

EVALUATION OF THE COMMISSION OF THE EUROPEAN UNION'S CO-OPERATION WITH NEPAL

Abstract

Political instability has been a major issue throughout the whole period. In this difficult context, the EC formulated some good responses. Moreover, the EC support strategy has remained fully in line with the Government of Nepal's priorities and the EC co-operation has covered a variety of areas. A good mix of instruments and aid modalities was used in the overall portfolio.

However, important delays in the formulation and implementation of EC-funded interventions reduced significantly their effectiveness. The complex set-up with two EU Delegations involved in the formulation and implementation of the EC strategy in Nepal increased transaction costs.

The EC co-operation activities have benefited from continuous dialogue with the Government of Nepal. However, achievements in terms of synergy with EU Member States and other Development Partners have remained limited in some sectors and the EC has not played a key role in donor co-ordination. The role of the EC in sector policy dialogue has also remained relatively modest, except in the education sector. The recent establishment of a fully-fledged EUD in Kathmandu could help to enhance efforts in terms of co-ordination and policy dialogue.

Subject of the evaluation

The evaluation covers aid delivery in Nepal over the **period 2002-2010** and mainly corresponds to the 2002-2006 strategic cycle (Country Strategy Paper) and the first National Indicative Plan of the 2007-2013 cycle. The evaluation has paid specific attention to the support to Nepal's poverty reduction strategy, particularly in (i) Education, (ii) Rural Development, (iii) Renewable Energy and Environment, (iv) Peace Building and Consolidation of Democracy, and (v) Trade facilitation and integration in the international economy.

Methodology

The evaluation, based on **nine evaluation questions**, was conducted in four phases (structuring phase, desk study, field work and synthesis phase). The evaluation team collected selected primary data, in particular during the field work, to complement and cross-check secondary quantitative and qualitative data analysed during the desk phase (**more than 900 documents, including 54 EC Results-Oriented Monitoring**). Except in the areas of social inclusion and human rights where an **illustrative sample of 20 projects** was selected, the evaluation team reviewed all the interventions of the EC portfolio. In addition to **site observations in 12 districts and 4 regions**, the evaluation team interviewed **over 150 persons** covering a wide range of stakeholders both at central and local level.

Main conclusions:

1. By staying engaged with the Government of Nepal in fighting poverty, the EC has helped to keep the poverty reduction strategy on track in achieving the Millennium Development Goals. The EC interventions improved conditions for further **poverty reduction**. However, the direct contribution to increased production, employment and incomes remained rather limited as few and only small interventions were implemented in productive sectors.

2. The EC has actively participated in the **policy dialogue** with the Government of Nepal in line with the size of its support (the EC is a relatively small Development Partner), but more could have been done in several sectors of cooperation (e.g. trade, the rule of law and democracy).

3. The EC portfolio is characterised by a suitable **mix of instruments** and **aid modalities**. Despite the relatively weak institutional environment and the unstable political context, the move towards budget support was justified and has led to some tangible results. However, exclusively relying on budget support in Nepal is insufficient to improve the quality of the overall environment in which development takes place, as well as the quality of sector management.

4. Although important improvements were made in recent years in the process of establishing a fully-fledged Delegation in Nepal, **human resources** in the two EU Delegations involved were constrained during most of the period. In addition, during most of the evaluation period, the ownership and accountability of the Government of Nepal was low due to the unstable and rapidly changing political conditions.

Main recommendations:

1. The EC should focus on key areas where it is recognised as having extensive experience and where it can provide added value. Potential key areas are: trade, environment and disaster preparedness. Moreover, the EC needs to leverage its assets, which consist in large part of the relationships of trust that have been built up with national partners (including Government of Nepal) and other Development Partners. It also needs to build on and strengthen the professional expertise which it has in-country in the areas of democracy (elections), human rights, public financial management, peace and stability, and education.

2. The EC should increase the support to productive sectors, particularly in rural areas so as to strengthen the economic impact of the EC interventions.

3. The EC needs to engage more confidently in policy dialogue with national stakeholders, including both the Government of Nepal and Non State Actors.

4. Synergies between the various EC aid modalities and financing instruments as well as the role of Non State Actors in the implementation of the strategy should be further strengthened.

5. The EC, and particularly the EUD, should align its own capacity with the objectives set in its strategy, and continue to consolidate them. As soon as the political conditions improve and Nepal benefits from a stable and fully endorsed and accountable government, the EC should also give a greater role to national stakeholders in the design and implementation of its co-operation strategy.

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