

ENABLING STATE PROGRAMME



...towards 'pro-poor' governance in Nepal



THIRD REPORT

11 March to 30 September 2002

INTRODUCTION

1. This third ESP report covers the period March to September 2002. Its focus is on two main areas, the first being programme amendments relating to ESP operations in light of the experiences of the first eighteen months. The second area is a detailed look at some of the specific activities and issues with which ESP is, or has been, involved. In addition to this, a summary current status report of ESP is given in **ANNEX 1** and some basic data and statistics in **ANNEX 2**.

PROGRAMME AMENDMENTS

2. After eighteen months of operation ESP is now in a position to refine a number of its working practices based on what has worked and what has not worked. Arrangements for the management of satellite projects have already been revised and, with ESP taking on this responsibility and recruiting additional members of staff to handle the extra work. Further changes are now required.

3. The need for changes to the Programme will be considered during the output-to-purpose review due in early 2003. However, the need for some changes is already apparent and urgent. Rather than wait until the review, these changes will be made now. The review team will then be able to assess how effective they have been.

4. The changes are intended to deal with the following:

- 4.1 the need for a more practical approach to change advocacy;
- 4.2 the need for ESP to be more strategically focused by working on specific governance areas for limited time periods;
- 4.3 the need to better control the inflow of project proposals avoiding excessive processing and reducing the number of disappointed applicants;
- 4.4 the need for improved integration between ESP and DFIDN and earlier involvement of the latter at the concept stage of projects;
- 4.5 the need to increase spending and improve forecasting.

5. **ANNEX 3** sets out in detail the programme amendments which are to be made for the period leading up to the output to purpose review. In brief programme amendments include the following:

- 5.1 focusing change advocacy more on institutions and less on individuals;
- 5.2 linking change advocacy and ESP satellite projects;
- 5.3 focusing ESP for the next six months on the media, dalits, indigenous groups, HMGN/NGO collaboration, particularly in respect of women development, public/private and cross-party approaches to conflict resolution, and police reform
- 5.4 implementing a revised satellite project development process;
- 5.5 expanding the scope of ESP exploratory activities;
- 5.6 involving DFIDN in preliminary discussions about project ideas and preparing project concepts for advanced 'in principle' approval by DFIDN;
- 5.7 improving dissemination of ESP activities to DFIDN advisers;
- 5.8 direct monitoring of satellite projects by ESP to facilitate better spending and forecasting.

PROGRAMME ACTIVITIES

Approved Projects

6. ESP, with its partners, has completed the development of seven project documents which have subsequently been approved for funding by DFIDN. One project, the **Governance (Public Administration) Bill Project** managed by CSDG on behalf of MOGA, has been successfully completed.
7. Another project, the **District Periodic Planning Project (DPPP)** managed by ADDCN, has been prematurely terminated because of HMGN's decision not to extend to the term of office of local government elected representatives, thereby invalidating any local level planning processes as approval of any plans is now at least a year away. This terminated project could be revived in one form or another after new local level elections.
8. The **Community Mediation Project (CMP)**, managed by CVICT, is successfully operating in the three districts of Saptari, Ilam and Jhapa. With ESP only taking over monitoring responsibilities from DFIDN in July, only recently has ESP been able to undertake field visits. The project management team say that CMP has only marginally been impacted by the present conflict. The project has been positively assessed as providing important services to local community members and recommendations for a substantial expansion of the programme have been made by DFIDN's conflict consultant.
9. The **Self-reliant Development of the Poor by the Poor Project (SDPPP)** has been seriously impacted by the conflict. To date the project is only operational in two of the five intended districts. Project work is underway in Makwanpur and Sarlahi but only preliminary observation exercises have yet been possible in Khotang, Baitadi and Darchula. RSDC, who is managing the programme, is hoping more work can get underway in these remaining districts shortly and ESP will be undertaking a first monitoring field visit in October this year. The slow start to SDPPP has had a negative impact on the overall spend pattern for ESP satellite projects.
10. ESP worked with the Nepal Police for six months facilitating the preparation of a new **Police Development Project**. This was completed in May in two project approaches both of which had the support of DFIDN. The first approach was incorporating the refurbishment of the five regional police training centres and cost £2.75 million. The funds to pay for this were to be drawn from a joint DFID, Foreign Office and Ministry of Defence 'Global Fund' available in the UK. The second approach was a more financially modest project costing £450,000 and including virtually no hardware element. DFIDN will only support the more costly project if HMGN establishes an independent Police Commission prior to the project commencement. To date no decision has been taken on this. In October 2002 a lead police consultant from the UK starts working with the IGP on implementing the project. If DFIDN were to decide not to use the 'global fund' but instead use ESP funding for the larger project, this would assist ESP to increase its spending and meet its commitment targets (see three spending commitment scenarios in annex 2).
11. In June DFIDN approved a project document presented by the **Prime Minister's Office (PMO)** supporting a series of rationalising, strengthening and modernising activities. After DFIDN's approval the PMO then sought approval from NPC and the Ministry of Finance. They requested an overall budget cut and MOF specifically put forward a number of management suggestions particularly relating to the role and responsibilities of the project steering committee. To date a final decision

on these changes to be made to the original project document has to be made. Discussions are continuing between DFIDN and MOF. The situation, however, has become more complex with the PMO Secretary on leave following his non-appointment as Chief Secretary (within the PMO there is now no secretary or joint secretary) and this could delay both final agreement on the project document and implementation of the project. However, some preliminary work for the project continues. ESP has assigned NASC to undertake an initial study on designing a system for better handling of public grievances lodged with the PMO as well as following up on the implementation of the PM's directives. The report is expected in October 2002 and will assist in ensuring, once finally agreed, the PMO project can get speedily underway.

