



Australian Government

Department of Foreign Affairs and Trade



Aid Program Performance Report 2014-15

Nepal

November 2015

Key Messages

The aid program in Nepal was on track to meet performance targets prior to the April and May 2015 earthquakes. Occurring at the end of the reporting period, the earthquakes significantly impacted on both the focus and delivery of Australian aid to Nepal.

This report summarises the Australian aid program's progress in Nepal for the period of 2014-15. Key findings include:

- › Our advocacy on micro-entrepreneurship led to the Ministry of Industry taking significant steps towards institutionalising its support of micro-entrepreneurship, including allocating government funding to the creation of micro-entrepreneurs.
- › The DFAT-funded Medium of Instruction and Languages for Education study attracted strong ownership and engagement by Nepal's Department of Education. This study, crucial for addressing poor literacy standards, is helping to lay the foundation for Nepal's next seven year sector plan.
- › All 169 schools in our program retrofitted to improve earthquake safety (co-funded with the Asian Development Bank) survived the 2015 earthquakes and provided much needed safe shelter and community spaces.
- › Our humanitarian response package was shaped to ensure it was directed to areas of greatest need and was able to effectively deliver the majority of goods at a time when much assistance was not reaching affected communities.
- › Our close cooperation with humanitarian delivery partners meant we could advocate for and contribute to a more effective humanitarian response.
- › The program continued to consolidate and focus in areas where Australia is best placed to make a difference. Our early recovery funding was programmed to align as much as possible with the existing bilateral program to take advantage of established relationships, experience and achievements.

Context

Following elections in late 2013, the 2014-15 year saw improvements in government management following the formation of a broad-based political coalition. Throughout the year Nepal continued its political transition but political instability, including unsuccessful attempts to finalise a draft constitution, meant that economic growth forecasts remained between 4-5 per cent for the period. Improvements in agriculture, construction and service activities, induced by high remittance income, pushed gross domestic product (GDP) growth rate to an estimated 5.2 per cent in 2014¹. While political instability remained, the operating environment for donors was relatively predictable.

Nepal's population is young and growing. Around 450,000 people enter the workforce each year, and around 1,000 Nepalis leave the country every day for overseas employment². In 2014-15, remittances contributed 27.7 per cent of national revenues. Only 5.8 per cent of employment is formal, and more than two-thirds of jobs are linked to the agricultural sector. The main option for most people is

¹ ADB – Macroeconomic Update: Nepal, February 2015

² Asian Development Bank. RRP for the *Skills Development Project*, June 2013

productive self-employment within Nepal, or international labour migration. The major growth sectors within Nepal are tourism and agriculture, both of which have been affected by the earthquake and political transition.

Before the earthquakes of April and May 2015, the Government of Nepal estimated that 23.8 per cent of its population in 2012-13 was below the poverty line. In 2014, Nepal ranked 145 out of 187 countries on the UN Human Development Index³. One in four people lived on less than USD1.25 a day, and seven in ten lived on less than USD2.50 a day. Nepal continued to struggle with disparities and inequalities between religions and social groups with discriminatory practices based on gender, caste and ethnicity that trap people in poverty. Although Nepal has improved its social development indicators, they are still among the lowest in South Asia. Per capita income in 2014 was USD730, a rise of 1.4 per cent from 2013⁴. Nepal has met the UN Millennium Development Goal (MDG) for access to education, with net enrolment now at 96.2 per cent, and has halved the percentage of people living in poverty. It has articulated two major targets for the future: reducing poverty rates to less than 18 per cent and graduating from Least Developed Country Status by 2022. The earthquakes and political transition are likely to affect both of these targets.

The earthquakes of April and May 2015 caused more than 8,000 deaths, destroyed or damaged more than 885,000 houses and more than 30,000 classrooms, and placed more than 1.4 million people in need of food assistance (as at August 2015). The World Bank estimates that an additional 2.5 to 3.5 per cent of the population may have been pushed into poverty. This translates into 700,000 additional poor, and underlines the vulnerability of Nepali households to economic shocks⁵. The effects of the earthquakes were concentrated in 14 declared “most affected” districts. Political decisions heavily influenced the Government’s response: restrictions at the airport as well as the decision to re-impose customs duties in May severely constrained, and at times halted, the inflow of humanitarian supplies. This meant many remote communities were without food and essential supplies for extended periods.

The earthquakes exacerbated pre-existing social conflict between individuals, within families, communities, and between communities and the State. They also put more pressure on historically marginalized vulnerable groups, including women, children, the elderly, minority and indigenous ethnic groups and lower caste groups. An ongoing challenge is to address social exclusion, which continues to feed communal conflict.

Expenditure

Prior to the earthquakes, Australia was the eighth largest OECD-DAC donor in Nepal⁶ and will continue to be a modest donor. Existing donor partner and non-traditional donor⁷ expenditure dramatically increased in response to the humanitarian situation and over USD4.4 billion in recovery assistance was pledged at the International Conference on Nepal’s Reconstruction. In 2014-15, Australia’s bilateral aid program to Nepal totalled \$27.2 million, an increase of 41.5% from 2013-14. \$11.7 million was allocated to early recovery projects and funding to existing programs remained stable. Assistance provided through regional and global programs and other government agencies brought Australia's total

³ <http://hdr.undp.org/en/data>

⁴ <http://data.worldbank.org/country/nepal> accessed 20 October 2015

⁵ Post Disaster Needs Assessment 2015. National Planning Commission, Government of Nepal.

