
NEPAL

INTRODUCTION

NEPAL is a low-income country with a gross national income (GNI) of USD 440 per capita (2009) which has grown at an average rate of 2% per annum since 2005 (WDI, 2011). It has a population of 29 million, 55% of whom (approximately 16 million people) currently live under the 1.25 dollar-a-day income poverty line (WDI, 2011).

Nepal emerged from a decade long conflict in late 2006. An elected government has not been in place since 2003. A new constitution for Nepal is currently being drafted. Political instability has affected the discussion and adoption of strategic policies, including the foreign aid policy.

Net official development assistance (ODA) to Nepal in 2009 totalled USD 855 million (OECD, 2011a). Since 2005, net ODA has averaged 22% of GNI and 34% of central government expense (WDI, 2011). The top five donors provided 62% of Nepal's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements by both donors and partner governments. In 2010, three out of ten indicators with applicable targets were met. Five other indicators have progressed since 2007, five have seen setbacks, and one – untying aid has remained at a consistently high level. Ownership deteriorated in 2010, but managing for results and mutual accountability improved, achieving targets. Performance on alignment has improved slightly, yet no targets have been met with the exception of aid alignment to national priorities. Indicators on co-ordinated technical co-operation and untied aid are very close to meeting the target, while the use of country PFM and procurement systems has declined. No targets for harmonisation indicators have been met, although there has been some progress on the use of common arrangements or procedures and joint analytic work since 2007.

In principle all donors working in Nepal prioritise aid effectiveness principles in their respective aid policy/strategy/programmes for the nation. In practice, attitudes towards aid effectiveness commitments vary significantly within the donor community.

ABOUT THE SURVEY

This chapter assesses progress against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators. The 2011 survey responses cover 19 donors and 91% of Nepal's core ODA.

The 2011 Survey was conducted by a team led by the Foreign Aid Co-ordination Division, Ministry of Finance. The UK Department for International Development and the United Nations Development Programme were the donor focal points. China and India, significant providers of aid to Nepal did not participate in the survey. Qualitative data was drawn from secondary sources. Nepal also voluntarily conducted two optional modules on gender equality and inclusive ownership. The consultation process for the survey and the two optional modules involved civil society organisations. ■

TABLE 1:
Baselines and targets
for 2010

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	D	'B' or 'A'
2a	Reliable public financial management (PFM) systems	3.5	3.5	2.5	4.0
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	--	74%	98%	85%
4	Strengthen capacity by co-ordinated support	--	15%	48%	50%
5a	Use of country PFM systems	--	68%	62%	No Target
5b	Use of country procurement systems	--	56%	35%	No Target
6	Strengthen capacity by avoiding parallel PIUs	--	106	68	No Target
7	Aid is more predictable	--	47%	55%	No Target
8	Aid is untied	96%	95%	96%	More than 96%
9	Use of common arrangements or procedures	--	23%	31%	66%
10a	Joint missions	--	23%	21%	40%
10b	Joint country analytic work	--	28%	47%	66%
11	Results-oriented frameworks	C	C	B	'B' or 'A'
12	Mutual accountability	Not available	N	Y	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	Challenge: There is currently no national development strategy (NDS) in operation, nor is there a long-term vision guiding national development strategies. Major challenges in developing the NDS relate to current political instability and delays in drafting a new constitution. Progress has been made, however, in enabling stakeholder participation in the formulation of the NDS, although challenges remain. There are also some challenges in ensuring the quality of stakeholder participation in the formulation of the NDS.	Priority action: Ensure a national development strategy (NDS) and long-term vision are formulated and implemented, resolving current political impasses and ensuring the systematic participation of civil society actors and marginalised groups in the process.
Alignment	Challenge: The reliability of country PFM systems has declined since previous years, and donors are channelling less aid through PFM and procurement systems.	Priority action: Ensure PFM and procurement systems are strengthened and that the capacity of government agencies is increased to engender greater trust and use of country systems among donors.
Harmonisation	Challenge: Programme-based approaches (PBAs) are limited and very few missions or analytical works are co-ordinated.	Priority action: Increase government capacity to manage and develop concrete measures to institutionalise PBAs. On the donor side, donor headquarters should allow country offices more flexibility in channelling aid through PBAs.

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Managing for results	Achievement: A results-oriented framework is in place. The M&E framework sets out clear institutional responsibilities and co-ordination for the most part, including at the sector level. However, significant capacity challenges remain and the overall quality of reporting in the results framework is not yet up to standards.	Lesson: The National Planning Commission is the central co-ordination agency for the overall monitoring of the periodic plans. Planning/Monitoring & Evaluation Divisions of sector ministries are responsible for monitoring at the sector level. There is a need to scale-up capacity development efforts in this area to ensure the results reporting meets the required standards.
Mutual accountability	Achievement: Mutual accountability reviews are in place in SWAp sectors and efforts are being made to do the same at the national level through NPPR.	Lesson: The Nepal Portfolio Performance Review exercise currently looks at a set of indicators for government performance. It is planned to also include indicators for donors in this process, starting in 2011-12. Parliament and civil society are not involved in the progress review in a systematic way.

