only “poor” in economic terms, but also in terms of their lack of representation and empowerment. Subsequent plans (the Three Year Interim Plan and the Nepal Development Strategy Paper) made provisions for women, and a range of excluded caste, ethnic, religious and geographically defined groups—with quantitative targets and budgets. The Interim constitution has made a number of provisions that address discrimination against women and excluded caste and ethnic groups, and there has been significant legislative reform that gives women and excluded groups rights that they were denied in the past.

4.3 In 2006 DFID Nepal approved a £1.5 million Social Inclusion Action Programme. The programme was extended by £1.2 million over three years in August 2009. The programme’s goal is, “To reduce poverty and social exclusion, establishing the basis for lasting peace”, through helping poor and excluded groups to achieve more equitable access to resources and opportunities. The programme works with government, the World Bank, a range of UN agencies, political parties and broader civil society, as well as on DFID’s own internal systems.

4.4 Gender is mainstreamed within DFID, but specific commitments and targets are captured in the DFID Nepal Gender Equality Action Plan, which is championed at high level in the office and drives delivery. So in addition to the social inclusion programme, DFID is working on gender equality and social inclusion issues across the portfolio, and particularly in five focus areas:

- (1) more and better jobs for women and girls;
- (2) greater political voice for women;
- (3) focusing education support on girls and excluded groups;
- (4) sustaining progress on maternal mortality; and
- (5) a more inclusive and gender balanced office and programme.

#### 4.5 Impacts where DFID has contributed include:

- In the health sector, inequalities (between castes and ethnic groups, as well as between poor and wealthier citizens) in the use of the child health service, and in health outcomes for children, have significantly declined: there is virtually no inequality among ethnic groups in the incidence of diarrhoea and immunisation, and the trend in the death rates show a sharp decline among the most disadvantaged ethnic groups. However, disparities persist in maternal health: for example use of antenatal care is 18% among the poorest fifth of the population but 84% among the richest fifth. Deliveries assisted by skilled attendants among the poorest represent only 6%, whereas assisted deliveries among the wealthiest represent 47%.
- More than 1.4 million socially excluded children, including 775,000 girls, have received primary education scholarships, providing them with the funds needed for books and other materials as well as examination fees.
- Around 100,000 additional jobs for women have been created through the DFID-funded Rural Access Programme on road construction, and the Livelihoods and Forestry Programme.
  - The roads programme has also enabled 58% of its road building group members to clear their debts, freeing women from the clutches of moneylenders.
- Women Constituent Assembly members are better informed and able to influence through DFID funded training and support.
- Support to developing the Ministry of Education's highly disaggregated (social group, sex and poverty) data collection and analysis system within the Education Management Information System, and discussions with the Ministry of Health on their Management Information are on-going.
- Ministry of Health, Ministry of Education, and Ministry of Local Development plan to establish Gender and Social Inclusion Units in their ministries.

#### 5. Key enquiry issue: Donor coordination in support of greater aid-effectiveness and peace-building

##### 5.1 DFID supports improved aid effectiveness and peace-building in a number of ways:

- (1) firstly through support to the Ministry of Finance, who lead on aid coordination and delivery of the Paris Declaration and the Accra Agenda for Action;
- (2) through various kinds of sector approaches, including on peace-building;
- (3) through support to improved delivery across the UN system, and
- (4) through sustained collaboration with other donors, including joint planning with the Asian Development Bank and the World Bank.

5.2 There are around 30 donors working in Nepal, including small donors such as Korea. DFID is the largest OECD bilateral, with USAID, Japan, Norway, Denmark and Germany providing between two-thirds to half as much. India provides substantial aid, including in-kind, and China is also a donor. However, accurate figures are not known for either. The Asian Development Bank has been the largest multilateral but is now being overtaken by the World Bank.

5.3 The peace process has 12 donors and over £100 million committed, but covers a wide range of programmes. DFID is the only donor to have provisionally committed support to public security, including policing. The social sectors, education, health and water supply and sanitation, are receiving high levels of donor support, in both numbers of donors and the amount of aid. This partly reflects the harmonised practice in both sectors.

5.4 This is particularly true in education and health, both supported by 10 donors with over £200 million currently committed to each area, although in health only DFID and the World Bank provide sector support. The economic sectors, industry, employment, tourism and private sector development are relatively under funded. In other sectors, agriculture and irrigation are well provided for by the Asian Development Bank and World Bank. In governance the spread of support is highly variable. Climate Change and water resources funding is currently small-scale.

5.5 There has been some progress towards targets set out in the Paris Declaration and Accra Agenda for Action, but this is partly constrained by Nepal's fragility and government capacity. The Ministry of Finance leads government efforts to coordinate aid, and is developing a new foreign aid policy framework and a national action plan for aid effectiveness. Donor coordination takes place at a number of levels—through Ministry of Finance led donor meetings, the Nepal Portfolio Performance Review which sets annual targets for improving programme delivery (eg on public financial management, procurement, aid coordination etc.) and monitors quarterly, and sector approaches which are led by relevant ministries, eg for the Nepal Peace Trust Fund, education, health or local government. DFID has been a lead advocate for sector approaches, where appropriate, which help improve the coordination and effectiveness of donor support. The UN Resident Coordinator chairs routine donor meetings, and informal donor meetings also take place. DFID plays an active role in all of these fora.

5.6 DFID is a lead bilateral, and along with the two main Banks, is seen by government as one of the most important and supportive donors. DFID, along with UNDP, supported government to undertake the Paris Declaration survey and prepare for the Accra meeting in 2008. DFID will be providing support to a UNDP project to help the Ministry of Finance, and some sector ministries, to develop better aid management systems. DFID continues to support the Government to implement an Integrated Financial Management Information System—a newly upgraded national budget execution system that complies with best international standard. The challenge for donors is to support the Government to manage the transition from scattered donor projects and programmes outside government, to effective delivery through government as conditions allow.

5.7 In 2007 only 47% of aid to Nepal was predictable according to OECD DAC measures which assess disbursements recorded by government, against aid scheduled by donors for disbursement. Among the bilaterals DFID scored better than others at 42%, with Denmark at 22%, and Germany at 9%. There are issues around measurement in the Ministry of Finance, sector ministries and the Financial Comptroller General's Office, as well as around government reporting, but more can be done to improve donor predictability. Only 20% of total aid was disbursed through programme based approaches (sector budget support) representing a major challenge to meet the Paris Declaration target of 66% by 2010. DFID disburses 32% of its budget through sector budget support compared to Germany, the UN and the Asian Development Bank all at 14%. DFID is working with government and donors to increase the use of sector based approaches, eg for the Local Governance and Community Development Programme, where conditions allow and financial safeguards are in place. The fragile post-conflict context makes meeting some of the Paris Declaration targets difficult.

5.8 In order to improve the effectiveness of the donor response to peace in Nepal, DFID has worked with government, the UN and other donors to help create two peace funds, the UN Peace fund, and the government managed Nepal Peace Trust Fund. These funds have provided timely and vital support to the peace process, but have also improved the effectiveness of the UN and donor response. The UN Peace Fund has enabled a more coherent UN response to the peace process, including more cross-agency working, and has attracted funding from a number of bilaterals, as well as the New York based Peace-Building Fund. The Nepal Peace Trust Fund has supported government leadership of the peace process backed by well-coordinated donor support through a common fund.

5.9 The UK government works closely with the UN agencies in Nepal, both in support of the peace process and in improving the effectiveness of UN efforts. The UN has played a major role in the peace process through UNMIN, and through the UN Country Team, which comprises the main UN agencies.

5.10 Nepal is not a formal “delivering as One” pilot country, but DFID has supported a number of approaches to building greater UN effectiveness in Nepal. Firstly DFID helped create the UN Peace Fund in 2007 (as described above). Secondly, Nepal is a focus country for UN's Early Recovery initiative—intended to improve the multilateral response in post-conflict countries. This should help the UN Country Team strengthen its capacity to provide peace-building support to the government of Nepal, and to the international community, as well as address emerging peace-building challenges through the UN Peace Fund. DFID has provided £0.9 million centrally to this initiative. Finally, discussions are underway to explore “delivering as One” approaches in order to enhance development impact across the UN Country Team. The UN is also leading a donor initiative to bring greater transparency to donor spending at the district level.

5.11 DFID works closely with the Asian Development Bank and World Bank, as the two largest donors in Nepal. Consultations for our country planning were done jointly with both, in part to streamline consultations, but primarily to provide a platform for joint planning as a group of donors providing over 70% of future aid to Nepal. It is intended that joint planning will lead to clear and strategic agreement on a division of labour and a set of jointly owned results which we are collectively working towards, together with Government and other donors. Some progress on division of labour has been made, with the World Bank taking on support to HIV/AIDS from DFID. Separately, the European Commission has taken on support to education from DFID, managing DFID funds and with a DFID seconded education advisor.

5.12 A concerted international response will be needed to help Nepal seize this moment to secure the peace, address the immediate challenges and start to lay the foundations for the future. Nepal has a relatively small and increasingly well-coordinated donor community who are bringing additional resources at this critical time.

*September 2009*

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### **Supplementary written evidence submitted by the Department for International Development**

#### **NEPAL BACKGROUND: PEACE PROCESS AND POLITICS**

- Progress on peace: The peace process has made significant gains; successful elections, the formation of an inclusive Constituent Assembly (CA), the peaceful removal of the monarchy, and almost no ceasefire violations.

- It's stalled: The peace process has been stalled for some time, and political parties have become increasingly polarised. Parliament is largely paralysed, the constitution making process has effectively halted, and no practical progress has been made on the integration and rehabilitation of Maoist ex-combatants.
- New consensus needed: A “new” political consensus is required to break the deadlock and is being actively sought by political parties.
- Poor public security: Public security is very poor across many parts of the country. Central and eastern Tarai are of particular concern, where over 100 armed groups currently operate. In recent months the security situation is perceived to have improved marginally as a result of the government's special security plan. However, political protest programmes repeatedly act as potential flashpoints; for example, six people were killed in one clash with the police in early December.
- Impunity and human rights: Impunity for past and present human rights abuses and criminal activity remains high.
- Rise of identity based politics: In the past two years there has been a strong move towards identity based politics and accompanying violent protest. Expectations of ethnic federal states are high, but potentially unworkable. What is required (and has been agreed by the parties) is an inclusive constitution providing for the rights of all citizens. The Maoists have recently unilaterally declared five “federal republic states”, but other parties have opposed this as a breach of the Comprehensive Peace Agreement and one that undermines the CA.

