

Response to the International Development Committee's Inquiry on the Department for International Development's work in Nepal

2015
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Development Initiatives exists to end extreme poverty by 2030



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About us

1. Development Initiatives works to end extreme poverty by 2030 by making data and information on poverty and resource flows transparent, accessible and useable. We help decision-makers use information to increase their impact for the poorest people in the most sustainable way.
2. We work at every level:
 - Supporting local partners in East Africa and Nepal to use data. For example, we have trained volunteer 'resource trackers' in Northern Uganda to increase the use of information at local level.
 - Providing information and analysis to inform national and regional decision-making. For example, our Investments to End Poverty programme maps global resource flows and makes the data accessible online and offline.
 - Offering technical and political support to help improve international systems. We are the technical lead of the International Aid Transparency Initiative (IATI) secretariat supported by the governments of Sweden and Ghana, UNDP and UNOPS.
3. We are an international organisation with staff in Brazil, Kenya, Nepal, Uganda, UK and the US. This model allows us to be agile and flexible in our approach to drive change. We also provide consultancy services – undertaking analysis, editing reports and presenting data through infographics and digital visualisations.
4. We are funded by the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation and national governments including Canada, Netherlands, Sweden and the UK. We provide consultancy to non-governmental organisations, civil society organisations, philanthropic foundations, governments and multilateral agencies.

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Background

5. This submission seeks to provide an overview of donor spending in Nepal over recent years in order to situate spending by the UK (and the Department for International Development (DFID) in particular where possible) within the wider picture of international assistance to Nepal in order to inform and provide background information for the International Development Committee (IDC) in the undertaking of this inquiry. It is hoped that this information will assist the IDC in assessing the cost-effectiveness of DFID's programme in Nepal and the current allocation of resources to different strategic priority areas.
6. As set out in DFID Nepal's *Operational Plan (2011–2015)*¹, priorities for DFID's assistance to Nepal include support in adapting to the effects of climate change and reducing the risk from disasters; support in wealth creation and economic development; human development (focused on health, education, and water and sanitation); and promoting good governance and addressing corruption through support to security and justice systems.
7. Analysis in this submission includes an overview of donor spending in Nepal during 2011–13, including to the top sectors, highlighting the UK's contribution in particular.
8. In line with one of the specific aims of the inquiry to assess DFID's role in promoting governance and addressing corruption through supporting Nepal's security and justice system, focussed analysis is also provided on donor assistance to the conflict, peace and security sector in Nepal over recent years (2011–13), and the contribution of the UK to this in particular.
9. In addition, analysis has also been provided on DFID's spending on gender as per the Gender Equality Marker produced by the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD DAC). It is hoped that this will assist the IDC in assessing the extent that DFID has met commitments to support gender equality in Nepal as outlined in DFID Nepal's *Operational Plan (2011–2015)*², and more broadly in the 2014 *International Development (Gender Equality) Act*.³
10. Information presented in this submission has been drawn from the OECD DAC's Creditor Reporting System (CRS), which includes newly available data for 2013. Data from the International Aid Transparency Initiative (IATI) and the Government of Nepal's [Aid Management Platform](#) has not been used on this occasion as the CRS includes data for a wider set of donors, enabling comparisons to be made between the contributions from the UK with those of other donors.

1 DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

2 DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

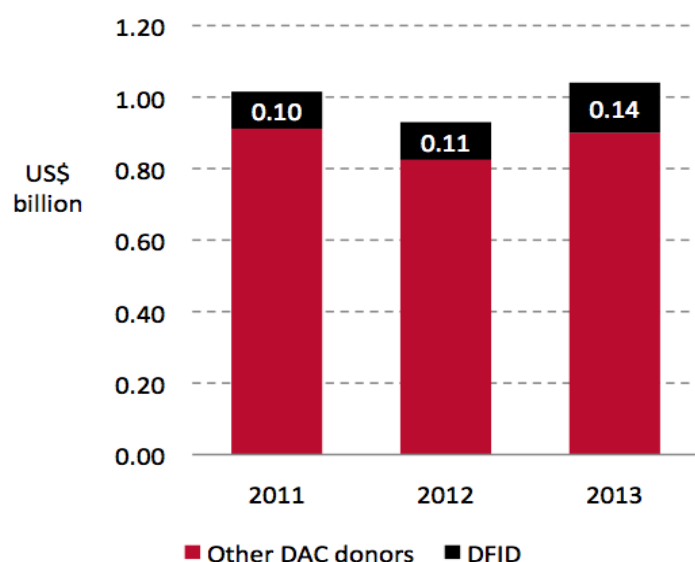
3 HMG (2014), *International Development (Gender Equality) Act*. See http://www.legislation.gov.uk/ukpga/2014/9/pdfs/ukpga_20140009_en.pdf

