

**DFID NEPAL**

**NEPAL: ENABLING STATE  
PROGRAMME**

**Addendum to Project  
Document**

September 2005

## Contents

1	Summary.....	3
2	Background.....	3
2.1	Approach .....	3
2.2	Lessons and Evaluation .....	4
3	Rationale for Extending ESP .....	5
3.1	Context Changes.....	5
3.2	Supporting the Existing Portfolio .....	6
3.3	Supporting the CAP and the conclusions of the 2005 Programme Review .....	6
3.4	Rights, Democracy and Inclusion.....	7
3.5	Appraisal Issues .....	9
3.6	Consultation .....	9
3.7	Project Logical Framework.....	9
4	Implementation Arrangements for Extension.....	9
4.1	Management Arrangements .....	9
4.2	Timing.....	10
4.3	Funding .....	10
4.4	Procurement and Accounting/Audit.....	10
4.5	Monitoring and Reporting .....	10
4.6	Risks.....	10
ANNEX A	ENABLING STATE PROGRAMME PROGRESS TO DATE .....	12
ANNEX B	CONSULTATION RECORD .....	<b>Error! Bookmark not defined.</b>
ANNEX C	DFID NEPAL, ESP LOGFRAME (SEPT 05) .....	16
ANNEX D	DFID ENABLING STATE PROGRAMME BUDGET.....	<b>Error! Bookmark not defined.</b>
ANNEX E	DFID NEPAL ENABLING STATE PROGRAMME: RISK MATRIX.....	<b>Error! Bookmark not defined.</b>
	DFID Nepal ESP Extension Letter .....	<b>Error! Bookmark not defined.</b>

# 1 Summary

1.1 The Enabling State Programme (ESP) was launched in 2000 as an eight year programme to promote Nepalese advocacy for pro-poor governance. ESP funded projects are due to continue until 2008 while funding for the secretariat for the programme ends in January 2006. Through this extension DFID Nepal will retain the secretariat until the end of the programme in 2008 to enable:

- a) oversight of smaller DFID-funded governance projects in Nepal through one umbrella management mechanism;
- b) the launch of a new Rights, Democracy and Inclusion Fund (RDIF) to promote the sustainability of any transition to democracy;
- c) further development of ESP's capacity building activities with Nepalese reform groups, particularly to ensure sustainability.

1.2 The extension of the secretariat will consolidate progress towards the project's purpose of building a critical mass of Nepalese players able to champion pro-poor governance. This will include a small number of new initiatives.

1.3 The RDIF will be jointly operated with Swiss Development Co-operation to promote sustainable democratisation including political party reform and greater political inclusion. This fund will be run in consultation with the British Embassy.

1.4 The extension will enable the secretariat to continue to function until December 2008. New grants will no-longer be approved after December 2007 and no new grants will extend beyond the life of the secretariat.

1.5 The ESP allocation will be increased by £8m from £19.5m to 27.5m to fund: the RDIF, a small number of new non-RDIF governance projects, ESP administrative costs and a fund to support research on policy alternatives and small-scale exploratory activities.

## 2 Background

### 2.1 Approach

2.1.1 The Enabling State Programme was launched in 2000 against a backdrop of a decade of unstable democracy increasingly associated with corruption. From 1996 an insurgency by Maoist rebels was also taking hold in the West and Far West, exploiting deep-seated grievances over local governance failings and social exclusion.

2.1.2 DFID sought to respond to the weak governance environment by establishing ESP to promote both demand for pro-poor governance reform (through the strengthening of advocacy for reform) and also understanding of the supply-side of reform (through innovative projects to test methodologies). Initially the emphasis of the project was on the identification and support of individual advocates for reform.

2.1.3 ESP adopted a four stage model of change in which change advocates would gain a better understanding of reform, would then influence decision makers, create a critical mass for change, and continue reform in a new environment of 'pro-poor governance.' It was anticipated that phases 1 and 2 would be accomplished during the eight year life of the programme.

2.1.4 ESP support to change advocates was to be provided through small grants for exploratory activities. Successful exploratory activities were then to be scaled up into larger 'satellite' projects.

2.1.5 An Output to Purpose Review of the programme was conducted in 2003 and found that context changes, primarily due to the spread and intensification of the conflict with Maoist rebels, had impacted some of the programme's underlying assumptions. The OPR recommended that the programme extend the concept of 'change advocates' to include reform orientated institutions (such as NGOs) and also to focus more on the immediate deliverables in terms of improved governance that could be secured through satellite projects.

2.1.6 An Addendum to the project document in 2003 incorporated these recommendations and broadened the project purpose to reflect a move away from the original four stage model of change. The Addendum created greater flexibility in the identification of satellite projects and made their success a key indicator of progress at purpose level. The 2003 Addendum and revised logframe remain the central project documents for the operation of the ESP Secretariat.

## 2.2 Lessons and Evaluation

2.2.1 A recommendation of the 2003 OPR was that the project portfolio of ESP should more closely align with the CAP priorities of DFID Nepal. ESP Satellite programme are now closely aligned with the DFID CAP. ESP support to 13 satellite projects include initiatives to address social inclusion (2), access to justice (4), anti-corruption (2), decentralisation (1) and improved use of government resources (2). Only two projects do not directly support explicit output objectives of the CAP, both of which were approved prior to the CAP process.

2.2.2 A review of ESP was conducted in January-February 2005 to assess progress since the changes took effect. The review identified lessons learned from ESP's work:

- ESP's approach to funding activities has enhanced the feeling of local ownership.
- ESP has emerged as a reliable support institution for implementing reforms through key reform agencies.
- Key reform agencies show support and confidence in ESP.
- ESP has developed expertise in governance project management which makes its continuance more practical than transferring these activities to DFID Nepal.
- ESP's approach is innovative and reducing its role would be seen as de-prioritisation of governance reform.
- ESP should continue to evolve into an autonomous Nepali institution.

2.2.3 The review concluded that ESP has made good progress against purpose and assessed the individual impacts of existing satellite projects. The review found that ESP's portfolio of projects has delivered change in key target areas for governance related advocacy or improved practice. Annex A provides a summary of outcomes and status of ESP's portfolio.

