



Australian Government
Department of Foreign Affairs and Trade



Aid Program Performance Report 2013-14

Nepal

September 2014

Key Messages

This report summarises progress for the aid program to Nepal in 2013-14 against two objectives:

1. Expand economic opportunities for the poor by promoting enterprise and job creation.
2. Promote Nepal's human development to expand participation and productivity of the poor.

These objectives have been revised from 2012-13 to reflect a revised budget forecast for the program, and efforts to streamline the bilateral program in 2013-14.

Key findings on Nepal program performance in 2013–14 are:

- Australia collaborated with UNDP to alleviate poverty through supporting micro-enterprises, reaching some of the poorest and most marginalised people in Nepal. Challenges remain to ensure a successful transition of the program to management by the Government of Nepal (GoN).
- Australia helped improve access to primary education and maternal and child health services through partnerships with the GoN and donors¹. Australia will continue to advocate to the GoN to increase budget allocations for education and health to ensure they meet their targets.
- The bilateral program is consolidating, exiting both the water and sanitation sector and making the decision to phase out of the national health program, in order to focus more on job creation and education/skills development.
- The management team started the process of identifying synergies between the global, regional and bilateral program, given that the majority of Australian aid is made up of activities funded outside the bilateral program.

Context

Nepal remains among the poorest and least developed countries in the world. Widespread inequality in access to basic services continues to exist for minority and traditionally marginalised groups, women and those with disabilities. Women and girls experience a range of inequalities including low labour force participations rates, forced marriage and gender based violence, with Nepal ranking 98 out of 152 countries on the UNDP Gender Inequality Index for 2013².

Nepal's economic growth rate remains sluggish. In the medium-term, growth is projected to continue at 4.5 per cent, below the projected regional average for South Asia of 6 per cent

¹ Australian funding for health and education is provided through a pool funding mechanism governed by a *Joint Financing Arrangement* signed by the GoN and donors. Pooling donors disburse their contribution to the relevant Foreign Currency Account, which functions as a safe deposit for donor contribution. The relevant Ministry then draws-down funds trimesterly from the account subsequent to approval by the World Bank of annual Financial Management Reports and audit reports.

² UNDP website: <http://hdr.undp.org/en/content/table-4-gender-inequality-index>

(2014-16). The aspirations of the GoN to transition from Least Developed Country to Developing Country Status by 2022 will remain challenging to achieve.

Nepal has a young population, with about 33 per cent of its people below the age of 15; and 57 per cent between the productive ages of 15-59. Given limited employment opportunities and a large unskilled workforce, the trend of young people seeking employment overseas continues. Supporting quality education and domestic job creation, specifically for women and girls, are central to ensuring long-term and inclusive economic growth.

Whilst Nepal is a fragile state, there has been some progress in 2013-14 toward more stable government. The Constituent Assembly elections in November 2013 were largely considered free and fair, with strong voter turnout. However, governance at the district and local level remains a challenge. Local elections have not been held in more than 15 years and, whilst the government has committed to running local elections, no date has been scheduled. This has implications for Australia's aid program as the microenterprise, health and education programs all include district-level cooperation and implementation

The majority of Australia's bilateral development assistance continues to be delivered through government systems. Whilst this modality is delivering policy influence (for health and education), significant challenges remain:

- As in previous years, the GoN budget for 2013-14 was underspent, largely due to the majority of money being released to Ministries late in the financial year. Budget allocations for health (5.88 per cent in 2013-14) and education (15.65 per cent in 2013-14) remain well short of GoN targets of 10 per cent and 20 percent respectively.
- Capacity within the Nepali civil service is mixed and reforms have been hampered by the political instability. In 2013-2014, suspension of key Ministry of Health officials due to corruption allegations impeded its annual planning process. However, in 2013-14 the GoN undertook a much needed recruitment of 13,000 permanent teachers (3,627 female).

With a strong focus on job creation through microenterprise development (especially for women and girls) and equitable access to quality health and education services, the Nepal program is well positioned to deliver on the priorities of Australia's new Aid Policy (released June 2014).