12. The **NGO Federation of Nepal Project** (NFNP) has been the first ESP satellite project requiring the competitive selection of an implementing agency to run the project on behalf of the project principal (NFN). Following a public request for expressions of interest, three local management consultancy organisations were invited to prepare and present costed proposals to carry out the work. Together NFN and ESP selected the implementing agency and the project will be operational from 1 October 2002 with the implementing agency directly contracted by NFN. All monies for the project will be managed through a DFID accountable grant given to NFN through ESP.

Developing Projects

13. Although the House of Representatives has been dissolved pending the planned election in November discussions have continued with the Parliament Secretariat to establish a **Parliamentary Research and Information Centre** (PRINCE). A condensed project document has been produced with the close involvement of the Speaker and Chairman. British Council provided significant inputs with the Head of Information Services from the Scottish Parliament. Because of the likely cost involved, it will be necessary to go for an international tender, or rather to seek 'expressions of interest' from international agencies who would then be invited to develop a comprehensive project proposal. As conceived, the project, if it was to go ahead, would require a significant commitment from DFIDN both in terms of time and resources. The original British Council estimate was around £5 million over ten years. However, ESP is convinced this project could significantly improve the functioning of Parliament and help to embed democracy when a new House of Representatives is constituted. At the time of writing, the decision whether or not to seek 'expressions of interest' is currently awaited from DFIDN.

14. The **Department of Women Development** (DWD) of the **Ministry of Women, Children and Social Welfare** (MWCSW), has approached ESP for its assistance in conducting a programme that enhances women's social and political status by empowering grassroots women's institutions. The major problems to be addressed by the project include gender equality and women's empowerment. However despite the significant number of women development initiatives, the government has not been able to bring adequate impact in women's lives due to weak implementation, especially at the grassroots level. Thus, the issue of strengthening the institutional capability of the Ministry as well as DWD and WDS at the grassroots remains a major challenge. Therefore, ESP's current support towards women empowerment will focus on strengthening the institutional capability of both MWCSW and DWD at the central as well as at districts level. The issue of human resource development at all levels (ministry, department, and district offices) and the need for some measures to develop an effective partnership between government and non-government sectors will be included. ESP is in the process of contracting a

lead women development consultant to scope a project with the DWD. As soon as the main components of the project have been identified ESP will prepare a concept note for DFID for their comments and decision.

15. The dissolution of parliament has had a negative impact on the development of two projects involving parliamentary committees, namely the **Public Accounts Committee (PAC)** and the **State Affairs Committee (SAC)**. In the case of the former a significant amount of preparatory work had been undertaken with the keen involvement of the Chairman. A fact-finding team of committee members had visited the United Kingdom Parliament in Westminster and the Scottish Parliament in Edinburgh as part of the process of developing a programme of institutional strengthening for the PAC. The Westminster Foundation for Democracy had been contracted to assist the PAC in project design. The work has now been put on hold until such time as a new PAC is constituted. In the case of SAC initial discussions had started with Chairman following his approach to ESP. Other discussions were held with Secretary General of the Parliament Secretariat who is responsible for providing support services to all parliamentary committees. Again this work has been put on hold until after the election.

16. The Department of Prison Management (DOPM) approached ESP for support in bringing about **Penal Reform**. This followed the publication of the book *Penal Reform - An Agenda for Change* that had been sponsored by ESP. Accordingly, ESP has contracted Penal Reform International (PRI) to scope and develop a long term penal reform plan with DOPM, part of which might be supported as a project by DFIDN. Work completed to date includes a review of existing documents, consultation meetings with stakeholders, and a two-day workshop in August involving key players in the penal system. At the time of writing a five member team including the Ministry of Home Joint Secretary, the Director General of DOPM, a member from Prison Reform Committee, a representative from the Central Prison in Kathmandu, and the PRI Regional director, are on a study tour to India and Sri-Lanka. A second workshop in October will finalise the overall reform plan. Only after that will components be identified that could be incorporated into the project to be supported by DFIDN.

17. ESP recognises the Dalit community as a priority area to work in the future. A significant number of project proposals involving the Dalit community have been submitted to ESP. After wide ranging consultation, including with many of the proposal submitters, ESP has determined that it will firstly work with six national level Dalit organisations including the Dalit NGO Federation on a **Dalit Empowerment Project**. This project will be aimed at making these institutions more effective in pushing forward the Dalit empowerment agenda. ESP, at the time of writing, is currently waiting for comments and feedback on the concept note submitted to DFIDN. ESP also intends to provide support to the Nepal Dalit Commission (see para 21).

18. ESP has supported the **Central Department of Public Administration (CDPA)** with the Faculty of Management under Tribhuvan University to design a project enhancing the Department's capacity. The Department plays an important role in conducting education and training programmes in the field of public administration and management. CDPA, as one of the major suppliers of public managers, recognises it needs to improve the quality of its programmes. Despite the government's policy emphasis on pro-poor governance, training institutions within the government or under the university system have not been able to cover this aspect in their programmes. As a result, various managerial and operational aspects of pro-poor governance have remained unaddressed, and even ignored. The purpose of the

project, among other things, is to promote the concept of pro-poor governance with public administrators. A project concept note on this initiative has been sent to DFIDN for approval and ESP, at the time of writing, awaits a decision on whether to further support CDPA in the preparation of a project document.

19. The **Federation of Nepalese Chambers of Commerce and Industry** (FNCCI) recognises that corruption is, among other things, increasing the cost of doing business. It sees corruption as a form of 'economic terrorism'. This is severely damaging the competitiveness of Nepali industries. FNCCI wants therefore to cooperate with other stakeholders in reducing corruption, basically through interventions in the 'supply side' of corruption. A *Corporate Ethics Forum* has been set up as a primary step in this direction. However, the *Forum* is still embryonic and needs developing. FNCCI has approached ESP for support to its anti-corruption initiative and accordingly FNCCI are now preparing a project document after DFIDN indicated 'in principle' support following their review of a project concept note.