2.2.4 Several initiatives piloted by the programme have been picked up within official government policy. This has included a study of governance issues (*Pro-poor Governance Assessment Nepal*) used heavily in the preparation of Nepal's Poverty Reduction Strategy Paper (PRSP) and the adoption of 'public hearings' within HMGN service delivery directives.

2.2.5 ESP's support for the Janajati (ethnic minority) and Dalit NGO movements has also facilitated the growing national debate on social inclusion, while support for anti-corruption initiatives has strengthened movements seeking to restrict the 'supply-side' of the problem. ESP support has also enabled communities to access grass roots justice through community mediation and has enabled community forums to take on some of the roles of absent political representatives.

2.2.6 The emphasis since 2003 on delivery of outputs by satellite projects has had tangible results in terms of direct benefits to communities. The emphasis has, however, reduced overall efforts to capacity build project partners in relation to their wider role as advocates for governance reform. Management advice and support has been largely limited to specific project outputs and reporting. This has created concerns regarding the long-term sustainability of some of the institutions involved, and their ability to effectively contribute to a wider culture of demand for improved governance.

2.2.7 Increasingly it has also become clear that progress in pro-poor governance is vulnerable to the political instability that has characterised Nepal since 1990. Weak democratic institutions, a widespread insurgency and the presence of a conservative elite unreconciled to democracy threatens the space for reform related advocacy and implementation. ESP has sought to address this context problem only on an ad hoc basis through occasional support for efforts to promote political party reform and initiatives to promote the national debate on constitutional modalities.

2.2.8 ESP's limited support for activities to promote sustainable democratisation has reflected a focus on the output areas of DFID Nepal's CAP, rather than on its overarching goal of supporting the development of institutions responsive to the poor. Following the DFID Nepal comprehensive review in July 2005 the CAP objective for governance, and its outputs, have been revised to reflect a greater emphasis on promoting sustainable democratic institutions.

### **3 Rationale for Extending ESP**

#### **3.1 Context Changes**

3.1.1 Nepal has witnessed a high level of social and economic change since 1990 with the growth of urban areas in the Kathmandu valley and along the Terai. World Bank and DFID social exclusion research suggests that the growth of the urban middle-class is partly supported by the inflow of remittances from Nepal's growing diaspora of migrant workers. The conflict has also driven social change, partly depopulating the most affected rural areas.

3.1.2 The net affect of the changes that have emerged since 1990 has been to create a dramatically different environment for Nepali advocacy for good governance. The rapid growth of the media and civil society has created a framework for debate that survives despite a more control orientated government. Disillusionment with political failure and intractable conflict has stimulated national debates on issues ranging from constitutional reform through to affirmative action. Rapid expansion of civil society has also created a range of organisations with the potential to become effective proponents of change and to test new methodologies for improving pro-poor governance.

3.1.3 Since 2000 ESP has become a respected player in facilitating national debates on governance issues and in providing support to emerging civil society groups seeking to directly address governance problems. ESP has also helped to ensure that the growing demand and debate for reform is inclusive of groups traditionally marginalised from political life.

3.1.4 The work of the secretariat in supporting the development of the Dalit and Janajati NGO federations has been important in ensuring that the good-governance discourse extends beyond the new urban middle-class. Similarly ESP has been able to promote grass-roots forums on issues such as corruption and dispute resolution in more remote areas, enabling poor communities to participate in wider national processes. The sustainability of the progress made by project partners will be greatly enhanced by the continued support of the ESP secretariat through to the end of the approved projects.

3.1.5 In addition to the underlying changes in Nepali society, continued conflict and political instability confirm the need for better governance that benefits the poor. The dissolution of Parliament in 2002 has been followed by periods of nominated Party and direct Royal government. Military stalemate between the Maoists and Nepalese army has been at the cost of a rising rate of conflict induced deaths and pervasive human rights abuses. 2004 also saw a marked rise in Maoist disruption of the Kathmandu valley.

3.1.6 The Royal take-over of 1<sup>st</sup> February 2005 has been followed by a populist agenda of tackling petty corruption, improving local service delivery and secure flows of goods to Kathmandu. Royal rule has, however, also seen moves that suggest a permanent drift towards autocracy, including both legal amendments to increase Palace power over the civil service and the creation of new institutions that report directly to the King. Should the King make concessions to the political parties, such as the restoration of the old (1999) Parliament, these would probably be within the new boundaries of post-1<sup>st</sup> February legal and institutional changes.

3.1.7 Increased political polarisation and the marginalisation of respected technocrats within government have created a more challenging environment for the work of ESP while also raising the priority of its initiatives to promote and sustain governance reform. This has been reflected within the recommendations of the DFID Nepal programme review in relation to the Rights, Democracy and Inclusion Fund. In an extensive consultation process following February 1<sup>st</sup> ESP was identified as a trusted mechanism through which DFID could support efforts to enhance the sustainability and feasibility of a return to democracy.

## **3.2 Supporting the Existing Portfolio**

The work of the ESP team has become integral to both the project management of the satellite projects and also the strengthening of implementing partners. The closure of the secretariat before the end of the overall programme would greatly reduce the effectiveness of the ESP concept and would deny expertise to partners just at the time when demand is greatest.

## **3.3 Supporting the CAP and the conclusions of the 2005 Programme Review**

3.3.1 The quality of the ESP project portfolio indicates that the secretariat can be effective in supporting opportunities for further governance reform in an environment of reduced government commitment.

3.3.2 The DFID Nepal comprehensive programme review in July 2005 included a process to prioritise the areas identified in the CAP for strategic governance initiatives. This prioritisation will enable DFID Nepal to gather almost all governance activities under the ESP umbrella and focus future initiatives on issues directly relevant to political reform, provision of basic services and poverty reduction.

3.3.3 Using this approach DFID Nepal has identified some non-RDIF areas to be considered for future support. These include access to justice (particularly access by the poor to effective redress) and support to the constitutional anti-corruption body.

3.3.4 The small number of new CAP related satellite projects will contribute to ESP's overall logframe output of creating a critical mass for reform through the strengthening of partners already well-placed to begin effective advocacy for change.

