



Australian Government
Department of Foreign Affairs and Trade



AID PROGRAM PERFORMANCE REPORT 2018-19

Nepal

September 2019

NEPAL AID PROGRAM PERFORMANCE INFORMATION 2018-19

SUMMARY

This report summarises the performance of Australia's aid program in Nepal from July 2018 to June 2019 against the Nepal Aid Investment Plan 2016-2020 (AIP). The program directly complemented Australia's Foreign Policy White Paper objectives including promoting prosperity and stability by expanding economic opportunities for the poor, increasing women's empowerment and supporting disability inclusion. Australia's investments in Nepal also align with the UN's Sustainable Development Goals of reducing poverty, increasing gender equality and boosting economic growth.

In recent years Nepal has seen an increase in economic activity with GDP growth estimated at 7.1 per cent in 2018.ⁱ Despite this, Nepal remains a Least Developed Country (LDC), with approximately a quarter of the population (7 million people) living below the poverty line and earning less than US\$1.90 per day. Addressing the structural causes of poverty remains a significant challenge for the country. Nepal also remains a priority country for emergency response preparedness within the Indo-Pacific region given the regular occurrence of natural hazards. With around four fifths of the population living in rural areas, Nepal also faces risks from failing to provide sufficient, suitable employment that is productive and remunerative for the country's youth, potentially resulting in substantial, lasting economic and social costs—not just for the affected youth but also for their families and communities. This is a particularly relevant issue for Nepal, given its recent history of civil conflict, and the interaction between poor labour market conditions and prospects for youth and social unrest.ⁱⁱ

Nepal's most significant challenge is its transition to federalism. In 2018 Nepal undertook its first full year adjusting to a three-tiered federal government system. Following the conduct of elections of all three levels of governments in 2017, the federal government has begun to gradually transfer funds, and functions previously managed by the central authority to the seven new provincial governments and 753 local governments, thereby achieving its constitutional mandate. The recently formed provincial and local governments are constrained by limited resource and institutional capacity, while transition processes, including roles and responsibilities, remain unclear.

Australia's aid program to Nepal in 2018-19 underwent a budget reduction, with forward bilateral aid expenditure reduced by 42 per cent. Although the 2018-19 budget was not affected, the reduction impacted priorities and caused delays in approving new programs. Australia's total Official Development Assistance (ODA) to Nepal in 2018-19 was \$29.4 million, which represents a decrease from \$31.2 million in 2017-18. Australia remains a modest donor with our 2018-19 expenditure representing 2.4 per cent of Nepal's total ODA. Australia remains committed to the AIP objectives: creating economic opportunities for the poor through micro-enterprise and job creation; building governance capacity, particularly at the sub-national level and improving human development.

Overall, good progress was made in aid program activities undertaken during 2018-2019. Due to changes in budgetary circumstances and the transition away from direct service delivery, Objective 1 indicators were partially achieved. Progress against indicators set for Objective 2 were achieved and Objective 3 indicators were achieved in line with the re-focus Australia Awards Scholarship Program performance indicators, however the current metrics also include the delivery of basic education which is no longer relevant given the move away from direct service delivery in 2017-18.

Gender equality, disability and social inclusion were key features of all major investments. An overarching AIP/whole-of-Post strategy on gender equality, disability-inclusiveness and social inclusion (GEDISI) was developed during the reporting period. All six management actions identified in the 2017-18 APPR were addressed.

EXPENDITURE

Table 1 Total ODA Expenditure in FY 2018-19

Objective	A\$ million	% of total ODA
Objective 1: Expand economic opportunities for the poor by promoting enterprise and job-creation	0.9	3.2
Objective 2: Support the Government to improve governance and policy implementation	9.5	32.4
Objective 3: Promote human development through Australia Awards	1.9	6.5
Other: including humanitarian support programs	3.4	11.7
Sub-Total Bilateral	13.9	53.0
Regional and Global	12.9	43.9
Other Government Departments	0.9	2.3
Total ODA Expenditure	29.4	100

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Objective	Previous Rating	Current Rating
Objective 1: Expand economic opportunities for the poor by promoting enterprise and job creation	Green	Amber
Objective 2: Support the Government to improve governance and policy implementation	Green	Green
Objective 3: Promote human development through Australia Awards	Amber	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.