Potential Projects

20. Following a number of informal discussions (prior to the split in the Nepali Congress) with representatives of the four major political parties (**NC, CPN-UML, RPP, and NSP**), ESP supported the Ganesh Man Singh Academy to establish practical ways of improving operational management within political parties. A draft report has already been submitted and ESP is currently examining the feasibility of activities proposed by the report. Additionally, ESP will have to consider the implications of the NC split. Clearly, no significant work would start until after the elections but the preliminaries for scoping a potential project will continue.

21. ESP is also planning to work with the **Nepal Dalit Commission**, in addition to working with other national level Dalit organisations (see para 17). ESP organised an informal meeting with the Commission members recently to discuss their current status and future plans. Several issues arose including the lack of the Commission's legal status and the non-release of its NRs10 million budget. The Commission has drawn up a draft bill but they still need support for lobbying and pressuring the government for the enactment of it. It has been agreed that the Commission will submit a proposal to ESP for possible support which will include enabling them to take forward some concrete programmes for the Dalit community. However, before DFIDN is likely to fund any such project it is likely to seek from HMGN a commitment to rectify the legal and financial position of the Commission.

22. The **Office of Auditor General** (OAG) requested ESP to support an institutional analysis of the OAG and to identify major areas for improvement, including a reform of its organisational structure, with a special focus on the feasibility of creating field offices. The overall institutional analysis has been endorsed by the Ministry of Finance. ESP has commissioned NASC to undertake the study and its report is due in October 2002.

23. ESP is providing support to the Ministry of Local Development to prepare an **IT Master Plan for Local Bodies**. The purpose is to enhance the performance of local bodies through the use of information technology. An IT company in the private sector is collaborating with a management consultancy firm to carry out the assignment and the report is due in November 2002. Originally the findings were to be incorporated into the Local Government Strengthening Programme that was supported by DFIDN. With that programme on hold, because of the effective disbandment of local government, ESP nevertheless, decided to continue to support this work for the following reasons: essentially it is feasibility research; over half the

work has been completed; and the findings would be just as valid in one year's time as today.

24. Following much debate about the poor policy environment confronting Nepal, ESP commissioned in April 2002 a study on identifying possible stakeholders of an **independent institute for policy studies**. The Institute for Development Studies (IfDS), a Kathmandu-based NGO headed by Dr R.D. Pant, former Vice-Chairman of NPC, has identified 23 stakeholder organisations, including 3 from political parties, 9 from the public sector, 9 from civil society, and 2 from the private sector. The study has also made a preliminary assessment of their strengths and weaknesses. IfDS wants now to form a coalition of some of these stakeholders to involve them in designing a project to support the establishment of the institute. The purpose is to make optimum use of the expertise and specialised skills available from each of the stakeholders. ESP has sent a project concept note to DFID and at the time of writing currently awaits a decision.

Other Activities

25. ESP is supporting a programme to **protect and promote human rights in respect of the state of emergency and the internal armed conflict**. The programme aims to print and disseminate 100,000 handbooks on human rights, raise awareness of the issues through the media, and provide victims of torture and mistreatment the opportunity to file claims for compensation and seek other forms of redress. The programme is being managed by the Campaign for Human Rights and Humanitarian Law (CHRHL) in co-operation with the Nepal Foundation for Change (NFC). Initial support for the programme was provided by CARE Nepal.

26. Following the decision of DFIDN not to support the project submitted by the **National Association of VDCs in Nepal (NAVIN)** in May this year (see para 34) it was agreed that ESP would support a number of smaller scale activities to strengthen NAVIN. These are currently planned to start after Dashain and include defining its strategic vision and preparing a strategic plan. In addition to this, two research studies are being undertaken covering sectoral devolution to VDCs (already begun), and the impact of the Maoist conflict on VDCs (in the planning stage).

27. ESP wants expand its involvement in **the media sector**. After consultations with a number of representatives from the media, four initial areas have been identified, namely:

- 27.1 development of a set of activities to strengthen the contributions of the Press Council of Nepal (PCN), the Federation of Nepalese Journalists (FNJ), and Rastriya Samachar Samittee (RSS) to the media sector based on an organisational assessment and a needs analysis;
- 27.2 development of practical recommendations to strengthen the role of the media to assist the general public to understand the issues of the Maoist conflict better, separate fact from fiction and propaganda, and promote peace processes and ideas;
- 27.3 development of an action plan to facilitate the media sector better representing the needs of the very poor, the excluded and disadvantaged;
- 27.4 a review of and recommendations for changes to the regulatory framework for the media sector taking account of new technologies and the now involvement of the non-government and private sectors. ESP is currently in the process of contracting a lead media consultant to oversee this work.

28. ESP continues to support the publication of books and videos as part of the process of facilitating for both Nepalis and donors a better understanding of pro-poor governance issues. In the pipeline are books on **failed governance in Karnali** (due October), an **Anatomy of Corruption** (due October), the **Maoists** (due November), and a video on **discrimination and violence against women** (due October).

29. Since October 2001, ESP has been supporting long-term action research on **improving service delivery at the local level through community centres**. A national NGO, SAHARA Group, carried out the research at Bange Phadke VDC in Syangja. A Community Centre has been set up in the VDC as an interface between citizens and service delivery agencies at the district headquarters. ESP made an assessment of the Syangja initiative and found that it was very successful. In the mean time, ESP has received several other proposals (project ideas) on improving the quality of service delivery at the local level. Of them, four proposals have an institutional approach similar to that of SAHARA. They are based in Mankanwanpur, Jhapa, Doti, and Baglung. Following a workshop with them, ESP decided to take the four proposals forward along with a further initiative from the SAHARA Group. Five NGOs are therefore preparing proposals in this regard. They will be submitted to ESP by mid October.