### **3.4 Rights, Democracy and Inclusion**

3.4.1 The expertise of the ESP secretariat is particularly important as DFID seeks to engage in the deteriorating political situation. Important to this process is the launch of the Rights, Democracy and Inclusion Fund as a major plank of the secretariat's work until the end of the programme. The Fund will be co-funded by Swiss Development Co-operation, will be subject to a separate submission to the Head of DFID and is to be overseen by a steering committee including BE and SDC.

3.4.2 The concept of the RDIF is to view the instability of Nepali governance (and by extension the conflict) in its longer term context and to recognise the importance of : a) the lack of reconciliation to democracy of large parts of the conservative 'Panchayat' elite following 1990, b) the controversial nature of the 1990 constitution which is not 'owned' by important parts of Nepali society (for example indigenous groups), c) schismatic political parties with weak internal democracy, d) a long tradition of political exclusion along ethnic, gender and caste lines, e) a young, rapidly growing, civil society community that is increasingly viewed as corrupt and un-transparent. The Fund is not, therefore, simply a response to the Royal take-over of February 1<sup>st</sup> 2005, but rather an initiative to address the wider context issues behind a succession of political crises.

3.4.3 The RDIF will be a fund open to Nepali and international NGOs, academic institutions and professional associations. The Fund will be open to all proposals that seek to address its core objective of promoting sustainable democracy. The Fund will, however, prioritise those proposals that promote:

a) An improved environment for a sustainable return to democracy through stronger democratic networks and organisations. Initially this will mean the prioritisation of proposals that facilitate internal party democratisation, improved party financial accountability and the capability within the parties for informed policy debate. Although direct funding will not be provided to Political Parties it is anticipated that party reform will be promoted through strengthening of party-linked CSOs (currently significant advocates for democratisation within the major parties). It is also likely that initiatives will be funded through NGOs offering training to cadre from all parties on political concepts and systems (a major recommendation of the consultation process). A need has also been identified for stronger systems to develop policy proposals on all areas of public policy, the parties have weak research and policy-analysis capabilities.

b) A strengthened commitment to 'political rules of the game' and to non-violent resolution of conflict. The unstable history of democracy in Nepal has been characterised by a weak commitment to formal or informal rules, exacerbated by a weak formal regulatory environment. The RDIF will prioritise proposals that seek to increase understanding of regulatory options, including constitutional modalities. It will also prioritise initiatives that directly work to promote dialogues aimed at establishing durable rules 'owned' by political actors (including members of the conservative elite).

c) Increased opportunities for political participation for women, Dalit, ethnic and other excluded groups. This would include funds to support the involvement of excluded group members in local government decision-making, including budget allocation, and following up on the provisions of the of the Local Self Governance Act. Proposals would also be prioritised that promote the selection of the best sectoral targeting mechanisms and reservation criteria for excluded groups as well as support for learning on best practice and global experience in affirmative action. It is anticipated that this area will prompt a small number of larger proposals by established groups

already working in the field of 'political inclusion' at district level (including groups undertaking local training on democratic political participation that draw participants from all political groupings, both constitutional and non-constitutional).

3.4.4 Nepal has a number of respected national organisations working on issues of political reform and inclusion. The consultation process undertaken in the development of the RDIF indicates that early proposals will be received from a range of local and international organisations. National Democratic Institute (NDI) is considering a possible proposal on strengthening of party-affiliated civil society. The Asia Foundation (TAF) and the International Institute for Democracy and Electoral Assistance (IIDEA) are also possible applicants in relation to strengthening capacity for policy development and initiatives related to the 'rules of the game.' Proposals are also anticipated from established Nepali organisations such as Centre for Legal Literacy and Resource Development (CeLLRd), Ganesh Man Singh Academy, and Centre for Victims of Torture (C-VICT). Proposals for district level interventions on issues of political inclusion are anticipated from Rural Reconstruction Nepal (RRN) and Nepal Centre for Contemporary Studies (NCCS). ESP has strong skills, and an established group of local and international consultants, suited to working with groups on politically linked project design.

3.4.5 The consultation process leading to the RDIF concept was undertaken in co-operation with the British Embassy and sought guidance for donors in promoting sustainable democratisation. These consultations have included discussions with Party activists and those close to the Palace. Discussions have recognised that only Nepalis can solve the underlying problems within the country, but have also indicated a consensus that some areas of support are needed. All groups indicated that donors should seek to assist: dialogue on Party reform, awareness raising of constitutional modalities and the rationale for 'rules of the game' and the development of policy alternatives.

3.4.6 The consultation process also emphasised the need for democratisation support to be non-partisan and open to all political groupings. As a result the RDIF will primarily work through third-party mechanisms that make assistance available to constitutional political groups. The RDIF concept has also been articulated as supportive of official government policy of democratisation. Although DFIDN and BE both consider commitment to this policy on the part of HMGN to be weak it has enabled the RDIF concept to be articulated in a non-confrontational way.

3.4.7 HMGN is aware that support to sustainable democratisation is now a major priority for the wider donor community in Nepal. It is hoped that dialogue on these issues will be facilitated by the fragile states piloting process. DFIDN has also worked with the EC to establish a new Rule of Law/Democratisation Donor Co-ordinating Group. This group has already proved effective in increasing the flow of information among donors on planned initiatives and existing programmes.

3.4.8 The concept has also been developed to complement the GCPP, the RDIF is included as a supportive parallel initiative within the draft GCPP Conflict Resolution Strategy for Nepal. The RDIF will take a longer-term view seeking to promote an environment in which a resolution to the conflict can be sustained through a more inclusive and robust democracy. The RDIF will be a flexible mechanism able to respond to future political developments, such as a constituent assembly or proposals related to the transition of non-state actors into constitutional political parties.

3.4.9 The RDIF will improve the prospects for sustained impact by the new Nepal office of the UN High Commissioner for Human Rights (OHCHR) by providing support on the deepening of governmental commitment to human rights through training on constitutional modalities, rule of law, and also possible support to organisations working in areas such as legal aid.

### **3.5 Appraisal Issues**

3.5.1 Much of the context analysis that underpinned the original project document of 2000 and the addendum of 2003 remains valid. Poverty reduction in Nepal is exacerbated by the conflict, deeply-entrenched problems of social exclusion and political instability that have recently threatened to marginalise the government's most able technocrat reformers.

