

Attachment A

HIS MAJESTY'S GOVERNMENT OF NEPAL

ENABLING STATE PROGRAMME

**ADDENDUM TO PROGRAMME DOCUMENT
NOVEMBER 2003**

**Department for International Development
Nepal**

CONTENTS:

1. INTRODUCTION
2. BACKGROUND TO REVISIONS
3. REVISIONS TO LOGFRAME
4. REVISED PROGRAMME APPROACH
5. REVISED MANAGEMENT ARRANGEMENTS

ANNEXES:

ANNEX 1: REVISED LOGFRAME

ANNEX 2: TERMS OF REFERENCE FOR ESP PROGRAMME
ADVISORY GROUP

1. INTRODUCTION

1.01 The Enabling State Programme (ESP) represents a new way of addressing governance reform. An output to purpose review was conducted in February 2003. Some of the changes to be made following this review relate to improvements in the way in which the Programme, as set out in the original Programme document, will be implemented, but some are more fundamental and involve modification to the Programme itself. They include changing the Programme purpose. This addendum sets out the main changes to be made to the Programme, following the output to purpose review. The original Programme Document, of August 2000, will not be amended, but should be read in conjunction with this addendum.

2. BACKGROUND TO PROGRAMME REVISIONS

The Enabling State Programme

2.01 The Enabling State Programme embodies an innovative approach to tackling problems of governance in Nepal. In particular, it seeks to avoid the problems of poor national ownership and imposition of external ideas, which have hampered many attempts at governance reform. It is intended to contribute towards the achievement of pro-poor governance by helping to support a four-stage change process:

Stage 1: the development of a better practical understanding of governance and the development of advocates for change

Stage 2: change advocates influence decision makers to start carrying out reforms

Stage 3: a desire for change has been developed and major reforms are carried out

Stage 4: continuing improvements in a new environment of pro-poor governance.

2.02 ESP was intended to play a role in the first two of these stages and was itself intended to run for two phases. The purpose of Phase 1 of the programme was to “help Nepalis develop a better practical understanding of governance issues in Nepal and to build up a critical mass of Nepali advocates for change”. Phase 2 was to be designed in detail towards the end of Phase 1.

2.03 ESP was to achieve its purpose by funding exploratory activities and satellite projects, in response to Nepalese initiatives. Exploratory activities were to be small-scale interventions, intended to improve understanding of pro-poor governance and/or to develop ideas for satellite projects. Satellite projects were to be projects, developed in response to Nepalese ideas, which were to improve some aspect of governance but, more importantly, to help develop Nepalese

change advocates. Lessons learned from satellite projects and exploratory activities were to be disseminated widely, to help in improving understanding of governance and in the development of change advocates. The scope of pro-poor governance was taken as the seven governance capabilities defined in DFID's Pro-poor Governance Target Strategy Paper.

2.04 ESP was launched in early 2001, as a programme with two four-year phases. DFID approved funding of £6.5 million for exploratory activities and running costs (including inception activities) to cover both phases and £13 million for satellite projects in the first phase (January 2001 to January 2005).

Experience to Date and the Need for Changes

2.05 By the end of its first year of operation, a number of difficulties had become apparent. During 2002, some changes were made to the management arrangements. However, more fundamental problems with the programme design were becoming apparent. With the escalation of the conflict, the situation in Nepal had changed significantly from the time when the programme was first conceived. In early 2003 an output to purpose review of the programme was carried out. This confirmed the appropriateness of the earlier changes, identified some further problems and recommended more changes to the Programme. The management changes made in 2002 are explained and set out in a joint DFID Nepal/ESP memorandum of September 2002. The findings of the output to purpose review are set out in the Narrative Summary of Findings and Recommendations, produced by the output to purpose review team in February 2003.

2.06 The main problems may be summarised as follows:

- It has not proved practical to apply the "change advocate" concept operationally and the concept does not give sufficient recognition to the role of institutions and the importance of linkages and coalitions.
- Notwithstanding the practical difficulties with the "change advocate" concept, an approach which tries to address the whole governance agenda based on the four stage change model is questionable in the current circumstances. The conflict has generated new pressure for change and propelled a new group of change advocates into the arena. The need is for rapid progress in priority areas rather than efforts which are thinly spread and aimed at change over the longer term
- Although support for Nepalese ideas is central to the programme, this has only been applied at the level of individual exploratory activities and satellite projects. There is no effective provision for Nepalese input into the direction of the programme as a whole.