#### *The new government*

After nine months in power, the Maoists resigned from government in early May this year. Following protracted negotiations over two weeks, Madhav Kumar Nepal, of CPN UML, took charge of the 19th government since 1990. He leads a 22-party coalition, with some 44 ministers.

The parties in government have agreed a Common Minimum Programme with six top priorities: building political consensus; addressing impunity and promoting the rule of law; implementing peace agreements; restructuring the state and writing a new constitution; providing immediate relief to the people; and promoting economic growth. However, these priorities are backed by a long list of activities, and implementation will be difficult.

#### *The Maoist challenge*

The Maoist government's relationship with the Nepal Army was highly problematic, in particular around the approach to “integration” of Maoist combatants into the Army. Unhappy with the Chief of Army Staff and his resistance to integration, the Prime Minister decided to sack him. The President revoked this decision, citing constitutional reasons, which led to the fall of the Government. The Maoists have been protesting against the President's decision in Parliament by blocking House business, and through street demonstrations. Protests have been stepped up from sit-ins to general strikes to declaration of “federal states”. So far the Maoists have declared five “federal states”, based on ethnicity. But other parties have opposed this as a breach of the Comprehensive Peace Agreement and one that undermines the CA.

A Special Committee and Technical Committee have been working for some months towards finding a solution to the issue of the integration/rehabilitation of the Maoist Army. However, agreement is yet to be reached. The Maoists have committed to unilaterally discharging their 4,000 minors and late recruits from the cantonments in mid December, but tangible action has yet to begin.

#### *The Madhesi challenge*

The five Madhesi parties (people from the southern Tarai plains) are divided within themselves despite their common position on autonomy for the Madhesh. The Tharu people, categorised as Madhesis so far, are now asserting their own identity. A newly formed group—OBC (other backward classes)—is also seeking special treatment from the state.

#### *Rise of identity politics*

Nepal is emerging from a painful 10 year conflict driven to a large extent by inequality and exclusion (based on gender, caste, religion, identity, and place of residence). A key challenge is to peacefully re-negotiate the relationship between citizens and state, in particular in relation to inclusion of previously excluded communities. As this process takes place, identity politics has come to the fore. Following the Madhesh uprising in early 2008 the government recognised the Madhesi identity and introduced new constitutional and legal measures to reflect this. For example, state institutions at different levels are required to reserve some seats for Madhesis. Apart from this, the Government's reservation policy covers women, ethnic/indigenous groups and Dalits. But new identity claims are now being made on the State. The Tharus in the Tarai and the Limbus in the east are examples. Ideally, these claims should be negotiated in the CA, but are being taken forward outside of the CA process.

*The CA process*

The CA is mandated to both draft the new constitution, and act as legislature for two years. The CA is made up of 601 members from 25 parties and is more representative than any previous state body in Nepal's history. For example, women members account for 33% of the CA, and Janajati (ethnic) groups now outnumber the traditionally dominant elite Brahmin/Chetri castes. However, some of the CA membership is inexperienced and greater capacity is needed in order to deal with legislative and constitutional issues. There is also a risk that the CA will not be able to play its role effectively, with major political decisions being taken by the top political leaders outside of the CA process, potentially based on short-term deals. Also, despite the rhetoric on inclusion, all political parties are still dominated by mostly male, high-caste elites.

The CA has set an ambitious timetable with the final constitution to be agreed by May 2010, however drafting is yet to start. Frustration is building both among the general public, and the CA members themselves, at the lack of progress. The political party leaders are being blamed for not giving the drafting process priority. The 10 thematic CA committees, have spent some time at the constituency-level, discussing constitutional issues, but responding to public comments and submissions will be a huge challenge. Agreeing a form of federalism is emerging as one of the most difficult issues to address.

*Impunity and human rights*

Impunity for past and present human rights abuses and criminal activity remains high. Neither of the two transitional justice bodies promised in the Comprehensive Peace Agreement have yet been set up, and the National Human Rights Commission continues to be largely ignored. One year on from the publication of OHCHR's report on 170 instances of conflict-related disappearances in Bardiya, the Nepal Government has yet to respond to its recommendations.

The pending promotion of General Toran Singh—implicated in grave human rights abuses during the conflict—to Deputy Chief of Army Staff, has sent a particularly negative signal regarding the government's intentions to address past abuse. But the Prime Minister's subsequent order to the Nepal Army to hand over to the police Major Basnet—also accused of grave human rights abuses—may represent the first steps towards addressing such impunity.

EXAMPLES OF DFID'S WORK IN NEPAL VISITED BY THE INTERNATIONAL DEVELOPMENT COMMITTEE—  
OCTOBER 2009

*Strategic Partnership Agreement with Helvetas Nepal*

DFID Nepal is supporting Helvetas through a Strategic Partnership Agreement (SPA) between April 2006 and December 2009. DFID's contribution of £9.4 million was allocated to five key areas of support:

- skills training;
- sustainable management of natural resources;
- improved access to market and service centres;
- provision of safe drinking water;
- non-farm employment generation; and
- linking deprived communities to market.

Start/End date: April 2006 to December 2009.

Funding: £9.4 million.

Purpose: To improve livelihoods through strengthened service systems and equitable access to resources and opportunities for the poor and excluded.

Location: National Programme.

Key outcomes:

- Out of the total of £9.4 million that DFID has provided, £3 million was used to support short-term skills training to 13,200 young people through the Helvetas Employment Fund. This is a private sector-led scheme, whereby small businesses employ and train people, and are provided incentives for employing people from disadvantaged groups—60% of these were women, and 80% were from disadvantaged groups in total.
- As a result of this support, 80% of the trainees were in gainful employment (both self and wage employment) with a minimum income of NRs 3,000 per month (£24), following the training. Most trainees doubled or trebled their income. The cost is £320 per person into employment, an investment which is covered by increased earnings by around a year, representing very good value for money.
- In addition to the above, other initiatives under the SPA resulted in employment opportunities of 18,000 person days, of which 20% was for women.

- 825,000 people given access to 275 new pedestrian bridges, and 184 bridges completed detailed survey and design by 2009.
- 50,000 people benefited from a motorable suspension bridge by 2009.
- 52,600 people in rural areas accessed water supply and sanitation facilities through 127 schemes.
- More than three-quarters of households in programme districts earned an average additional income of £100 annually, by selling vegetables, fruits and livestock products.

DFID Nepal will continue its support to skills training through the Helvetas Employment Fund and will provide £9 million over a period of four years (December 2009 to November 2013) to deliver skills training to 35,000 young women and men from disadvantaged groups.

#### *Gurkha Welfare Scheme*

The Rural Water & Sanitation Programme is a component of the Gurkha Welfare Scheme (GWS) funded by DFID and the Gurkha Welfare Trust (UK). DFID has contributed more than £14 million during the last 20 years. Since the beginning of 1989 to the end of June 2008, a total of 919 water supply schemes (714 New and 205 Rehabilitation) have been completed. A total of 22,044 households and 200,693 people from 33 districts have benefited from safe drinking water and improved hygiene and sanitation practices. A total of 295 latrines were constructed for schools and health posts. At present, 160 water supply and sanitation schemes are in various stages of construction under Phase 4 which will end in March 2010 with a total allocation of £1.5 million. DFID is considering an extension of Phase 4 to 2012.

Start/End date: April 2008 to March 2010 (GWS phase IV).

Funding: £1.5 million (£11.7 million since 1999 to date).

Purpose: Beneficiary communities managing and using improved water supply and sanitation facilities effectively.

Location: 18 districts (six in the East; four in the Mid West; seven in the West and one in the Central Region).

Key outcomes:

- Major outbreaks of water-borne diseases have been fully controlled in all beneficiary areas. Before intervention, the average prevalence rate of water borne diseases was 50%.
- Water collection time of women and children reduced by three hours on average per day per household, which has directly contributed to an increase in enrolment of girls in school by 17%, and reduced women's drudgery drastically.
- A third of positions on the user committees are occupied by women and 60% by excluded groups, giving them greater influence over community decisions.

#### *Community Support Programme*

The DFID Community Support Programme (CSP) was initiated as a development strategy targeting conflict affected people and to provide community development needs when the formal agencies and institutions were increasingly isolated to small pockets during the conflict.

CSP has five components: (a) Community infrastructure development (b) Capacity enhancement of partner organizations, (c) Increased access to non-formal technical and vocational education (d) Strengthened assets of poor and excluded to sustain and benefit from basic services, and (e) Enhanced relations with local government bodies.

The project also focuses on awareness raising of excluded groups for increased access to political participation and representation. This support is also on literacy, income generation and access to credit.

The Madarasa Madina Primary School was established in 2006 and has 79 Muslim students, around six to nine years in age, of whom around 44% are girls.

Start/End date: 2003–09.

Funding: £17.5 million.

Purpose: Improved access to basic services for the conflict affected people particularly poor and excluded.

Location: 39 Districts (16 in the East, one in the West, 13 in the Mid-West and nine in the Far-West).

Key outcomes:

- 2,500 school buildings constructed.
- Almost 70,000 households with clean water supply.
- Almost 18,000 households with sanitation.
- Electricity installed in 7,700 rural households.
- 26,000 hectares of land irrigated.

- 200km rural roads and foot trails constructed.
- 5 million days of employment.
- At least one fulltime job has been created in around 10,000 households through skills development and Income Generating Activities.
- Anecdotal evidence 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.
- At the national level, along with achievements in enrolment and gender parity, DFID has also supported the development of the Ministry of Education's highly disaggregated (social group, sex and poverty) data collection and analysis system, which is aiding targeting of excluded groups.

#### *Livelihoods and Forestry Programme*

DFID is investing £19.9 million over 10 years (2001–11) in community forestry through its Livelihoods and Forestry Programme (LFP), which will help almost one fifth of the population of Nepal to make a better and more sustainable living from forest resources.

We are also developing the community forest work to reverse Nepal's high forest degradation emissions, improve watershed management, and attract carbon finance.

LFP has been supporting enhanced capacity of users to manage their resources themselves in partnership with Government/non-government organisations and other stakeholders at the local level. The programme also works at the national level to address policy issues. LFP works with 5,000 Community Forest User Groups in 15 districts across the country aiming to reduce vulnerability and improve the Livelihoods of poor rural people through increasing their assets. These community forests lock up around 1.2 million tonnes of carbon each year. LFP is already helping communities access carbon funds for the trees they grow and the national forestry programme which DFID will contribute from 2011 to aims to take this work further so that communities can access at least £10m from international carbon funds per year.