3.5.2 Without resolution of the underlying exclusion and weak governance issues that have fuelled social grievances, development activities and progress against poverty remain vulnerable. The ESP secretariat has enabled the overall project to maintain a high level of relevance to exclusion issues and to directly benefit poor communities.

3.5.3 ESP has a good track record of continually improving its organisational understanding of poverty and the Nepali context through research supported by the Exploratory Activities Fund. ESP has supported ground-breaking work to review the causes of the conflict, community level governance problems, HMGN policy approaches and access to services within Maoist controlled areas.

3.5.4 The ESP review of 2005 considered whether alternative approaches could be adopted to achieve DFID's CAP governance objectives. The review concluded that the secretariat remains the most practical mechanism for oversight of ongoing ESP projects.

3.5.5 DFID Nepal has also considered alternative approaches for the management of the new Rights, Democratisation and Inclusion Fund, including direct management from the DFID Nepal office. ESP was viewed as both the most cost-effective mechanism for operating the Fund and also the route most likely to provide appropriate support and engagement for the potential partners involved.

### **3.6 Consultation**

The extensive consultation process undertaken for the development of the RDIF concept has been absorbed within the broader thinking on the priorities for the ESP secretariat throughout the remainder of the life of the programme. The extension of the secretariat has also been influenced by a wide-ranging consultation with existing partners and stake-holders undertaken for the 2005 programme review. As a result of these consultations some changes have been proposed to the management arrangements for the secretariat and to the programme logframe. A consultation record is attached as Annex B.

### **3.7 Project Logical Framework**

The existing ESP logframe has been amended to include outputs specifically related to the, partner capacity building and the RDIF. The revised logframe is at annex C.

## **4 Implementation Arrangements for Extension**

### **4.1 Management Arrangements**

4.1.1 The ESP secretariat will continue to report to the DFID Nepal Senior Governance Adviser, with support from the Programme Management Team. A review of the secretariat structure was conducted in July 2005 based on the priorities identified by DFID Nepal for the remainder of the project's life.

4.1.2 A re-organisation of ESP following this review will place additional emphasis on capacity building partners through the addition of a monitoring/evaluation and

organisational development specialist. The RDIF will also be overseen by a dedicated programme co-ordinator. A part-time specialist will also be recruited to strengthen existing capacity on social inclusion issues.

4.1.3 The re-organisation of ESP will also entail creation of a Finance Manager role in recognition of both increasing disbursement levels and planned changes in DFID Nepal partner financial accountability requirements.

4.1.4 Following the management review there will also be a loss of two existing posts from within ESP and a new cap will be introduced limiting the programmes administrative costs to a maximum of 10% of disbursements.

## **4.2 Timing**

The ESP secretariat will be extended from January 2006 through to December 2008.

## **4.3 Funding**

4.3.1 The allocation of ESP will be raised from £19.5m to £27.5M. The total increase in budget is £8million. £0.5million will be allocated to the exploratory activities fund, £2.8million will be earmarked for a new Rights, Democracy and Inclusion fund and the remaining £4.7 will be used for a small number of new satellite projects and for the administrative costs of the ESP secretariat. A detailed programme budget is included as Annex D.

4.3.2 All new proposals will be evaluated against DFID governance priorities and existing ESP criteria. The current approval policy will be continued with the ESP manager approving exploratory activities up to a limit of £25,000 and the DFID Deputy Head of Office approving proposals up to £1.5m. The ESP Manager will ensure that all exploratory activity proposals are shared with DFID Nepal prior to approval.

4.3.3 ESP would be approved to commit to satellite projects until 31<sup>st</sup> December 2007. Projects will only be approved with an end date no later than 31<sup>st</sup> December 2008

## **4.4 Procurement and Accounting/Audit**

4.4.1 ESP follows existing DFID procurement guidelines and procedures.

4.4.2 ESP is subject to regular auditing spot-checks by DFID Nepal and follows accounting guidelines for imprest accounts.

4.4.3 During the extension period the Finance unit within ESP will be strengthened to increase capacity for accounting/auditing oversight of project partners.

## **4.5 Monitoring and Reporting**

4.5.1 Each Satellite project includes a monitoring and reporting plan and projects are evaluated individually and also within the context of regular assessments of ESP's overall portfolio quality.

4.5.2 ESP provides written and financial reports to DFID Nepal and publishes newsletters and annual reports to ensure that information on project quality is available to the Nepali public.

4.5.3 An OPR for ESP will be conducted in early 2007. Individual satellite projects of longer than two years duration also undertake output to purpose reviews at their mid-point.

## **4.6 Risks**

4.6.1 A risk matrix is included as annex E. ESP is operating within a politically unstable context affected by an ongoing insurgency. The level of risk facing individual

satellite projects is therefore significant as is the case for all DFID Nepal's programming. The Maoist insurgency has placed pressures on NGOs in all sectors of development, including governance. Many of ESP's most successful satellite projects, such as community mediation, are vulnerable to sudden changes in policy by the Maoists towards NGO activities in areas under their effective control.

4.6.2 The secretariat is also vulnerable to the risks of a deteriorating situation in Kathmandu. Demand for governance reform has grown without expansion of the democratic space to accommodate such pressures. Recent moves by HMGN are suggestive of a desire to re-install a semi-authoritarian political system and this may lead to a crack-down on reform groups.

4.6.3 HMGN official articulates a policy of democratisation and of commitment to 'multi-party' democracy, DFIDN and BE consider commitment to this policy to be weak, although events may force the hand of the Palace towards restoration of some form of democratic government. While the RDIF has been articulated in a non-confrontational way (i.e. the idea is not to fund the 'agitation' for democracy) it is possible that individual projects may be viewed negatively by the Palace. Each individual project will therefore need to be assessed for risk and vulnerability in relation to Palace opposition.

4.6.4 The Palace has also suggested that Britain, through HMA, has sought to interfere in domestic affairs. While the RDIF is intended as a response to long-term issues, rather than a direct response to Royal actions, it will be viewed within the context of wider current UK policy towards Nepal. DFIDN and BE believe that a negative reaction by the Palace is unlikely to prevent the operation of the Fund, particularly as HMGN is conscious that UK policy remains balanced. The UK is seen as a constructive donor, more willing to continue to work with HMGN than others. The fragile states process and continued sector support have underlined the willingness of the UK to remain engaged. HMGN is likely to consider all of these issues in its assessment of the RDIF.