Trends in donor spending in Nepal, highlighting the UK's contribution

Donor spending in Nepal increased from 2011 – 2013, with the UK being the largest government donor

11. Official Development Assistance (ODA) to Nepal increased from US\$1.02 billion in 2011 to US\$1.04 billion in 2013, although it dipped to US\$0.93 billion in 2012.
12. Disbursements to Nepal from the UK during 2011 and 2013 increased annually, from US\$105 million in 2011 to US\$145 million in 2013. The vast majority (97%) of the UK's disbursements came from DFID, with the FCO contributing 2.4%, and DEFRA contributing 0.1%.
13. Spending by the UK as a proportion of total donor funding to Nepal is significant – comprising 12% (US\$359 million) of all donor contributions during 2011 – 2013 (US\$3 billion). The UK has become an increasingly visible donor in Nepal – its contributions to overall donor spending in Nepal increased from 6.6% in 2011 to 11% in 2013.

Figure 1: ODA Disbursements to Nepal (2011 – 2013).



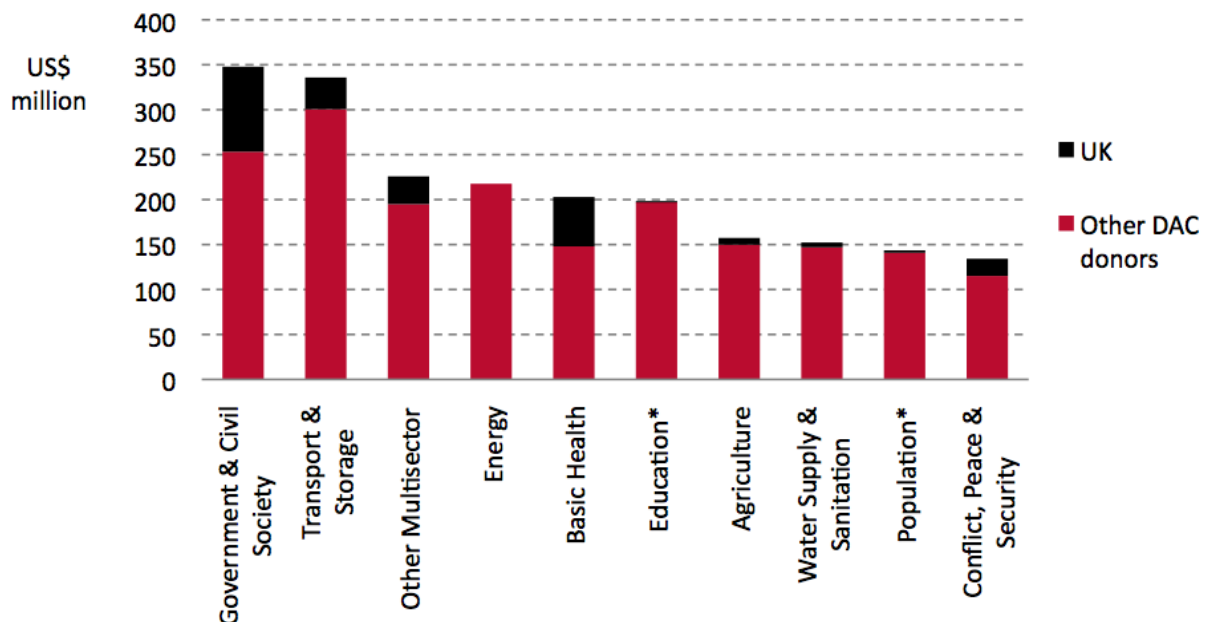
Source: Development Initiatives based on OECD DAC CRS.