Start/End date: April 2001 to April 2011.

Funding: £19.9 million.

Purpose: Assets of rural communities enhanced through more equitable, efficient, and sustainable use of forest.

Location: 15 districts (four in the East, three in the Tarai region, three in the West and five in the Mid-West).

Key outcomes:

- Forest user group incomes increased by 61% from 2003–08 with over a quarter of this being directly attributable to DFID's Livelihood Forestry Programme (LFP) and community forestry. For excluded groups (eg Dalits) incomes nearly doubled.
- 433,000 people came out of poverty in seven LFP supported districts over the same period. For those districts during that period, it is estimated that for every £35 spent by LFP, one person permanently left poverty.
- Within all 15 LFP districts, about 1.5 million person days of employment (equivalent to about 7,500 full time jobs) are created annually either directly or indirectly by forestry groups.

#### *Rural Access Programme*

In Nepal, 10 million people are outside of the target of four hours in the hills, and two hours in the Tarai plains, from a road. The Rural Access Programme (RAP) is designed to build road infrastructure as a means of improving the livelihoods, and economic development, of the poorest people in seven out of 75 districts in Nepal. The second phase of RAP employs over 15,000 workers of which 33% are women. All are from the poorest and most disadvantaged groups.

The programme improves livelihoods by increasing accessibility, community awareness, basic skills, and has given hope of a better future to the poorest. It also provides complementary activities and training, setting it apart from most other road construction projects in developing countries. The programme is essentially by the people for the people, using replicable, innovative and secure financial and technical management systems.

Start/End date: November 2007 to December 2010.

Funding: £22 million.

Purpose: Improved connectivity of rural communities, enhanced economic and employment opportunities and increased access to market and social services for the rural poor and disadvantaged.

Location: Seven districts (four in the East, one the Mid-West and two in the Far-West).

Key outcomes:

- Better infrastructure support to the government helped to reduce poverty from 42% to 31% in the last decade.
- Between 2000 and 2008 DFID spent £42 million on rural road programmes, connecting over 2.4 million people in remote districts to the national road network, to markets and services, through the construction of 1,500km of rural roads and 1,200 pedestrian bridges.
- In doing so, it provided 17.5 million days of employment for poor and disadvantaged people.

#### *Nepal Peace Trust Fund*

The Nepal Peace Trust Fund (NPTF) is a government-led and managed multi-donor trust fund, established to support the implementation of the Comprehensive Peace Agreement in 2007. The UK is one of the Fund's founding donors and the largest external contributor (other donors include Denmark, Finland, Norway and Switzerland; Germany is providing technical assistance).

The NPTF provides a mechanism to channel and coordinate resources in eight areas of work focused on maintaining peace and bringing stability to Nepal. These are:

- Management of cantonments and rehabilitation of the Maoist combatants.
- Rehabilitation of the displaced.
- Elections to the Constituent Assembly and other entities.
- Promotion and strengthening of peace and security.
- Rehabilitation of conflict-affected individuals and families.
- Mine action.
- Reconstruction and maintenance of conflict-damaged public physical infrastructure.
- Support to the peace process, implementation of the CPA and other CPA-related agreements.

DFID also supports the UN Peace Fund, which complements the NPTF, to fund the UN to register and verify the combatants within the cantonments, support de-mining operations, winterisation and preparations for discharge of minors.

NPTF: Start/End date: April 2007 to February 2010.

Funding: £13 million.

Purpose: To provide budget support to the Government to implement the Peace Agreement in the five areas described in the comprehensive Peace Agreement.

Location: National Programme.

Key outcomes:

The NPTF has supported two of the key achievements of the peace process:

- Management of the Maoist army and the constituent assembly elections in 2008.
- It is also supporting on-going management of the cantonments, including provision of health services, water and sanitation, reconstruction of police posts, and preparations for the elections planned for 2010–11.

#### *Health Sector*

DFID is the lead bilateral donor in the government's health sector programme. DFID, World Bank and AusAid provide sector budget support through a pooled funding arrangement. DFID also provides technical assistance to help strengthen health systems and policy. DFID has a long established role and many successes in the development and implementation of policies such as free health care and safe abortion. Nepal signed the International Health Partnership (IHP) in September 2007.

DFID's investment in the health sector over the past six years has been £71 million divided among the Nepal Health Sector Programme (£33.5 million), support to the Safe Motherhood Programme (£23 million) and HIV/AIDS (£15 million, where support is channelled through UNDP). DFID is considering future support to the health sector.

DFID's support to the health sector has contributed to halving child mortality over 15 years, and halving maternal mortality over the past decade. DFID has been the major donor champion of Safe Motherhood in Nepal. It has taken the lead on moving forward policies on increasing access of poor women to skilled birth attendants, safe delivery incentives whereby mothers are provided financial support if they give birth in a health post, and recently providing additional support for the newly established *Aama* Programme (which provides for free national maternal care). It provides earmarked funding for Safe Motherhood and provides technical assistance to the Family Health Division.

Nepal signed the national health compact in February 2009 and all relevant development partners, and government, are working to improve governance and make aid more effective in the health sector.

Key outcomes (which DFID has contributed to):

- Nearly 1 in 2 women use a modern method of family planning, but unmet need for family planning method is still around 25%.
- 3 of 10 women are assisted by a trained health worker during delivery.
- Deliveries by health workers has increased from 4.8% in 2000 to 32.8% in 2008.
- Two-thirds of women now receive antenatal care, but only one-third of women receive a full four antenatal care visits.
- Around 90,000 women received free delivery care from January 2009 and 400,000 women received the safe delivery cash incentive in the last four years under DFID supported programmes.

#### *Climate Change*

Nepal lies at the heart of the Greater Himalayan region, the water tower of Asia and the source of the nine largest rivers in Asia and home to over 1.3 billion people. The glaciers in Nepal feed not only Nepal but also contribute 40% of the annual water flowing through the Ganges and, importantly, provide over 70% of the flow in the dry season. Without these flows the 500 million people living in the Ganges Basin will face severe droughts and food shortages. About 10 million poor people are directly vulnerable to climatic changes, making Nepal one of the most vulnerable countries in the world.

While Nepal's emissions of greenhouse gases are negligible, it has limited capacity to adapt to climate change. However Nepal is well placed to adopt a low carbon growth development path, with its large hydropower resources and good track record of reducing deforestation. Nepal has a good case to seek climate change financing at international negotiations, but needs support to articulate them.

UK departments are working closely together to ensure Nepal's case is heard at Copenhagen in December 2009, as part of the UK "Equity Campaign". A regional Climate Change Conference held in Nepal, that DFID co-sponsored, raised awareness of the scale of the issues facing the region and set out the region's demands from a global climate deal. DFID is also developing a £10 million programme to help Nepal tackle Climate Change which will work closely with a new DFID forestry programme (building on previous work), and with regional efforts with the World Bank through the South Asia Water Initiative.

DFID is supporting work in four areas, all of which are part of the 4th White Paper commitments—closely working with other UK departments and multi-laterals:

1. DFID support to enable Nepal to effectively influence climate change negotiations and help achieve an ambitious global deal. This work includes capacity building for Nepal's negotiating team and awareness raising such as the cabinet meeting at Everest Base camp, a regional journalists journey and the government delegation at Copenhagen. (£1 million)
2. Supporting Nepal to develop a framework for action on climate change—the National Adaptation Programme of Action—and helping donors coordinate their support through the signing of 14 donor compact to work together on climate change. (£10 million)
3. Increasing our support to the forestry sector which will attract carbon financing. (£40 million)
4. Support to the South Asia Water Initiative (SAWI) to help Nepal develop its water and hydro power resource for the benefit of the region. (£2.6 million)

Key Outcomes:

- Nepal is already selected to receive support from adaptation, forestry and renewable climate funds, worth between \$30–60 million over the next five years.
- The Prime Minister formed a climate change council and led a strong and influential delegation of Nepali government, academic and civil society to the COP 15 climate change negotiations in Copenhagen.
- DFID's Livelihoods and Forestry Programme sequesters over 1.2 million tonnes of Carbon each year—carbon which LFP pilots have shown are suitable for climate financing for which Nepal is now applying.

### *World Food Programme Activities*

Food insecurity is a chronic problem in Nepal with the most vulnerable 40% of the population unable to meet their full food requirements. Across Nepal, around 50% of children are malnourished, and even in the Tarai plains where food is freely available, 20% of children are severely malnourished. Last year the price of rice rose 30%. The likelihood of continued price volatility remains high. Women and children are the most affected.

While there is a need to address short term, acute food insecurity, the long term solution is to address chronic food insecurity and malnutrition. To do this means giving poor people better access to economic opportunities and reducing their vulnerability to economic and climatic shocks. It also means addressing the complex interactions between health status, education of girls, and women's status and income—all of which impact on the nutritional status of children.

DFID has already been addressing immediate food security needs, having given £5.4 million to the World Food Programme over the last year. We are also building rural infrastructure, creating jobs, and providing skills training for disadvantaged groups to improve economic opportunity, and this is complemented by work on social protection. DFID is developing a nutrition strategy with government and other donors to assess which interventions will be most effective.

DFID is currently developing joint work with World Food Programme to support government in more effective targeting of social protection programmes to support increased food security, and with the UN Capital Development Fund on a social protection pilot to support better nutrition. At the same time we are working with other donors and government to agree a common cross sectoral approach to improving nutritional outcomes in Nepal.

We are closely monitoring the current situation. Summer harvest stocks are now dwindling in many areas signalling the start of the winter hunger period. WFP estimates that 1.2-1.6m people are in immediate need of assistance—with another 2m people at risk. We are examining options for providing short term support.

#### Key outcomes:

DFID support of £5.4 million provided food and cash assistance to over 400,000 food insecure and malnourished people from Jan to June 2009. This total includes:

- Over 236,000 food insecure people assisted through food for work, enough to meet basic food needs over hunger season at the start of 2009.
- Nearly 18,000 people assisted with cash for work pilots in flood affected areas in the Mid and Far-West, enabling them to start rebuilding their lives.
- Nearly 14,000 victims of the Koshi floods provided with food and rehabilitated to their homes.
- Over 112,000 children benefiting from school feeding programmes in food insecure areas that give incentives for girls attendance.