4.6.5 A further risk identified in relation to the RDIF is long-standing lack of commitment to internal reform on the part of several leaders of major parties. This has already seriously hampered an existing USAID funded NDI project. This is one factor that has influenced the decision not to provide support directly to the Parties. Targeting party-affiliated civil society provides the best mechanism for supporting the internal debates and movements for reform within all the parties.

4.6.6 The ESP secretariat is conscious of the risks inherent in governance programming in Nepal and its staff have received training in Conflict Sensitive Development. ESP also falls within the remit of the DFID/GTZ Risk Management Office. The ESP secretariat has proved to be adept at assessing the risks of potential satellite projects effectively and has gained respect across the Nepali political spectrum.

4.6.7 ESP has been a key advocate for governance reform within civil society and has worked with the national NGO federation to promote a code of conduct. Even so the weak accounting and management practices within many NGOs creates a risk of individual organisations engaging in malpractice and of the sector becoming increasingly discredited with the public.

## ANNEX A ENABLING STATE PROGRAMME PROGRESS TO DATE

### Some of the Main ESP-supported Exploratory Activities — 1998-2005

	Description	Partner	Year	Outcome/status
<b>1. Anti-corruption</b>				
	Strengthening the Commission for the Investigation of the Abuse of Authority	Nepal Administrative Staff College	2001	Need assessment carried out that eventually led to DFID/Danida CIAA Institutional Strengthening Project (2003)
	Anatomy of Corruption book	Hari Bahadur Thapa	2002	Written by a leading campaigning journalist this widely read book is a compilation of Nepal's major corruption scandals. Available in English and Nepali.
	Strengthening the Public Accounts Committee (PAC)	NASC, Westminster Foundation.	2002	Draft project document outlines areas for capacity building of PAC. Document put on hold until parliament is re-established.
	Televised Public Hearings on Corruption and Public Interest Issues (Phases I-IV)	NSDC	2003-present	Support for production and broadcast of this popular anti-corruption public hearings (Sarbananik Sunuwai). Broadcast fortnightly on Nepal TV. More than 35 programmes broadcast each attracting an audience of three million+.
	Corruption Reduction in Parsa and Rautahat districts	National Peace Academy	2004	Interaction programmes run in Rautahat and Parsa districts to promote a better understanding of the nature and causes of corruption and to assist in corruption reduction. Attended by a combined total of 96 politicians, journalists, and local administrators.
	Workshop on UN Convention against Corruption and Nepal's Follow-up	Forum for Sustainable Development-Nepal (FSD-Nepal)	2004	This workshop was attended by leading government and civil society representatives who mapped out Nepal's Response to the 2003 UN Convention Against Corruption.
	Women's Anti-Corruption Network	SWATI	2004-present	Research in Kathmandu, Jhapa and Nepalganj that showed how women, from housewives to political leaders, can contribute to fighting corruption. Women's anti-corruption pressure groups established in 3 districts.
<b>2. Social inclusion</b>				
	Women and Governance	Enabling State Programme	2000	Agenda Identification Workshop held for ESP to see how it could support women's empowerment. Main workshop findings published as 'Women: Socio-Cultural Change and the Economic Empowerment of Women in Nepal' that details the measures that need taking to improve women's situation. Led to ESP Women's Empowerment Strategy (2002).
	ESP Empowerment Strategy for Disadvantaged Groups	Enabling State Programme	2002	The separate strategy documents produced for Dalits and Janajatis provided very useful material for developing ESP's Janajati and Dalit projects.
	Governance in the Karnali: An Exploratory Study. Published report.	Karnali Integrated Rural Development and Research Center, Jumla	2002	The publication of this baseline study on the state of governance in the remote and deprived Karnali area provided a launching pad for the Karnali NGO KIRDARC to attract significant support for the area's development.
	Violence Against Women film	Sancharika Samuha	2003	Film showing and advocating against violence against women in Nepal. Broadcast on TV.
	Land Rights Campaign and Policy Dialogue	Community Self-Reliance Centre	2003/04	A study was carried out and its findings published to show extent of landlessness and land rights problems of tenant farmers. Leading on from this, support provided to a land rights campaign and improving government understanding about the ground reality, and bringing tillers and policy makers together. Land rights-related problems are a major cause of poverty in Nepal.
	Support for International Consultation on Caste Based Discrimination (UNCERD)	Nepal Dalit Federation	2004	Major international meeting held in Kathmandu on caste discrimination that greatly raised international and regional awareness, including in the UN, about caste discrimination in Nepal. Led to appointment of UN special rapporteur on caste discrimination.
	Awajehenharuko Awaj (Voices of the Voiceless) book	Kishore Nepal	2004	This Nepali book is a compilation of the views of a cross-section of outside-of-Kathmandu Nepalis on how the conflict has affected their lives and the suffering they have to bear. It emerged out of the author's weekly TV programme on the same subject.