Expenditure

Australia is the twelfth largest donor in Nepal, and will likely remain a modest donor. In 2013-14, Australia's bilateral aid program to Nepal totalled \$15.2 million. Other assistance through Australia's regional and global programs and through other government agencies brought Australia's total official development assistance (ODA) to an estimated \$35.3 million or 0.2 per cent of Nepal's GDP for 2013³.

The revised objectives for 2013-14 reflect a reduced budget forecast for the program and a consolidation of activities. In 2013-14, the decision was made to not renew investments in WASH and health beyond current commitments (2014 and 2015 respectively). This will ensure that the program has the resources to oversee the significant number of activities outside the

³ Nepal's GDP for 2013 was USD 19.3 billion; DFAT's Nepal Fact Sheet viewed 2 July 2014

bilateral program (see below) and deepen our focus on job creation and education. Both of these areas are critical to long term economic growth. The medium term objectives will be further refined in 2014-15 through the development of an Aid Investment Plan.

Expenditure in FY 2013-14:

Objective	A\$ million	% of bilateral program
Objective 1 Expand economic opportunities for the poor by promoting enterprise and job creation	6	39
Objective 2 Promote Nepal's human development to expand participation and productivity of the poor	9.2	61

In addition to the Nepal bilateral program, in 2013-14 there were a range of other activities funded from across Australia's aid program that supported activities in Nepal⁴: For most of these investments, the program has limited influence but can leverage synergies with bilateral investments. The program has more control over Australian Awards and Australian Volunteers for International Development, ensuring they are aligned with bilateral priorities. Key non-bilateral ODA includes:

- 27 Australian NGOs delivered a range of projects across Nepal under the ANCP. These included livelihoods, education, disability support, health, water & sanitation, and human rights (\$4.3 million).
- 89 Australia Awards (35 scholarships and 54 fellowships) were provided to assist Nepalese study at a range of Australian tertiary institutions in 2013 (\$4.3 million).
- DFAT's Sustainable Development Investment Portfolio (SDIP) focused on improved cross border water management (\$3.5 million).
- Humanitarian assistance including emergency food relief for Bhutanese refugees through the World Food Program (\$3.8 million).

Australia also provided core funding to a range of institutions that delivered activities in Nepal:

- Global Fund (for HIV/AIDS, Tuberculosis and Malaria). Australia provided \$100 million in core funding in 2013-14. The Global Fund spent US\$21.91 million in Nepal in 2013.
- Global Alliance for Vaccines and Immunisation (GAVI). Australia provided \$52.5 million in core funding in 2013-14. In 2013, GAVI disbursed US\$2.5 million to Nepal.
- Private Investment Development Group. Australia provided \$15.7million in core funding in 2013-14. PIDG is facilitating hydro-power projects in Nepal.

Progress towards objectives

Overall, good progress was made against the program objectives for 2013-14. In line with GoN policy, the majority of Australia's bilateral program provided support (along with other donors) through Government systems to deliver Government programs. Australia is seen as a practical,


⁴ These are indicative estimates of country flows from DFAT's regional and global programs. These notional flows are not programmed by country programs.


neutral donor in Nepal and as a result we have a strong working relationship. The basis for the ratings are the QAI scores for bilateral investments (Appendix B), not non-bilateral ODA activities as these are programmed according to their own objectives.


Rating of the program's progress towards Australia's aid objectives:

Objective	Previous Rating	Current Rating
Objective 1: Expand economic opportunities for the poor by promoting enterprise and job creation	Green	Green
Objective 2: Promote Nepal's human development to expand participation and productivity of the poor.	Green	Green

Note:

 Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

 Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period:

Objective 1: Expand economic opportunities for the poor by promoting enterprise and job creation

The objective was rated green as the Australian Government's flagship program - the Micro-Enterprise Development Program (MEDEP), implemented by UNDP - has continued to create new jobs and microenterprise opportunities for the most disadvantaged (especially women). In addition to supporting job creation, our expectation for 2013-14 was also that UNDP would support the transition of program management from UNDP to GoN.

Key achievements for MEDEP in 2013-14 include 8,727 beneficiaries increasing their income, 70 per cent whom were poor women. Since 1998, the program has created more than 70,000 micro-entrepreneurs and directly created more than 75,000 jobs. An impact assessment report (2010) found that 80% of the micro-entrepreneurs established by MEDEP continue to be active in their field of activity.