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In 2010 Nepal received a D rating on the operability of its national development strategies, a setback since the 2008 Survey when the score was C, and below the 2010 target of A or B. Nepal's current national development strategy (the Three Year Interim Plan 2007-2010) elapsed in 2010 and a new 'Three Year Plan 2010-13 Approach Paper', has been finalised cantering around a core theme of 'employment-centric inclusive development' and serves as a reference for development programmes. Although there are links between the national development strategy (NDS) and sector strategies, it is unclear how these work in practice and whether they are formal or informal. Although policy makers use the NDS, it is unclear to what extent the NDS serves as a reference point for decision making and policy formulation. Major challenges in developing the NDS relate to political instability and delays in drafting a new constitution. Since Nepal is in the process of drafting a new constitution, a long-term vision guiding national development strategies (NDS) has not been formulated. However, sector ministries (such as health, education, agriculture *etc.*) have also developed their long-term visions, which are directly linked with the NDS. District Periodic Plans are prepared by District Development Committees (DDC) and municipalities.

The NDS is linked to the budget through a medium-term fiscal framework (MTFF) and there have been preliminary efforts to link the sector strategies to the budget process through the MTEF. The national development strategy does not prioritise targets or lay out a strong mechanism for achieving them. This is largely

INDICATOR 1

Do countries have operational development strategies?

done through the medium-term expenditure framework (MTEF). First priority projects identified by the MTEF are assessed for their performance quarterly and this assessment is linked to the next disbursement tranche. The MDGs and cross-cutting themes are integrated with the national development strategy on a basic level. However, although the MDGs are linked to the NDS, the link is not strong and there is no evidence of tailoring the MDGs to Nepal's context. The NDS tentatively addresses cross-cutting themes, but these themes are not mainstreamed throughout the strategic approach. Gender equality and female empowerment issues are notably grounded in the national development strategies. A performance orientation has been established in the budget process and is being further institutionalised.

In recent years, Nepal has given a high priority to participation and inclusion issues. They are at the heart of the recent development strategies and participatory mechanisms have also been put in place at all levels. A key challenge remains in improving the quality of participation, especially at the local level and for disadvantaged groups, and in ensuring that the participatory process truly captures the voices of beneficiaries and is not hijacked by a select number of groups with higher capacity. Inconsistencies in participatory mechanisms across sectors/agencies make it difficult to identify the most important stakeholders and determine their level of inclusion. The quality of participation is another aspect to be considered so that the outcomes of the consultations address the problems of the majority, rather than selected individual interests. Participants are selected based on their stake in the issue at hand. Normally the Parliament is invited to participate in information sharing and consultation in various forums. The private sector, unions and civil society participate in regional- and national-level consultations, often in thematic group meetings and provide inputs if necessary. The National Planning Committee organises consultation at regional levels, which involves the participation of representatives from all local governments, government line agencies, political parties, and gender and minority groups.

Nepal's development plans, policies and strategies have evolved with the discourse on women and development since the Sixth National Plan (1982). The approach paper of the current Three-Year Plan aims to provide equal opportunities to all by ending all forms of discrimination and inequalities. Women's role in the sustainable peace and development process will be strengthened by socially, economically and politically empowering women of all castes, social classes and regions. Gender mainstreaming and women empowerment programmes have been built in the sectoral plans to improve the capacity of women to claim their rights and their position in society, and opportunities to generate employment and income. Government has taken a two-pronged strategy in budgeting for gender equity and equality. First, it has allocated a budget for women's empowerment through the Ministry of Women, Children and Social Welfare. Secondly, the government has established gender responsive budgeting. Introduced in FY 2007/08 by the National Planning Commission (NPC) and Ministry of Finance, the new system requires all line ministries and departments to code their programmes/budget along three categories based on their gender responsiveness. The Government of Nepal allocated approximately 18% of its total budget for direct support to women in the 2010/11 budget. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

Alignment has generally improved, yet no targets have been met. The recording of aid on budget is above target; however the average donor ratio and the comparatively lower scores among major donors indicate that this overall result is a misleading assessment of progress. Co-ordinated technical co-operation and untied aid

are very close to meeting the target, while the reliability of PFM systems has declined, as has their utilisation by donors. Use of country procurement systems has significantly declined since 2007. However, the government has adopted reforms in recent years, including substantial reforms in PFM and procurement, the adoption of an Aid Management Platform that allows for more comprehensive tracking of ODA flows, the active promotion of the use of country systems. Notable challenges remain in the lack of implementation capabilities in government agencies, in the development of clear capacity development strategies at the national and sector level, in donor reservation to use the national systems, and in aid conditionality.