#### CURRENT DFID NEPAL PROGRAMMES

<i>S No</i>	<i>Project Name</i>	<i>Project Objectives</i>	<i>Start Date</i>	<i>End Date</i>	<i>Amount Committed (£ in million)</i>
1	National HIV/AIDS Programme	Optimise prevention and reduce social impact of HIV/AIDS transmission among young people aged 10–24 years, labour, migrants, MSW, MSM, IDUs and PLHA through the provision of advocacy and preventive services.	06/10/2005	31/03/2011	15.00
2	Community Support Programme (CSP)	Improved access to basic services for the conflict affected people particularly poor and excluded.	17/05/2005	31/12/2009	17.50
3	Social Inclusion Action Plan	To increase the ability of key formal institutions to effectively address gender equity and social inclusion issues and the ability of excluded groups to influence institutions and access resources and services.	03/10/2006	31/03/2009	2.70

<i>S No</i>	<i>Project Name</i>	<i>Project Objectives</i>	<i>Start Date</i>	<i>End Date</i>	<i>Amount Committed (£ in million)</i>
4	Enabling State Programme (ESP)	Relationship between state institutions and citizens strengthened to promote inclusive policies and programmes.	05/11/1997	31/12/2012	27.50
5	Nepal Health Sector Programme	To improve the health status of the Nepalese population through increased utilisation of quality essential services delivered by a well managed and health sector.	01/02/2005	01/07/2009	33.50
6	Support to Safe Motherhood Programme	To improve maternal and neonatal health and survival especially among poor and socially excluded communities.	01/12/2004	01/12/2009	23.00
7	Local Governance and Community Development Programme (LGCDP) Design	To provide support to the local Governance and Community Development Programme implementation.	01/10/2007	30/06/2010	0.15
8	Public Expenditure and Financial Accountability	To strengthen Nepal's Public Financial Management and Accountability (PFMA) systems.	01/02/2009	01/04/2014	0.10
9	Strategic Partnership Agreement Helvetas	To improve livelihoods through strengthened service systems and equitable access to resources and opportunities, for the poor and excluded.	01/04/2006	31/12/2009	9.40
10	Livelihood Forestry Programme (LFP)	Assets of rural communities enhanced through more equitable, efficient and sustainable use of forest resources.	01/04/2001	01/12/2010	18.67
11	Ghurkha Welfare Phase 4	Beneficiary communities managing and using improved water supply and sanitation facilities effectively.	01/04/2008	31/03/2010	1.50
12	Rural Access Programme Phase II (RAP II)	Improved connectivity of rural communities, enhanced economic and employment opportunities and increased access to market and social services for the rural poor and disadvantaged.	01/11/2007	31/12/2010	22.00
13	Agriculture Perspective Plan Support (APPSP)	Deliver appropriate agricultural support services to the rural poor through improved policy and institutional arrangements 01/12/2002 30/06/2009 10.32 14 Financial Sector Technical Assistance Central bank operates in an independent way and effectively regulates the banking sector to ensure that commercial banks operate on a prudent and commercial basis 01/06/2003 01/06/2012 5.40 15 Rural Reconstruction and	01/05/2007	01/12/2010	10.08

<i>S No</i>	<i>Project Name</i>	<i>Project Objectives</i>	<i>Start Date</i>	<i>End Date</i>	<i>Amount Committed (£ in million)</i>
		Rehabilitation Sector Development Programme Reduce Poverty through improved Rural infrastructure.			
16	National Adaptation Plan—Climate Change	To prepare a strategic framework of action on climate change behind which stakeholders can align their response.	01/10/2008	31/03/2010	0.66
17	Support to Inclusive Growth	To design DFID Nepal support to inclusive growth in the areas of economic reform, social protection and support to the Private sector and to fund the initial cost of support on economic reform.	01/06/2008	30/04/2010	0.75
18	Centre for Inclusive Growth—Design + Implementation	To support the creation of an enabling environment for high level policy reform to increase the rate of inclusive economic growth.	01/11/2009	31/12/2011	1.20
19	Interim project to support inclusive growth	To support the creation of an enabling environment for high level policy reform to increase the rate of inclusive economic growth.	01/08/2009	31/07/2010	0.80
20	SDC Agriculture	Deliver appropriate agricultural support services to the rural poor through improved policy and institutional arrangements.	01/04/2009	31/03/2011	1.50
21	Nepal Peace Trust Fund (NPTF)	To provide budget support to the Government to implement the Peace Agreement in the five areas described in the comprehensive Peace Agreement	11/04/2007	01/01/2010	13.00
22	Risk Management Office	To manage and reduce risk to DFID and GTZ staff, programmes/projects.	29/11/2002	01/10/2009	1.49
23	Peace and Development Strategy	National Peace and Development, and aid effectiveness strategies, effectively guide government and international community programming.	01/01/2009	01/12/2010	0.95

### Written evidence submitted by Dr Mary Hobley

#### INTRODUCTION

1. This evidence draws on my experience in Nepal spanning over two decades of engagement with aid agencies, government and in particular local people. I have worked with AusAID, DFID (previously ODA), the Swiss Agency for Development and Cooperation and with the World Bank, as a researcher and also as an independent consultant to the design, review and evaluation of their programmes. Much of this work has been in the forest sector where I am recognised as one of the main international commentators on community forestry—an approach to forest management which has been pioneered to a high degree of success in the middle hills of Nepal.

2. In recent years my work has moved away from a direct focus on forestry to a wider engagement on issues of the state and citizenship and in particular on issues of extreme poverty and exclusion, on questions of power and who has voice to control decisions and access to resources. I draw on my work in community forestry and also recent work on local governance to illustrate the issues affecting DFID's programme in Nepal.

3. The opinions expressed are my personal observations and independent views.

(A) *Aid modalities*

4. One of the key issues to understanding DFID as a player in the aid process is to understand the wider aid and political context in which it operates. Some of the problems facing Nepal are a direct consequence of the ways in which aid has been and is currently being delivered and the risks that this entails to the peace-building process and the development of a long-lasting political settlement.

Impact of conflict

5. The approach to development was significantly interrupted by the 10 years of conflict which effectively brought to a halt the wider processes of state-building and left development agencies with limited space in which to continue to provide support to services and infrastructure. This, in its turn, shifted the development process with most agencies, including DFID, focused on delivery of quick impact activities through non-government organisations, as it was increasingly difficult or impossible for many government staff to operate in districts or lower down.

Effect of project silos on democratic development

6. This is a significant and important shift which has major ramifications for the state-building attempts of today, as now there are a proliferation of central projects reaching down to the local-level, contracted by donors through non-government organisations (which in many circumstances act more like private management companies) bypassing any nascent local government structures and delivering services and money directly to local people. This has and continues to undermine the emergence of democratic accountability between citizens and the Nepalese state. Effectively the main lines of accountability lie outside the state directly to projects and thus to donors.

7. The tendency by donors to view development through the lens of a particular sector or project makes it more difficult to see Nepal through the eyes of its citizens and to appreciate the combined effects of all these projects and programmes at local level on local politics and on individuals. The crowding out of political space by projects and interest groups remains a major barrier to building processes that can sustain peace.

Civil society organisations as programme "instruments"

8. Over the last two-three decades there has been a major emphasis on community-based organisations (CBOs) in Nepal as a means to deliver the multiple projects and programmes. Groups have been responsible across a range of sectors for successfully delivering services to their members, mobilising labour and financial assets to support individual and group-based development. These groups range from forest user groups, agriculture groups, water groups, health and non-formal education groups, through to many small savings and credit groups.

9. There are now at least 400,000 of these organisations both (a) managing a range of resources and services and (b) acting as the voice of their members and their interests. These two roles are rarely distinguished with the result that there is scope for the capture of benefits and the exclusion of certain groups and individuals.

10. Despite the incontrovertible success of group-based development for some, it has remained relatively unchallenged as a development approach despite the abundance of evidence from Nepal to indicate that groups, are in many circumstances highly exclusionary both of the extreme poor and socially marginalised. In addition they often reinforce existing power and patronage structures. Since groups are the main channel through which services can be obtained, group membership is an essential part of securing benefits. Thus, it is common to see households holding membership in several groups, particularly those households that are more capable and have the resources to afford the time and the costs of group membership. Commonly poorer households have membership of fewer groups and for the extreme poor they are often members of no groups and so have highly limited access to services and fora to influence resource allocation and decisions.

11. Although these groups have been very important and were a key element of social cohesion particularly during the conflict, for DFID and other donors, community participation through user groups and participatory processes is often presented as a substitute for democratic accountability.

12. In my opinion, it is now time to reassess the community-driven development thinking that underpins much development practice (and not just in Nepal) and to consider carefully the local government system to be supported.

### Building local political structures for decision-making

13. In a period of post-conflict state-building and in the absence of locally elected political structures, these CBOs, particularly the forestry user groups (as groups with natural resources and funds) are beginning to occupy the political space left empty by the lack of elected local government; they have become the engines of local development and have to an extent supplanted the role of local government. At the same time other interest groups, with donor funding behind them, are also beginning to occupy these political spaces, the political parties are rapidly securing these community based organisations (CBOs) as political entities and co-opting them to increase the reach of their membership and the role of the parties at the very local level. The state cannot and should not solely interact with its citizens through interest groups, there must be clear mechanisms through which citizens can directly engage with the state and its representatives and hold them to account.

14. In my opinion, this is a key moment in time for Nepal and what is really required is a serious understanding and view of how local democracy is to be developed to ensure (a) that it is not co-opted by a series of interest groups, whose voices tend to be partial and are often highly exclusionary and (b) that donor funds are used to incentivise democratic development.

### (B) *Social exclusion*

15. DFID's work with the National Planning Commission and World Bank on social exclusion has been highly influential and helped to influence debate and policy in terms of understanding how exclusion has been a key part of the underlying causes of Nepal's history of conflict. I continue to believe that these understandings of exclusion remain critical to the future of the peace process, but I also consider it is critical to continue to see exclusion as an active process and not as an outcome of a passive process. For this reason, understanding how development practice pushes forms of exclusion is a critical part of any donor assessment.

16. Currently what we are seeing with the focus on social exclusion (and attempts to target the poorest and marginalised), community-driven development and local governance (where there is no locally elected political representation) and social protection is potentially a dangerous coming together at the local level of several forces that could lead to greater problems of patronage and exclusion.

17. The systems being put in place allow for patronage to be more finely developed; CBOs have the ability to determine who should or should not gain access to a service or resource; they also have the capacity with direct funding to determine who should or should not gain access to loans. These closed systems have limited mechanisms for accountability and in many cases are carefully controlled by the elites. (A recent study I conducted across six projects (funded by different donors) showed how there was widespread manipulation of poverty/wealth rankings by households to ensure that they were in the right category to get access to particular benefits which were tied to these wealth categories).