	Empowering Young Displaced Girls to Combat Exploitation	Rahat	On-going	Working to empower young women displaced by the conflict who work in dance restaurants. Drafted code of conduct for restaurant owners, providing skill training, and assisting the women to establish their own support network.
	Social Exclusion of Sexual and Gender Minorities	Blue Diamond Society	On-going	Supporting the main sexual rights NGO in Nepal to assess the legal situation and identify support needs to improve the situation of sexual minorities and raise awareness against discrimination.
<b>3. Access to Justice and Conflict Management</b>				
	Penal Reform: Nepal's Penal System: an Agenda for Change (book)	Centre for Victims of Torture Nepal (CVICT)	2001	This review of Nepal's penal system has served as an important source of information for penal reform initiatives in Nepal. Produced in English and Nepali.
	A Kingdom Under Siege: Nepal's Maoist Insurgency, 1996-2003 (book)	Deepak Thapa with Bandita Sijapati	2003	This book is recognised as one of the most authoritative explanation on the causes and the course of Nepal's Maoist insurgency. Now out of print with plans by Zed Press UK to republish.
	National Peace Dialogue	Foundation for Parliamentary Studies and Development	2003	Seminars and rallies held and newsletters produced promoting peace across 10+ districts of Nepal.
	Dispute Resolution in Nepal book	Ram B Chhetri and Shambhu Kattel	2004	This publication reports the findings of a study on the relative performance of the formal and informal justice systems in six Nepali districts. It describes the many kinds of traditional systems, the performance of judicial and quasi-judicial bodies, and the innovative approach and achievements of community mediation.
	Dunda Byabasthapan ka Siddhant ra Bidhiharu. (Principles and Techniques of Conflict Management and Methods). Book	Bishnuraj Upreti	2004	This in-demand book has filled a gap in the Nepali market for an affordable and accessible handbook written in Nepali on how to work effectively amidst armed conflict.
	Study on System of Service Delivery in Mid and Far Western Nepal under Influence of the Maoists	Center for Professional Journalism Studies	2005	Study report from Maoist affected districts gives many insights into Maoist system of local governance including their policies and strategies in the areas of education, agriculture, etc.
	Study on Changing Roles of Nepali Women amidst the Conflict	Samanta	2005	Study across nine districts to assess how the conflict has changed women's roles found major change with women having more decision-making power and men becoming more supportive towards women.
	Study of Conflict Resolution in Natural Resources Management	Interdisciplinary Analysts	2005	The report describes the nature of conflict in the use of forests, irrigation water, and hydro-power and the local mechanisms for resolving disputes. Its findings provide useful pointers for the design of the Community Mediation Development Project.
	Recounting Major Political Negotiations and Conflict Settlement in Nepal	Jagadish C. Pokharel	2005	The draft report details how the several major points of crisis encountered by Nepal since 1949 have been overcome through political negotiations.
	Scoping Study for Cross Cutting Review - Access to Justice	Planete Enfants	2005	This study looked at the working procedures of the Nepal Police in relation to access to justice including treatment of detainees, victims etc. Review of situation and recommendations handed to Nepal Police as a guide for reform.
<b>4. Service Delivery/Local Governance</b>				
	Decentralisation - Local Self Governance	Daniel Arghiros (Hull University)	1998	Seminar held, attended by HMGN and donor representatives, and skeleton project document produced. Taken over by DFIDN and led to DFID's proposed Local Government Support Programme (LGSP)
	Study of Public-Private-Civil Society Partnership for Service Delivery under Conflict Conditions in Nepal	Binod Bhattarai	2005	Draft report includes cases studies to show different modalities of service delivery adopted to keep working during the conflict in several regions of Nepal.

	Policy Review of Governance Framework for Disaster Management	Nepal Centre for Disaster Management	2005	This review identifies policy gaps and recommendations for improving and better coordinating government, civil society and private sector responses to disasters. Report on current situation and recommendations handed over to the responsible government department and dissemination workshop run.
	Action Research on Building the Capacity of Women's Cooperatives	Nari Chetana Kendra (WACN)	On-going	Takes forward recommendation from 2004 ESP-supported study by supporting the building up of capacity of women's cooperatives, including how to access local government funds and influence local government.
	Action Research to Enable Farmer's Participation in Irrigation Development	Development Catalyst (D-Cat)	On-going	This action research is looking at the uncoordinated multi-agency responsibilities for local irrigation development that hinder good practice. Policy gaps are being identified and a consolidated approach developed.
<b>5. Political Governance</b>				
	Political Elites	Dev Raj Dahal	1998	Briefing document that was very well received by DFID. Was widely disseminated to other donors in Nepal
	Voter Education for 1999 election	National Democratic Institute (NDI)	1999	Voter education campaign run via posters, radio drama etc. Fund managed by ESP with contributions from most major western embassies
	Election Official Capacity Building for 1999 Election	HURDEC	1999	Trained 15,000 people
	Participation of Women Voters	Sancharika Samuha	1999	Campaign -- mostly in field -- to encourage women from conservative Terai communities to vote of their own free will in 1999 election. The campaign reached 10,000+ women in the most conservative areas of the eastern Terai.
	Political Parties' Management and Administration	Integrated Development Associates	2000	Studies carried out and reports produced on the management of the four major political parties.
	Women Leadership in Political Parties	IHRICON	2001	Interaction programmes led to public declaration by six major political parties to increase women's participation in the political leadership.
	Establishing an Information Centre for MPs in Parliament	British Council	2002	Work was well advanced to set up an information centre in parliament for MPs when parliament was dissolved, leading to this work being put on hold.
	Affirmative Action workshop	Social Science Baha	2003	Workshop and talk programme on 'Affirmative Action in Nepal - Learning from Experiences Elsewhere' for invited guests at Godavari (50 participants) and at Russian Cultural Centre for 100 members of the general public. Speakers: Nico Styler (S Africa) and Neera Chandoke (India).
	Political Parties and Transition	Thomas Carothers	2003	Seminar led by leading USA authority on the subject attended by several dozen leading Nepali politicians and civil society representatives.
	The Agenda of Transformation: Inclusion in Nepali Democracy	Social Science Baha	2003	High profile international conference with 40 papers presented by leading Nepalese, South Asian and western academics to an audience of more than 300 stakeholders. Book of main 17 papers produced in Nepali.
	Improving the Understanding of Political Issues by Emerging Political Leaders	Ganesh Man Singh Academy	2003/04	Two workshops held each attended by 30+ politicians to discuss pressing current issues away from the media spotlight and without having to rigidly stick to their parties' positions.
	Introducing Good Governance in the Public Administration of Nepal	Dwarika Nath Dhungel and Achyut B Rajbhandary	2004	This book describes the different aspects of good governance in practice such as accountability, participatory working, and service delivery and explains how they should and could be exercised by the government authorities in Nepal. This book is associated with the ESP-supported drafting of a governance bill.
	Changing Democratic Structures	Nepal Centre for Contemporary Studies (NCCS)	2004	1) Kathmandu workshop shared international experience of changing democratic structures with Professor Yash Ghai (Hong Kong Univ.) 2) Three regional workshops run on changing democratic structures with papers presented by leading Nepali scholars.