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system to ensure that the budget is implemented as intended in a controlled and predictable way; and timely and accurate accounting and fiscal reporting, including timely and audited public accounts with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

Nepal received a score of 2.5 regarding the indicator on reliable public financial management (PFM), a setback from the 2007 score of 3.5 and below the 2010 target of 4.0. According to the Nepalese government this rating "does not reflect the significant efforts made by Nepal... to improve PFM and fight against corruption since the last survey."

In order to address PFM shortcomings, the government has established a Public Expenditure and Financial Accountability Steering Committee and Secretariat to oversee the implementation of reforms, and approved a PFM Reform Programme. A number of initiatives are ongoing to strengthen the PFM systems at national and sub-national levels, enhance information technology capacity, put in place the legal and institutional infrastructure, train staff, functionalise oversight agencies and conduct social audit and public hearings. Donors have expressed concern that there has been no stable leadership of key accountability/ anti-corruption bodies. To address PFM weaknesses, reform efforts need to go beyond technical fixes and consider political economy factors.

The PEFA assessment in 2008 concluded that the fiduciary risk in Nepal continued to be "high" as indicated by some of the key features of PFM benchmarks. Although the budget is considered credible, and aggregate outputs and revenue are good, the Nepalese PFM system is not comprehensive or transparent, and budget execution lacks predictability and control. Requirements for improvement include policy-based budgeting, accounting, recording and reporting, and concerted efforts to convince development partners to use national procedures.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform

INDICATOR 2
Building reliable
country systems

INDICATOR 2a
How reliable are
country public financial
management systems?

INDICATOR 2b
How reliable are country
procurement systems?

programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

No assessment was made on the reliability of country procurement systems in 2010. However, the government has initiated a governance reform programme for effective public service delivery, of which public procurement is a key focus. As a part of this reform agenda, the government promulgated the 'Public Procurement Act and Regulations' in 2007. Anti-corruption laws have also been put in place and a Commission for Investigation of Abuse of Authority and National Vigilance Centre is functional. Efforts are currently ongoing to develop locally trained human resources to improve procurement planning and implementation. However, challenges remain in enforcing procurement law.

INDICATOR 3

Aligning aid flows on national priorities

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m)	Aid disbursed by donors for government sector in 2010 (USD m)	2005		2007		2010*		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%)		
			a	b	c = a / b	c = b / a			
Asian Dev. Bank	182	157	--		79%				0
Australia	5	13	--				39%		9
Canada	0	0	--				--		4
Denmark	16	34	--		41%		48%		0
EU Institutions	43	20	--			0%		46%	0
Finland	8	15	--		30%		53%		3
France	--	--	--			0%	--		0
GAVI Alliance	4	7	--			68%		54%	0
Germany	22	44	--		14%		50%		0
Global Fund	7	6	--			43%		90%	1
IFAD	7	5	--			61%		78%	0
Japan	62	50	--		66%			81%	5
Korea	17	6	--			0%		36%	1
Netherlands	3	2	--			24%		80%	0
Norway	14	28	--		37%		51%		0
Saudi Arabia	--	--	--			56%	--		0
Switzerland	8	22	--		18%		35%		0
United Kingdom	47	56	--		96%		84%		3
United Nations	28	74	--			74%		38%	0
United States	11	41	--			77%		28%	2
World Bank	212	130	--		88%			61%	0
Average donor ratio			--		46%		58%		
Total	695	710	--		74%		98%		27

* Ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets with at least 85% of aid reported on the budget. Ninety-eight percent of Nepal's aid was reported on budget in 2010, an increase from 74% in 2007 and exceeding the target. Of major donors to Nepal, the Asian Development Bank scores highest with 86% of its funds accurately estimated, while the World Bank scored relatively low at 61%. Overall, the average donor ratio of 58% and comparatively lower scores among major donors indicates the overall figure of 98% is a misleading assessment of progress.

The main reasons for discrepancies between estimates and actual disbursements include: (1) exclusion of technical assistance and NGO and directly executed (donor) projects, scholarships and debt-relief funds, and donors' direct funding from the budget, (2) differences in the recording process (fiscal year, terminologies), and (3) government's weak absorption capacity.

Almost all donors show commitment towards aligning their strategies with the national frameworks. However, some donor headquarter policies fail to delegate adequate authority to their country offices on this issue. Gaps in estimates can be narrowed by regular interaction on public financial management issues and gradual confidence-building measures, and additional consultations with donors to reach the broadest possible consensus on foreign aid policy.