⁶ www.oecd.org/dac/stats

⁷ India and China being the largest.

official development assistance (ODA) to an estimated \$53.3 million. This represented 3.2% of Nepal's total ODA.

Table 1 Total ODA Expenditure in FY 2014-15

Objective	A\$ million	% of total ODA
<i>Bilateral</i>		
Objective 1 -- Expand economic opportunities for the poor by promoting enterprise and job creation	8.2	15.4
Objective 2 -- Promote Nepal's human development to expand participation and productivity of the poor	4.1	7.7
Objective 3 -- Earthquake Response (Early Recovery Package)	11.7	22
Scholarships and cross cutting activities	3.3	6.2
Sub-Total Bilateral	27.2	51.3
Regional and Global*	24.9	46.7
Other Government Departments	1.1	2
Total ODA Expenditure	53.3	100

* Includes \$11.9 million in Humanitarian assistance and \$2 million for early recovery package.

Along with the bilateral program, in 2014-15 there were a number of other activities funded from across Australia's aid program that supported activities in Nepal. Through regular coordination meetings, assistance with policy advocacy and monitoring activities we have promoted synergy between different aid activities where relevant, for example, between the education programs funded under the Australian NGO Cooperation Program (ANCP) and the bilateral education program. The bilateral program directs the focus areas for Australian Awards, Australian Volunteers for International Development (AVID) and the Direct Aid Program (DAP) to ensure they are aligned with, or complement, strategic aid priorities.

A key regional program incorporating Nepal is the Sustainable Development Investment Portfolio (SDIP), focused on improved cross border water management and small-scale energy. Australia also provided core funding to a range of institutions that delivered activities in Nepal, including the Global Fund (for HIV/AIDS, Tuberculosis and Malaria), the Global Alliance for Vaccines and Immunisation (GAVI) and the Global Partnership for Education (GPE). GPE recently announced additional grants, to Nepal of US\$59.3, for the next 3 years.

Progress towards Objectives

Australia's focus in Nepal in 2014-15 was in the sectors of education and micro-entrepreneurship. For the purposes of this APPR Australia's earthquake response is included as a discrete objective, coming as it did towards the end of the reporting period. The early recovery program aimed to align as far as possible with our existing two objectives and in future years we will aim to report all achievements, including earthquake recovery programs against the two objectives.


The program was without an endorsed country strategy or performance Assessment Framework throughout the reporting period. It has since developed an Aid Investment Plan (AIP) to guide investments to govern the delivery of Australian aid to Nepal for 2015-16. The program focus is on post-

earthquake recovery through existing and targeted investments. Nepal was quarantined from budget cuts in 2015-2016 because of the earthquake, although it was still affected by reductions to the regional and global programs, most notably to its long term Australia Awards.

Table 2 Rating of the Program's Progress towards Australia's Aid Objectives

Objective	Previous Rating	Current Rating
Objective 1 -- Expand economic opportunities for the poor by promoting enterprise and job creation	Green	Green
Objective 2 -- Promote Nepal's human development to expand participation and productivity of the poor	Green	Green
Objective 3 -- Earthquake Response	N/A	Green

Note:

 Green. Progress is as expected at this stage of implementation and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 Amber. Progress is somewhat less than expected at this stage of implementation and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

 Red. Progress is significantly less than expected at this stage of implementation and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period:

Objective 1: Expand economic opportunities for the poor by promoting enterprise and job creation

Rating: Green

This rating is based on continuing progress in exceeding targets of creating and supporting entrepreneurs. This is despite the impacts of the earthquake, which devastated the livelihoods of more than 10,200 (75 per cent of those created in 2014) MEDEP entrepreneurs⁸, meaning they needed additional assistance to get back on their feet.

Micro-enterprise is a foundation of Australia's aid program to Nepal, with 30.1 per cent of our bilateral funding (\$8.2 million) in 2014-15 spent on the Micro-Enterprise Development Programme (MEDEP) IV. This nationally executed program works to establish an enabling environment to progress both public and private sector micro-enterprise development across the country. The current phase of MEDEP aims to institutionalise this proven model into Government of Nepal systems through their own Micro-Enterprise Development for Poverty Alleviation (MEDPA) program.

Key achievements for 2014-15 include more than 11,000 micro-entrepreneurs (through MEDEP and the MEDPA) supported to start businesses⁹; the Government of Nepal (GoN) allocated \$2.4 million for micro-enterprise development and seven partnerships were brokered between financial institutions to increase access to finance for micro-entrepreneurs.

⁸ Detailed assessment conducted by MEDEP post May earthquake

⁹ MEDEP Annual Progress Report 2014.

MEDEP continues to achieve good results in terms of gender equity. Targets were met and exceeded with 75 per cent of new micro-entrepreneurs being women. A Gender and Social Inclusion (GESI) impact study revealed that the economic empowerment of women and other target groups through MEDEP had a multiplier effect on social, cultural and political empowerment. Given the high levels of functional illiteracy, gender based-violence and child and early marriage faced by women and girls in Nepal, the benefits of MEDEP extend beyond increased incomes. MEDEP performs very well in terms of reaching the ultra-poor (in particular traditionally excluded castes and ethnic groups) and under- or unemployed youths.