30. ESP, with the National Democratic Institute, is supporting the Election Commission in a **Voter Education Poster Campaign** due to run until the election in November. A quarter million posters will be distributed across the country in a similar way to the successful poster campaign conducted in the last election in 1999. Five posters have been designed and market tested and approval for distribution by the Election Commission. In the event that the election is postponed or any reason these posts can be stored and used in any subsequent campaign as the messages they convey are general in nature and not related to a specific election or time.

31. The Nepal Bar Association approached ESP to initiate a project on **Legal Aid for the Poor**. The project would focus on strengthening the national and local statutory bodies (i.e. the legal aid committees at the district as well as national level) in order for them to be more efficient at providing adequate services for the poor. ESP has held two meetings with the secretary of the Nepal Bar Association to pursue the idea. ESP is awaiting a draft project concept paper from the Legal Aid Committee.

32. ESP organised in cooperation with PMO and NASC a one-day consultation workshop for HMGN ministries at joint-secretary level. The purpose of the workshop was to improve and increase **HMGN involvement with ESP** by identifying potential areas for cooperation and possible joint project development. ESP is now examining together with the PMO the feasibility of the project ideas presented at the workshop. Relevant ministries are also being consulted in this process. NASC will assist those ministries selected to prepare concept papers on their potential projects.

Ideas Taken Over by DFIDN

33. A number of areas of work have been started by ESP but before the completion of any project scoping, design or document preparation, DFIDN decided to extract the work out of the ESP portfolio and to continue working with the relevant representative organisations directly themselves. The was the case for:

33.1 The **National Planning Commission** (NPC) who were seeking assistance to improve project screening and for which ESP had supported a number of exploratory activities;

- 33.2 The **Ministry of General Administration (MOGA)** who were seeking support for a civil service reform project under their Governance Reform Programme for which ESP had supported the preparation of a draft project document;
- 33.3 The **Commission for the Investigation of Abuse of Authority (CIAA)** who were seeking institutional strengthening for which ESP had supported a detailed organisational needs analysis.

DFIDN Rejected Projects

34. Three completed project documents, prepared through the ESP process, have been rejected by DFIDN. They were:
- 34.1 **National Association of VDCs in Nepal (NAVIN) Project**, rejected on the grounds that it lacked strategic focus, it overlapped with the Local Government Support Programme, and the unlikely long-term sustainability of activities (support has been given in other ways outlined in para 26);
- 34.2 **Human Rights Education Project** submitted by INSEC, rejected on the grounds of non-viability of impact, over ambition, and failure to take account of the conflict in terms of implementation;
- 34.3 **Institute of Chartered Accountants of Nepal (ICAN) Project**, rejected on the grounds of lack of sustainability, only impacting a very few people, and the need for ICAN to determine proper priorities.

Discontinued Activities

35. Two ESP activities have been discontinued because the prime stakeholders involved, having shown early enthusiasm, failed to follow through with the necessary preparatory work within a reasonable period of time. The two were:
- 35.1 The **Department for Industry (DOI)** seeking to liberalise the foreign direct investment rules;
- 35.2 The **Federation of Nepalese Chambers of Commerce and Industry (FNCCI)** seeking to establish WTO cell to assist members to reform in respect of the future WTO membership by Nepal.

Other

36. Since the launch of ESP, and mainly through press advertisements, **584 project proposals** have been received. All 584 proposals have now been processed and a summary outcome for each is given in the **ESP Third Report Supplement**. All project submitters whose ideas were not taken forward have received a written communication explaining ESP's decision. An overall breakdown of proposals by governance area, type of submitting organisation, those taken forward or not taken forward, and those submitted from inside or outside the Kathmandu Valley, is given in **ANNEX 2**.

37. Since early July ESP has taken over all **project monitoring** responsibilities for satellite projects from DFIDN. Project monitoring covers two areas, the financial aspects and the programme aspects. ESP recruited a new Administrator in May this year specifically to take on all **financial monitoring** responsibilities including the monitoring of project imprest accounts and accountable grants. This has required training in the United Kingdom at DFID Headquarters in East Kilbride and London. In respect of the **programme monitoring** aspects of projects other ESP professional staff have been allocated these responsibilities which will include regular field visits,

attendance at all project steering committee meetings, recruitment of implementing agencies when appropriate, and support and advice to project managers.

38. In April, after having been with ESP since July 1998, Namrata Gurung, Programme Secretary, left to live with her new husband in Hawaii in the USA. Also after more than two, high contribution, years with ESP, Mala Adhikary, Senior Programme Coordinator, resigned for family reasons in August. The output-to-purpose review for ESP due early in 2003 will provide an opportunity to review staffing responsibilities in line with any further changes in the way the programme operates. Until such times as decisions in this arena are made ESP will continue to function with the **current staffing**, that is made up as follows:

Michael E. Lowe	Programme Manager
Dr Shailendra D. Sigdel	Deputy Programme Manager
Dr Hiramani Ghimire	Senior Programme Coordinator
Ms Bandana Risal	Programme Coordinator
Bimal Tandulkar	Programme Coordinator
Bikas Man Singh	Programme Administrator
Stephen J. Keeling	Programme Editor
Ms Aarati Bista	Programme Secretary
Sourabh Pradhan	Administration/Systems Coordinator
Ms Prabina Maskey	Assistant Programme Secretary
Khadka Shahi	Driver/Office Assistant
Kishor Thapa	Driver/Office Assistant
Ms Sangita Thapa	Driver/Office Assistant
Shivaram Pudasaini	Receptionist/Security Guard
Ms Shanti Tamang	Office Facilities Assistant

39. The next report due in March 2003 will incorporate all changes made in respect of ESP as a result of the **output-to-purpose review** due early in the New Year.