- The ESP team has been too disconnected from DFID Nepal. Although a high level of autonomy may have helped to ensure that ESP is flexible, ESP has not benefited sufficiently from DFID Nepal advisory inputs or from access to the wider DFID networks of governance expertise. The value of DFID Nepal advisory inputs has been diminished because they have tended to come late in the development of satellite projects.
- The original approach of inviting potential change advocates to submit applications for satellite project funding proved impractical. The number of applications received far exceeded the administrative and financial capacity of ESP to fund. Dealing with them involved an excessive administrative workload and many disappointed applicants.
- Insufficient attention has been paid to capturing and disseminating the lessons learned from ESP activities.

2.07 During 2003, DFID Nepal has been developing its Country Assistance Plan (CAP), which is due to be finalised shortly and which is based on support for His Majesty's Government of Nepal's Poverty Reduction Strategy Paper. The CAP sets out the broad strategy for DFID's support to Nepal over the next three to four years. As ESP forms a significant part of DFID support, ESP should fit within this strategy.

3. REVISIONS TO THE LOGFRAME

3.01 The ESP logframe has been amended. The revised version is at Annex 1. The new purpose "Nepalese reformers in key governance areas identified, encouraged and supported", is consistent with the spirit of the original, but is not tied to the four-stage change model or to the "change advocate" concept. "Reformers" could include individuals, organisations or coalitions and could include those who advocate change and those who have the power to implement change (both "change advocates" and "change leaders" in the terminology of the original programme document). The focus is on "key areas of governance" rather than the full governance agenda. Key areas of governance will be those falling within the scope of the DFID Nepal CAP. This will include not only the areas covered by the governance objective within the CAP but also governance issues which fall within the other objectives, particularly the objectives relating to social inclusion and to peace building.

3.02 With a greater emphasis on achieving change, rather than just developing pressure for change, the success of the satellite projects becomes one of the indicators at the purpose level (indicating that reformers have been effectively strengthened). Developing connections between reformers, between government and external agencies and between Nepalese actors and sources of international

experience and expertise also feature as indicators of success at the purpose level.

4. REVISED PROGRAMME APPROACH

4.01 The programme approach described in the original programme document will be changed as follows:

- The programme will no longer be based on the four-stage change model
- The programme will no longer attempt to cover the whole governance agenda, as defined in DFID's target strategy paper; rather it will focus on governance areas which feature in DFID Nepal's CAP. There will be no requirement to cover all these areas or to achieve a balance between them. Attention will be focused where there is judged to be the greatest prospect of success, bearing in mind also the relative importance of the different areas and the extent of any other donor support. The relative merits of engagement through ESP or directly by DFID Nepal will also be considered
- Whilst the main focus will be on areas of governance covered by DFID Nepal's CAP, in keeping with the original intention of ESP, there will be some flexibility for ESP to provide limited support to promising initiatives which fall outside the scope of the CAP, but which can be expected to contribute towards the achievement of the overall CAP purpose.

4.02 It will take time to assess the effectiveness of the revisions to ESP and it will not be appropriate to decide on whether there should be a second phase until sufficient experience has been gained in the new way of working. Phase 1 is due to end in January 2005. Decisions on a possible Phase 2 would have to be made at least six months before the end of Phase 1 (i.e. by July 2004 at the latest). This will not really give sufficient time to evaluate how the revised arrangements are operating. Therefore Phase 1 will be extended for a period of one year (until January 2006). A decision on whether there should be a Phase 2 will be made by mid 2005.

4.03 The budget will be adjusted by moving £2 million from the exploratory activities and running costs budget (which was intended to cover Phases 1 and 2) into the satellite project budget. This will allow for more satellite projects to be funded during the additional year of Phase 1.

4.04 By the end of Phase 1, all exploratory activities should have been completed and the full budget for exploratory activities should have been spent. The full budget for satellite projects should have been committed (i.e. committed to projects which have been fully approved) but, as satellite projects may run for

a number of years, the full satellite project budget will not have been spent by the end of Phase 1. Suitable arrangements for completion of the satellite projects still in progress will be agreed by DFID Nepal before the end of Phase 1. Options may include management under Phase 2 of ESP (if a second phase is agreed), partial continuation of ESP, on a much reduced basis, to manage the completion of the satellite projects, or transfer of responsibility for management of the satellite projects to DFID Nepal.