18. In my opinion, the critical issue at this stage is to help to build—for a new generation and a young population—a real stake in Nepali society. This should be at the local level and in many dimensions viz. economically, socially and politically. Local economic development, as supported by DFID's strategy for job creation, is an important part of building the conditions for a nation where citizens have a strong stake in its future. As argued above, support to establishing local democratic structures would build local representatives' stake in the future of their areas. Although national level sector programmes with NGO implementing agencies are relatively easy to deliver a range of social services, in practice these projects limit the political space for voice and contribute little (or at best indirectly) to private sector job creation and enterprise.

### (C) *Future approach*

19. Despite the conflict, Nepal is a country with great potential for democratic development—with settled agriculture, historic property rights and the absence of warlords and small transient/mobile communities. DFID as lead bilateral donor is in a key position to influence and support this agenda.

20. Currently the future peace and stability of Nepal are uncertain; the recent proclamations by the leader of the UCPNM on autonomous provinces, the encouragement of forest invasions by landless people in the far west, as well as a call to further revolution and bloodshed illustrate compellingly not just the importance of winning the peace at the national level but also of ensuring the peace through actions at local-level.

21. However, DFID is well placed to continue to be an important player in Nepal, advocating for democracy and inclusion of the voiceless. As the White Paper suggests "the UK will increasingly put politics at the heart of its action. We need to understand who holds power in society, so we can forge new alliances for peace and prosperity. ... In the future, understanding political dynamics will shape more of our programmes." (DFID White Paper 2009 p 73).

22. In my opinion DFID must engage with the sub-national level at a state-political level rather than community or sector-wise and be positioned for this as soon as the political and security conditions make it possible. This may not be compatible with sector-wide programmes and community development approaches that have been supported to date.

23. An agenda for sub-national action would include:

(a) Maintaining the political economy understanding

Understanding both the political and power dynamics at the sub-national and local levels and the effects of aid programmes on these dynamics must be a critical element of future DFID work in Nepal.

(b) Advocacy for voice and creating stakes and voices at the sub-national levels

An effective and capable state—let alone a responsive state and inclusive society—must also be a “joined up” state—with structures between the national level and the community level/individual. Without such structures, there is little scope to build up a sense of social identity and to build the stake in the future for leaders and citizens that is so critical to securing the peace. This is the arena where conflict grows and where conflict can be resolved. Donor resources can never be neutral—care must be taken to be clear as to what donors are incentivising and to ensure that they are doing no harm.

(c) Doing no harm

DFID has an important role in supporting development processes that build a long-term political settlement. Such change takes a long time and can go through difficult periods but requires sustained support. This should redefine the relationships between citizens and the state and allow the development of accountable political systems at national and local levels—where citizens have voices that are not just mediated through interest groups or only heard through membership of community organisations and to be careful not to continue to reinforce a patronage system that maintains exclusion.

In particular, DFID should be supporting (moving towards supporting) the development of local governance structures that provide the deliberative space at local level that can be taken over by elected local government when the constitution is finalised.

(d) Clarifying what to incentivise

To be effective, local governments require predictable, discretionary funds, in a form that requires politicians to be accountable to their councils and electorates rather than donors (ie sub-national budget support). This is necessary to allow councils to make meaningful local development decisions, with the ability to make choices between different interests. Despite the lack of elected local government, it is the right moment to put in place the conditions for accountability at district, municipality and village-level.

This would mean that more programme/project-based financing should move on-budget at the sub-national level as currently most money flowing into villages is tied to predetermined projects that may not necessarily respond to the local context and livelihood requirements. Currently policy targets are set centrally, the means are determined by the projects and all that is left to the lowest level is to identify beneficiaries. Such processes—especially where the identification of beneficiaries is a personalised act—sets the conditions for corruption, both in terms of party politicisation and individual paybacks.

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**Written evidence submitted by Oliver Jones, Rural Programme Manager, WaterAid Nepal<sup>5</sup>**

THE IMPACT OF DFID’S NEPAL EXIT FROM THE WATER AND SANITATION SECTOR

1. *DFID Nepal’s previous engagement in WaSH Sector*

1.1 Prior to 2007, DFID in Nepal were playing an active role in the water and sanitation (WaSH) sector. Their investment in the sector included financial support to a number of local and international NGOs, to provide WaSH services in some of Nepal’s poorest districts.

1.2 I believe more importantly, was the work that DFID had done in supporting local civil society organisations to develop approaches to improve the delivery of WaSH services. These included working on addressing gender and social inclusion in WaSH projects, as well as on approaches to enable basic services to be implemented in conflict affected areas, something that was essential at the time.

1.3 In addition to this, DFID were playing a critical role in trying to bring increased harmonisation and coordination in the sector. At the time the World Bank and Asia Development Bank were both implementing parallel rural and urban WaSH projects, and DFID were using their influence in the sector to get them both round the table with the Government of Nepal to set out a common vision and direction for the whole sector.

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<sup>5</sup> The views given in this evidence reflect those of Oliver Jones and not those held by WaterAid.

## 2. *DFID Nepal's decision to exit from the WaSH sector*

2.1 I recognise that DFID, like any organisation, has to prioritise its activities and decisions have to be made sometimes to withdraw from certain activities or sector.

2.2 In terms of the decision to withdraw from the WaSH sector, I have only been involved in this as an outsider and therefore cannot provide detailed critique of the decision making process. However, I was asked to contribute to an external review of DFID's engagement in Nepal, which I did willingly, during which time I set out the reasons why I believed DFID should remain in the sector.

2.3 My understanding is that the external review found that DFID's WaSH programme was one of its most effective interventions in Nepal, as it had continued to move forward despite the ongoing conflict at the time, and that DFID had a clear strategic role in the sector. Despite this DFID's senior management decided to ignore this information and exited the sector.

## 3. *The nature of DFID's exit from the WaSH Sector*

3.1 What I was even more surprised by is the manner in which DFID exited the sector. It seemed like a cut and run approach, which did not look to consolidate any previous work or review the impacts of their exit on the wider sector.

3.2 To give DFID credit they did support the mobilisation of funds on a short term basis from AusAid to some of their civil society partners, which stopped a significant shock from a sudden funding decrease.

3.3 I believe DFID is an organisation committed to learning, and I was therefore surprised that despite the significant funds that they had invested into the sector, as well as resources invested in developing new and innovative approaches, that DFID made no effort to review, capture or share these lessons with anyone in the sector.

3.4 As a result a significant opportunity to improve sector approaches and strategies based on DFID's engagement was lost. I felt that DFID did not capitalise on a wealth of knowledge that its investment had created.

## 4. *Initial impact of DFID exit on the WaSH sector*

4.1 At the time of their exit, DFID was also engaged in negotiating the process of moving towards a sector wide approach (SWAP), in which donors coordinated their funding to support one national sector plan led by the Government.

4.2 DFID had originally put themselves forward for this role however on exiting the sector drop all responsibilities to this process. This led to a complete collapse of discussions between the World Bank and ADB, and a haemorrhaging of the process.

4.3 Other sector actors, including WaterAid, WHO and UNICEF, stepped in to try to repair the damage and continue the momentum, but two years later we are now only just back to where we were before DFID's exit.

4.4 DFID lack of a planned transition of their responsibilities and role in the sector on their exit led to significant disruption to what was a very valuable process to improve sector effectiveness.

## 5. *DFID Nepal's misrepresentation of their investment in WaSH Sector*

5.1 DFID produce an annual report on the WaSH sector, entitled "Meeting Our Promises" (<http://www.dfid.gov.uk/Documents/publications/water-mop-5.pdf>). The 2009 report claimed that DFID Nepal have spent GBP 21 million and had 0.5 million beneficiaries in the WASH sector in Nepal during 2007 and 2008—see page 26.

5.2 Due to DFID's withdrawal from the sector at the start of this period, this level of investment would have been almost impossible. On noticing this, I immediately contacted the DFID Nepal office, and was informed that there had been a "typo" in the final report and these figures were actually for a five year period. I am yet to see a public acknowledgement of this mistake and the report on their website still contain this error, which you can see from the link above.

5.3 This misrepresentation of DFID's investment in the sector is of serious concern to me and raises considerable questions about their transparency and accountability, principles that they regularly preach to developing country governments about.

## 6. *DFID Nepal missed opportunity to capitalise on its investment*

6.1 I feel that the manner of DFID's exit, led to an opportunity being missed for the sector to learn and develop, and the lack of proper dialogue on their exit led to a vacuum in sector.

6.2 DFID reputation in the sector, and wider in Nepal, has been tarnished from the manner in which they exited from the WaSH sector.

6.3 It has increased distrust in donor commitments to Government initiatives and confirmed many people beliefs about the unpredictability and inconsistency of donor funding.

6.4 DFID's misrepresentation of their continued commitment to the WaSH sector has also led to significant questions being asked about DFID credibility in Nepal.

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### Written evidence submitted by Merlin

Merlin has had little direct contact with DFID in Nepal due to the limited opportunities for the organisations to meet in joint fora. DFID's involvement has largely focused on central level meetings with Government and donors while Merlin is involved in meetings outside Kathmandu and within the NGO community. In addition as limited DFID funding is directed to International NGOs, and Merlin does not currently receive funding, there are few opportunities for dialogue. This submission is therefore based on Merlin's own experience of working in Nepal; knowledge of DFID's programmes as they are implemented in the country and examples of their impact within the health system as witnessed by Merlin.

#### ABOUT MERLIN

Merlin is an international aid agency that specialises in improving health in fragile states. All our work—from saving lives in times of crisis to supporting the long-term delivery of essential care—is geared towards building a health system that can cope with the needs on the ground now and in the future.

#### MERLIN IN NEPAL

Merlin has been working in Nepal since 2006 when it opened a programme in the remote rural districts of Pyuthan and Rolpa in the Mid-Western Region of the country. Access to health services was very limited due in part to the conflict, though the health care delivery system was inadequate in these areas even before the insurgency. At the time of Merlin's arrival there was little in the way of health provision: human resources were poor and drug availability was limited. Access for the population was reduced due to both the conflict and the inaccessibility of the terrain. In addition due to the long standing political crisis, the mobility of both health workers, and the population seeking health services, was reduced, and the ongoing support and supervision from regional and central levels was substantially hindered.