MICHAEL E. LOWE
ESP Manager

September 2002

ANNEX 1: STATUS OF ESP AS OF 30 SEPTEMBER 2002

	DFIDN APPROVED PROJECTS	Agency	Status	Remarks
1	Governance (Public Administration) Bill Project [Actual: £ 36,500/6 months]	MOGA and CSDG	Completed	
2	Community Mediation Project [Actual: £ 340,000/3 years]	CVICT and 3 Districts	Operational	Bandana Risal responsible for programme monitoring
3	Self Reliant Development of the Poor by the Poor Project [Actual: £ 2,800,000/6 years]	RSDC and 5 Districts	Operational	Bimal Tandukar responsible for programme monitoring
4	District Periodic Planning Project - <i>NOW TERMINATED</i> [Spent: £ 107,000/10 months]	ADDCN	Terminated Sep 2002 because of HMGN decision not to extend term of local elected representatives and negating DPP process	Project completed 10 of the 19 planned months and spent around 40% of the budget allocation
5	NGO Federation Project [Actual: £ 732,000/3 years]	NGOFed	Selection of implementing agency in process	Shailendra Sigdel responsible for programme monitoring
6	Prime Ministers Office Project [Actual: £ 665,000/2 years]	PMO	Following DFIDN approval now awaiting formal HMGN approval	Hiramani Ghimire responsible for programme monitoring
7	Nepal Police Development Project [Estimate: see detail box]	Nepal Police	Two project documents with DFIDN (i) £ 2.75 million including RTC refurbishment (ii) £ 0.45 million without refurbishment	DFIDN awaiting HMGN action to establish Police Service Commission before deciding which project to approve. Lead consultant will start work in October 02.
	DEVELOPING PROJECTS	Agency	Detail	Remarks
8	Parliament Research and Information Centre (PRINCE) Project [Estimate: £5 million/10 years]	Parliament Secretariat	Outline project document submitted to DFIDN	Awaiting decision on whether to go for expressions of interest from potential project implementers
9	Women Empowerment Project [Estimate: not known yet]	MWCSW and DWD	DFIDN concerned about livelihood element within project	DWD and team preparing for meeting with DFIDN to discuss issues
10	Public Accounts Committee Project [Estimate: £150,000/2 years]	PAC	Dissolution of Parliament has prevented discussions on preliminary project document with PAC members	Discussion due with Parliament Secretariat on how best to proceed given political circumstances
11	Penal Reform Project [Estimate: not known yet]	MOH and DOPM	Project scoping underway	PRI commissioned to carry out project design and project document preparation with prime stakeholders
12	Dalit Support Project [Estimate: £900,000/3 years]	Consortium of six Dalit organisations (incl DNF)	Project scoping underway	Consortium developing logframe for discussion with DFIDN before main project document writing
13	Central Department of Public Administration Project [Estimate: £180,000/3.5 years]	CDPA	Project scoping undertaken	Project concept note waiting comments from DFIDN
14	FNCCI Anti-Corruption Project [Estimate: £160,000/2 years]	FNCCI	Project document being prepared.	Project concept note approved by DFIDN subject to them suggesting additional ideas and inputs

ANNEX 1 (continued)

	POTENTIAL PROJECTS	Agency	Detail	Remarks
15	Improving management and administration of political parties	NC, UML, RPP, NSP (through GM Singh Academy)	Project scoping underway by GM Singh Academy	Split of NC has caused delay in work but draft report will be completed by end of September 02
16	Dalit Commission Project	National Dalit Commission	Initial discussions held with Chairman and members	Needs assessment to be undertaken
17	Strengthening the State Affairs Committee	SAC	On hold following dissolution of parliament	Discussions due with Parliament Secretariat on how to assist all working parliamentary committees
18	Strengthening Auditor Generals Office	OAG	NASC undertaking exploratory work	Logframe will be discussed with DFIDN before main project document writing
19	Developing an IT master plan for local government	MLD	Consultants commissioned for exploratory activity due to be completed in November	EA has begun and results will be fed into other DFIDN work on local government assuming current crisis will be resolved
20	Establishing an independent institute for policy studies	Consortium	Prime stakeholder identification completed.	Project concept note waiting comments from DFIDN
	OTHER ACTIVITIES	Agency	Detail	Remarks
21	Human Rights Protection [Estimate: £23,000/4 months]	CHRHL	Printing and disseminating HR information booklet and assisting victims to file complaints and receive compensation	Mini project to run for four months.
22	National Association of VDCs in Nepal Project	NAVIN	DFIDN approved small scale intervention to be run as EA	Strategic plan and research proposals being developed
23	Institutional strengthening of key media organisations	FNJ, PCN and RSS	Discussions underway on appropriate exploratory activities to be undertaken	Work will begin on October
24	Identifying key media issues relating to women	ASMITA	Work underway	End results likely to be included in overall ESP media strategy (see 23)
25	Analysing the methodology of corruption	ESP with freelance journalist	Nepali book published and well received. English translation completed and undergoing editing	Book "Anatomy of Corruption" due for English language publication in October
26	Detailed research studies on the current conflict and the Maoist movement	Deepak Thapa and Surendra Bhandari	Research in Maoist areas underway	Two books due for publication in December
27	Increasing understanding of and involvement in ESP by HMGN agencies	PMO, ESP and NASC	Workshop report and recommendations received from NASC	Action plan (incorporating PMO priorities) to be developed for implementation in September

ANNEX 1 (continued)