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. The Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

In 2010, 55% of disbursed aid to Nepal was recorded in public accounts, a slight increase from the previous survey of 47%. Of the major donors the government sector, the Asian Development Bank and World Bank are the highest scoring donors at approximately 85%, whilst the United States, United Nations and Japan score significantly lower. The apparently slow progress, however, should not be taken at face value as technical assistance and NGO-executed projects are not statutorily reflected on budget (but are recorded elsewhere), as confirmed by an analysis of in-year predictability in donor systems. Gaps between disbursed aid and that recorded in public accounts is due to a number of reasons, such as delays caused by conditionality issues, complicated and uncoordinated donor reporting requirements and disbursement processes, and the fact that one third of all on-budget aid to Nepal does not flow through the national treasury. In order to make progress on aid predictability and accounting, the government has reformed administrative and budget processes to execute projects timely and disburse funds, adopted programme-based approaches and an aid management platform, and discouraged off-budget funding in order to fully capture of disbursement in accounting systems. According to donor records, 86% of aid flows scheduled to the government are disbursed. Donors

INDICATOR 7
Providing more
predictable aid

have listed late financial reporting or auditing as reasons for delays in disbursements. Information on annual commitment and disbursement is largely provided timely and fully (although this varies between donors).

The Accra Agenda for Action commitments have not been explicitly referenced in formal agreements in Nepal. Donors participating in sector-wide approaches (SWAs) have started preparing medium-term rolling expenditure plans, but without clear co-ordination with the government. In 2011, the Government of Nepal implemented an aid management platform, a national online database on ODA which includes information regarding planned disbursements per fiscal year for both on and off-budget projects.

TABLE 4:
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2010	Aid scheduled by donors for disbursement in 2010	2005		2007		2010*		For reference: Aid disbursed by donors for government sector in 2010	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010**	
	(USD m)	(USD m)	(for reference)		(for reference)		(%)		(USD m)	(%)	
	a	b					c = a / b	c = b / a	d	e = d / b	e = b / d
Asian Dev. Bank	93	107	--		48%		87%		157		68%
Australia	5	13	--		0%		39%		16		85%
Canada	0	0	--				--		0	--	
Denmark	9	18	--		22%		48%		19		96%
EU Institutions	0	23	--			0%	1%		24		95%
Finland	2	17	--		9%		14%		16	91%	
France	--	--	--			0%	--		--	--	
GAVI Alliance	3	11	--		52%		24%		7	59%	
Germany	10	32	--		9%		31%		38		84%
Global Fund	2	3	--		85%		58%		8		40%
IFAD	6	6	--		69%		97%		4	65%	
Japan	21	64	--		75%		33%		64	100%	
Korea	13	6	--					43%	6		92%
Netherlands	1	0	--			0%		0%	2		0%
Norway	3	14	--		20%		20%		20		70%
Saudi Arabia	--	--	--			0%	--		--	--	
Switzerland	1	18	--		10%		8%		22		84%
United Kingdom	27	17	--		42%		60%		67		25%
United Nations	20	99	--		38%		20%		85	86%	
United States	0	41	--		56%		1%		41	100%	
World Bank	145	175	--		76%		83%		176		100%
Average donor ratio			--		32%		37%			74%	
Total	362	664	--		47%		55%		769		86%

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

INDICATOR 4

Co-ordinating support to strengthen capacity

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

Under the Paris Declaration donors committed to providing technical co-operation that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this

assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	3	3	--	0%	100%
Australia	0	7	--	9%	0%
Canada	0	5	--	0%	0%
Denmark	1	1	--	36%	100%
EU Institutions	0	0	--	0%	0%
Finland	0	6	--	0%	0%
France	--	--	--	--	--
GAVI Alliance	0	0	--	--	--
Germany	16	16	--	14%	100%
Global Fund	0	0	--	--	--
IFAD	0	0	--	72%	21%
Japan	11	11	--	77%	100%
Korea	2	3	--	99%	94%
Netherlands	1	3	--	0%	30%
Norway	0	0	--	5%	--
Saudi Arabia	--	--	--	--	--
Switzerland	10	14	--	0%	73%
United Kingdom	0	31	--	9%	1%
United Nations	26	64	--	24%	41%
United States	22	41	--	0%	53%
World Bank	13	17	--	55%	79%
Total	105	220	--	15%	48%

TABLE 5:
How much technical
co-operation is
co-ordinated with
country programmes?

Forty-eight percent of technical co-operation was co-ordinated in 2010, significantly more than the 2007 figure of 15% and almost meeting the 2010 target of 50%. Of the larger donors to Nepal in this regard, Germany, Japan, Switzerland and the World Bank co-ordinate the largest proportion of technical co-operation, while the United Kingdom and the United Nations score relatively poorly.