4.05 The original project document stated that ESP would avoid bias towards Kathmandu based projects by setting up a presence outside Kathmandu. Some efforts were made to do this but progress was constrained by the intensification of the conflict. Despite lack of progress on this front, experience to date has been that many satellite project proposals involve activities outside Kathmandu. Kathmandu bias has not been a problem. ESP will ensure that areas outside Kathmandu continue to benefit from satellite projects and other ESP activities, but there does not appear to be any need to establish an ESP presence outside Kathmandu, so this objective will no longer be pursued.

5. REVISED MANAGEMENT ARRANGEMENTS

5.01 To reflect the broad scope of ESP, which includes activities with government, civil society and the private sector, and to provide for greater Nepalese ownership and influence at the policy level rather than just at the satellite project and exploratory activity level, changes will be made to the management arrangements.

5.02 The ESP Project Management Office will continue to report to the Prime Minister's Office (PMiO), which is due to merge with the Cabinet Office.

5.03 An ESP Advisory Group will be constituted to help oversee the development and management of ESP. The Group will comprise two members from Government, representing the PMiO and National Planning Commission, three members from civil society representing academia, activists and the media, one from the private sector, and two from the ESP Programme Management Office. The PMiO representative will be the convener of the Group. The Group will meet quarterly. Draft terms of reference for the Group, which will be finalised when the Group has been formed, are set out in Annex 2.

5.04 In recognition of the progress made in the development of the ESP team, the Nepalese Assistant Programme Manager will be appointed Programme Manager. The expatriate Programme Manager will be appointed to the new post of Satellite Project Implementation Manager. This will help in tackling the problems of implementing a growing portfolio of satellite projects.

**ENABLING STATE PROGRAMME (PHASE 1)
REVISED LOGFRAME
OCTOBER 2003**

Narrative Summary	Objective Verifiable Indicators	Means of Verification	Assumptions and Risks
GOAL:			
Governance more responsive to the interests of the poor and excluded.	Progress on implementation of the PRSP	PRSP monitoring mechanisms Immediate Action Plan monitoring	
PURPOSE:			
Nepalese reformers in key areas of governance identified, encouraged and strengthened.	Satellite projects are successful. Satellite projects subsequently scaled up (where relevant) Through exploratory activities or satellite projects: - Coalitions of reformers built - Government/ non government partnerships developed - Reformers better linked to external experience and expertise.	Output to purpose and final reviews of satellite projects ESP progress reports. Satellite project reports. ESP progress reports ESP progress reports ESP progress reports (number/quality of exchanges) (also - for all above: Final review of ESP Phase 1)	Sufficient progress in other areas of governance, not addressed by ESP. Conflict does undermine progress by diverting attention and resources away from governance reform. Any political changes which may be required to resolve the conflict do not undermine reforms.
Outputs			
1. Better understanding gained of change processes in governance in Nepal	Reports produced on change processes (at least 2 per year)	Reports on change processes	The key reformers are identified and engaged through satellite projects.
2. Better understanding of governance issues imparted through exploratory activities and satellite projects	At least 8 events (conferences, workshops, seminars etc) per year, attended by key parties (government, non-government, donors) and evaluated as being successful At east 4 publications per year, evaluated	ESP progress reports (and evaluation reports of events) Publications (and evaluation – based on feedback, media	Reformers can be persuaded to work together.

<p>3. Satellite projects in key governance areas designed, approved and launched</p>	<p>as giving a better practical understanding of governance issues</p> <p>Other measures (as necessary) to disseminate lessons from satellite projects.</p> <p>A total of at least 20 satellite projects in key areas of governance approved and launched during Phase 1 of ESP, which fully commit the revised £15 million satellite project budget.</p>	<p>reviews etc)</p> <p>ESP progress reports</p> <p>ESP progress reports (and satellite project documents)</p>	
ACTIVITES:		INPUTS	
<p>1.1 Exploratory activities (action research, publications, seminars etc) to improve understanding of key areas of governance</p> <p>1.2 Incorporate learning objectives into satellite project design</p> <p>2.1 Exploratory activities to generate interest in and improve understanding of key governance issues</p> <p>2.2 Dissemination of lessons learned from exploratory activities and satellite projects</p> <p>3.1 Make ESP known to relevant parties in key areas of governance</p> <p>3.2 Solicit Nepalese ideas for reform in key areas of governance.</p> <p>3.3 Develop ideas into viable satellite projects, building partnerships and coalitions where appropriate.</p>	<p>Budget:</p>	<p>Government and other Nepalese actors demonstrate sufficient interest in governance issues.</p> <p>Sufficient viable Nepalese ideas for development of satellite projects</p> <p>Sufficient progress on governance reform to provide a basis for lesson learning.</p>	