	OTHER ACTIVITIES (continued)	Agency	Detail	Remarks
28	Increasing women's participation in the major political parties	NC, UML, RPP, NSP (through IHRICON)	Four major political party leaders signed declaration in March 2002	Second phase pressure group work being undertaken to get declaration implemented for the forthcoming election
29	Improving service delivery through community centres	SAHARA	First pilot in Syangza assessed as very successful	Additional pilots are being planned in contrasting districts. End result will be book outlining how other districts can take forward the learning from the pilots
30	Video documentary on governance issues confronting women	Sancharika Samuha	Filming has been completed and final editing underway	Video will be ready by September
31	Development of masterplan for Karnali Zone	NPC and KIRDARC	Nepali book on video published. English book due in September. Plan being developed.	NPC is supporting plan preparation, due to be completed in August, after which NPC will seek support for implementing from other donors
32	Financial monitoring of DFIDN approved ESP satellite projects	ESP	Key responsibility for Bikash Man Singh working with other ESP staff responsible for programme monitoring	Five projects currently being monitored
33	Promotion of local level investigative journalism	Helpline	Exploratory activities underway	
34	Research study on land rights advocacy	Community Self Reliance Centre	Exploratory activities underway	
35	Research on capacity of VDCs in relation to devolution of education, health, agriculture and postal services	NAVIN	Exploratory activities underway	
36	Developing a more strategic focus for ESP to avoid repeat of inundation of project ideas and to tie in work more closely with DFIDN	ESP	Paper approved by Head of DFIDN on 8 Sep 2002	Next six months will focus on the media, dalits, indigenous groups, HMGN/ Women NGO collaboration public/private and cross-party approaches to conflict resolution, and police reform
37	Supporting national voter education poster campaign	Election Commission with NDI	Poster design underway	Election Commission will run campaign in 75 districts
38	Provision of legal aid for the poor	Nepal Bar Association	Preliminary discussions underway on appropriate exploratory activities to be undertaken	

ANNEX 1 (continued)

	IDEAS TAKEN OVER BY DFIDN	Agency	Detail	Remarks
39	Establishing an effective project screening process overseen by the National Planning Commission	NPC	Exploratory activities completed.	DFIDN to advise NPC directly
40	Civil Service Reform Project	MOGA	One component in HMGN Governance Reform Programme initiated through ADB. Draft project document prepared.	DFIDN to liaise directly with MOGA and ADB
41	Strengthening the Commission for the Investigation of the Abuse of Authority	CIAA	Comprehensive needs assessment completed and shared with other major donors	DFIDN now working directly with CIAA
	DFIDN REJECTED PROJECTS	Agency	Detail	Remarks
42	National Association of VDCs in Nepal Project [£ 652,000]	NAVIN	Rejected on grounds of lack of strategic focus, overlapping with LGSP, and long term sustainability of activities	ESP is currently supporting development of NAVIN strategic plan and some research activities (see 22 and 35)
43	Human Rights Education Project [£ 1,120,000]	INSEC	Rejected on grounds of viability of impact, over ambition, and failure to take account of the conflict in terms of implementation	ESP will welcome other less ambitious ideas from INSEC
44	Chartered Accountant Curriculum Development Project [£ 440,000]	ICAN	Rejected on grounds of sustainability, relatively small numbers involved, and need of ICAN to prioritise its work	Recommended that any development of ICAN should be related to World Bank Country Financial Accountability Assessment
	DISCONTINUED ACTIVITIES	Agency	Detail	Remarks
45	Liberalising FDI rules and regulations to facilitate and increase investment	DOI	Draft TORs required from DOI	Nothing has been heard from DOI for four months therefore ESP will not pursue as there appears lack of commitment
46	Establishing a WTO cell in FNCCI to advise private sector	FNCCI	Action plan required from FNCCI	FNCCI has not been able to allocate staff to work on this therefore ESP will not pursue as there appears lack of commitment

ANNEX 2: BASIC DATA AND STATISTICS**ESP Satellite Project Commitment: SCENARIO ONE (Small Police Project)**

Governance Bill	£ 36,000	(Approved)	
Community Mediation	315,000	(Approved)	
District Periodic Planning	267,000	(Approved)	TERMINATED*
Self-Reliant Development	2,830,000	(Approved)	
NGO Federation	732,000	(Approved)	
Prime Ministers Office	695,000	(Approved)	

Police Development (no RTC work) 450,000 (Pending)

SUB TOTAL £ 5,325,000
*Less DPPP not utilised £ 160,000

TOTAL £ 5,165,000

% of ESP Satellite Project Allocation: **38%** of £ 13,500,000

ESP Satellite Project Commitment: SCENARIO TWO (Large Police Project)

Governance Bill	£ 36,000	(Approved)	
Community Mediation	315,000	(Approved)	
District Periodic Planning	267,000	(Approved)	TERMINATED*
Self-Reliant Development	2,830,000	(Approved)	
NGO Federation	732,000	(Approved)	
Prime Ministers Office	695,000	(Approved)	

Police Development (+RTC work) £ 2,750,000 (Pending)

SUB TOTAL £ 7,625,000
*Less DPPP not utilised £ 160,000

TOTAL £ 7,465,000

% of ESP Satellite Project Allocation: **55%** of £ 13,500,000

ESP Satellite Project Commitment: SCENARIO ONE (No ESP Police Project)

Governance Bill	£ 36,000	(Approved)	
Community Mediation	315,000	(Approved)	
District Periodic Planning	267,000	(Approved)	TERMINATED*
Self-Reliant Development	2,830,000	(Approved)	
NGO Federation	732,000	(Approved)	
Prime Ministers Office	695,000	(Approved)	