OBJECTIVE 1: EXPAND ECONOMIC OPPORTUNITIES FOR THE POOR, PARTICULARLY WOMEN, BY PROMOTING ENTERPRISE AND JOB CREATION



Performance for Objective 1 has been rated **Amber**. Results in activities undertaken in 2018-19 were strong and in-line with program targets and expectations. One Performance Benchmark was not achieved due to the bilateral aid budget to Nepal being reduced significantly.

During the reporting period the program completed a comprehensive design process for a new livelihoods investment, engaging a broad range of stakeholders. Design approval was withheld due to the reduced bilateral aid allocation. With a smaller budget, it was decided that the investment would be scaled back to ensure a continued focus on poverty-reduction investments. Due to delays caused by budgetary changes, the revised design was not approved in 2018-19.

Australia's strong support (\$46 million over 12 years) of the successful Micro-Enterprise Development Program (MEDEP) ended in July 2018. In 2018-19 as planned, the focus shifted from direct service delivery to assisting the Government of Nepal (GoN) to institutionalise MEDEP into its own processes by supporting GoN to deliver its own successor program called Micro-enterprise Development for Poverty Alleviation (MEDPA). Only those below the poverty line are eligible to participate and/or benefit from MEDPA.

Australia provided \$900,000 for technical assistance (TA) to MEDPA in 2018-19. MEDPA-TA achieved Year 1 goals to institutionalise and advocate the Micro-Enterprise Development (MED) model, support policy formulation at the three tiers of government and support the procurement process for MED service providers. Through this TA, Australia also provided support in overall implementation of MEDPA in the federalised context including building capacity of key institutional stakeholders. However, this initial TA assistance was assessed in the past year and considered inadequate for the program's needs. Additional funding from UNDP and Australia has allowed TA support in each of seven provinces to be increased from one to four advisors thereby reducing the risks to MEDPA's sustainability. GoN demonstrated buy-in to the provision of this additional TA by contributing over \$500,000 to MEDPA-TA over two years.

MEDPA is implementing the Gender Equity and Social Inclusion (GESI) strategy developed in 2017 under the DFAT-funded MEDEP program. A GESI specialist engaged under MEDEP delivered training to GoN officials implementing MEDPA. In 2018-19, MEDPA created employment for 20,059 micro entrepreneurs - 16,732 females (83.5 per cent) and 3,327 males (16.5 per cent). The large female percentage is due to MEDPA deliberately targeting women in rural areas who have limited access to economic opportunities – MEDPA's target for female beneficiaries is 70 per cent which was exceeded. Other inclusion categories in the total are:

- Dalits (so-called untouchables) – 23 per cent of total - 4,616 (4,041 female)
- Janajati (indigenous people) – 41 per cent of total - 8,359 (6,727 female) and
- Madhesi (people from the Terai/plains) – 10 per cent of total - 2,033 (1,841 female)
- Other groups (Brahmin, Chhetri, Thakuris) – 35 per cent of total - 7,084 (5,964 female)
- Youths only – 87 per cent of total - 17,592 (15,003 female)
- Disabled only - 0.55 per cent of total - 110 (94 female).

OBJECTIVE 2: SUPPORT THE GOVERNMENT TO IMPROVE GOVERNANCE AND POLICY IMPLEMENTATION



Progress against this objective was rated **Green** in 2018-19. Good progress was made in existing programs against the AIP indicators.

The sub-national Governance Program is implemented through a Partnership with The Asia Foundation (TAF). A mid-term review (MTR) in 2019 reported the Partnership is well positioned to achieve its outcomes by building on the results and learning achieved so far. It further noted the Partnership is one of the few programs that have been able to work at the sub-national level over the past couple of years and has therefore been able to carve a unique space among different governance initiatives being planned or implemented in Nepal today.

In 2018-19 the program undertook 35 activities, implemented by 43 local partners. Programs activities promoted inclusive subnational governance through research, technical assistance and capacity building support. All activities were verified during the early 2019 Aid Quality Check as performing well, achieving minimum ratings of four out of six, and assessed in the MTR as obtaining good results.