	Workshop on Affirmative Action and the Electoral System	SAGUN	2004	Workshop held in Kathmandu in September 2004 to promote a national debate on how introducing affirmative action and proportional representation could promote more inclusive democracy in Nepal. Experts from Nepal and other S. Asian countries delivered lesson-learning papers. Proceedings to be published in July 2005.
	TV Series on Major Events that Shaped Nepal's History	Sara Sarans & Vijay	On-going	A series of TV programmes are being produced to improve understanding of Nepal's history and its influence on the current situation by describing the main landmark events.
	Study on Financial Transparency of Major Political Parties	Media for Peace and Good Governance, Nepal	On-going	Assessing the institutional capacity needs of the political parties.
<b>6. Civil Society/the Media</b>				
	Nirbachan 2056: Medialine's Election E-Bulletin. Book.	Medialine	2000	An informative reference to the May 1999 Nepalese general election. It reproduces the 107 issues of the e-bulletin <i>Nirbachan 2056</i> that chronicled the 1999 Nepalese general election.
	Media Strengthening	Media Services International (MSI)	2002/03	Thoroughly researched reports on Pro-poor Media, Media and the Conflict, Central Media Organisations, and the Legal Framework.
	Mahila ra Midiya (Women and Media) book	Asmita	2003	A study of women's role in the media in Nepali and the gender-related shortcomings of the media.
	Karnali FM Business Plan	KIRDARC	2004	A five-year business plan that is guiding the development of this community radio station in one of Nepal's most deprived and remote areas.
	Accountability and Transparency of Civil Society	Ishwari P Bhattarai	2004	A study of a sample of NGOs identified a number of shortcomings in their management and financial conduct.
	Improving the Media's Capacity to Mitigate the Impacts of the Conflict	Media Services International (MSI)	On-going	Providing training and other support for journalists working in conflict-affected areas and promoting cooperation between media and the security forces.
<b>7. General and Other</b>				
	Encouraging Foreign Direct Investment	Forum for Foreign Investors Nepal	1999	A dynamic series of meetings and a workshop between the main foreign investors organisation and government representatives that raised government awareness about investors' concerns.
	The Younger Generation's Views on Governance Issues	Management Training and Research (MTR)	1999	Workshops run to discuss the younger generation's views on poverty reduction, anti-corruption and justice for the poor. Gave younger people the chance to air their views as public forums are usually dominated by older people.
	Good Governance in Nepal: Perspectives from Panchthar and Kanchanpur Districts book	Bihari Krishna Shrestha and RSDC	2000	The English and Nepali versions of this book present the results of a field study in two Nepali districts on the state of local governance.
	Pro-Poor Governance Assessment Nepal books	Enabling State Programme	2001	These books assessed the governance situation in Nepal as of 2001. The assessment is presented in terms of DFID's seven governance areas. This widely consulted reference book has been used by many donors and in-country professionals. English and Nepali, and summary and comprehensive versions produced.
	Effects of Open Border on India-Nepal Relations	Center for Development Studies & Research, Nepal	2004	February 2004 study report on the effect of Nepal's open border with India on trade relations and migration.

## ANNEX C DFID NEPAL, ENABLING STATE PROGRAMME LOGFRAME (SEPT 05)

Narrative Summary	Objective Verifiable Indicators	Means of Verification	Assumptions & Risks
<b>SUPERGOAL (at end of Stage II):</b>			
Nepalese key players successfully influence main power holders so that they demonstrate a desire for change and recourse to pro-poor governance.	Detailed plans show desire for change in significant areas including developing a vigilant and active civil society.  Concrete actions are taken against the plans.	Government publications  ESP reports	
<b>GOAL (at end of Stage I):</b>			
Nepalese key players advocate change to and begin initial action for pro-poor governance.	Advocates widely publicise the need for reform through means accessible to a broad cross-section of Nepalese society.	ESP Reports;  Independent Surveys including an assessment of progress of plans, policies and programmes	1 Main power holders eventually susceptible to pressure for change.  2 Political situation does not deteriorate sharply, e.g. to point of crisis.
<b>PURPOSE:</b>			
Critical mass of Nepalese key players develop practical understanding of and need for pro-poor governance areas with home-grown change potential.	1. A critical mass of institutions including those from outside the Kathmandu valley.  2. "Home-grown change potential areas" are those in which change is implementable and practical.	ESP Reports;  Independent Surveys;  OPR in 2007; participatory governance assessment.	Nepalese key players willing to act as change advocates.
<b>OUTPUTS:</b>			
1. Enough exploratory activities in agreed areas of good governance completed to allow selection process of output 2.	1.1 20 exploratory activities selected and started annually complying with selection criteria.  1.2 All exploratory governance reports completed and accepted by stakeholders.	1.1 ESP Reports.  1.2 ESP Reports; DFID OPR; PMO Reports.	The key players in each individual area of governance feel that they are engaged in a common cause, and so together form a "critical mass".
2. Enough projects, selected from exploratory activities or from separate proposals, designed and launched so as to allow development of a critical mass of Nepalese key players with a basis of practical understanding of governance change needed.	2.1 16 exploratory activities selected for development into project drafts annually.  2.2 12 projects approved for implementation annually by Nepalese and donors.	2.1 ESP Reports; DFID OPR.  2.2 ESP Reports; DFID approved submissions; Other donor approved submissions; PMO Reports.	
3. Lesson learning is built into the design of each project in Output 2, and lessons and successes of exploratory activities and projects disseminated widely, and especially to those in the group of Nepalese key players involved in the set of projects.	3.1 All project drafts contain mechanisms to allow specific lessons to be fed back into ESP process.  3.2 6 conferences, workshops and seminars held annually attended by Nepalese and donors and evaluated as giving a better practical understanding of governance issues.  3.3 4 publications published annually and evaluated as giving a better practical understanding of governance issues.	3.1 ESP project drafts.  3.2 ESP Reports; Evaluation reports of the events.  3.3 ESP Reports; Evaluation reports of the literature.	