UNDP progressed satisfactorily the transition arrangements for MEDEP in 2013-14. MEDEP is one of the few donor initiated programs in Nepal that has a strong GoN buy-in. In previous phases, UNDP provided grants to deliver micro-enterprise services. In this phase, the GoN will manage that process. UNDP plays a role in training GoN staff and building their capacity to do this. In 2013-14, UNDP facilitated the finalisation of Operational Guidelines for the management of funds by GoN. The Guidelines set out the roles and responsibilities of all parties in relation to the funds, ensuring transparency and accountability. UNDP's progress was satisfactory although it was unable to undertake district assessments of capacity to manage the district funds (which will include funds from UNDP/DFAT and GoN when in operation). These delays were due to lengthy negotiation on the Operational Guidelines, and UNDP's difficulties in recruiting a suitable assessment team. The assessments will now take place in 2014-15.

DFAT, UNDP and GoN continue to have a close strategic partnership in the delivery of MEDEP. In August 2013, Australia facilitated a workshop with the GoN and UNDP to establish a

partnership framework and clearly articulate roles and responsibilities. DFAT and UNDP meet on a regular basis and DFAT is informed of implementation issues as they arise.

In 2014, a MEDEP beneficiary, Ms Kesha Kumari Damini, was awarded the international Business for Peace Award.

MEDEP Business for Peace Award

The Australian funded Micro Enterprise Development Program in Nepal has successfully created more than 40,000 female micro-entrepreneurs since 1998. One of those entrepreneurs, Ms Kesha Kumari Damini, has been conferred the international Business for Peace Award 2014.

Ms Damini was one among six awardees chosen by the Independent Award Committee comprising of Nobel Laureates in Peace and Economics. The annual award is given to individual business leaders who have fostered peace and stability through private enterprise, doing ethical business practices and creating shared value for the society.

Ms Damini was cited for her leadership and success in mobilising micro entrepreneurs, mainly women, to become self-employed and overcome discrimination. She is currently chair of National Micro-entrepreneurs' Federation of Nepal.

Australia has also supported a range of Australian NGOs to deliver livelihood projects including projects to enhance the business and vocational skills of women's cooperatives.

Job opportunities will also be provided through the Australian-supported (\$15.7 million in core funding 2013-14) Private Investment Development Group (PIDG). Within PIDG there are a range of private companies that are funded to identify and develop potential projects that address infrastructure gaps and have high developmental benefits (InfraCo Asia Development covers South Asia). InfraCo Asia is supporting the development of three hydro projects in Nepal. In May 2014, InfraCo Asia facilitated funding (US\$ 84.6 million) from the World Bank Group for the construction of a dam and power station on the Kabela River. The World Bank Group will implement their safeguards (including gender responsive approaches) in the delivery of the project⁵.

Objective 2: Promote Nepal's human development to expand participation and productivity of the poor.

The objective was rated green as progress met expectations to support education opportunities, access to health and improved water, hygiene and sanitation.

Australia's investment in both education (School Sector Reform Program – SSRP) and health (Nepal Health Sector Program – NHSP III) are both sector wide programs delivered by GoN (see footnote 1, page 1). In both instances there is an active donor group (and working groups on particular issues) that meet regularly with GoN. The program management team has made the decision not to continue with our support for NHSP III and Nepal Water for Health beyond the current agreements (2015 and 2014 respectively). This decision is not reflective of diminished development need in these areas or poor performance, but rather to consolidate the bilateral

⁵ All IFC funding is subject to the IFC Sustainability Framework (2012). This includes assessments against gender, climate change, indigenous peoples, human rights, and implementation.

program to facilitate targeted focus on microenterprise development and education/skills development.

SSRP has delivered good results in some areas including an increasing enrolment in basic education from 73 per cent (2009) to 86.3 per cent (2014) and gender parity in basic education enrolment. In 2013-14, Australia's funding (\$4 million) directly supported an additional enrolment of approximately 50,000 students (25,269 girls) and delivered more than 300,000 textbooks. However, further work is needed to improve education quality. The 2014 National Assessment of Student Achievement found that only 63 per cent of grade three and 59 per cent of grade five children were literate in Nepali. While scholarships are provided to some children with disability, more are needed, along with other measures to ensure that education meets the needs of children with disability. Donor coordination and collaboration with the Ministry remain positive. Australia and other donors continue to emphasise that funding is contingent on the GoN continuing to place a priority on education.