Overall, the investment met or exceeded 13 out of 21 of its performance indicators. For the indicators that were not met, four achieved between 90 and 100 per cent, three between 80 and 90 percent and one between 40 and 50 percent. The indicator receiving the lowest rating reflected an outcome of 488 additional mediators trained instead of the planned 1008 mediators. This result reflects TAF's decision to slow the rate of training mediators as the responsibility for dispute resolution passed from the municipality level to the local Ward level with Judicial Committees established in each Ward. The Judicial Committees' mandate requires dispute resolution to be resolved in the first instance through mediation efforts. However, as these Judicial Committees are still being established and, as TAF needed to form relationships with Committee members in order to correctly identify individuals suitable to be mediators, the target of 1008 additional trained mediators could not be met. The number of additional trained mediators will increase in the next 12 months – this was also an MTR recommendation. As a result of devolution of mediation services to the lowest administrative level (i.e., Wards), the program established an additional 178 new community mediation centres.

The program provided support for informed and inclusive subnational governance reform, policy discourse, and decision-making through development and dissemination of 16 major knowledge products. Examples of knowledge product outcomes include the study on *Impact of Federalism on Labour Migration Governance in Nepal* contributed to GoN's decision to devolve the Foreign Employment Promotion Board to the provincial-level, to establish Labour Information Centres in all 753 local governments and to setup a high level Task Force by the Ministry of Labour to implement the study's recommendations.

The knowledge products also improved stakeholder understanding. For example, the *Survey of the Nepali People in 2017* generated policy debates and discussions amongst academia, government officials and development partners on a range of issues such as economic outlook and social governance issues. Dr Bimala Rai Poudyal, National Assembly member, acknowledged that the report served as a baseline to capture the

public mood for Nepal's new political structure and is useful in many ways for government to set priorities and make decisions during policy dialogues arranged by civil society organisations.

The program supported stakeholders in the on-going transition to federalism by investing in programs for multi-stakeholder dialogue. These dialogues generated common understanding on contentious issues (local taxes, ownership and use of natural resources such as community forest and lakes, and labour-related issues), thereby contributing to policy formulation around participatory governance, conflict management and structural transformation.

Program activities strengthened capacities of 25 local governments by developing model laws on education, health, organisation management, infrastructure and Public Private Partnership. Local governments were further strengthened by producing manuals on Local Market Management and Monitoring, Consumer Awareness and Project Development. In addition, a Revenue Improvement Action Plan was developed. The program developed comprehensive profiles of 10 municipalities (additional to developing basic profiles of a further 22 municipalities) to inform their multi-year development strategies, implementation plans and annual budgeting processes.

In 2018-19, the program developed a GESI Strategy and Action plan to ensure GESI mainstreaming in all stages of program implementation. The program also conducted a Monitoring Evaluation and Learning (MEL) assessment – a first step towards developing a MEL Framework in 2019-20.

As expected, a milestone agreement with GoN was reached during 2018-19 to combine the Multi-Donor Trust Fund (MDTF) donor-funded activities into one integrated Public Financial Management (PFM) program. MDTF met all relevant performance benchmarks and reported good progress in the AQC achieving ratings of four out of six). We provided \$2.5 million in 2018-19 to support the Phase 2 PFM strategy. In Phase 2, the Integrated PFM Reform Project (IPFMRP) combined all previous stand-alone projects into the one integrated project. IPFMRP started in October 2018 and has shown a high level of success demonstrated by strong GoN ownership and uptake which contributed \$4.2 million towards the project. The project closely aligns with GoN's own PFM Reform Plan II activities and results. There is no intention of using GoN systems as supported by the recent ANS.

The IFES *She Leads* investment has not progressed as planned with IFES still awaiting GoN approval. No management action is required at this stage as the investment is anticipated to commence in 2019-20.

A small investment is currently undergoing management consideration however, this has no direct impact to overall performance of Objective 2.

OBJECTIVE 3: PROMOTE HUMAN DEVELOPMENT THROUGH AUSTRALIA AWARDS



It was noted in the 2017-18 APPR that the focus of this objective be shifted from basic education service delivery to tertiary education through Australia Awards. Due to this shift, Objective 3's title has been amended to more correctly reflect the program's activities over the past 12 months - progress is rated **Green** for 2018-19.