In Nepal, technical co-operation in most cases remains implemented through parallel systems. Performance on this indicator reflects a base level of co-ordination of technical co-operation (alignment on national needs), but it does not reflect the fact that implementation modalities (such as pooling of technical co-operation or placing technical co-operation under effective government management) are relatively less developed. The education and health sector SWAPs account for a large proportion of co-ordinated technical co-operation, although clearer strategies have now been developed in several other sectors and can serve as references for the co-ordination of technical co-operation. However, technical co-operation remains more supply-led than other aid modalities, causing aid fragmentation and impeding further harmonisation.

A key challenge for the government is to develop clear capacity development strategies at national and sector levels. On the donor side, commitments to improve the co-ordination of technical co-operation have yet to be fully realised. Other challenges in technical co-operation include the lack of a comprehensive information system on technical assistance, co-ordination in the distribution of technical co-operation, and the provision of technical co-operation to sectors of donor preference rather than government priority sectors. To identify and communicate clear objectives and strategies for capacity development, the Foreign Aid Policy and the periodic plan of the Nepalese government outline national priorities, and line ministries convey their priorities to donors during project negotiations. The National Planning Commission and Ministry of Finance leads

on the preparation of budgets and programmes, while the Ministry of General Administration prepares an overarching human resource development plan for the civil service and supports the plan of line ministries. Most donors agree to co-ordinate and integrate under country programmes, but realisation of these commitments has proved difficult. One notable successful initiative is the Nepal Peace Trust Fund, a multi-donor fund that pools resources for capacity building among other peace and reconstruction objectives.

INDICATOR 5
Using country systems

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the government's long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

TABLE 6:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m)	Public financial management						Procurement			
		Budget execution	Financial reporting	Auditing	2005	2007	2010	Proc. systems	2005	2007	2010
		(USD m)	(USD m)	(USD m)	(for reference)	(for reference)	(%)	(USD m)	(for reference)	(for reference)	(%)
a	b	c	d			avg(b,c,d)/a	e			e / a	
Asian Dev. Bank	157	157	157	157	--	96%	100%	157	--	96%	100%
Australia	16	9	9	9	--	--	58%	9	--	--	58%
Canada	0	0	0	0	--	--	--	0	--	--	--
Denmark	19	17	17	11	--	100%	79%	11	--	100%	58%
EU Institutions	24	24	24	24	--	--	100%	0	--	--	0%
Finland	16	5	0	11	--	100%	33%	5	--	100%	30%
France	--	--	--	--	--	--	--	--	--	--	--
GAVI Alliance	7	0	0	0	--	33%	0%	0	--	0%	0%
Germany	38	22	22	22	--	20%	57%	22	--	60%	57%
Global Fund	8	2	8	8	--	100%	77%	0	--	0%	0%
IFAD	4	4	4	4	--	100%	100%	0	--	100%	0%
Japan	64	12	12	12	--	26%	19%	12	--	26%	19%
Korea	6	0	0	0	--	0%	0%	0	--	0%	0%
Netherlands	2	0	0	0	--	0%	0%	0	--	0%	0%
Norway	20	10	20	8	--	95%	63%	13	--	84%	65%
Saudi Arabia	--	--	--	--	--	0%	--	--	--	0%	--
Switzerland	22	7	7	7	--	25%	30%	7	--	0%	30%
United Kingdom	67	19	27	27	--	100%	36%	30	--	100%	44%
United Nations	85	4	8	7	--	7%	7%	0	--	1%	1%
United States	41	1	0	0	--	2%	1%	0	--	0%	0%
World Bank	176	176	176	176	--	98%	100%	0	--	25%	0%
Total	769	468	489	481	--	68%	62%	266	--	56%	35%

INDICATOR 5a
Use of country public financial management systems

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country's PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country's PFM systems. There is no target for countries scoring less than 3.5.

Between 2007 and 2010, there was a slight decline in the proportion of aid using country PFM systems from 68% to 62%, however, no target is applicable. Of the major donors to the government sector, the United States, the United Kingdom, United Nations and Japan used country systems the least, while the World Bank, Asian Development Bank, and European Institutions notably channelled all their aid through country systems. National PFM systems are in use both for budget support and project support, which are mostly funded by multilateral donors and a limited number of bilateral donors. Generally, donors who do not use country systems (PFM or procurement) perceive country systems as ineffective and cumbersome, with fiduciary risks regarding corruption and weak capacity. However, reasons for not using country systems are not always communicated clearly by donors. Donors have also highlighted the negative impact of high staff turnover on national PFM capacities, including at the highest levels where stable leadership is lacking for key institutions.

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

INDICATOR 5b
Use of country
procurement systems

Since 2007, the proportion of aid using country procurement systems has declined substantially. Only 35% of disbursements to the government sector made use of these systems in 2010 compared to 56% in 2007. Relevant institutional establishments (*i.e.* the enactment of Procurement Act and Rules) have strengthened the credibility of the procurement system, but doubts remain among donors on the efficiency and effectiveness of the system. Uneven implementation of procurement legislation and the lack of legal action against those violating the laws remain major concerns. The Procurement Act and Rules 2007 provide common (internationally based) standards for the country procurement systems beyond general or sector budget support. However, most donors use their own oversight mechanisms or procurement guidelines.