In 2013-14 Australia provided \$70 million in core funding to the Global Partnership for Education (GPE). Nepal has received US\$120 million in grants from the GPE (2010/11-2013/14) including US\$14.8 million disbursed in 2013-14. GPE contributes to all key SSRP targets and has facilitated progress in increasing enrolment in basic education, completion of the national assessment of learning outcomes, improving teacher quality, data management on minimum enabling conditions and targeting schools based on need.

NHSP II has made good progress on many health indicators in a challenging transition environment and Nepal remains on track to meet its MDG (4, 5 and 6) targets in health. In 2013 results include a maternal mortality rate of 192 (2015 target is 134), an infant mortality rate of 44 (2015 target is 32) and an under 5 mortality rate of 47 (2015 target is 38).

However, the mid-term review (2012) of NHSP II indicates that a number of key health indicators (maternal, neonatal and child health) are now flat-lining. Further progress on system reform and targeting bottlenecks is essential, particularly looking at improving coverage and utilisation of services. In 2013-14, Australia continued to advocate for improvements in: financial management and procurement issues; governance issues; the health financing strategy; and equity. The absorptive capacity and spending rates for health is an issue that requires ongoing management (of the \$20.8 million provided to NHSP II since 2010-11 \$8.4 million is yet to be disbursed).

Cross-cutting Issue: Governance

Improvements to governance are central to both objectives. In addition to focusing on specific governance issues in education and health through the relevant investments, Australia also contributes to the World Bank's Public Financial Management (PFM) Multi Donor Trust Fund⁶. Through the Fund, two key analytic pieces were completed in 2013.

- Public Expenditure Tracking Survey in the Education Sector was drafted and is already being used by the Ministry of Education and development partners (including Australia) to influence the sector's Financial Management Improvement Action Plan and drive sector reform.

⁶ Since 2011, Australia has contributed \$2.85 million to the fund. Australia did not make a contribution in 2013-14. The fund ceases in 2017.

- Operational Risk Assessment was also completed. This assessed the political economy of PFM reform and provided a number of strategic recommendations on likely reforms that are in the process of being incorporated into the Fund's work plan.

After a slow start, activities under the Fund are beginning to have an impact and some, like the roll-out of the Treasury Single Account, are being delivered ahead of schedule.

Cross-cutting Issue: Disaster Risk Reduction

Disaster risk reduction (DRR) is another important cross-cutting issue, given the risk of natural disasters setting back development gains. In addition to including DRR in its micro-entrepreneurship activities, Australia contributed some of its funding to public education specifically to retrofitting public school buildings so they are multi-hazard resistant. It also continues to place Australian Volunteers for International Development at the National Society for Earthquake Technology.

Mutual Obligations

Australian aid to Nepal is delivered in collaboration and accordance with the GoN's strategic priorities. Australia's three major bilateral aid investments – SSRP, NHSP and MEDEP – all partner with the GoN. Each program has achieved strong results, in part thanks to constructive collaboration between the GoN and donors such as Australia. In each investment, the GoN has established commitments regarding financing, collaboration, reporting and implementation.

Supporting the economy through entrepreneurship, education, and health are key priorities listed in the GoN's Three Year Interim Plan FY2013/2014 to 2015/16. In the Plan, GoN commits itself to targeted programs to ensure access of the poor, marginalised communities and persons with disabilities to education. Despite improvements and success in outcomes, there is much still to be achieved. Specifically:

- Public spending on education and health will need to be increased in line with GoN's commitment to spend 20 per cent of the budget on education and 10 per cent on health by 2015.
- For health, absorptive capacity and spending rates remain issues of concern⁷.
- The Ministry of Industry needs to increase resources to deliver on Micro Enterprise Development for Poverty Alleviation (GoN microenterprise program). Australia continues to advocate strongly on this issue.