While some significant gains have been made in institutionalising the MEDEP model into GoN systems, some key milestones have not yet been achieved. An agreed system to safeguard Australian and GoN funds is being developed. Establishing a Monitoring and Evaluation (M&E) system for MEDPA has been delayed, limiting the flows of useful implementation data. The program management team have worked closely with UNDP to address key capacity constraints including inputs from our Public Financial Management (PFM) adviser to assist with cash transfer mechanisms that meet both DFAT and UNDP requirements.

DFAT, GoN and UNDP continue to collaborate in the implementation of MEDEP and MEDPA. In late 2014-15, MEDEP and MEDPA were bought under the one Joint Secretary within the Ministry of Industry. This should improve several core functions such as fiduciary management and monitoring and evaluation.

Objective 2: Promote Nepal's human development to expand participation and productivity of the poor

Rating: Green

This rating is based on continuing progress in strengthening of institutional capacity in Nepal's education system in order to improve overall performance. While the impact of the earthquakes on the sector was significant, the program's existing focus on disaster risk reduction, coupled with specific activities and advocacy throughout the earthquake response, reduced loss of life and economic loss.

Australia's \$4.1 million contribution to the School Sector Reform Plan (SSRP) in 2014-15 supports the GoN's seven year Education Strategic Plan to: expand access and equity; improve quality and relevance; and strengthen the institutional capacity of the education system in order to improve performance. The positive links between education and many aspects of human and social development have long been understood. Research¹⁰ also shows that good quality education promotes economic growth. High and sustained economic growth leads to poverty reduction.

SSRP continued to make progress on access related issues with net enrolment rates for basic education (grades 1-8) increasing from 86.3 per cent in 2013 to 87.6 per cent in 2014¹¹. There was also a continued reduction in the number of children out of school¹². While these results are positive they mask a range of disparities with up to 300,000 children with disabilities still not in school and two-thirds

¹⁰ cited in S. van der Berg, Poverty and Education, Education Policy Series (10), International Academy of Education and International Institute of Education Planning, UNESCO, 2008

http://www.iiep.unesco.org/fileadmin/user_upload/Info_Services_Publications/pdf/2009/EdPol10.pdf

¹¹ The SSRP Flash Report 2014

¹² www.globalpartnership.org/country/nepal accessed 6 October 2015

of out of school children being from disadvantaged families. Data suggests that inequalities exist not only along rural, ethnic and caste lines, but also along gender lines¹³. Much more work is required on quality issues with the latest National Assessment of Student Achievement (NASA) for grade eight showing low average scores across a range of subjects, including Nepali and mathematics.

While Australia is a modest SSRP donor (3 per cent of total donor contributions), our active engagement contributed to important policy reforms, especially in the areas of inclusive education for children with disabilities (CwD). Language of instruction is a key issue in terms of poor literacy standards in Nepal. In 2014-2015, DFAT led a Medium of Instruction and Languages for Education (MILE) study which recommended strengthening and expanding mother-tongue based multilingual approaches. The study will assist the Ministry and Department of Education in policy formulation, planning and practice and feed into Nepal's next seven-year sector plan.

Objective 3: Earthquake Response

Australia responded to the April and May earthquakes with two distinct packages of support (humanitarian response followed by the early recovery package) totalling \$28.6 million¹⁴. As the earthquakes occurred in the final quarter of 2014-15, this APPR provides brief analysis of the early outcomes of humanitarian assistance and summary detail of the early recovery package. Next year's APPR will provide an analysis of the impact of the humanitarian assistance and progress on the early recovery package.

Humanitarian Response (\$11.9 million)

The Australian Embassy with support from DFAT's Crisis Response Team¹⁵, Australian Defence Forces and DFAT's Humanitarian Response Branch (HRB) in Canberra worked closely to shape our humanitarian response package so it went to areas of highest need. This working relationship proved to be functional, supportive and effective in terms of delivering goods at a time when much assistance was not reaching affected communities. The Humanitarian Partnership Agreement (HPA), as the formal mechanism for the provision of humanitarian funding to pre-selected Australian NGOs for rapid onset emergencies, was also highly successful. The HPA allowed DFAT to quickly request a single proposal for a joint humanitarian response from all six NGO members¹⁶. All six HPA members were registered NGOs in Nepal with existing partnerships and networks across the most affected districts, leading to needs assessments and implementation.

Australia provided funding for a number of UN agencies¹⁷ to deliver emergency shelter, food, reproductive health and protection services along with deployments to support UN operations. This included logistics, water, sanitation and hygiene, communications and coordination¹⁸. Full details of Australia's humanitarian response package can be found at **Annex E**.

Monitoring of projects and close engagement with humanitarian delivery partners meant DFAT could advocate for and contribute to a more effective response on the ground. Strong relationships and open

¹³ Nepal Demographic and Health Survey 2011, Government of Nepal, Ministry of Health and Population

¹⁴ Total response package to be delivered 2014-15 and 2016-17

¹⁵ deployed to Kathmandu and across the region.

¹⁶ HPA members are: World Vision (lead for the Nepal response), CARE, Caritas, Oxfam, Plan International and Save the Children.

¹⁷ WHO, WFP and UNFPA

¹⁸ UNICEF, UNFPA, OCHA, WFP, FAO.

lines of communication facilitated close coordination, and while not always successful in overcoming the extreme challenges on the ground, enabled early identification of problems and options for alternative courses of action.