**DRAFT TERMS OF REFERENCE
FOR THE ESP PROGRAMME ADVISORY GROUP**

Background

The Enabling State Programme (ESP) was launched in early 2001. It embodies an innovative approach to tackling problems of governance in Nepal. In particular, it seeks to avoid the problems of poor national ownership and imposition of external ideas, which have hampered many attempts at governance reform. It was intended to contribute towards the achievement of pro-poor governance by helping to support a four-stage change process:

Stage 1: the development of a better practical understanding of governance and the development of advocates for change

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Stage 3: a desire for change has been developed and major reforms are carried out

Stage 4: continuing improvements in a new environment of pro-poor governance.

ESP was intended to play a role in the first two of these stages and was itself intended to run for two phases. Phase 2 was to be designed in detail towards the end of Phase 1.

ESP was to achieve its purpose by funding exploratory activities and satellite projects, in response to Nepalese initiatives. Exploratory activities were to be small-scale interventions, intended to improve understanding of pro-poor governance and/or to develop ideas for satellite projects. Satellite projects were to be projects, developed in response to Nepalese ideas, which were to improve some aspect of governance but, more importantly, to help develop Nepalese change advocates. Lessons learned from satellite projects and exploratory activities were to be disseminated widely, to help in improving understanding of governance and in the development of change advocates.

In response to practical experience gained and to the recommendations of an external review of the Programme, a number of changes are being made. These include narrowing the scope of the programme to focus on a more limited range of governance issues and moving away from a primary focus on the long term development of change advocates to a greater focus on achieving change in the shorter term through satellite projects and exploratory activities.

The emphasis on support for Nepalese ideas remains central to the programme.

The external reviewers of the Programme observed that, despite this intention, the current Programme design only really provides for Nepalese ownership at the level of individual exploratory activities and satellite projects. There is not the same provision for Nepalese input into the direction of the programme as a whole. To rectify this, an ESP Programme Advisory Group is to be established.

Objectives

The objectives of the ESP Programme Advisory Group will be to:

- Help ESP to develop a better understanding of how change takes place in Nepal and how ESP can best contribute to the change process
- Help to develop ESP's links to relevant networks
- Help to disseminate learning from ESP activities
- Increase the transparency of ESP
- Provide stronger and more diverse Nepalese input to the direction and development of ESP.

Scope of Work

The functions of the ESP Programme Advisory Group will be as follows:

- Advise on potential partners for ESP (i.e. organisations and individuals working in ESP's areas of focus)
- Help in creating networks and developing consortia of key actors in the ESP priority areas of focus
- Advise on priorities and approaches within the ESP priority areas of focus
- Make recommendations on the relative importance of initiatives being pursued by ESP
- Advise on individual exploratory activities and satellite projects. This could include recommendations, to amend or not to proceed with activities (although it would not amount to a right of veto). It could also include recommendations on new initiatives to consider
- Help in assessing selected ESP programme activities
- Draw attention to relevant initiatives external to ESP (e.g. government policies/programmes or academic conferences)

- Advise ESP on how lessons from ESP activities can best be disseminated and, where appropriate, help directly in dissemination
- Advise on how ESP can best ensure that Programme benefits extend beyond the Kathmandu valley.

Group Composition and Management Arrangements

The ESP Programme Advisory Group will comprise eight members: two from Government, representing the Prime Minister's Office and the National Planning Commission, three from civil society, representing academia, activists and the media, one from the private sector, and two from the ESP Programme Management Office. In so far as practicable, the Group will be balanced in terms of gender and caste/ethnicity. The Prime Minister's Office representative will be the convener of the Group. One of the ESP Programme Management Office representatives will act as Member Secretary.

The group will meet quarterly. It will receive copies of relevant ESP reports, including the six-monthly progress reports.