The GoN is continuing to meet its obligations to engage with development partners on plans and policies. The GoN leads an annual assessment of performance under each program and the planning of expenditure for the coming year; the practise of annual assessment is yet to be instituted for MED-PA. The GoN has also been effective in monitoring cases of fund misappropriation to recoup the funds, although it has been slower to improve the culture of financial compliance.

⁷ These issues are less pronounced in the education sector as 90 per cent of the budget is for recurrent expenditure rather than infrastructure, goods and services.

Program Quality and Management

Monitoring for Australia's aid program in Nepal is focused at the investment level. A formalised Performance Assessment Framework will be developed in 2015 as part of the Aid Investment Plan.

The following evaluations were undertaken in the reporting period:

- End of Program Evaluation for NEWAH: June 2014.
- Mid-Term Evaluation of the Nepal PFM Multi Donor Trust Fund (MDTF): January 2014.

Analysis of Quality at Implementation Reports

Overall progress of the bilateral program's investments was steady, with strong performance over the vast majority of QAI performance ratings (Annex B). All four major bilateral investments were rated adequate (with a score of 4 or more) or higher in every criterion except for the M&E rating for MEDEP, which dropped from a 4 in 2012 to a 3 in 2013.

MEDEP has a relatively comprehensive management information system with highly disaggregated data. The downgrading of its M&E QAI assessment in 2013-14 relates to the data quality issue identified by a review by the Overseas Development Institute and delays in developing a Donor Committee for Enterprise Development compliant M&E framework and system for its Phase IV program. A framework has been drafted, and post will monitor its completion closely in 2014-15.

Performance of key delivery partners

Australia and UNDP have been working together on MEDEP since 2006 and have formed an effective partnership. In 2013-14, UNDP facilitated the finalisation of the Operational Guidelines that will determine how MEDEP funds will be delivered with GoN funds. However, the assessment of fiduciary systems at the District level was not completed and is now delayed to later in 2014. DFAT also noted UNDP's difficulties in procuring a suitably qualified team to support a gender-inclusive assessment. Australia is advocating that UNDP streamline its systems so that it can get the expertise it needs on board.

Risks

Table 3 Management of key risks to achieving objectives

Key risks	What actions were taken to manage the risks over the past year?	What further actions will be taken to manage the risks in the coming year?
<p>A lack of technical capacity in areas such as education, private sector development, health, PFM, systems, and monitoring and evaluation means the Nepal program is unable to safeguard Australia's investments in SWaPs and other programs. A lack of resources could also mean Australia is unable to elevate its relationship with partner governments and its level of influence with other donors.</p>	<p>To manage the risk, the Nepal program has engaged a PFM adviser to evaluate and strengthen our investments in MEDEP and SSRP. The program has also drawn on the regional IRS advisers (especially education) to elevate Australia's policy input to the SWaPs. Resource pressures have been managed through consolidating the program including ceasing bilateral funding in governance, WASH; and health (beyond the current investment, which ends in 2015).</p> <p>A Livelihoods Program Manager has been added to manage the MEDEP investment and related economic development activities, and one position reconfigured as a Program-Manager Cross Program in part to act as a focal point for relevant global investments, and to increase the program's flexibility to respond to emerging priorities.</p> <p>Developing the Aid Policy provides an opportunity to ensure that the Nepal program matches its financial and human resources.</p>	<p>The program will continue to draw on external PFM advice in 2014-15. In addition, a proposed regional pool of technical advice may be established for South Asia programs to draw on (including Nepal, Sri Lanka and Bangladesh). The pool would likely be available on a helpdesk arrangement and include (for example) PFM, private sector investment, gender, education advice.</p> <p>Any new investments identified through the Aid Investment Plan process will be co-investments through existing, high performing partners/programs to manage resource pressures.</p>
<p>High levels of corruption, coupled with a program increasingly being delivered through partner government systems and large donor groups, with reduced oversight of Australian Government funds.</p>	<p>DFAT's Fraud Management Plan is applied in Nepal. Cases of fraud are reported to the Risk Management and Fraud Control Branch. Kathmandu management team will continue to invest significant time in sector financial management and oversight of governance reforms.</p>	<p>An update to the 2012 Assessment of National Systems will be undertaken in late 2014. Management will respond to any specific risks identified through this process. The PFM adviser continues to assist the program to monitor the levels of fiduciary risk.</p> <p>The management team will continue monitor use of government systems. As well as considering fiduciary risk, it will consider whether the use of government systems is the best way to contribute to development and delivers on Australian aid priorities.</p>

Management Responses

The key management issues for the program are; consolidation, MEDEP transition, and the use of GoN systems.