The focus of the Scholarships program was complementary to Australia's development objectives in Nepal to help improve governance, women's empowerment and leadership. Sectoral areas of study included health, education, governance, livelihoods, economic development, gender and social inclusion, and water resource management. The program has a balanced gender ratio and incorporates GESI objectives into the selection process. During the reporting period, the program offered 55 long-term scholarship awards in Australia - 26 in 2018 and 29 in 2019. Of the 26 scholarships in 2018, 13 were female, 13 male and two people with disability (one female and one male). Of the 29 scholarships in 2019, there were 17 females, 12 males and three people with disability (one female and two males).

The program also provided 30 placements for short-course awards in 2018-19 focusing on integrated water resources management, executive leadership and inclusive education. Short course participation led to improved knowledge and capacity building in specific sectoral areas (such as disaster risk reduction), built linkages between Australian and Nepali best practices, and strengthened a joined-up policy approach between Nepali government officials at the local, subnational and federal levels. A GESI strategy for the scholarships program was developed to ensure applications from women, people from traditionally marginalised groups, the LGBTI community and people with disabilities, are encouraged.

The Australia Awards international scholarships program is highly regarded in Nepal and the program deepens the relationship and mutual understanding between the two countries. The 2018 student survey commissioned by DFAT indicates that the top three reasons that influenced Nepal students to take up an Australia Awards scholarship were: 1) contribute to home country's development (80 per cent); 2) an Australia Award will help develop leadership skills (60 per cent); and 3) Australia has good universities, research facilities and other educational resources (48 per cent). In 2018, 100 per cent of awardees from Nepal successfully completed their studies during that period. For the 2019 intake, 59 per cent of the scholarships were offered to female awardees.

Strong representation of GoN officials strengthened cooperation at the federal and subnational level with representatives from both levels participating in the training offered as well as alumni playing pivotal roles in formulating national policies relating to Inclusive Education and Food Safety. In liaison with the Australian Electoral Commission, Australia also supported the Secretary of the Nepal Election Commission Secretariat to attend the 2019 Australian federal Election Visitor Program building linkages and improving cooperation.

In 2018-19, the program strengthened existing partnerships between the University of Queensland (UQ) and Nepal's Institute of Crisis Management Studies (ICMS). ICMS was the local delivery partner for the UQ-delivered short course on *Inclusive Governance for Effective Disaster Risk Reduction*. While in Nepal to deliver the post-course Return to Work Plan workshop, the UQ course leader delivered lectures at ICMS.

CROSS-CUTTING, REGIONAL AND OTHER GOVERNMENT DEPARTMENTS

Australia's bilateral program to Nepal was supported by a range of cross-cutting investments funded from DFAT's global and regional allocations as well as other Australian Government Departments (\$13.8 million, 44 per cent of total Australian ODA to Nepal in 2018-19).

During the reporting period, Australia improved people-to-people linkages with 25 volunteer placements through the Australia Volunteers Program.

Australia entered into new agreements to support the United Nations Population Fund (UNFPA) and the World Food Programme (WFP) to strengthen humanitarian preparedness in Nepal (\$2.5 million during 2018-19). This included pre-positioning of dignity kits and kishori (adolescent) kits to enable UNFPA to respond quickly to the urgent needs of women and girls in a humanitarian crisis – 1,895 (dignity kits) and 800 (adolescent kits) were distributed by GoN while responding to the July 2019 seasonal floods.

During 2018-19, Australia supported 19 partners under the Australian NGO Cooperation Program (ANCP), to deliver 40 projects (including 10 regional projects) in Nepal (\$5.9 million from DFAT and \$1.7 million from the Australian community). ANCP projects align well with the AIP's objectives, providing positive impacts in the livelihoods and agricultural sector, and in education and health service delivery. ANCP projects in Nepal have a strong focus on disability-inclusion in line with DFAT's Development for All strategy. Activities included capacity building in disability inclusion for Partners and other stakeholders, evidence based advocacy, education and livelihood support for people with disabilities, disability accessibility and facilitating issue of disability cards for people with disabilities to access social protection allowance from the Government. Kathmandu Post provided several capacity building opportunities for ANCP partners to improve their understanding of DFAT's quality standards regarding gender equity, accessibility and child protection.