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be “parallel” when it is created by the donor and operates outside existing country institutional and administrative structures. In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity development efforts, distort salaries and weaken accountability for development.

INDICATOR 6
Avoiding parallel
implementation
structures

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

The number of recorded parallel project implementation units (PIUs) dropped from 106 in 2007 to 68 PIUs in 2007. Given the total volume of aid to the government sector increased significantly from 2007 (65%), this is a notable reduction. While an increase in sector-wide approaches (SWAs) and the move away from traditional project-based approaches have been slower than initially planned, these figures remain encouraging and illustrate efforts on the part of most donors to better co-ordinate among themselves and align with national management systems.

PIUs are utilised in Nepal mainly due to the lack of trust among donors regarding the capacity and effectiveness of government systems. The number of PIUs decreased after the adoption of SWAs in the education and health sectors, but phasing out PIUs in the coming years primarily requires a transition from the current project-focused support to sector-wide approaches and other PBA modalities for capacity development in the public sector. To avoid creating new parallel PIUs, the government and donors have adopted various capacity development measures across different ministries. Donors are committed to opt for PIUs only where national capacity

is not sufficient. Donors tend to bring government staff in PIUs and pay top-up salaries, but government policy against salary top-ups discourages donors from diverting human resources from within the government system.

TABLE 7:
How many PIUs are parallel to country structures?

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	--	0	0
Australia	--	0	2
Canada	--	8	3
Denmark	--	2	1
EU Institutions	--	1	1
Finland	--	3	5
France	--	0	--
GAVI Alliance	--	0	0
Germany	--	0	0
Global Fund	--	0	0
IFAD	--	0	0
Japan	--	0	0
Korea	--	0	0
Netherlands	--	0	0
Norway	--	2	0
Saudi Arabia	--	0	--
Switzerland	--	15	10
United Kingdom	--	12	9
United Nations	--	32	19
United States	--	31	18
World Bank	--	0	0
Total	--	106	68

INDICATOR 8 Untying aid

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD’s Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

In 2009, 96% of aid to Nepal was untied, almost meeting the target, but approximately the same as in previous surveys. Most of donors untie 100% of their aid to Nepal, with the notable exception of Italy at 21% and the United States at 80%. Modalities accounting for the relatively high proportion of untied aid include: budget support; untied pooling and non-pooling partners in the education and health SWAps donors; a shift to programmatic approaches. Generally, there is a willingness to respect the principles of aid effectiveness in this regard, and government and civil society advocacy for untied aid over previous years have had an impact.

CONDITIONALITY

Although donors understand the need to agree on limited and streamlined conditionalities as much as possible, they have not made specific efforts on this during the survey period. In Nepal conditionality cannot be completely abolished, but streamlined and reduced by adopting such measures as: (1) forwarding foreign loans and grant project documents to the Cabinet for approval; (2) conducting foreign loans and grant

agreement ceremonies publically and in front of the press; (3) issuing a press release on the day of agreement; (4) making public all conditionalities attached to the loan and grants and allowing for civil society's discussion; (5) facilitating public access to information on development projects and relevant documents. ■

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	7.1	7.1	0%	100%	100%
Austria	1.2	1.0	59%	54%	81%
Belgium	0.5	0.5	--	100%	100%
Canada	0.9	0.9	36%	59%	100%
Denmark	45.5	45.5	100%	100%	100%
Finland	32.5	32.5	100%	100%	100%
France	0.3	0.3	100%	62%	100%
Germany	6.1	5.6	76%	99%	92%
Ireland	1.2	1.2	100%	100%	100%
Italy	0.3	0.1	0%	--	21%
Japan	56.3	56.3	100%	100%	100%
Korea	0.6	0.5	--	3%	90%
Luxembourg	1.3	1.3	100%	100%	100%
Netherlands	1.8	1.8	7%	100%	100%
New Zealand	0.9	0.9	100%	100%	100%
Norway	65.1	65.1	100%	100%	100%
Portugal	0.0	0.0	--	100%	--
Spain	47.8	47.6	0%	11%	100%
Sweden	1.2	1.2	100%	100%	100%
Switzerland	25.0	25.0	100%	94%	100%
United Kingdom	82.4	82.4	100%	100%	100%
United States	79.3	63.1	83%	91%	80%
Total	457	440	96%	95%	96%

TABLE 8:
How much bilateral aid is untied?

Source: OECD Creditor Reporting System.

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the transaction costs associated with aid management. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based-approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that two-thirds of aid flows are provided in the context of PBAs.