Consolidation within the Nepal program is more complex as the bilateral program accounts for less than half (43 per cent) of the total ODA (the average for other country programs is 64 per cent). This poses challenges as there is less control to consolidate the program to match activities with resources. Although other regional and global programs are managed from Canberra, the Nepal team contributes significantly to representation.

Consolidation for the Nepal program will therefore need to include:

1. Less spread within the bilateral program with highly focused and aligned policy and financial investments. To this end, the Nepal program is well placed, having ceased bilateral investments in WASH, governance, and health (beyond 2015). This will facilitate deeper engagement in microenterprise development and education/skills development and the opportunity to leverage global/regional investments. In 2013-2014, for example, the Nepal team used Australia's contribution to GPE to bolster its advocacy for a greater Nepali budget allocation to education.
2. Prioritisation of engagement for global and regional activities dependant on their relevance to the bilateral program (microenterprise and education/skills development).

UNDP efforts to support the transition of the MEDEP program to GoN delivery will continue to require close monitoring and active engagement. In 2013-14, the program engaged a PFM adviser to review the fiduciary risks of the program. This resulted in the strengthening of UNDP's approach including ensuring UNDP's 'Harmonised Approach to Cash Transfers' to ensure Australian money is properly spent. DFAT has encouraged UNDP to better quality assure its own products, which has already led to a lift in the quality of the terms of reference of the inception report. Regular meetings between DFAT and UNDP are improving UNDP's attention to key deliverables. It is also leading to more consistent messaging by UNDP to GoN.

Australia will continue to review whether investments in health and education are matched by an increasing GoN budget allocation and a genuine commitment to improvement, as well as whether they leverage nation-wide improvements. As discussed above, there are a range of ongoing challenges involved in utilising GoN systems. The GoN is well below their previously stated targets for expenditure in education (20 per cent) and health (10 per cent), with consistent underspends in health. Australia continues to be an active member of donor groups and actively advocates for reform, including the needs of children excluded from schools (including children with disabilities), developing an equity strategy, collecting better data for planning purposes, and developing an approach to language in school, particularly the supported use of English as a medium of instruction to respond to market demand. As a donor, Australia has been strongly supportive of GoN policy to direct development assistance through government systems, recognising that this reduces the transaction burden for GoN and fragmentation and duplication of aid.

In 2014-15 a key priority for the management team will be to reorient the Nepal program to focus on the Australian Government's new development priorities through the development of an Aid Investment Plan (AIP). The AIP will identify the key constraints for growth in Nepal and articulate how investments through Australia's aid program will address those constraints and promote economic development. The AIP will identify how new and existing investments will support and partner with the private sector; and promote economic empowerment and leadership opportunities for women. The AIP will also demonstrate efficient program management, both through more focused policy efforts through identifying leverage opportunities between bilateral and global/regional activities.

Annex A

Progress in addressing 2012-13 management responses

Management consequences identified in 2012-13 APPR

Finalise the country program strategy. DFAT's Nepal program management team (First Secretary in Kathmandu and Country Manager) will consult with the GoN on the draft Strategy for Australian Aid to Nepal 2013-17 with the aim of agreeing to publish it on time, by the end of 2013.

Improve country level performance monitoring. The program management team will update the draft performance assessment framework and use it to guide data collection and analysis for the 2013-14 APPR for Australian aid to Nepal.

Retain flexibility to adapt as needed. The program management team will work with partners to analyse the changing context in Nepal and changes to program assumptions, including as a result of national elections.

Strengthen risk management and aid delivery systems. Guided by the country program strategy, and considering the above contextual analysis, the program management team will decide:

- i. ways to increase effective risk management for program delivery in 2013-14
- ii. planning and analytical documentation relating to future Australian aid:
 - such as a delivery strategy and/or investment concepts or designs
 - in proportion to the small size of the program and the small program management team.