Merlin adopted an approach to fill the gap in government services through the use of mobile clinics, while also supporting existing health facilities with human resource support (eg through training) and the provision of equipment and drugs. In addition awareness-raising within communities on the importance and availability of maternal and child health services, helped to promote the demand side of services.

With the cessation of the conflict, the situation in the health sector moved to a recognised transitional phase. There has been a marked improvement in the support by the Government of Nepal/Ministry of Health and Population (MoHP) to the health system over the last three years and this is reflected in the positive trends in health system indicators such as availability of staff and drugs and access by the population. At the present time, it is estimated that in the region of 85% of health staff are present in facilities. However support is still needed from external agencies as access to basic health care services is still limited by geographical issues in some areas of the country. Merlin therefore continues to provide medical services, working closely with the MoHP and adapting its approach to provide this support in the changed environment. Merlin's re-orientated programme is focussed on health system strengthening through work with local civil society partners and direct support to the public health system.

#### THE HEALTH CARE SECTOR IN NEPAL

The MoHP has developed a long term vision for the health sector which is supported by a consortium of External Development Partners (EDPs), including DFID. The MOHP has developed a 20 year long-term health sector policy and plans covering 1997–2017. The health sector strategies and short and medium term programme implementation plans are also in place. The funding for the execution of the health sector strategies and plans comes in a variety of forms including direct support to the health budget as well as grants for project/programme support.

In addition the Government is putting 7–8% of the national budget into health sector and this is expected to rise to up to 11% by 2015. The increased allocation to health from the national budget has been instrumental in the improvements in the health sector over the last three years. One example of this is the policy of free health care services in remote rural and peripheral areas supported by better availability of drugs and supplies and trained human resources which has made a noticeable difference in terms of access to health care.

In addition a number of international civil society organisations including development and humanitarian actors have played a key part. Currently however there is a limited number of health INGOs remaining in the country and most of the funding for International and local NGOs is through humanitarian funding sources rather than development budgets; th the latter being directed to the MoPH via budgetary support.

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## DFID AND ACCESS TO BASIC SERVICES

DFID is the largest bilateral donor in the country and has been providing much needed support to the health sector in terms of budget allocation and guidance on policy development. Along with efforts from other actors and agencies, the focus given to safe motherhood has helped Nepal realise impressive progress in this sector. In 2006 the National Demographic and Health Survey (NDHS) revealed that within five years the Maternal Mortality Ratio (MMR) had dropped from 539 to 281 per 100,000 live births. Despite scepticism over these figures the recent Maternal Mortality and Morbidity Study (MMMS) 2008–09, implemented by the MOHP with support from DFID and USAID, has also confirmed this trend. Nepal is on track to meet MDGs goals 4 and 5 which is remarkable considering political instabilities over the past years and frequent changes of governments. The DFID funded “Support to the 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, etc) has been crucial in ensuring that adequate national policies are in place.

However some challenges to DFID’s approach are also evident. Though Merlin’s involvement at central level has remained limited over the past few years due to the nature of its projects (ie more humanitarian and emergency related), the organisation does have intensive experience of working at regional and district levels particularly in remote and disadvantaged areas. Whilst acknowledging the support of External Development partners, particularly DFID at central level, Merlin’s support to District Health Offices and the Mid-Western Region Health Directorate in the implementation of national policies has meant it has been witness to the regular gaps in policy implementation at these levels. There are a number of potential contributing factors as well as consequences of these gaps:

1. One contributing factor is the lack of proper monitoring from higher health authorities or limited third party monitoring. At district level and in remote areas, the local health system often has limited capacity to implement national strategies and to monitor them. DFID provides its support at the central level but implementation is at a distance and often in very remote and inaccessible areas. This makes monitoring of the support difficult without personnel on the ground to undertake this role. The quality of services across the country is known to differ markedly between areas and facilities and without appropriate monitoring systems it is not possible to pick up on this variation and address as needed. Other agencies take a more hands-on approach: for example staff of the USAID funded bilateral Nepal Family Health Programme (NFHP) are regularly based in District Health Offices to support and monitor supported projects allowing for closer proximity to the implementation. One recommendation from Merlin’s observations is that improved monitoring of the implementation of central support should take place at the appropriate level through national and international organisations with the relevant expertise.
2. Evidence from Merlin’s observations also suggests that there are several challenges with the disbursement of funds to lower levels of the health system. These include the slow bureaucracy resulting in the budget being released very late and the need to undertake activities in a rush to ensure completion within funding frames. The channelling of funds directly through the government may also lead to a lack of transparency on how the money is disbursed on the ground. Merlin has observed examples of this lack of transparency in the incentives provided to health workers under the Safe Delivery Incentive Programme (SDIP), an issue that was also raised in the 2008 SDIP evaluation.
3. Though the SSMP has been partnering with national organisations such as the Safe Motherhood Network, the interaction between several EDPs and civil society remains limited and there is scope for improved experience sharing and collaboration with International and Local NGO and Civil Society representatives at local and regional levels of the health sector. Under the Department of Health Services, there are a number of working groups which mainly include EDP, bi lateral projects and MoHP representatives. The decentralisation of such groups to regional level with improved inclusion of civil society could help bridge some of the gaps in the implementation of the well formulated national policies and programme strategies.
4. While health needs may vary considerably from one region or ecological zone to another, with hilly and mountainous districts facing more development challenges, almost all EDPs concentrate their support on long term programmes aimed at strengthening the capacity of the MoHP in delivering quality health services. However in many remote areas the local health delivery system is unable to cope with the most immediate needs of the population which require more immediate actions and investments. For instance the recent 2009 diarrhoeal outbreak that hit the Mid-Western Region revealed that less accessible areas are particularly vulnerable to emergencies. The health system therefore requires a higher level of support from International and Local NGOs and civil society in these areas to support the response to emergencies and minimise their impact, until such time as the local health system has sufficient capacity to do so.

### Written evidence submitted by Saferworld

#### NEPAL: CONTEXT AND IMPLICATIONS FOR DFID PROGRAMMING

Saferworld is an independent NGO working to prevent violent conflict and promote cooperative approaches to security. We have been working in Nepal for three years and currently have three members of staff based in Kathmandu running projects looking at security and justice sector reform.

This submission is based on the experience of those staff working at both the grassroots level and with high-level political and security actors<sup>1</sup>; discussions/consultations with Nepali and international partners; and Saferworld's ongoing work to build an evidence base around security, justice and public safety issues in Nepal, including:

- District assessments undertaken in Banke, Jumla, Kailali, Nawalparasai, Siraha and Sunsari (April and May 2009).
- An annual public perceptions survey looking at changing attitudes to security and access to justice across Nepal (January 2008, April 2009 and forthcoming January 2010).

#### THE CURRENT SECURITY AND POLITICAL CONTEXT IN NEPAL

Members of the Constituent Assembly do not often leave Kathmandu to visit their constituencies but, outside Kathmandu Valley, life is difficult. There are few jobs, the police are often feared or inaccessible and armed groups conduct frequent extortion. The Terai in particular has seen the emergence of a large number of these armed groups in the past and our most recent survey shows that it is the most insecure place in Nepal.

Pistols can be bought for around NRs 1,000 (£8) in the Terai. Young, unemployed men are keen to arm themselves so they can acquire the “3-Ms”—mobile phones, money and motorcycles. The porous and open border with India makes it difficult for the police to control arms trafficking. Although the recent government “Special Security Plan” has helped reduce crime in the Terai, new trends have emerged such as extortion and threats from phones using Indian registered sim cards. Maoists are increasingly engaged in land grabbing and forest clearing in the Terai to provide settlements for their supporters from the mid-hills region.

One consequence of the Maoist struggle was to make women more politically active and there are currently 197 women out of a total 601 Constituent Assembly members. However, violence against women is prevalent in Nepal. For instance, research undertaken by the United Nations Population Fund in 2009 found that, in Surkhet and Dang districts, 9% of women interviewed felt they had experienced sexual abuse and 75% felt they had experienced verbal sexual abuse. In addition, 31% of women reporting experiences of domestic violence (both physical and emotional) identified the threat of weapon use in association with this. NGO activities have begun to help both men and women become more aware of gender equality and women's rights.

The Maoists plan to unilaterally declare 13 ethnic and region based autonomous states and protests of support have been planned from 11–18 December. Similarly, Terai Mukti Morcha has announced a series of protest programmes from 3 December to 9 January and the National People's Front Nepal will protest against federalism from 18–29 December. The proliferation of these political strikes, or ‘Bandhs’—which close businesses, roads and schools for days at a time—was noted as a concern in almost all of the districts Saferworld assessed this year.

The Maoists' demands to cancel the President's reinstatement of the then army chief—and subsequent protest programmes—have deepened an ongoing political crisis. The most inclusive Assembly ever elected in Nepal has been blocked for five months—there is a logjam of legislation waiting for ratification, important national issues are not being debated and progress is slow on the constitution-writing. There is a desperate need to work out a high-level power sharing mechanism, but grassroots politics is full of both apathy and antipathy towards the governing coalition.

Progress on the integration and rehabilitation of former Maoist combatants will only be taken forward when there is some shared understanding among the political leadership. Privately, the Communist Party Nepal (United Marxist Leninist) and Nepali Congress would like to limit integration of Maoist combatants into the Nepal Army to around 5,000 people, whereas the Maoist's position is to integrate as many as possible and also to secure them senior positions. This is proving an extremely divisive issue. The Maoists have missed several meetings of the “Special Committee for Supervision, Integration and Rehabilitation of Maoist Army Combatants” and this has delayed finalisation of the code of conduct prepared by the Technical Committee for “cantonment” Maoist combatants. There are currently believed to be 19,602 former combatants living in 28 cantonments—in addition, there are 4,008 individuals that have been disqualified by a verification process undertaken by UNMIN, and the process of discharging them is not yet complete.

#### WHY IT IS VITAL FOR DFID TO PROMOTE SECURITY AND JUSTICE AS BASIC SERVICES IN THIS CONTEXT

DFID's 2009 White Paper on International Development made a welcome commitment to promoting the provision of security and access to justice as basic services “on a par with health and education”. Saferworld believes that, unfortunately, Nepal provides an excellent example of why “security and justice” deserves a place within the development mainstream.

Poor people, like any others, want to feel safe—and Saferworld strongly believes that insecurity is a form of poverty in and of itself. However, in Nepal, insecurity and a lack of access to justice also undermine development efforts which seek to address wider poverty and exclusion.