Early Recovery Package (\$13.7 million¹⁹)

The focus of the early recovery package was in areas where Australia could achieve the highest impact. DFAT leveraged its past contributions to disaster risk reduction in school buildings by emphasising ‘building back better’ principles²⁰. Partners were chosen on the basis of who could deliver services quickly in livelihoods and education, and deliver on the priority of the aid program to get the most disadvantaged back to school first.

The early recovery package focused on three key areas that: 1) supported Government of Nepal priorities; 2) built on education and protection components of our humanitarian response; and 3) aligned, as far as possible, with existing program priorities. The recovery package also focused on direct partner implementation rather than funding GoN directly to avoid potential delays resulting from capacity deficits or political instability. The package included:

- Support to the UNDP’s Rapid Enterprise and Livelihoods Recovery Project (RELRP) to stimulate local economic recovery through assisting 13,500 micro-businesses;
- Working with Plan International to provide more than 17,000 children, particularly marginalised girls and children with disabilities, with access to education and psycho-social support in safe temporary learning spaces and help them make the transition back into school;
- Deployment of two Australian Civilian Corps (ACC) infrastructure specialists to Nepal’s Department of Education to assist assessments and reconstruction planning;
- Support for the Global Facility for Disaster Risk Reduction and Recovery to conduct damage and structural integrity assessments of public and private education infrastructure, and provide technical advice on rebuilding and retrofitting affected schools; and
- Funding The Asia Foundation’s project to assist in resolving 12,000 community disputes related to resettlement, land and resource use, unequal allocation of relief and recovery resources and increased vulnerability of marginalised groups, especially in regards to gender-based violence.

Cross-program principles

Disaster Risk Reduction (DRR)

Efforts in addressing DRR especially in the education sector have proven to be highly successful. DFAT, in a co-funding arrangement with the Asian Development Bank (ADB) supported the retrofitting of 169 schools to improve earthquake resilience. All of these schools survived the 2015 earthquakes and provided much needed safe shelter and community spaces in the aftermath. The plans that were developed and the masons who were trained are an important component of the current reconstruction effort. The decision to continue placing AVIDs at the National Society for Earthquake Technology proved to be an important contribution to Australia’s DRR efforts in Nepal. The program will continue to improve

¹⁹ \$11.7 million from bilateral funds and \$2 million from global funds

²⁰ Defined as way to utilise the reconstruction process to improve a community’s physical, social, environmental and economic conditions to create a more resilient community.

school safety standards through both SSRP and a number of activities in the early recovery package, including the deployment of ACC infrastructure specialists to DoE; support to PLAN's Building Back Safer Schools for All program; and funding the Global Facility for Disaster Risk Reduction and Recovery program in Nepal.

Public Financial Management (PFM)

Improved PFM underpins all Australia's investments in Nepal as effective resource allocation contributes to strengthened public service delivery. The program addresses PFM by using an adviser to review assurance mechanisms and provide high quality inputs to PFM policy dialogue in the education and livelihoods sectors. Australia also contributes to the World Bank's PFM Multi Donor Trust Fund²¹. Trust Fund activities supported the GoN's completion of a second Public Expenditure and Financial Accountability (PEFA) assessment in 2015. This work will inform future activities for donors and GoN alike.

Gender Equality and Social Cohesion

Careful attention to understanding ongoing causes of conflict is key to ensuring Australia's aid program addresses poverty in a comprehensive manner. Increasing equity and social inclusion is a focus of investments in micro-enterprise development and education to ensure traditionally marginalised groups have more productive livelihoods and better access to quality services. Conflict mitigation and social cohesion were important factors in the composition of DFAT's early recovery package. While RELRP primarily assists MEDEP beneficiaries rebuild damaged enterprises, it will also reach an additional 1,500 people extending support beyond those already receiving assistance. The project will help empower vulnerable groups, provide tangible recovery dividends to the poor and marginalised, and create incentives for individuals to stay in their communities, thereby benefitting social stability and security.

The Asia Foundation (TAF) has been a leading supporter of the peace process in Nepal and has worked extensively in conflict mitigation through its national and sub-national political dialogue programs and through community mediation. Through TAF's Mediating Local Conflict and Reducing Vulnerability Surrounding Post-Earthquake Recovery in Nepal project, Australia is contributing to the peaceful resolution of disputes related to resettlement, land and resource use, the perceived or real unequal allocation of relief and recovery resources, legal claims and identification, and increased vulnerability of marginalised groups, especially in regard to gender-based violence.

Discriminatory practices based on gender, caste, ethnicity and geography continue to lock women and girls into poverty. Gender equality is focused across all Australia's investments in Nepal, for example ensuring gender targets are set and achieved in MEDEP, advocating for the sex disaggregated data in the Department of Education and continuing efforts to reach gender parity for Australia Awards. In 2015 we achieved this, with 25 of the 46 Awards offered going to women. Addressing the needs of women and girls in both the humanitarian response and early recovery package was extremely important. Reproductive health services, dignity kits, safe spaces for women and girls and activities to combat gender-based violence were a core part of Australia's response.

²¹ Since 2011, Australia has contributed \$2.85 million to the fund.