SUB TOTAL £ 4,875,000
*Less DPPP not utilised £ 160,000

TOTAL £ 4,715,000

% of ESP Satellite Project Allocation: **35%** of £ 13,500,000

ANNEX 2: BASIC DATA AND STATISTICS (continued)**ESP EXPENDITURE:**

Expenditure Item	INCEPTION: 01/08/97 to 10/01/01			PHASE ONE: 11/01/01 to 31/03/03			
	FY97\00 Total	FY00\01 to 10/01/01	INCEPTION TOTAL	FY00\01 from 11/01/01	FY00\01 Total	FY01\02 Total	FY02\03 estimated
Exploratory Activities	203,430.76	65,209.28	268,640.04	44,674.43	109,883.71	275,215.88	416,080.02
Workshops, Publications	3,306.50	3,432.12	6,738.62	0.00	3,432.12	26,329.40	135,000.00
International Expertise	35,228.26	0.00	35,228.26	0.00	0.00	32,821.00	90,000.00
TCO	162,625.37	56,231.09	218,856.46	17,669.84	73,900.93	76,859.78	90,000.00
Local Professional Staff	21,423.00	16,005.09	37,428.09	5,345.21	21,350.30	61,014.24	100,000.00
Local Support Staff	13,363.42	8,064.34	21,427.76	3,202.07	11,266.41	17,625.39	25,000.00
Office and Equipment	71,080.97	27,822.26	98,903.23	35,648.30	63,470.56	75,578.91	70,000.00
Vehicle & Running Costs	3,464.72	30,075.88	33,540.60	780.89	30,856.77	12,631.58	21,000.00
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	50,000.00
TOTAL	513,923.00	206,840.06	720,763.06	107,320.74	314,160.80	578,076.18	997,080.02
Cumulative Expenditure	513,923.00				828,083.80	1,406,159.98	
Year End Balance						5,093,840.02	
Total Allocation						6,500,000.00	

PROJECT PROPOSALS SUBMITTED: OVERALL INFORMATION

Project ideas received:	584	
	234 (40%)	from outside of Kathmandu
Project ideas used:	109 (18%)	
	55 used in combined approaches (9%)	
	54 directly activated (9%)	
Project ideas not taken forward:	475 (82%)	
Project ideas source:	17 (3%)	Government - central
	23 (4%)	Government - local
	6 (1%)	Statutory bodies
	29 (5%)	Private sector
	474 (81%)	NGOs
	16 (3%)	CBOs
	12 (2%)	Cooperatives
	7 (1%)	Individuals
Project ideas theme:	240 (41%)	Empowerment
	29 (5%)	Economy
	51 (9%)	Policies
	149 (25%)	Service delivery
	46 (8%)	Rights and justice
	17 (3%)	Security
	23 (4%)	Anti-corruption
	29 (5%)	No governance theme

ANNEX 3: PROGRAMME AMENDMENTS - September 2002

CHALLENGES

The main challenges which ESP is facing, and which the changes must deal with, are as follows:

- Difficulty in applying in practice the change advocate concept, which is at the heart of ESP
- The need for ESP to have a more strategic focus, rather than trying to cover the whole governance agenda
- A very large number of applications for ESP to fund satellite projects, resulting in an excessive workload in processing applications and a lot of disappointed applicants
- The need to integrate ESP more fully into DFID Nepal, in order to avoid duplication, inconsistencies of approach and confusion on the part of partner organisations and to ensure that DFID is fully aware of any ESP activities which are particularly contentious or high profile
- The need to increase spending and to produce more reliable forecasts of future spend.

MEETING THE CHALLENGES

The changes which will be made in order to meet these challenges are set out below.

Change Advocates

ESP is centred on the concept of change advocates. The programme purpose relates to the development of change advocates. Getting consensus on who can be considered a change advocate, or a potential change advocate, has proved extremely difficult. The practicality of basing a programme around change advocates has yet to be established. This is one of the main issues which will be considered during the output to purpose review. In the meantime, the following practical steps will be taken:

- attention will be focused on institutions rather than individuals as change advocates
- more importance will be attached to the direct impact of satellite projects rather than their potential to develop change advocates
- preparatory work looking at various options for developing change advocacy in the arena of governance will be undertaken by ESP as input to the output to purpose review.

These changes will apply in considering new satellite projects. There will be no attempt at this stage to amend the logframes of existing satellite projects.

Strategic Focus

ESP has tried to attract ideas for improvement in all seven governance capabilities, as set out in the DFID Governance TSP. Although all capabilities are important, in the current context of Nepal, some are more important than others. Some are more amenable to change than others and some are better suited than others for engagement by ESP. A more strategic approach is required, which focuses on where ESP can make the greatest impact.

There are two stages to determining priorities:

- determining priority areas for DFID
- within those priority areas, determining which areas are best dealt with through ESP.

DFID is working on defining its strategy for governance, as part of the process of preparation of the next country assistance plan. Work on political aspects of governance, a key area of interest, is underway. Top priority will go to measures which contribute to a resolution of the conflict, by helping to address its underlying causes. Although thinking is still evolving, the following may be taken as governance priorities for DFIDN:

- Making the political system more responsive to the needs of poor people
- Increasing transparency and accountability and reducing corruption
- Reducing exclusion from governance processes, based on gender, caste or ethnicity
- Improving public expenditure management, including introducing greater equity into resource allocation
- Decentralisation and improvements to local governance
- Improving the criminal justice system and in particular the behaviour of the police.

Within these priority areas, some initiatives will be more appropriate for ESP than others. In determining which initiatives would be best dealt with through ESP, rather than directly by DFID, it is necessary to consider the characteristics of ESP which make it better suited for some initiatives than for others. Based on experience to date, it is possible to identify a number of perceived key characteristics of ESP that give it comparative advantages as a way of working in certain circumstances. These characteristics are as follows:

- Easy accessibility and customer friendliness, including the ability to devote time to listening to and helping to develop Nepalese ideas (having an almost entirely Nepalese staff helps in this)
- A significant existing network and good networking capabilities
- The ability to bring different representative groups together for coalition/partnership building

- The ability to facilitate innovative interventions and a willingness to work with a greater degree of risk
- the ability to prepare project documents quickly.

These characteristics can be expected to evolve and to become more apparent as ESP progresses. They indicate that ESP is particularly well suited to work on innovative initiatives, on initiatives which involve non-Government stakeholders, or Government and non-government stakeholders in partnership and, in particular, on initiatives which involve coalitions. ESP is much less well suited to initiatives which involve Government ministries with which DFIDN already has well established relationships (e.g. work on public expenditure management with the MOF and NPC).