14. The UK was the largest annual government donor to Nepal consistently during 2011 – 2013, disbursing US\$360 million during this period, which is significantly higher than the disbursements of the second largest government donor, the US, during this period (US\$205 million).
15. In terms of volume, during 2011 – 2013, the largest donor to Nepal was the World Bank's International Development Association (IDA), which disbursed US\$622 million. Following the IDA, the Asian Development Bank was the second largest donor, disbursing US\$455 million of 'Special Funds' during this period.

The UK made the largest contribution to the ‘government and civil society’, ‘basic health’, ‘transportation and storage’ and ‘conflict, peace and security’ sectors during 2011–13

16. The ‘government and civil society’ sector received the largest volume of donor funding overall during 2011 – 2013 (US\$347.9 million), followed by ‘transportation and storage’ (US\$335.8 million) and ‘other multi-sector’ (US\$226 million). (For a detailed outline see Annex 1.)
17. In terms of proportional contributions, the UK provided the highest proportion of total donor spending to each of the ‘government and civil society’ and ‘basic health’ sectors (27%), followed by ‘other multi-sector’ (14%), the ‘conflict, peace and security’ sector (11%) and the ‘transportation and storage’ sector (10%).
18. In terms of volume, the UK provided the largest volume of funding to the ‘government and civil society’ sector (US\$95 million), which is almost double the contributions made to the ‘basic health’ sector (US\$55 million), followed by the ‘transport and storage’ sector (US\$35 million), ‘other multi-sector’ (US\$30 million), and the ‘conflict, peace and security’ sector (US\$18 million).
19. Whilst the UK provided the fifth largest volume of funding to the ‘conflict, peace and security’ sector in Nepal during 2011–13, funding to this sector during this period ranked eleventh in terms of overall donor funding, indicating that DFID may prioritise this sector more significantly than others donors.

Figure 2: The UK's ODA contribution as a share of global ODA to the top ten sectors in Nepal, 2011–13



Source: Development Initiatives based on OECD DAC CRS.

The UK's prioritisation of support to sectors is largely aligned to the strategic focus areas outlined in DFID Nepal's *Operational Plan (2011–2015)*

20. The UK's prioritisation of support to sectors (see paragraphs 17 and 18) is largely in line with the strategic priority areas for assistance outlined in DFID Nepal's *Operational Plan (2011–2015)*⁴, particularly the pillars on 'governance and security' (relating to spending under the 'government and civil society' and 'conflict, peace and security' sectors), 'human development' (relating to spending under the 'basic health' sector) and 'wealth creation' (relating to spending under the 'transportation and storage' sector).
21. It is however worth noting that UK's contribution to the 'education' (1%) and 'water supply and sanitation' (4%) sectors as a proportion of total donor spending was low given that these sectors feature as priorities under the 'human development' pillar outlined in the DFID Nepal's *Operational Plan (2011–2015)*.⁵

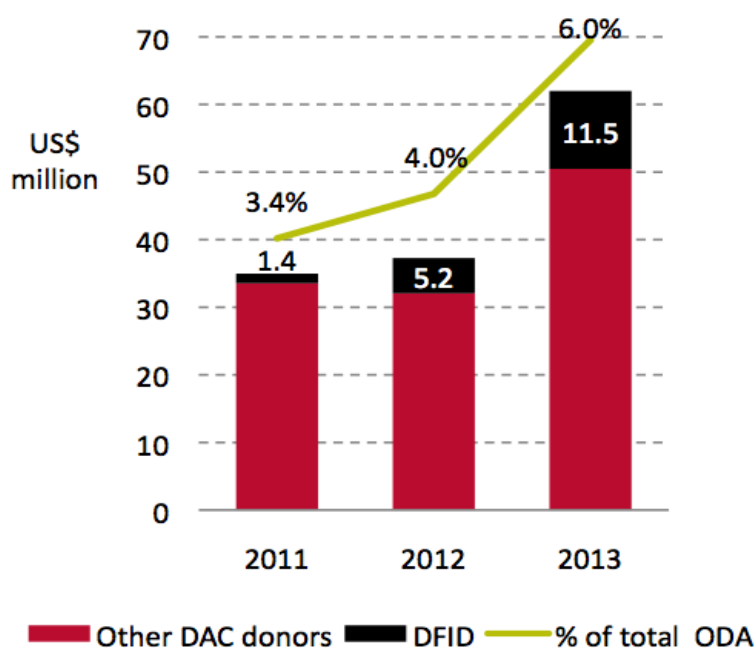
Donor spending on conflict, peace and security in Nepal increased during 2011 – 2013, with the UK being the largest government donor