Australia supported linkages between the private sector and non-government sector through the Business Partnerships Program (BPP), which provided co-funding (up to \$150,000) to build partnerships and increase cooperation. In 2018-19 two investments were established; Habitat for Humanity partnered with three local financial service providing companies to support housing financing opportunities for low-income households to renovate their existing homes in two Provinces (East Nepal). The second project established partnerships between Prabhu Management Group and Grow Nepal to support digital financing solutions for Nepali economic migrants crossing the border in Sudur Paschim Province (Far West Nepal) into India. The existing BPP partnership between Intrepid Travel and the World Wildlife Foundation scaled up their investment of eco-friendly tourism facilities in the Madi Valley (Chitwan) during 2018-19. DFAT funding of the WWF/Intrepid activity ended in April 2019 with both partners reportedly gaining mutual benefit from the collaboration and confirming their commitment for the partnership to continue.

Through the Sustainable Development Investment Portfolio (SDIP) Australia has supported the International Finance Corporation (IFC) to deliver targeted training in gender and hydropower to Nepali public, private and civil society stakeholders. With SDIP funding, IFC has also signed an agreement with the Independent Power Producers Association of Nepal (IPPAN) to provide joint training workshops in all seven provinces for Provincial Chief Ministers and staff to understand their roles and responsibilities on environmental issues. SDIP also supported the CSIRO to work with the Nepali government to finalise the State of the Kamala Basin report. The report provides a publicly available synthesis of water resources information in support of the development of the Kamala Basin Development Strategy.

Continued support was provided in 2018-19 to the Australian Centre for International Agricultural Research (ACIAR) for Nepal's forestry program. The investment represents a 54-year commitment which has

underpinned the achievement of Nepal's objective to keep forestry coverage above 45 per cent Through SDIP, Australia supported ACIAR to conduct trials of innovative *Conservation Agriculture-based System Intensification (CASI) practices* in the Terai region of Nepal. These have delivered impressive results in terms of reduced inputs (water, energy and labour) per unit of output, improved yields and increased farm incomes for Nepali beneficiaries.

MUTUAL OBLIGATIONS

Senior Officials Talks in August 2018, confirmed Australia and Nepal's mutual interests in the current AIP's development objectives. During the reporting period Australia worked with Nepal in several areas of legislative reform, particularly in governance transition processes for Nepal's shift to a federal system of government. A key outcome of the TAF Subnational Government program was the progress made with local and provincial-level leaders to build capacity and strengthen their role within the three-tier government structure. During the reporting period, Australia and key donors to the MDTF engaged in regular high-level dialogue with the Ministry of Finance to achieve integration of PFM activities and ensured the alignment of activities with Nepal's objectives for PFM accountability and transparency.

High-level policy dialogue was undertaken with the Prime Minister's Office, Ministry of Industry Commerce and Supplies (MoICs) and Provincial-level governments to reaffirm endorsement for Australia's forward approach to economic empowerment. GoN continued to demonstrate its strong commitment to the MEDPA program (approximately \$15 million in 2019-20) and, together with additional funding from UNDP and DFAT, further increases in TA support for MEDPA.

Australia continued to contribute to policy dialogue through the Ministry for Energy, Water Resources and Irrigation's Joint Advisory Committee, which in turn supported the smooth delivery of SDIP activities. Under the Australia Awards program we worked closely with the Nepali Government on selection processes to ensure the program addressed shared human resource priorities and ensured selection processes addressed gender balance and the ethnic diversity of potential candidates.

Given the significant 42 per cent reduction in Australia's aid budget commencing 2019-20, Australia has worked closely with the Nepali government to confirm our ongoing bilateral commitment to Nepal, and to re-profile Australia's assistance for future years in accordance with Nepal's development priorities and objectives.

PROGRAM QUALITY

During 2018-19, DFAT conducted an internal audit of the management of Australia's aid program to Nepal. The audit demonstrated good results for overall program management and recommendations regarding appropriate filing and reporting procedures, have been addressed.

The current AIP is not accompanied by a Performance Assessment Framework (PAF) and therefore benchmarks are tracked through the APPR on an annual basis. A PAF will be developed as part of a new AIP in 2020. The forward PAF will include performance indicators to capture gender, social and disability inclusion and disaster risk reduction.