Performance Benchmarks

Performance benchmarks have been introduced into the Australian aid program to improve accountability, link performance with funding, and to integrate the aid program with Australia's broader international policies. The Nepal program has made good progress toward meeting the pilot performance benchmarks identified in 2013-14 APPR, with one benchmark being achieved and one partly achieved (see Progress towards Performance Benchmarks in 2014-15 **Annex B**)

The benchmark against Objective 1- *Facilitate capacity building for 4,500 individuals to become new micro entrepreneurs (at least 60% women)*, was met and exceeded. Through our investment in MEDEP, 4,737 individuals were supported to become micro-entrepreneurs with 75 per cent being women. Successful targeting of women along with other socially marginalised groups is a key factor in MEDEP's ability to reach the ultra-poor. Over the past 16 years, MEDEP has created over 70,000 micro-entrepreneurs and 86,000 jobs.

The benchmark against Object 2- *Maintenance of existing scholarships for children with disabilities (provided through the School Sector Reform Program) and an additional 10,000 disability scholarships provided in 2014-15 to Nepali school children*, was partly achieved. The most current available data²² stated 4,171 additional children with disabilities received scholarships. While the reporting periods for Nepal's Department of Education and this APPR do not align well enough to make an accurate assessment, it seems unlikely the additional 10,000 scholarships were provided. The impact of the earthquakes on the sector was substantial, causing major disruptions to the education system. The GoN failed to adopt targeted strategies to lift performance in this area. Australia, along with other SSRP donor partners have successfully advocated for a consolidated equity strategy with inclusive education for children with disabilities as one of its six components. This benchmark will be further revised to better match with available data. Australia is also using its partnership with Plan Australia in 2015-2016 to develop new strategies to identify children with disabilities and increase their access to school.

Mutual Obligations

Australian aid continues to be delivered in close cooperation with the Nepal Government and aligns with its development priorities. Our major investments work in partnership with GoN and aim to strengthen its systems. This supports GoN Development Cooperation Policy's (2014) preference for pooled funding rather than stand-alone projects. Australia's response to the earthquakes was informed by GoN priorities and is aligned with Nepal's Post Disaster Needs Assessment. Supporting the economy through entrepreneurship and education are key priorities listed in the GoN's Three Year Interim Plan FY2013-2014 to 2015-16. In the Plan, GoN commits itself to targeted programs to ensure access to education for the poor, marginalised communities and persons with disabilities.

The Government of Nepal is behind on its commitments to earthquake recovery and reconstruction. It pledged the equivalent of AUD \$974 million to the National Reconstruction Fund for rebuilding damaged buildings, but this has been affected by delays in establishing the National Reconstruction Authority (NRA), the lead government recovery agency. This is against the background of continued under-expenditure of the government budget in Nepal.

Australia's key sectoral partners are the Ministries of Education, Industry and Finance. The Ministry of Education has continued to increase its budget allocation to education, with the most recent budget for

²² The Annual Educational Status Report (2014) of Department of Education

2015-2016 announced as AU\$1,284 million, or 12 per cent of the total. It is no longer aiming for its previous target of 20 per cent of its budget going to education, saying it is not possible as the budget base grows. Given that funding to education is still increasing and the overall budget is growing for much needed basic infrastructure, this seems appropriate. Nepal has made good progress on some of the key objectives of the SSRP but promised reforms to the Education Act are essential.

The Ministry of Industry has continued to demonstrate a high level of commitment to micro-entrepreneurship. In 2014-2015 it committed US\$2.3 million for the next financial year to go into District-level government funds for micro-entrepreneurship. In 2014-2015, it set up these funds in 48 Districts (which required significant negotiation with two other Ministries).

The Ministry of Finance demonstrated its commitment to PFM reform by completing its PEFA self-assessment in 2014-2015, and is now reformulating a new PFM reform strategy.

Program Quality and Partner Performance

Overview

While no evaluations were conducted in 2014-15, a final joint independent evaluation for the School Sector Reform Plan (SSRP) was completed in early 2015-2016, an independent evaluation of the Multi-Donor Trust Fund (MTDF) is planned for December 2015 and a mid-term review is planned for MEDEP in February 2015 (see Evaluation and Review Pipeline Planning— **Annex C**).

Analysis of Aid Quality Checks (AQC)s

Due to the earthquakes, the Nepal Program was exempted from lodging finalised Aid Quality Checks (AQC) and Partner Performance Assessments (PPA). The moderation discussions were held prior to the earthquake and ratings agreed. Overall, investments in Nepal are maintaining a good standard (see Aid Quality Check ratings—**Annex D**), with improvements in effectiveness and efficiency over 2014-15 in both the education and PFM investments. All ratings range between adequate (4) and very good (6). The (4) rating for M&E in MEDEP (ING833) made up the ground it had lost on 2012-13 due to a number of data quality issues being rectified. The efficiency rating for MEDEP (4) may have been higher if not for delays in achieving some key milestones.

Investments in Nepal (including those not requiring an AQC) perform well and continue to show improvement in terms of gender and empowerment of women. Program managers remain focused on social inclusion issues.

Performance of key delivery partners

Our delivery partner for MEDEP, UNDP, has built strong support in the Government of Nepal for the program despite the turnover of key government counterparts. UNDP has also continued to be on track in the creation of new micro-entrepreneurs. One area where there have been significant delays has been in agreeing an appropriate assurance mechanism to safeguard Australian funds as MEDEP changes from a standalone project to a Government-integrated program. As previously described, the current phase of MEDEP aims to institutionalise the MEDEP model into Government of Nepal financial systems at the district level. We are continuing to work with UNDP to encourage it to strengthen its development of a robust financial monitoring system that will safeguard donor and GoN funds. This is a crucial step if MEDEP is to achieve its goal.