22. Donor spending on the 'conflict, peace and security' sector increased annually during 2011–13, from US\$35 million in 2011 to US\$62 million in 2013. The increase in spending on this sector by donors is likely to reflect the fact that Nepal is a post-conflict context following the signing of a Comprehensive Peace Agreement in 2006, the exit of UN Mission from Nepal in 2010, and ongoing political instability.
23. Donor spending in this sector comprises 4.5% of total ODA received by Nepal during 2011–13. This share has increased annually, from 3.4% in 2011, to 4% in 2012 and to 6% in 2013.
24. In terms of volumes of funding, the European Union was the largest donor to the conflict, peace and security sector overall during 2011 – 2013. However, the UK was the largest government donor during this period, contributing US\$19 million overall. In 2013, contributions from the UK were double that of the second largest donor to the sector, Norway. See Annex 2 for a more detailed breakdown of donor spending on this sector.
25. The UK's contributions increased considerably during this period – from US\$1.8 million in 2011 to US\$12 million in 2013 (by 569% over the period). As a result, the UK has moved from being ranked the seventh largest donor to the sector in 2011 to the largest donor in 2013.

⁴ DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

⁵ DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

Figure 3: Proportion of ODA allocated to the 'conflict, peace and security' sector in Nepal, 2011 – 2013



Source: Development Initiatives based OECD DAC CRS.

26. In terms of proportional contributions, Norway contributed the greatest proportion of its ODA to Nepal to the 'conflict, peace and security' sector during 2011–13 (11.9%), followed by Denmark (11.8%), Switzerland (10.7%), Germany (8.5%), and the United States (5.5%). 5.2% of DFID's assistance to Nepal during 2011–13 was allocated to the 'conflict, peace and security' sector, yet this share has grown substantially from just 1% in 2011 to 8% in 2013.

The UK was the largest donor to gender equality in Nepal during 2011 – 2013

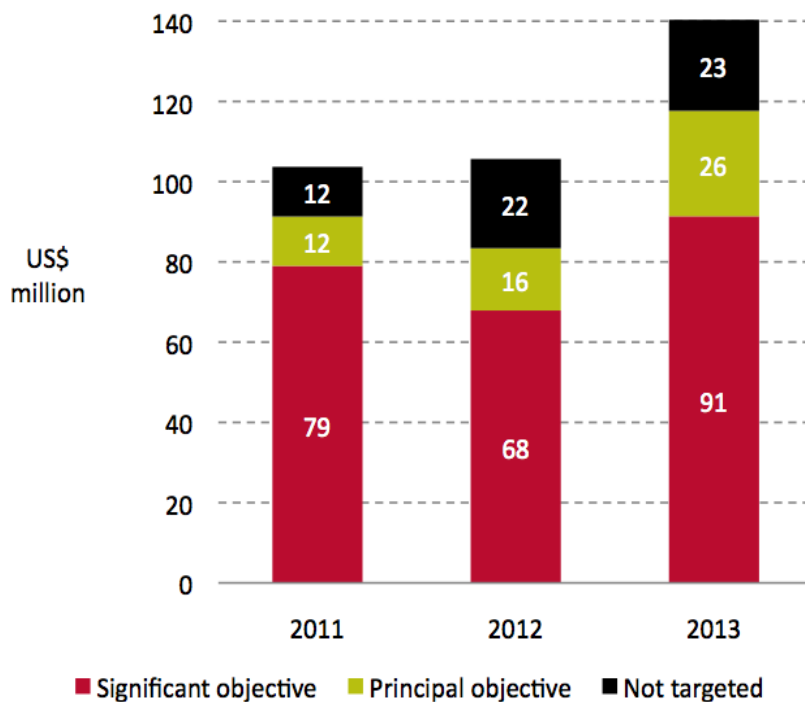
27. As per the OECD DAC Gender Equality Marker, the UK has continued to be the largest donor to projects coded as making a 'principal' or 'significant' contribution to gender equality⁶ each year during 2011 – 2013.