INDICATOR 9 Using common arrangements

In 2010 the use of programme-based approaches (PBAs) was relatively limited in Nepal at only 31% of total aid. Although some progress has been made since 2007, performance falls short of the 2010 target of 66%.

TABLE 9:
How much aid is
programme based?

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
Asian Dev. Bank	30	0	30	157	--	14%	19%
Australia	9	0	9	16	--	0%	56%
Canada	0	4	4	5	--	0%	82%
Denmark	19	3	22	30	--	50%	72%
EU Institutions	21	0	21	32	--	0%	64%
Finland	0	5	5	16	--	42%	30%
France	--	--	--	--	--	0%	--
GAVI Alliance	0	0	0	7	--	22%	0%
Germany	2	10	12	38	--	14%	33%
Global Fund	0	8	8	19	--	73%	40%
IFAD	0	0	0	4	--	0%	0%
Japan	7	0	7	64	--	3%	11%
Korea	0	0	0	7	--	0%	0%
Netherlands	2	3	5	6	--	0%	90%
Norway	0	13	13	38	--	39%	34%
Saudi Arabia	--	--	--	--	--	0%	--
Switzerland	3	9	11	24	--	14%	47%
United Kingdom	22	3	25	95	--	32%	26%
United Nations	0	13	13	102	--	14%	13%
United States	0	22	22	41	--	2%	53%
World Bank	0	63	63	176	--	44%	36%
Total	114	156	269	875	--	23%	31%

Among major donors to Nepal in this regard – the Asian Development Bank, World Bank, Japan, United Kingdom and United Nations – all score less than 37%. The number of PBAs has not increased as much as initially envisaged. Progress thus reflects higher levels of donors' investment in some sectors, rather than a significant expansion in the number and scope of PBAs across the board. However, there is strong willingness to lead and promote PBAs by country authorities, and a corresponding commitment to expand the use of the PBAs by an increasing number of donors. The major challenges in channelling a greater portion of aid in support of PBAs are the weakening of government capacity due to political instability and insufficient capacity in some line ministries to lead a more harmonised approach, a lack of concrete measures to institutionalise the PBAs, the lack of appropriate incentives among donors and restrictions on PBA participation among some bilateral donor headquarters.

INDICATOR 10a
Joint missions

A common complaint of partner countries is that donors make too many demands on their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared. The 2010 target is that 40% of donor missions to the field are conducted jointly.

Twenty-one percent of donor missions in Nepal were co-ordinated in 2010, a slight setback since the 2007 number of 23% and considerably below the 2010 target of 40%. Significant differences remain among donors on this indicator, with nearly half reporting no, or very few, co-ordinated missions or analytical works. Various joint mechanisms have been developed by donors to further strengthen harmonised approaches in the health, education, peace and local governance sectors. However, joint assessments and reviews are more *ad hoc* in other sectors. Joint annual reviews are mostly undertaken under sector-wide approaches.

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	10	43	--	11%	23%
Australia	8	9	--	33%	89%
Canada	0	4	--	44%	0%
Denmark	5	10	--	75%	50%
EU Institutions	0	10	--	43%	0%
Finland	3	10	--	100%	30%
France	--	--	--	--	--
GAVI Alliance	1	2	--	100%	50%
Germany	9	12	--	25%	75%
Global Fund	1	7	--	0%	14%
IFAD	0	5	--	33%	0%
Japan	0	12	--	0%	0%
Korea	0	7	--	33%	0%
Netherlands	0	0	--	--	--
Norway	0	4	--	18%	0%
Saudi Arabia	--	--	--	--	--
Switzerland	0	2	--	0%	0%
United Kingdom	5	8	--	100%	63%
United Nations	26	99	--	80%	26%
United States	4	5	--	14%	80%
World Bank	39	92	--	35%	42%
Total	72	341	--	23%	21%

*The total of coordinated missions has been adjusted to avoid double counting. A discount factor of 35% is applied.

TABLE 10:
How many donor missions are co-ordinated?

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

INDICATOR 10b
Joint country analytic work

The share of co-ordinated analytical works in Nepal in 2010 was 47%, an increase from 28% in 2007, but below the 2010 target. Of donors who co-ordinated a significant amount of analytic work in 2010, the United Nations (accounting for half of all analytic work) co-ordinated 50%, the United Kingdom (100%), Germany (62%) and the World Bank and Asian Development Bank approximately 20%. Joint analysis in Nepal is becoming more frequent at the sector level. In addition to the joint strategic planning in the health and education SWAps, there has been joint analysis by donors and the government over roads and rural infrastructure. Unfortunately, however, sharing of country analytic works and policy discussions are often not followed by co-ordinated implementation.

AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries effectively to manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with the Deutsche Gesellschaft für Internationale Zusammenarbeit reveals that aid fragmentation increased from 2005-09 alongside an increase in country programmable aid (OECD, 2011b).