Program performance under the 2018-19 Investment Quality Reporting (IQR) process is outlined in Annex D. During the reporting period Aid Quality Checks (AQC) were completed for the Subnational Governance Program, the World Bank MDTF, and the humanitarian investments supporting UNFPA and WFP. A direct comparison with AQC performance ratings in 2017-18 is difficult given the change in the AQC template in 2018-19. The Subnational governance program was the only investment that developed an AQC in 2017-18, and the Year One results of the investment were rated green and reflected satisfactory results for effectiveness (four out of six) and efficiency (five out of six). Progress was sustained during the reporting period with the

same ratings reflected in 2018-19. The World Bank MDTF and support for UNFPA and WFP also received satisfactory ratings (four out of six).

Gender equality is a significant objective across each of Australia's investments in Nepal. This year the Subnational Governance Program and our humanitarian investment was rated satisfactory (four out of six) on the gender equality rating. Gender has been a weak point in the implementation of the MDTF, receiving a rating of three of six quality rating in 2018-19. The World Bank is addressing this by engaging technical assistance in social development during the design for IPFMRP, and ensuring the IPFMRP results framework includes indicators to monitor gender outcomes.

MANAGEMENT ACTIONS

During 2019-20 the following management actions will be addressed:


1. Undertake research to underpin a country strategy (if required) and a new AIP;
2. Develop a new AIP (2020-2024) including an accompanying Performance Assessment Framework in accordance with DFAT guidelines;
3. Finalise the design of a new innovative livelihoods investment to support small-medium enterprises with implementing contracts finalised in the second part of 2019;
4. Ensure the newly developed whole-of-Post Gender Equality, Disability-inclusiveness and Social Inclusion (GEDISI) strategy is incorporated across all Post's activities including the bilateral, regional and global aid program activities;
5. Ensure recommendations of the Subnational Governance GESI audit, MEL Systems Assessment and MTR are incorporated into the strategies, systems and future program activities. Write and publish a management response to the MTR;
6. In the World Bank MDTF program, ensure gender considerations identified in the design are incorporated into program activities. Ensure regular DFAT engagement in program review missions, program management and policy dialogue with government;
7. Under the humanitarian assistance investments, ensure regular monitoring regarding safe storage and expiration dates of prepositioned supplies; and
8. Ensure all development partners have adequate knowledge about how to implement DFAT's policies related to Child Protection, SEAH and GEDISI issues in order to deliver programs effectively and within DFAT standards


ANNEX A- PROGRESS IN ADDRESSING MANAGEMENT RESPONSES


Describe progress made against management responses in 2017-18 report

Management responses identified in 2017-18 APPR	Rating	Progress made in 2018-19
Develop a gender action plan for the Nepal aid program.	Achieved	The aid program has invested in ensuring a best-practice approach in the development of a strategy that includes gender equity, disability-inclusiveness and social inclusion. The strategy will be finalised in October 2019.
Mid-Term Review of the Sub National Governance Program.	Achieved	The mid-term evaluation was undertaken in April-May 2019 and included an independent team leader and TAF and DFAT representatives. The final report was provided to DFAT in August 2019.
Engagement under the Subnational Governance program in the second TAF National Survey of the Nepali People (by June 2019) and regular policy briefs throughout the year.	Achieved	The second round of the Survey of the Nepali People 2018 was completed in May 2019. The report was well-received by government officials and public institutions noting how the survey helps in tracking government's performance of administrative, bureaucracy, and local government system. The survey also captures important issues related to identity, inclusion, and gender. In the second year of the program, 21 policy dialogues were conducted on contemporary federalism issues.
Update Aid Investment Plan objectives to reflect program changes, including the shift in focus from primary to tertiary education and the Australia Awards program.	Partly achieved	The AIP was not updated. Nevertheless, the Program is now using indicators set out by the Australia Awards Program to assess and demonstrate performance.
Finalise the design of a new livelihoods program to support small-medium enterprises by December 2018, with socialisation activities to be undertaken in the second part of the year.	Partly achieved	The design for the Poverty Reduction And Growth Acceleration Through Inclusion (PRAGATI) program was undertaken as planned during 2018 and 2019. However, due to budget uncertainty, the design was not signed off during the 2018-19 financial year. A scaled down design is likely to be approved before end 2019.
Undertake a progress evaluation of technical assistance (TA) provided to the MoICS to institutionalise MEDPA by 30 June 2019 in consultation with Nepal Ministry of Industry and UNDP.	Partly achieved	TA effectiveness was assessed as being inadequate. TA numbers are being increased from one to four per province with funding provided by DFAT, UNDP and MoICS. An assessment of the effectiveness of MEDPA, and how well it has been institutionalised by GoN, is something we continue to discuss with MoICS as its commitment to undertake a program review is essential to fully meet this management response. A program review is unlikely before the second half of 2020. Note our support is for the provision of TA which in turn supports GoN's self-funded MEDPA program.