DFAT also completed a PPA for its partner, the ADB, which had completed a school safety retrofitting project. This PPA was positive overall, and DFAT continues in a non-funded policy partnership with the ADB in the education sector.

DFAT's overall experience with its HPA Partners and its UN Partners (WFP, WHO, UNFPA), in the immediate aftermath of the earthquake was positive. It visited each of these partners at least once during the three months response period. All partners showed high quality implementation with most adhering to the Sphere standards for humanitarian response²³ (a few small issues were remedied by the subsequent monitoring visit). The WFP is to be commended in particular for its quick establishment of a common logistics service for the humanitarian response. This was the reason most water and sanitation, food, and shelter supplies reached the affected communities. DFAT's early recovery partners (UNDP for RELRP, TAF and Plan) implemented their programs mostly in 2015-2016 and this will be covered in the next APPR.

Risks

Table 3 Management of Key Risks to Achieving Objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?	For emerging/ongoing risks provide a Risk Rating (low, medium, high, very high)
Increase in number of activities following earthquakes places burden on staff, reduces effectiveness	DFAT's Crisis Response Team was deployed to support post. 2 Short Term Missions, 3 post relief positions were undertaken allowing for decompression leave for staff and to provide dedicated humanitarian support in the early stages of the recovery phase. Utilising the HPA to deliver a substantial portion of DFAT's humanitarian assistance provided efficiencies. The early recovery package builds on priorities of the existing aid program and works through trusted partners.	A supplementary position for up to 12 months was approved to assist in the management of the education and ACC components of the early recovery package at post. A DFAT secondee to UNDP will assist with the management of RELRP to ensure effective implementation. Post develops efficient monitoring plans of humanitarian and early recovery package programs.	Medium

²³ Charter and associated set of minimum standards in developed for humanitarian assistance collaboration with NGOs, donor governments and UN agencies. <http://www.sphereproject.org/>

A small team implementing a program with wide range of technical issues needs to draw in expertise in gender, education, PFM systems, private sector development, and monitoring and evaluation. Inability to bring in these resources would pose a risk to the quality of the program and undermine our efforts to shape partner government's policy development and level of influence with other donors.	Ensure sufficient advisers specifically in the areas of PFM and education to improve the quality of investments and provide credible Australian policy inputs. Maintain a strong network across key thematic areas in the department to access advice and ensure compliance with government policy and guidelines. Maintain access to the regional gender adviser to obtain quality advice.	The Nepal program will continue to utilise internal expertise as appropriate. The program has engaged the PFM adviser to provide services in this coming year across PFM, MEDEP and education investments. Given the context-specific knowledge built up by the PFM and gender advisers, their inputs will be sought for the development of the AIP.	Medium
A high fiduciary risk with programs being delivered through partner government systems and large donor groups, with reduced oversight of Australian Government funds.	As per the 2012 Assessment of National Systems (ANS) recommendations, a PFM adviser was engaged to provide advice to program managers in order to engage at both a policy level and to ensure adequate systems are under development to safeguard Australian funds.	ANS update is being finalised in November 2015 and management will respond to any specific risks identified. PFM adviser will continue to assist the program to monitor the levels of fiduciary risk across all investments. Management team will continue to monitor use of government systems and is using direct partner delivery for early recovery in order to ensure quick results.	Medium
Political transition to a Federal structure, leading to protests and conflict, but also requiring massive capacity building at local level.		Nepal program will closely monitor the security situation and if required implementing partner staff will be relocated and implementation targets adjusted. The program remains flexible in order to address capacity building requirements where appropriate.	Medium
Further natural disasters undermining development results		DRR will be a focus of all activities and remain a cross program principles for the program. Lessons learned from the earthquake response and from HPA operations will be incorporated into operations.	Medium

Management Responses

Management responses identified in the 2013-14 APPR were focused on consolidation, development of an AIP, MEDEP transition, and the use of GoN systems (see Progress in Addressing Management Responses – **Annex A**).

Program consolidation has been achieved with Australia's exit from WASH and health sectors. The Program ensured early recovery earthquake response programs were aligned with existing activities in education and livelihoods, in order to avoid proliferation and ensure efficiency of program management and policy goals.

The management response relating to the AIP was partly achieved. Permission was granted to lodge a one year AIP, with a longer term plan to be developed in 2015-16 that will serve to reorient the program

in line with aid policy, analysis of need and Australia's ability to respond. This was sensible given the extreme demands placed on a small post as a result of the earthquakes.

While some gains have been achieved in transitioning the MEDEP model into GoN systems, key milestones to establish a cash transfer and assurance mechanism were not met. Despite intensive program management, inputs from the PFM adviser, and pressure at senior levels, this continues to be significantly delayed.

Management responses for 2015-16

The key management issues for the program are: continuing MEDEP transition; SSRP successor; earthquake response and the development of the AIP.

A MEDEP management strategy was developed to identify and re-focus a more realistic set of goals for the MEDEP program. During 2015-16, the program will implement this management strategy. A key element is using a mid-term review in early 2015 to define realistic parameters for the remainder of the program and necessary institutional changes required by GoN for MEDPA implementation.

The education program will have a tighter focus on DFAT's priority areas of engagement in the design of the successor to SSRP. It aims to ensure the design takes a new approach to building financial accountability within the Department of Education. It will also focus the new design on mutual accountability by advocating for a common set of disbursement linked indicators to give incentive to GoN to deliver on key results. It will also continue its focus on the needs of the most vulnerable, particularly children with disabilities and girls, as well as consolidate and build on the gains for disaster resilient safe school buildings.