In order to decrease aid fragmentation and improve division of labour, the government has clearly indicated its preference for programme-based approaches, and small and fragmented projects are discouraged – as reflected in the new draft of the foreign aid policy and aid management platform. ■

TABLE 11:
How much country
analytic work is
co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010* (%) c = a / b
Asian Dev. Bank	1	5	--	0%	20%
Australia	2	2	--	100%	100%
Canada	0	1	--	--	0%
Denmark	1	1	--	100%	100%
EU Institutions	0	0	--	--	--
Finland	0	2	--	--	0%
France	--	--	--	--	--
GAVI Alliance	0	0	--	--	--
Germany	8	13	--	50%	62%
Global Fund	1	3	--	60%	33%
IFAD	0	2	--	50%	0%
Japan	0	0	--	--	--
Korea	0	0	--	--	--
Netherlands	0	0	--	--	--
Norway	0	0	--	20%	--
Saudi Arabia	--	--	--	--	--
Switzerland	0	0	--	--	--
United Kingdom	0	2	--	100%	0%
United Nations	35	50	--	33%	70%
United States	13	13	--	9%	100%
World Bank	1	4	--	60%	25%
Total	47	98	--	28%	47%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

MANAGING FOR RESULTS

INDICATOR 11 Do countries have results-oriented frameworks?

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Nepal has achieved the target score of B for its result-oriented framework, an improvement from C in 2007. The national development strategy (NDS) of Nepal incorporates a monitoring and evaluation (M&E)

framework to track progress. The M&E framework sets out clear institutional responsibilities and co-ordination for the most part, and is supported by a strong and comprehensive data collection system. However, only 25% of indicators have baseline data, and the main data sources have inadequate frequencies. Stakeholder access to public expenditure data and information on the NDS is provided through a variety of dissemination process.

The National Planning Commission is the central co-ordination agency for the overall monitoring of the periodic plans. Planning/Monitoring & Evaluation Divisions of sector ministries are responsible for monitoring at sectoral level. All sector ministries are preparing results-based frameworks for the NDS. Outcome and impact level indicators of the NDS contribute to the Millennium Development Goals. Most of the MDG targets are included in the NDS. In regard to co-ordinated country-level monitoring and evaluation, institutional responsibilities and co-ordination are mostly clearly explained and understood. The M&E framework tracks input, output, and outcome indicators for each activity under each sector, and line ministries and policymakers use M&E reports in order to inform policy formulation.

Collection and reporting of data disaggregated by sex and socially excluded groups is improving, through, for example, the Health and Education Management Information Systems (HMIS, EMIS) and census reports. However, it is not possible to say to what extent data disaggregated by sex are in fact used for decision making.

Major challenges in the implementation of managing for results in Nepal include: a lack of knowledge on results-based management and monitoring/evaluation, a lack of a human resources regarding development planning on results-based management, the absence of a robust data management system, resource constraints. A relatively solid results-based framework is in place but capacity to implement remains limited. As a result, the overall quality of results reporting is not yet up to standards and quality varies significantly between sectors. ■

MUTUAL ACCOUNTABILITY

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments, including on aid effectiveness. There are three criteria that must all be met: the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors; an assessment towards these targets undertaken by both partner and donors in the last two years, and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place.

Nepal was assessed to have functional mutual accountability mechanisms in 2010, improving the situation from 2007 where there were no mechanisms and therefore meeting the target. A local donors meeting held regularly at Ministry of Finance is one notable mechanism. Moreover, there have been mutual assessments of progress through the Nepal Portfolio Performance Review exercise, which initially focused on four donors but is now being expanded. Despite this, a national action plan on aid effectiveness has not yet been fully endorsed due to political transition, and there is no mechanism to regularly follow-up on commitments made in the draft plan. The NPPR process is at the moment focused on monitoring a number of indicators on the government side, but there are plans to introduce some indicators for donors in 2011-12, in line with the draft National Action Plan on Aid Effectiveness. With regard to specific donors, periodic joint reviews and

INDICATOR 12 Mutual accountability

assessments of the Asian Development Bank funded projects are being conducted annually. Line ministries also host periodic joint reviews with respect to World Bank projects. Health and education SWAs conduct mutual assessments of progress through Joint Assessment Reviews.

However, parliament and civil society are not involved in the progress review in a systemic way. Nepali civil society actors most often complain that the Paris Declaration has mostly revolved around donor-government relationships in enhancing aid delivery and management, with civil society excluded as active stakeholders, this has led to serious implications in aid disbursement and implementation. Local government is involved in mutual assessment through a local level progress review. Furthermore, there have been many instances in which gender equality and women's empowerment are reviewed, but there is no formal system for mutual review and assessment. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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