<p>4. Management capacity of project partner institutions is strengthened to improve transparency, accountability, monitoring and ability to access sustainable resources.</p>	<p>4.1 Improved financial management and governance practices.</p> <p>4.2 improved capacity for monitoring and evaluation of project impact.</p>	<p>4.1. Audited accounts and annual reports of project partners. Project OPRs and evaluations.</p> <p>4.2 Project report to ESP. Project reviews, OPRs and end of project reports.</p>	
<p>5. New satellite projects and funds are supportive of participation, inclusion and accountability.</p>	<p>5.1 At least 6 suitable projects identified within the first year, grouped under a single fund.</p> <p>5.2 Increased learning opportunities on issues such as public participation and rules of the game.</p> <p>5.3. Increased availability of training in public participation for excluded groups.</p>	<p>5.1 Project reports.</p> <p>5.2 fund reports to DFID.</p> <p>Project evaluations.</p> <p>DFID monitoring of learning events.</p> <p>5.3 Project reports, ESP monitoring of training events</p>	

Narrative Summary	Objective Verifiable Indicators	Means of Verification	Assumptions and Risks
<b>ACTIVITIES:</b>			
<p>1.1 Obtain home-grown ideas from HMGN or civil society, making sure that ESP process is known by wide set of stakeholders, e.g. through "marketing" events, literature.</p> <p>1.2 Develop exploratory activities into well-formed ideas and reports, using external expertise as necessary.</p>	<p>1.1 Events take place, literature is produced and distributed.</p> <p>1.2 ESP office seen to facilitate and support development of exploratory activities (including project scoping, focus/dialogue groups, feasibility studies, study missions, workshops, etc.).</p>	<p>1.1 ESP Reports</p> <p>1.2 ESP Reports</p>	<p>Donors, including DFID, prepared to fund some of the projects</p>
<p>2.1 Select from ideas of Stage I exploratory activities to develop into projects.</p> <p>2.2 Develop ideas into project drafts, using external expertise as necessary.</p>	<p>2.1 ESP unit selection process.</p> <p>2.2 ESP seen to be working with stakeholders to produce successive drafts</p>	<p>2.1 ESP Reports</p> <p>2.2 ESP Reports</p>	
<p>3.1 Establish system in ESP unit to ensure lesson learning link to ESP unit is built into all project design.</p> <p>3.2 Facilitate conferences, workshops, seminars and publications to disseminate successes and lessons of the exploratory activities and projects.</p>	<p>3.1 Quality control mechanism in place in ESP unit to ensure all project documents have a lesson-learning link.</p> <p>3.2 Conferences, workshops etc. take place.</p>	<p>3.1 ESP Reports</p> <p>3.2 ESP Reports</p>	

## Annex D.1 Completed, on-going, and terminated satellite projects

SATELLITE PROJECTS					
S.n o.	Name	Start	End	Approved Project Budget (£)	Remarks
1	Drafting Governance Bill	Feb 01	Oct 01	36,000	Completed
2	Community Mediation Programme (CMP)	Mar 01	Feb 04	331,936	Completed
3	District Periodic Plan Project	Dec 01	Sep 02	161,021	Stopped
4	Strengthening Prime Minister's Office Project (PMO Project)	Jan 03	Dec 04	291,037	Stopped
5	Nepal Police Development Project (NPDP)	Jul 03	Mar 05	637,789	Stopped
6	Department of Prison Management Project (DOPMP)	Feb 04	Mar 05	148,140	Stopped
7	Self Reliant Development of the Poor by the Poor Project (SDPPP)	Jan 02	Dec 07	2,803,397	On-going
8	NGO Federation Project	Oct 02	Sep 05	732,222	On-going
9	FNCCI Anti Corruption Project	Jan 04	Dec 05	196,204	On-going
10	Dalit Empowerment and Inclusion Project	Sep 03	Jul 06	1,212,685	On-going
11	Janajati Empowerment Project	Apr 04	Mar 07	1,523,935	On-going
12	CMP II	Jun 04	May 07	235,480	On-going
13	Civil Society Initiatives for Anti Corruption Project	Jan 05	Dec 07	972,525	On-going
<b>Total</b>				<b>9,282,372</b>	

### Annex D.3 On-going Exploratory Activities (30 June 2005)

Description	Partner	Completion Date
<b>Political Governance</b>		
Study on Financial Transparency/Organizational Development of Political Parties	Media for Peace and Good Governance	14-Jul-05
Recounting major political negotiations and conflict settlement in Nepal	Jagadish C. Pokharel	03-May-05
Documentary: Analysis of Change Events & Change Process	Sara Sarans & Vijay	31-Jul-05
Examining political crisis in Nepal and options for the constitutional forces	Nepal National Development Centre	14-Jul-05
Interaction Program on "Current Problem and Parliamentary Solution" as part of Parliament Day Celebration	Foundation for Parliamentary Studies and Development (FPSD)	30 Jun 05
<b>Decentralization/Local Governance</b>		
Multi Sector Devolution Study	The Development Resource Mobilisation Network	15-Jul-05
Action Research: Mobilizing Youth for Good Governance in MW	RUDUC	03-Nov-05
Strategies for Public private partnership in community farming	Nature Conservation and Poverty Alleviation Society	31-Dec-05
Cooperative Strategies for Women Empowerment in Dhankuta	SOLVE Nepal	01-Dec-05
<b>Anti-corruption</b>		
Televised public hearings on corruption issues-Phase IV	Nepal Society Development Centre	09-Sep-05
"Hatemalo" (Creating Networks) for campaign against anti-corruption in Far-West	Sanjeevani Nepal	31-Dec-05
Institutional Strengthening of the women's pressure group for anti-corruption	SWATI	24-Oct-05
<b>Social Inclusion</b>		
Social Inclusion of sexual minorities/Project Scoping	Blue Diamond Society	14-Aug-05
Tharu women empowerment study	Nari Utthan Kendra	01-Dec-05
Rapid Assessment Tool for gender and social inclusion and pilot testing in some private sector manufacturing industries	Rama Laxmi Shrestha/PK Campus Gender Studies	06-Jul-05
<b>Access to Justice/Conflict Management</b>		
Strategies to combat various exploitation of internally displaced girls	Rahat	31-Dec-05
Scoping study for cross cutting review - Access to justice	Planete Enfants	15-Apr-05
Changing Role of Women due to Ongoing Conflict	Samanata	15-Jul-05
Support to MSI (Conflict reporting, safety manual, etc.)	Media Services International	31-Jul-05
Support to "National protection working group" - network of district based development NGOs.	Human Rights and Democratic Forum (FOHRID)	31-Dec-05