The program will continue to manage the early recovery package implementation partners to deliver high impact programs. These investments require close management in the challenging implementing environment. The focus will be on ensuring Australian funding makes a difference by achieving both shorter term results and longer term policy changes.

In 2015-16 a key priority for the management team will be to develop a new AIP for future years. The AIP will identify the key constraints for growth in Nepal and articulate how investments through Australia's aid program will address those constraints and promote economic development. The AIP will identify how investments will support and partner with the private sector; and promote economic empowerment and leadership opportunities for women. The AIP will also demonstrate efficient program management, both through more focused policy efforts through identifying leverage opportunities between bilateral and global/regional activities.

Annex A - Progress in Addressing Management Responses

Management responses identified in 2013-14 APPR	Rating	Progress made in 2014-5
Consolidation of the program to focus on micro-enterprise and education. The program will have less spread with highly focused and aligned policy and financial investments. Deeper engagement in micro-enterprise development and education and leveraging global/regional investments.	Achieved	The investment in WASH was concluded and an appropriate exit strategy for the health sector was developed. New activities under the earthquake early recovery program align with the remaining sectors (micro-enterprise development and education) and cross-cutting objectives of social cohesion maintaining the consolidation agenda while responding to emerging need.
Active engagement and close monitoring of the transition of MEDEP to GoN systems. Through engagement of a PFM adviser and regular meetings, encourage UNDP to better quality assure its products and thus provide adequate protection for Australian funds.	Partly achieved	Program staff and management have invested significant efforts into a) understanding the constraints faced by UNDP; and b) developing a strategy to ensure a range of management and implementation issues are overcome. The PFM adviser has provided both program staff and UNDP with better understanding of key issues in order for resolution as early as possible in 2015-16.
Continued use of GoN systems. Australia will review whether investments especially in education are matched by an increasing GoN budget allocation and a genuine commitment to improvement, as well as whether they leverage nationwide improvements	Achieved	The education sector was especially hard hit by the earthquakes and GoN is focused on reconstruction and maintaining reforms through the SSRP successor. DFAT has worked constructively with GoN on a Medium of Instruction and Languages for Education study that will be crucial for policy formulation and the School Sector Development Plan (SSRP successor). GoN continued budget allocation to MEDPA, the established district-level funds for micro-enterprise and remains committed to expand MEDPA to all 75 districts by 2017-18.
Development of an Aid Investment Plan (AIP) to reorient the program in line with Australia's Aid Policy. The AIP will demonstrate efficient program management, both through more focused policy efforts through identifying leverage opportunities between bilateral and global/regional activities.	Partly achieved	As a result of the earthquakes Nepal's aid program was quarantined from budget cuts that applied to the aid program for 2015-16. Approval was granted for an AIP to be developed for the delivery of aid to Nepal for 2015-16, focusing the program on post-earthquake recovery through existing and targeted investments. A longer term AIP will be developed for future years, following detailed analysis of ongoing need and Australia's ability to respond.

- **Achieved.** Significant progress has been made in addressing the issue
- **Partly achieved.** Some progress has been made in addressing the issue, but the issue has not been resolved
- **Not achieved.** Progress in addressing the issue has been significantly below expectations

Annex B - Progress towards Performance Benchmarks in 2014 -15

Aid objective	2014-15 benchmark	Rating	Progress in 2014-15
Expand economic opportunities for the poor by promoting enterprise and job creation	Facilitate capacity building for 4,500 individuals to become new micro entrepreneurs (at least 60% women)	Achieved	This benchmark was exceeded with 4,737 individual supported to become micro-entrepreneurs, 75% being women. MEDEP performs very well in terms of reaching the ultra-poor (in particular traditionally excluded castes and ethnic groups) and under- or unemployed youths. MEDEP Phase IV is making progress on institutionalising the program within GoN (MEDPA) resulting in greater reach and increased sustainability. MEDEP also strengthens the capacity of private sector micro-enterprise development service providers to better support micro-entrepreneurs in line with MEDPA requirements. Australia and UNDP through MEDEP provided immediate assistance to micro-entrepreneurs in the aftermath of the earthquakes. RELRP was developed to re-establish the livelihoods and micro-enterprises of 12,000 individuals currently supported through MEDEP plus support up to 2,000 individuals start new enterprises.
Promote Nepal's human development to expand participation and productivity of the poor	Maintenance of existing scholarships for children with disabilities (provided through the School Sector Reform Program) and an additional 10,000 disability scholarships provided in 2014-15 to Nepali school children.	Partly achieved	The most current available data (The Annual Educational Status Report (2014) of Department of Education) stated 4,171 additional children with disabilities received scholarships. 2015 data will not be available in time for publishing. Given the available data and operating environment in 2014-15 this benchmark is expected to be partly achieved. The earthquakes are expected to have a negative impact on the already very high levels of children with disabilities being out of school. However, inclusive education for children with disabilities is a priority area for GoN as a result of Australia's advocacy for a consolidated equity strategy.
Reorient the Nepal program in line with Australia's development priorities through the development of an AIP.	Develop an AIP as a strategic document guiding the aid program over a four year period.	Partly achieved	In response to the earthquakes, the Nepal program was quarantined from budget cuts that applied to the aid program for 2015-16 onward. Approval was granted to develop an AIP focusing the program on post-earthquake recovery through existing and targeted investments. A longer term AIP will be developed following detailed analysis of need and Australia's ability to respond.