A lack of democracy and poor public responsiveness and accountability from the government have been key causes of conflict in Nepal in the past decade, with poor accountability and transparency of security and justice services a key part of this. Although people do feel much safer than they did before the Comprehensive Peace Agreement was signed, unrest and tensions related to poor governance persist and could result in renewed violence if reforms are perceived to be ineffective by ordinary people throughout Nepal.

The conflict destroyed much local infrastructure and has led to a security vacuum in many rural areas. Our 2009 perceptions survey found that nearly 60% of those interviewed said there is no Nepal police in their locality and that the percentage of people who feel government is able to maintain law and order “somewhat well” has fallen from 32% in 2007 to 18% in 2009. The percentage of people who feel it is “very safe” for a female member of their family to go out after dark has also fallen by 2% since 2007, whilst the number of people reporting incidences of physical assault/beatings in their community rose 7%, with reports of political violence rising 4% and extortion 3%. The number of people who feel that the level of law and order ‘will improve in future months’ dropped from 41% to 28%. Only 10% of those interviewed feel that the Nepal Police are “very reliable” in bringing those who have committed a crime to justice. Lastly, 82% of people felt that the police did not treat poor people fairly and 71% felt that courts did not treat poor people fairly.

As noted above, Bandh strikes often result in school closures and affect the ability of communities to access markets to buy and sell goods or find employment. A rise in extortion and threats to teachers, and the abduction and recruitment of children into criminal groups whilst at school in the Terai (most recently documented by UNICEF in early 2009), has also meant that parents have kept children home from school. Armed groups are increasingly using children to traffic small arms from Bihar and smuggle goods across the border including tobacco, wood and sugar. Children are also used as the messengers by armed groups during extortion activities.

Cutting across these issues is the reality that poor, uneducated and politically unconnected groups—especially those from certain caste and ethnic backgrounds—are more likely to experience the consequences of insecurity. Without reforms, continued heavy handedness and impunity among security agencies risks entrenching divisions and sparking further conflict. And so there is an urgent need for the Nepal government to help overcome this marginalisation and disenfranchisement through more responsive security and justice service delivery before tensions erupt into further violence. Security and justice sector reform needs to include improvements to police effectiveness, civilian oversight of the security sector and the legal framework of the security sector as a whole (including steps to reduce its politicisation)—all of which are integrally linked to the wider Rule of Law framework.

#### IMPLICATIONS FOR DFID

DFID Nepal actively encourages and supports dialogue between stakeholders such as political party leaders, security and justice providers, government officials and civil society on security and justice issues. In the past year, this approach has become increasingly flexible and adapted to the context—for example, extending support to a Kathmandu-based think tank, Nepal Institute for Policy Studies (NIPS), to support the work of the Technical Committee after its mandate was reinstated in August.

DFID continues to promote a “systems-widex” approach to security and justice reform, which includes, for example, community-based policing, informal justice mechanisms and promoting the role of civil society in the security and justice sector.

DFID also promotes gender equality and women’s rights, encouraging security and justice sector actors to adopt more gender responsive approaches. Diversity and inclusiveness are key issues and DFID strongly encourages initiatives such as security and justice sector reform to be Nepali-led and owned.

Donors, including DFID, are relatively well coordinated—although perhaps more on integration and rehabilitation issues, and coordination could be improved around public security work.

DFID is to be congratulated for supporting research and articles by Nepali security experts designed to increase understanding and awareness of security and justice issues in the Nepali context.

Saferworld’s experience is that there is a lot of information sharing between DFID, FCO and MOD—especially in-country. The three ministries seem to be well connected and in regular contact on security and justice issues. This is important in a context where the political environment is constantly changing, national security and the future of the security sector is a key political issue, and there are high levels of poverty. Nevertheless, although this integrated approach appears to be currently functioning well, it does not take

away the need for well designed policy and institutional frameworks to ensure that such a constructive approach endures over time. In turn, Saferworld believes this underscores the importance of joint country strategies between at least these three ministries.

There are also three areas in which Saferworld believes DFID's approach could be further strengthened.

#### *Taking a "twin-track" approach*

The currently stalled political context provides challenges for promoting reforms, especially in such politically sensitive areas as security and justice. Subsequently, there is a need for DFID to ensure it takes a connected "twin-track approach" which supports both grass roots and high-level work.

"Bottom-up" support to civil society is a long term investment. There will not be many tangible results in the short term, but it is a necessary and effective way of influencing attitudes and behaviours and challenging cultural norms. It also allows for an inclusive approach—engaging with marginalised and vulnerable groups including women, youth and disadvantaged caste and ethnic groups.

For instance, Saferworld is working with the Nepali NGO Antenna Foundation to produce the "Nepal Chautari" radio talk show that discusses security and justice issues such as the future of the Nepal Army, policing and the inclusion of minorities in the security sector. The show is broadcast throughout Nepal every Sunday morning over a network of 59 FM radio stations and listeners can join in the discussion through a toll-free telephone line. Speakers on the programme include political and civil society leaders, prominent lawyers and security experts and the show has not only helped inform the public but also strengthened relationships between communities, local police and local government authorities.

However, such 'bottom-up' activities must be complemented by "top-down", high level work engaging with policy experts and decision makers in Kathmandu (and districts). For instance, Saferworld is working with the Nepal Institute for Policy Studies to hold roundtable meetings with government officials, academics and military figures as well as commissioning Nepali security experts to author articles exploring different options for security sector reform in Nepal.

Crucially, both bottom up and top down strands must be connected so that they do not exist in parallel isolation but instead work towards the same objectives and benefit from information sharing and lesson learning up and down the chain. This will be especially important for challenging, for instance, engrained attitudes to domestic violence and violence against women—which will not happen overnight, nor from introducing centralised government policy alone.

#### *The need for baseline data, tracker information and monitoring and evaluation*

Even though the context may be changing in Nepal, people's perceptions are not necessarily changing at the same pace. Subsequently, DFID should ensure it is always aware of what ordinary people are feeling and thinking as well as what is happening on the policy/high-level political scale.

And so there is a need for accurate baseline data and tracker information that represents attitudes across different Nepali communities, and not just those of Kathmandu Valley. DFID programmes should support such public perceptions surveys as a means of gathering baseline data and identifying monitoring and evaluation indicators for its programmes. DFID could then monitor and evaluate these indicators against the tracker information provided on an annual basis or other timeframe. This would help identify ongoing adjustments that might be needed to ensure programmes have an impact over the long term and so prove truly effective.

At the same time, there are a number of other serious challenges around the monitoring and evaluation of security and justice reform. These include (but are not limited to) the inherent complexity of the security and justice sectors, limited access to sensitive or "national security" information, the need to measure change over the long term not just at the project or programme level, ensuring the participation of marginalised groups, and ensuring that the process of conducting evaluations does not itself inadvertently trigger or inflame conflict. For DFID to be able to best monitor and evaluate its security and justice work in Nepal—and in turn ensure that this work is most effective and having real impact—it will need to develop solutions to these challenges.

#### *Investing in politics*

The political context highlights the reality that, in Nepal, development is "political". Supporting the space for transformative and mature political processes to develop will be critical. These politics may be messy, complicated and take a long time to mature but supporting them will be critical for both ensuring long-term peace and helping to create an environment wherein broader poverty reduction efforts have most chance of success.

DFID's recent White Paper suggested that it would put politics at the heart of the action and increase its use of political economy analysis. This is welcome but only half the story—the UK must certainly understand the contexts it works in so as to most successfully navigate their complex political realities and identify agents of progressive change, but it should also put effort and resources into supporting local and national level political processes.

This may mean supporting political parties directly through the Westminster Foundation for Democracy, but it will also mean supporting wider initiatives that help create and maintain the space for political processes to take place—such as supporting a plurality of media outlets, citizen-based journalists and new media reporting, or civil society groups who organise and promote public debate and discussion on a range of issues.

*December 2009*

#### Written evidence submitted by VSO Nepal

1. Voluntary Service Overseas (VSO) is an independent, UK based charity, which works through volunteers to fight poverty in developing countries. It places experienced professional people as international volunteers to work with government and civil society organizations in improving health, education, disability, HIV&AIDS, livelihoods and governance.

2. VSO has been in Nepal since 1964 and currently has an average of 45 volunteers working in its Education, HIV&AIDS and Governance programmes.

3. This memorandum responds to the International Development Committee's request for opinions on DFID's programme in Nepal and specifically focuses on DFID Nepal's:

- support for governance and state building;
- approach to achieving poverty reduction and improving access to basic services; and
- efforts to reduce social exclusion and inequality.

4. VSO in Nepal has a good and increasingly strong relationship with the DFID Country Office in Nepal, with the current Head of DFID Nepal providing excellent support to VSO Nepal's programme.

5. DFID Nepal's Country Business Plan 2009–12 is very consistent with much of the country context that VSO Nepal and its government and civil society partners have documented as part of VSO's own strategic planning review. Specifically, that:

- the Government of Nepal's local and sectoral development plans (health, education, employment) need both financial and capacity building support to increase their responsiveness to the needs of all people, especially the most marginalised and excluded peoples; and
- that there remains significant gaps in access to basic services and that the poorest people in Nepal are often also the most excluded (girls access to school, women's access to decision making, Dalit, People with Disability and People Living with HIV&AIDS access to education, health and jobs).

6. DFID Nepal's approach to dealing with these problems is partially consistent with VSO Nepal own emerging strategy conclusion; that to encourage institutional accountability and increase access to basic services it needs to work in an even more multi-layered approach in its programmes; continuing to give support to civil society organisations while increasing and reinforcing its work with government line ministries:

- the Ministry of Education (supporting the DFID/SWAp supported "School Sector Reform Plan");
- the Ministry of Health (supporting the DFID/SWAp sponsored "National Health Development Partnership" and the "Health Sector Strategic Plan"); and
- the Ministry of Local Development (supporting the the DFID/SWAp sponsored "Local Government & Community Development Programme").

7. DFID's specific concern on Climate Change is also very much shared by VSO Nepal:

- Nepal's average temperature has increased 0.6°C in the last 10 years compared to a global average of 0.74°C in the last 100 years.
- Nepal has started experiencing shorter, more intense monsoon seasons, with a prediction of a 20% reduction in monsoon rains by the end of the 21st century, threatening flash flooding during monsoon months and extreme water shortages in the long dry season.
- Predictions are that 35% of glaciers in the Himalayas will disappear by 2050, risking glacial lake outbursts, destabilising slopes and increasing risk of land slides.
- Predictions are that, as a result, crop production will fall between 4 and 10%.