Considering the priorities and applying the principles set out above, for the period September 2002 to February 2003 the main strategic focus for ESP will be on:

Media - building a coalition of representative groups to develop a strategy and programme for strengthening the media

Dalits - developing a consortium of Dalit support groups to build capacity to improve Dalit representation and participation in governance processes

Indigenous Groups - undertaking a situational analysis as a preliminary to longer term work

HMGN and NGO Collaboration - building on successful work undertaken with women groups and the Department of Women Development

Public/Private and Cross-Party Approaches to Conflict Resolution - encouraging and supporting initiatives in this area.

Police Reform – Launching the Police reform support project.

The Development of Satellite Projects

ESP will end the practice of requesting, through press advertisements, project proposals covering any of the seven DFID governance capabilities. Instead, the following process will be followed:

- Limit scope to the governance areas outlined above
- Identify institutions/individuals (stakeholders) actively involved in these governance areas - identification through database or public appeal
- Initiate discussions (consultative process) with these institutions/individuals on needed reforms in the governance areas - discussion may involve DFIDN or others
- Identify any reform agenda items needing further in-depth study (an initial exploratory activity to get a better understanding) having checked if DFIDN or other donors are not doing similar
- Commission the exploratory activity (if necessary)

- Hold forum with relevant institutions/individuals to discuss and verify exploratory activity outcomes and priorities (where applicable)
- Invite a number of institutions to submit a brief project outline (format based on ESP project concept note) for practical reforms in the specific governance area - alternatively a consortium of interested parties could be invited to develop a project outline
- Discuss written project outlines with DFIDN and agree which are likely to be approved for funding and can be taken forward
- Commission project design and project document preparation through prime stakeholders
- Finalise project document and submit to DFIDN for approval.

This change will avoid ESP being swamped with large numbers of proposals which subsequently get rejected. The new process will also involve DFIDN at a much earlier stage of project development in order to prevent substantial work being undertaken on project documents which are then rejected. The new process is more proactive but it upholds the ESP key principle of supporting primarily Nepali project ideas. Although the process involves a series of steps, depending on work already completed by ESP or others, the point of entry could vary.

The new process is aimed at improving the effectiveness of ESP core work, as well as tying it in more closely with DFIDN's governance priorities. However in the period September 2002 to February 2003, ESP will complete project development work already started in areas which are outside of the focus areas outlined above. Additionally, ESP will continue to respond positively to other project ideas if they can be shown to have significant merit, particularly if they are proposed by priority institutions (e.g. Parliament, political parties, key Ministries, etc).

Exploratory Activities

In the priority areas, ESP will expand the work it undertakes as exploratory activities, in order to get a better understanding of governance issues and to increase understanding of these issues within Nepal. In the past, such work has included the publication of books, the production of videos, and the running of workshops and seminars.

To enable ESP to respond more quickly to opportunities for exploratory activities, the financial limit above which a formal project will be required for these activities will be raised from £25,000 to £50,000. However, all activities costing over £25,000 will continue to require approval by DFID. This approval will be on the basis of terms of reference and budget (with supporting documentation where appropriate). Contracts for exploratory activities over £25,000 will continue to be issued by DFIDN.

ESP and DFIDN

ESP will prepare for DFIDN a concept note (covering submitting agency, intended goal and purpose, problems to be addressed, broad project approach, key stakeholders, likely outputs, and indicative cost and timeline) of a proposed satellite project. Concept notes will be based on the project outline prepared by the submitting

organisation. The concept note will allow DFIDN to make a judgment on whether or not, in principle, it could support the proposed project. This will come prior to actual work on producing the project document and therefore avoid fruitless work being undertaken.

DFIDN will take steps to speed up appraisal decision making. Where appropriate, advisers other than the governance adviser will be involved. DFIDN will avoid being prescriptive in advice and feedback to project submitters. Additionally, DFIDN will regularly inform ESP of any governance related initiatives it is undertaking, or is otherwise aware of, to avoid duplication of effort and enable ESP to properly advise potential project submitters.

ESP will continue to ensure that it is recognised as an integral part of DFIDN. The only major difference between an ESP satellite project and a DFIDN project is in the managing/monitoring arrangements. ESP projects have the ESP Manager as the project officer whereas DFIDN projects have either advisers or programme staff in that role. Also communications from DFIDN to ESP projects is done through ESP. DFIDN will assess whether it should communicate directly with ESP projects in the future, particularly in respect of security matters.

DFIDN will seek to provide ESP with direct access to the governance resource centre based at the University of Birmingham (currently all enquiries have to go through the governance adviser).

Reporting

ESP will continue to use the existing summary report of current activities format for monthly reporting to DFIDN. When appropriate additional information bullet points will be added. The report will include all project approvals planned by ESP, to give DFID adequate notice. The report will be sent to the governance adviser who will take responsibility for circulating it within DFIDN, especially to the head of DFIDN and to other advisers.

The report will also include performance indicators; including the number of on-going exploratory activities and mini-projects, number of projects approved and in the pipeline, and funds committed and funds spent.

Spending

ESP will seek ways to increase spending of funds allocated to satellite projects. In the short term there is little chance of a dramatic increase in spending levels. In the medium term, the measures outlined above aim to make ESP more strategic, avoid an excessive number of applications, and improve links with DFID. This should lead to an increase in spending levels. With the improved reporting arrangements and the take over of responsibility for all aspects of satellite project monitoring, ESP should be able to provide better spending forecasts.

ESP and PMO

ESP will continue to develop closer involvement of the Prime Minister's Office in the activities. This will probably be helped by the fact that there is now a specific PMO project. ESP will explain to the PMO the need for the programme amendments outlined in this paper and seek from them further ideas for improvement.

NOTE: **Approved by the Head of DFID Nepal on 8 September 2002**