Note:

 Green (Achieved). 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 (Partially achieved). 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 (Not achieved). 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.

ANNEX B – PERFORMANCE BENCHMARKS

Progress towards Performance Benchmarks in 2018-19

Discussion on progress against specific performance benchmarks in 2018-19 should also be included as part of the text assessing progress against individual program objectives in the main body of the APPR.

Aid objective	Performance Benchmark	Rating	Progress in 2018-19
AIP Strategic Objective 1	Technical support to MoICS for MEDPA implementation will commence.	Achieved	During the reporting period, Australia provided TA support to MEDPA and achieved Year 1 program target goals to institutionalise and advocate for the MED model, support policy formulation at the three tiers of government and support MED service providers procurement process. Australia also provided support in overall implementation of MEDPA in the federalised context including the institutional capacity building of key stakeholders through this TA.
	New livelihoods investment will be approved.	Partially achieved	A comprehensive design process was completed in 2018 and 2019 involving a thorough consultation process and design mission which travelled to potential program sites outside Kathmandu. The Prime Minister's Office and Ministry of Foreign Affairs and Ministry of Finance were notified regarding the intended proposal and a government consultation strategy was produced. Due to budget uncertainty from the April 2019 budget and significant reductions to the overall bilateral aid budget, the design for the \$25m (over 5 years) required to be scaled down and therefore was not approved.
AIP Strategic Objective 2	Comprehensive municipal profiles are utilised in planning and budgeting processes to improve service delivery by selected 11 municipalities.	Achieved	The program co-developed comprehensive profiles of 11 municipalities (in addition to the basic profiles of 22 municipalities) to inform their multi-year development strategies, implementation plans, and annual budgeting processes. In addition, it supported municipalities to establish a framework for sub-national infrastructure investment and development through public private Program, pilot market monitoring and consumer awareness tools. One provincial government and 11 municipalities have formally adopted these profiles as their official data base and have begun to use the data for their new policies and programs. While the recent MTR findings of municipal profiles was mixed, more visible signs of uptake were seen in new plan preparations of local governments for fiscal year 2019/20. The program is tracking the uptake and will report in future annual progress reports.
AIP Strategic Objective 3	Australia Award scholarships awarded reflect shared human resource priorities, with selection process taking account of gender and social diversity.	Achieved	The Australia Awards selection process took account of gender ratios and aligned with the specific interests of the Australian aid program. Human resource priorities addressed through the selection process included securing long-term scholarships in sustainable development, governance and education sectors.
	Two short courses will be delivered in areas of Nepal's development priorities.	Achieved	During 2018-19, three short courses were delivered involving a total of 30 participants. This included courses in <i>Inclusive Education in Practice</i> and <i>Integrated Water Resource Management</i> (partnering with QUT) with <i>Executive Leadership</i> (partnering with ANU).

Note:

■ Green (Achieved). 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 (Partially achieved). 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 (Not achieved). 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.

Performance Benchmarks for remainder of Aid Investment Plan or new Aid Investment Plan