[International Centre for Integrated Mountain Development, ICIMOD, 2009]

8. DFID has shown tremendous support to women and girls for several years and this is very consistent with VSO's commitment to advocating for increased to girls access to Education as well as women's access to health care, livelihoods and decision making.

9. Where VSO Nepal's approach to development differs from DFID Nepal's Country Business Plan 2009–12 is in the priority VSO gives to also supporting civil society organisations' capacity building (to raise "the voice" of marginalised peoples and to hold the Government to account on inclusion and responsiveness).

VSO welcomes direct budget support that can build up the authority and capacity of the government to serve its citizens but VSO feels that other stakeholders need to be more involved.—eg NGOs—in decision making and reporting on success of this.

In this regard, there should be funds available for supporting civil society, especially capacity building. VSO particularly welcomes the proposed Southern PPAs to support civil society—as described in the recent white paper. This would be especially effective if grants were made directly to Southern NGOs.

DFID's Enabling State Programme in Nepal has been giving support to activist organisations and has been a very effective programme. But it is not clear how it will continue in future.

10. In responding to VSO Nepal's email request for comment from its civil society partners on DFID Nepal's Country Business Plan 2009–12, one Disability partner responded:

- "The many donor agencies, which go out of their way to be seen as championing the causes of the poor in Nepal, have so far failed to contribute to real poverty alleviation as they overlooked the socio-economic situation and felt needs of person with disability."
- "We are surprised not to get a single word 'disability or person with disabilities' after going through DFID's country business plan for 2009–12 so how can people find it inclusive and disabled friendly when it has not mentioned anything about it."
- "Although the support by DFID as well as other foreign aid and the associated foreign assistance in Nepal's overall development have been prominent but in our view the disability component is missing in their actual execution. Normally, International NGOs have their own priority areas and they work in the same line but mostly the programmes are not focussed on person with disabilities. We have a strong feeling that if DFID promotes its partners to put more emphasis on disability related issues and make sure its effective implementation, this deprived section will be really benefited."

11. Another partner from VSO Nepal's HIV & AIDS programme and which had received funding support from DFID in previous years commented that, while being extremely positive about DFID Nepal's approach to development (particularly in "addressing core and burning issues of Nepal"):

- "The results will be more positive if DFID give more focus on supporting capacity building of implementing staffs as well as organization, so that in future they may take over the full responsibility of effective implementation of the program."

12. Another HIV&AIDS partner had very similar comments, that its DFID Nepal funded programme had remarkable success in changing behaviours; "Peer educators were consciously mobilised in communities and well-trained them to provide a range of support health services through awareness raising and sensitisation as well as bringing local community on board to address stigma and discriminate against PLHAs", but:

- "Capacity building training and exposure were not given which were highly essential to staff as well as Peer Educators. They were working with less training & exposure."

13. One anecdotal comment from Dalit civil society partners of VSO Nepal in late 2008 was that DFID Nepal was not actively encouraging inclusion; that it had allocated only 7% of its programmes budget to Dalit organisations in 2007–08 compared to its (2001 Census) 13% of the population.

14. VSO's direct relationships with civil society partners has helped us learn about these kinds of issues and to try to respond to them in our own programmes.

15. Overall, VSO Nepal is very happy with its relationship with DFID Nepal and its sector wide approach in Education, Health and Governance. However it is surprised at the reduction of direct support to civil society organisations representing the most marginalised peoples in Nepal (although there is continued support through the Rights, Democracy and Inclusion Fund) and the absence of encouragement for non state actors and the government to collaborate.

16. VSO Nepal believes there is great opportunity to link its volunteer programme objectives to those of DFID Nepal and to work even closer together in supporting the capacity development of both governance and civil society (for example, in ensuring that DFID's seconded member of staff In the Ministry of Education works closely with VSO Nepal's organisation development advisor in the same Ministry). The majority of VSO's work is at the meso and micro level while DFID's work is at the macro level. VSO is well-informed about how policies are implemented and their real effects (or lack of them) in schools and communities. Increased cooperation would lead to better policy-making and better implementation.

17. One final comment. DFID Nepal's Country Business Plan 2009–12 and complimenting brochure is very clear and understand. But it would be more accessible and inclusive if it were also available in Nepali and in Braille and audio).

*Simon Brown*  
Assistant Country Director  
VSO Nepal

### **Supplementary written evidence submitted by the Department for International Development**

#### **FOLLOW UP NOTES TO THE IDC EVIDENCE SESSION ON 28 JANUARY 2010**

##### **1. DFID SUPPORT TO THE NAPA PROCESS AND CLIMATE CHANGE IN NEPAL**

Nepal is preparing its National Adaptation Programme of Action (NAPA) that will define priority areas for action to increase its resilience to Climate Change. Our current funding of £500,000 is supporting six thematic working groups covering agriculture, forestry, health, infrastructure, water and energy coordinated by the Ministry of Environment. Cross cutting themes that each group are including in their analysis are, gender, inclusion, governance, local development and tourism. By April 2010, this process will have identified short-term and long-term priorities for climate change action in Nepal.

DFID has also committed to support the implementation of these plans through a recently approved five year £10 million programme of support. The new programme will consist of three phases:

- (I) Design—development of Nepal's climate change strategies and piloting of implementation: year 1 (£800,000);
- (II) Up-scaling —putting pilots into full-scale action: years 2–3 (£4 million); and
- (III) Implementation—with other adaptation funds: years 4–5 (£5 million).

The design and piloting phase will begin in early 2010 and last for a year. It will help develop Nepal's climate change strategies and some early "Action pilots" in nine "sentinel" districts this year. Pilot funding will support activities such as disaster risk reduction, food security, renewable energy and low carbon development.

The up scaling and implementation support will be carried out through a joint multi donor trust fund where DFID funds will be pooled with those from other donors and global adaptation funds. This programme will support a broader range of activities identified under the NAPA in the 6 thematic areas of agriculture, forestry, health, infrastructure, water and energy.

##### *Impacts*

The primary impacts the programme is expected to deliver are:

- (i) Two million people with reduced climatic vulnerability;
- (ii) Green jobs (eg flood protection) for 50,000 highly vulnerable people, more than 50% women;
- (iii) Nepal accessing global climate change funds; and
- (iv) Nepal has a clear strategy and plan for addressing climate adaptation and low carbon development.

##### **2. GURKHA WELFARE SCHEME PROJECTS**

###### *Background*

The Rural Water & Sanitation Programme (RWSP) that DFID supports is implemented by the Gurkha Welfare Trust (UK). DFID has contributed more than £14 million to this programme over 20 years improving water and sanitation for over 200,000 people in the rural communities that traditionally provide recruits for the Gurkha regiment.

###### *Targeting*

The GWS scheme works in remote rural areas in Nepal, with high proportions of excluded ethnic groups and only in communities lacking basic water and sanitation facilities. The majority of beneficiaries are therefore poor, with 47% of the beneficiaries coming from excluded ethnic groups and 12% from the Dalit (lowest) caste. However as the schemes adopt a community approach, and communities have wealthier members (often relatives of or returned Gurkha soldiers), 19% of the beneficiaries are from non-excluded ethnic groups and 22% from upper castes. These percentages will improve in the next phase of the programme where, due to DFID's involvement, the programme will focus only on the Districts with the highest water and sanitation needs which in general are the poorest. This will both increase the efficiency of the programme, which was previously too scattered, and focus support on the most deprived communities.

Within communities there are also specific measures to ensure that women, excluded castes and ethnic groups, are included in the planning, coverage and management of schemes. As a result 28% of water management committee members are women and 43% from lower caste and excluded ethnic groups. However more can be done and DFID has asked GWS to increase these percentages as a priority.

### *Impacts*

In 2009 an impact study was undertaken to provide quantitative data on the impacts of the construction of 919 water supply schemes and associated sanitation, public health and income generation activities carried out between 1999 and 2007. The findings demonstrated the effectiveness of the GWS interventions and that women and girls benefited disproportionately. The key findings are listed below;

- Waterborne disease rates dropped from over 50% to under 5% per year.
- 3.5 hours per day time savings per household for women and children collecting water. Saved time used for income generating and social activities.
- Improved nutrition particularly for women and children through improved health status and introduction of Simple Drip Irrigation (SDI) allowing vegetable cultivation from surplus water supply.
- Improved social status and influence of disadvantaged groups in community decision making through acting in key positions in water management committees.
- There have also been significant increases in school attendance, particularly for girls. “If we have not had the latrine at school, we would have probably been absent in the classes in each menstrual time because we would have no option but go back to home. But now we are happy that girls have a separate latrine.” Miss Hemkala B. K. from class six Kuwapani Lower Secondary School, Kerabari VDC, W/N 3, Morang.

### 3. HEALTH USER FEES

User fees have been abolished for all services at facilities up to, but not including a district hospital. At district hospital level, out-patient care is free for all, however free in-patient and emergency care is “targeted” (ie only for selected groups—six categories including elderly and extreme poor). Delivery care is free for all nationwide at government facilities and is gradually expanding into non profit making non state hospitals and is intended to gradually expand to all non state hospitals.

### 4. NEPAL’S PROGRESS TOWARDS THE EDUCATION MDG

The committee is correct; MDG 2 for all children to complete primary education is off-track in Nepal. The current rate of completion (to grade 5) is 54%; the target in the new sector plan is 84% by 2015. In the evidence submitted we reported on track against enrolment. The target for enrolment in primary is 99% by 2014–15, and 100% by 2015–16. In future, DFID Nepal will report on the MDG goal (completion) as well as the key indicator (enrolment).

### 5. DFID FUNDING TO THE WORLD FOOD PROGRAMME

In December 2009, WFP was forced to start reducing its support from 1.2 million to 600,000 highly food insecure people due to lack of funds just as the winter hunger period was starting. To fill the immediate gap DFID contributed £5 million to allow WFP to continue operations. This is complemented by £8 million from the United Nations Central Emergency Response. This will enable more than 1.2 million people in Nepal to receive vital food supplies for the next three months (the £5 million from DFID will help feed 450,000 people).

This support is more than just handouts. Beneficiaries receive food and increasingly cash in exchange for work on food security projects, such as irrigation systems, small-scale plantations, nurseries, micro-hydro projects and trail construction. These types of projects are critically needed in Nepal to help impoverished communities adapt their agricultural practices to the impacts of climate change and give them evidence that the peace is bringing increased support to the most needy.

DFID Nepal

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