28. During 2011 – 2013, 84% of DFID's spending in Nepal was coded as making a 'principal' or 'significant' contribution to gender equality (US\$292 million out of US\$350 million).

29. DFID has increased disbursements to projects coded as making a 'significant' contribution to gender equality by US\$12 million (16%) from 2011 to 2013, and by US\$14 million (113%) for projects coded as making a 'principal' contribution.

Figure 4: DFID's spending in Nepal as per OECD DAC Gender Equality Marker (2011 – 2013)

⁶ The OECD DAC Gender Equality Marker includes the following categories: 2 (principal contribution); 1 (significant contribution); 0 (gender not targeted); and not screened (i.e. left blank).



Source: Development Initiatives based on OECD DAC CRS. Constant 2012 prices, based on disbursements data.

30. Germany was the second largest donor supporting gender equality in Nepal during this period, spending US\$108 million on gender-related projects, equating to 71% of its total disbursements to Nepal. In contrast, only 30% of spending by the United States (the second largest government donor to Nepal following the UK) was coded as gender-relevant.
31. DFID's spending on gender equality was concentrated on a number of select sectors during 2011–13 and largely aligned to the strategic priority areas identified in DFID Nepal's *Operational Plan (2011–2015)*⁷, see paragraph 18. Two-fifths of DFID's funding on projects coded as making a 'principal' contribution to gender equality was spent in the 'basic health' sector; under a third (29%) was spent in the 'transportation and storage' sector; and over a tenth (13%) was spent in each of the 'secondary education' and 'government and civil society' sectors.
32. DFID is strong at reporting on gender using the Gender Equality Marker. Only 3% of DFID's spending in Nepal during 2011–13 was not coded with a Gender Equality Marker and left blank. In contrast, other donors are weaker at reporting using the gender marker, where 29% of Japan's spending in Nepal during this period was left 'blank', and 22% of Germany's spending.

Areas of future focus

DFID could act as a champion of transparency and mobilise other donors in this area

⁷ DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

33. DFID Nepal is acting as a champion of donor best practise on transparency in Nepal. This has been illustrated through DFID's regular publishing to IATI. DFID's reporting to IATI of spending in Nepal can be seen via [Nepal's 'D-portal'](#) platform – an information platform that visualises IATI data with the aim of providing governments, parliamentarians and civil society with the information required to assist in the planning and monitoring of development activities. In addition and as outlined above, unlike some other donors, only a very small proportion of DFID's spending in Nepal during 2011–13 was not coded using the Gender Equality Marker.
34. In order to strengthen donor accountability and coordination in Nepal more widely – and ensure that resources are allocated on the basis of where needs are greatest – DFID should build upon this best practise through mobilising other donors to strengthen transparency by publishing to IATI, and report on support to gender through use of the OECD DAC Gender Equality Marker.