Note:

- **Achieved.** Significant progress has been made and the performance benchmark was achieved
- **Partly achieved.** Some progress has been made towards achieving the performance benchmark, but progress was less than anticipated.
- **Not achieved.** Progress towards the performance benchmark has been significantly below expectations

Annex C - Evaluation and Review Pipeline Planning

List of evaluations planned in the next 12 months

Name of Investment	AidWorks number	Type of evaluation	Purpose of evaluation	Expected completion date
School Sector Reform Program (SSRP)	INH602	End of Program Evaluation	To inform the next education sector plan and verify program outcomes.	October 2015
Public Financial Management Multi Donor Trust Fund (PFM-MDTF)	NJ889	Independent Review	To verify outcomes and make improvements for the remainder of the program.	December 2015
Micro-Enterprise Development Programme Phase (MEDEP) – Phase IV	ING833	Mid-Term Review	To verify outcomes and make improvements for the remainder of the program.	April 2016

Annex D - Aid Quality Check ratings

The previous investment level performance assessment system utilised Quality at Implementation (QAI) reports. Two criteria, Risks and Safeguards and Innovation and Private sector were not assessed in QAI reports and there have been significant changes in AQC reporting this year. Innovation and Private Sector is not a quality standard.

AQC ratings

Investment name	Approved budget and duration	AQC/QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality	Risks and Safeguards
Micro-Enterprise Development Programme Phase (MEDEP) – Phase IV	\$33.9 million (2013/14 – 2016/17)	2014 AQC	5	4	4	4	4	5	5
		2013 QAI	6	4	4	3	4	5	n/a
School Sector Reform Program (SSRP)	\$23.1 million (2010/11 – 2015/16)	2014 AQC	6	5	5	4	4	5	4
		2013 QAI	6	4	4	4	4	4	n/a
Public Financial Management Multi Donor Trust Fund (PFM-MDTF)	\$2.85 million (2010/11 – 2016/17)	2014 AQC	4	5	5	4	5	4	5
		2013 QAI	5	5	4	4	4	4	n/a

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = Very good; satisfies criteria in all or almost all areas

5 = Good; satisfies criteria in most areas

4 = Adequate; on balance, satisfies criteria; does not fail in any major area

Less than satisfactory (1, 2 and 3)

3 = Less than adequate; on balance does not satisfy criteria but does not fail in any major area

2 = Poor; does not satisfy criteria in major areas

1 = Very poor; does not satisfy criteria in many major areas

Annex E – Humanitarian response package details

Humanitarian Assistance

Immediate humanitarian assistance totalling \$11.9 million was delivered through a number of differing mechanisms to maximise effectiveness and efficiency.

Humanitarian Partnership Agreement (HPA)

\$4 million was provided through the HPA to provide:

- Access to safe water and sanitation for 42,000 people
- Emergency shelter needs for over 68,000 people
- Hygiene promotion activities to reduce the risk of waterborne disease for 100,000 people
- Protection programs to target the needs of 25,000 women and children

Early assessments of the projects suggest the HPA mechanism has been responsive, effective and efficient in terms of planning, implementation and reporting.

Australian Defence Force (ADF)²⁴

- Deployed 2 C17 aircraft to deliver humanitarian relief supplies
- Evacuated a total of 106 people, including 66 Australians

Deployments

32 Australian Government personnel were deployed to support the immediate humanitarian relief package including:

- 25 DFAT officers deployed to Nepal and Bangkok, including 6 to coordinate Australia's humanitarian assistance
- 2 Australian medical personnel to support planning and coordination
- 5 ADF personnel to support DFAT's operations

11 RedR personnel were deployed to support UN operations including logistics, water, sanitation and hygiene, communications and coordination experts working with UNICEF, UNFPA, OCHA, WFP, FAO and IOM.

Red Cross Movement

\$1 million was provided to the IFRC²⁵ Flash Appeal for emergency shelter needs and a further \$1 million to the Australian Red Cross for the deployment of health, shelter, gender and water and sanitation experts and distribution of supplies.

²⁴ ADF operations cost not included in the humanitarian assistance total

²⁵ International Federation of Red Cross and Red Crescent Societies

UN Agencies

Australia provided over \$4 million to the following UN agencies appeals:

- WHO for essential medicines and medical supplies, surgical equipment, mental health care and psycho-social support
- WFP to support: food assistance operations for up to 1.4 million people and vital logistics needs including coordination and information management, provision of emergency telecommunications and engineering assessments of existing logistics infrastructure
- UNFPA to establish maternity facilities and female friendly spaces, 17 mobile reproductive health camps and distribute dignity kits.

Emergency Relief Supplies

With support from the ADF and CARE Australia, up to 10,000 people benefited from relief supplies which were brought to Nepal from pre-positioned locations. This included:

- 1,000 shelter kits and 1234 tarpaulins
- 146 hygiene kits and 80,000 water purification tablets
- 1,000 kitchen kits
- 3,624 blankets

Other organisations

Through the DFAT funded SPRINT ²⁶program, over 18,000 people in remote areas were provided with basic health care and reproductive health services through mobile camps.

²⁶ International Planned Parenthood Federation's Sexual and reproductive health programme in crisis and post-crisis situations.