Aid objective	2019-20
Expand economic opportunities for the poor, particularly women, by promoting enterprise and job creation through the provision of TA	<p>MEDPA is further aligned with the federal structure. With the additional funding from DFAT, UNDP and GoN in June 2019, the TA team will be expanded in order to increase its overall efficiency and to help achieve the objectives of institutionalising MEDPA in GON systems.</p> <p>A new livelihoods investment (PRAGATI) will commence in 2019-2020 subject to budgetary circumstances. The program aims to reach 5,000 poor households through a 'lift-reach' approach of which 1,250 households will be extremely poor.</p>
Support the government to improve governance and policy implementation	<p>Completion of the third survey of the Nepali people regarding perceptions on subnational governance.</p> <p>Five-year Strategic Plans developed for five municipalities</p> <p>Community Mediation Services extended to an additional six municipalities by establishing 90 new mediation centres in these six municipalities</p> <p>500 mediators (40 per cent women) trained in Community Mediation</p>
Promote human development through Australia Awards	<p>In accordance with the indicators set out by the global Australia Awards Scholarships program:</p> <ul style="list-style-type: none"> - Alumni using their skills, knowledge and networks to contribute to sustainable development - Alumni contributing to cooperation between Australia and partner countries - Effective, mutually advantageous partnerships between institutions and businesses in Australia and partner countries - Alumni view Australia, Australians and Australian expertise positively. <p>Australia Award scholarships awarded reflect shared human resource priorities, with selection process taking account of gender and social diversity</p> <p>Two short courses delivered in areas of Nepal's development priorities.</p>



ANNEX C- EVALUATION PLANNING

LIST OF EVALUATIONS COMPLETED IN THE REPORTING PERIOD

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
INM141 Subnational Governance program	Mid-term evaluation	31 August 2019	September 2019	September 2019	October 2019

LIST OF EVALUATIONS PLANNED FOR 2019-20

Investment number and name (if applicable)	Name of evaluation	Date completed	Date Evaluation report Uploaded into AidWorks	Date Management response uploaded into AidWorks	Published on website
No evaluations planned					

ANNEX D – AID QUALITY CHECK RATINGS

AQC RATINGS

AQC investment performance over the previous 12 months and where available last year's AQC ratings.

Investment name	Approved budget and duration	Year on year	Effectiveness	Efficiency	Gender equality
INM141- Subnational Governance Program	\$20m 2017-21	2018 AQC	4	5	4
		2017 AQC	4	5	4
INL973 World Bank Multi Donor Trust Fund	\$7.6m 2016-22	2018 AQC	4	4	3
		2017 AQC	N/A	N/A	N/A
INM504 Strengthening Humanitarian Preparedness in Nepal	\$5.2m 2018-24	2018 AQC	4	4	4
		2017 AQC	N/A	N/A	N/A

Note:

■ Green (Achieved). 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 (Partially achieved). 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 (Not achieved). 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.

APPENDIX 1: 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT INFOGRAPHICS

 <p>1 NO POVERTY</p>	End poverty in all its forms everywhere	 <p>10 REDUCED INEQUALITIES</p>	Reduce inequality within and among countries
 <p>2 ZERO HUNGER</p>	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Make cities and human settlements inclusive, safe, resilient and sustainable
 <p>3 GOOD HEALTH AND WELL-BEING</p>	Ensure healthy lives and promote well-being at all ages	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Ensure sustainable consumption and production patterns
 <p>4 QUALITY EDUCATION</p>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	 <p>13 CLIMATE ACTION</p>	Take urgent action to combat climate change and its impacts
 <p>5 GENDER EQUALITY</p>	Achieve gender equality and empower all women and girls	 <p>14 LIFE BELOW WATER</p>	Conserve and sustainably use the oceans, seas and marine resources for sustainable development
 <p>6 CLEAN WATER AND SANITATION</p>	Ensure availability and sustainability management of water and sanitation for all	 <p>15 LIFE ON LAND</p>	Protect, restore and promote sustainable use of terrestrial ecosystems
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Ensure access to affordable, reliable sustainable and modern energy for all	 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Promote peaceful and inclusive societies for sustainable development and provide access to justice for all
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Promote sustained, inclusive and sustainable economic growth, full and productive employment	 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Strengthen the means of implementation and revitalise the global partnership for sustainable development
 <p>9 INDUSTRIE, INNOVATIE EN INFRASTRUCTUUR</p>	Build resilient infrastructure, promote inclusive and sustainable Industrialisation and foster innovation		

ⁱ Trading Economics (2018) Statistics Report on Poverty; <https://tradingeconomics.com/nepal/gdp-growth-annual>

ⁱⁱ World Bank (2018): Youth Employment in Nepal: <http://documents.worldbank.org/curated/en/816461530076091272/pdf/Youth-employment-in-Nepal.pdf>