DFID should coordinate with other donors and the Nepali government in the identification of strategic priority areas to ensure that funding adds value and is based on needs

35. DFID Nepal's *Operational Plan (2011–2015)*⁸, sets out strategic priority areas based on an analysis of the context. However, to ensure that resources are allocated on the basis of needs and achieve the greatest impact, the selection of priority areas should not only be based upon an analysis of the context/needs of vulnerable groups but also on an understanding of what other donors and the government are already contributing in these areas to ensure that DFID's support to different sectors adds value and fills existing funding gaps.
36. This is also critical in terms of ensuring that development assistance meets the priorities set out in the Government of Nepal's new *Development Cooperation Policy 2014*, which specifies that that all aid should be aligned to their new [National Plan](#).
37. Whilst DFID's selection of strategic priority areas may be based on donor coordination and an assessment of where it can add value, it is important from a transparency and accountability perspective to articulate this clearly in country strategies and operational plans. For example, it would be interesting to understand whether DFID's increased prioritisation of the 'conflict, peace and security' sector (see paragraph 24) is an outcome of donor coordination and an assessment of where DFID can add value.

The linkages should be strengthened between funding to development, relief and peace and security

38. As a post-conflict country experiencing long-term development challenges and ongoing vulnerabilities to natural disasters and renewed conflict, Nepal is recipient to a wide range of (often) disconnected national and international relief, development and peace and security funding flows. To ensure that these resource flows have the greatest impact on poverty reduction in Nepal, and are targeted based on needs, it is critical that they are coordinated.
39. Whilst DFID does not fund humanitarian work in Nepal, it is working to bridge the gap between relief and development through its efforts on Disaster Risk Reduction (DRR) and building resilience, as set out in the *Operational Plan (2011–2015)*. Ongoing work in this area is critical to addressing the structural vulnerabilities that prolong crises. This is particularly important given that Nepal remains on the European Union's Humanitarian Aid

⁸ DFID Nepal (2013), *Operational Plan (2011–2015)*, updated 2013. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208964/Nepal.pdf

and Civil Protection Department's 'Forgotten Crisis' Index, and remains at risk of renewed hostilities. It is also important that DFID builds linkages between its work on resilience/development with its work on governance, peace and security.

40. More widely, DFID could act as a champion amongst donors in terms of linking development, relief and peace and security funding – sharing lessons learned relating to its work on resilience in particular. DFID should also seek to mobilise and coordinate with other actors and resource flows in Nepal – national and international; and public and private.

Annexes

Annex 1: Top ten sectors by volume of allocated ODA disbursements in Nepal.

2011		2012		2013	
<i>Top ten sectors</i>	<i>US\$ millions</i>	<i>Top ten sectors</i>	<i>US\$ millions</i>	<i>Top ten sectors</i>	<i>US\$ m</i>
Government and civil society – general	138.5	Government and civil society – general	97.6	Transport and storage	
Transport and storage	116.0	Energy	97.3	Government and civil society – general	
Education – level unspecified	99.6	Other multi-sector	78.9	Basic health	
Other multi-sector	81.5	Transport and storage	78.7	Water supply and sanitation	
Energy	66.3	Education, level unspecified	62.4	Other multi-sector	
Basic health	64.1	Agriculture	59.4	Conflict, peace and security	
Agriculture	51.5	Basic health	57.0	Basic education	
Population and reproductive health	43.4	Population and reproductive health	47.0	Energy	
Other social infrastructure and services	43.0	Water supply and sanitation	44.9	Population and reproductive health	
Water supply and sanitation	38.9	Basic education	41.3	Agriculture	

Source: Development Initiatives based on OECD DAC CRS. Constant 2012 prices, based on disbursements.

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Annex 2: Top ten country donors of ODA to Nepal by disbursements (2011–13) and the shares allocated to the ‘conflict, peace and security’ sector

<i>Top ten country donors of ODA to Nepal, 2011–13</i>	<i>Total ODA US\$ millions</i>	<i>CP&S ODA US\$ millions</i>	<i>CP&S as a share of total ODA, %</i>
United Kingdom	359.7	19.1	5.3
United States	204.2	11.1	5.5
Japan	195.1	4.8	2.5
Germany	146.7	12.5	8.5
Switzerland	124.5	13.3	10.7
Norway	124.5	14.8	11.9
Denmark	108.8	12.8	11.8
Australia	108.7	2.6	2.4
Finland	74.5	3.4	4.5
Korea	59.6	0.3	0.5

Source: Development Initiatives based on OECD DAC CRS. Constant 2012 prices, based on disbursements.