Rating

Not Achieved

Not Achieved

Achieved

Partially Achieved

Progress made in 2013-14

The draft country was not finalised before the announcement of elections in Australia and Nepal in 2013. The change in the Australian Government has resulted in a change to the aid programming architecture, and country strategies have been replaced by Aid Investment Plans. These Plans, a requirement for all country programs, will be finalised by July 2015.

The draft PAF was prepared but not finalised as the country strategy was not finalised. A new PAF will be drafted in 2014-15 as part of the Aid Investment Plan process to ensure the program is able to report on benchmarks (including mutual accountability).

The consolidation process has ensured that the Nepal program has the flexibility to respond to Australia's policy priorities. New investments will be assessed through the Aid Investment process.

Risk Management: A PFM Adviser was recruited in 2013-14 to strengthen fiduciary risk management across all programs (especially MEDEP).

There were no delivery strategies or investment concepts prepared in 2013-14 on account of the country strategy not being finalised, the need to consolidate the program and anticipated release of the new aid policy. Assessment of risk and appropriate aid modality will be central to any new investments considered for 2014-15 and beyond (guided by the AIP process).

<p>Implement quality improvement reforms as needed. To maintain and improve the quality of specific initiatives, the program management team will:</p> <ul style="list-style-type: none"> i. seek approval for an additional locally based program manager to support the transition of the MEDEP from the UNDP to the GoN (expected by 2017–18). ii. reassess NEWAH results following project completion in October 2013 iii. consider the potential costs and benefits of possible future Australian support for water, sanitation and hygiene in Nepal (subject to the country program strategy objectives and contextual analysis discussed earlier) iv. maintain an active role in the PFM MDTF to continue improving GoN's control and reporting of finances for development (supported by a new public financial adviser for South Asia, if this is approved and filled in 2013–14). 	<p>Achieved</p>	<p>A Livelihoods Program Manager comments in July 2015 (approvals and recruitment process held in 2013-14). The position will report to the Country Manager and provide support to the management of Australia's investment in MEDEP.</p> <p>The consolidation of the program has resulted in a ceasing of funding to WASH activities through the bilateral program. Australia continues to support WASH activities in Nepal through the WASH Fund, ANCP and Australian Volunteers.</p>
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Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

Annex B

Quality at Implementation ratings

Investment name	Approved budget and duration	Qal year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality
Micro-Enterprise Development Programme Phase (MEDEP) - Phase IV	\$33.9 million (2013/14 - 2016/17)	2013	6	4	4	3	4	5
		2012	6	5	5	4	4	5
School Sector Reform Program (SSRP)	\$23.1 million (2010/11 - 2015/16)	2013	6	4	4	4	4	5
		2012	6	5	4	4	4	5
Nepal Health Sector Program (NHSP)	\$26 million (2010/11 - 2014/15)	2013	5	4	4	5	4	4
		2012	5	4	4	5	4	5
Public Financial Management Multi Donor Trust Fund (PFM-MDTF)	\$2.85 million (2010/11 - 2016/17)	2013	5	5	4	4	4	4
		2012	5	4	3	3	4	2

Definitions of rating scale:

Satisfactory (4, 5 and 6)

6 = 6 = Very high quality

5 = 5 = Good quality

4 = 4 = Adequate quality, needs some work

Less than satisfactory (1, 2 and 3)

3 = 3 = Less than adequate quality; needs significant work

2 = 2 = Poor quality; needs major work to improve

1 = 1 = Very poor quality; needs major overhaul

Annex C

Evaluation and Review Pipeline Planning

> List all evaluations and reviews completed in the reporting period.

List of evaluations completed in the reporting period

Name of Investment	Aidworks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded Into Aidworks	Date Management response uploaded Into Aidworks	Published on website
South Asia Water and Sanitation (NEWAH)	INJ037	End of Program Evaluation	June 2014		Management response not required as the initiative has ended. Lessons learnt were captured in the evaluation.	
Public Financial Management Multi-Donor Trust Fund	INJ889	Mid-Term Evaluation	January 2014	7 MAY 2014	The MTR was a joint evaluation; therefore a management response is not required.	

No evaluations are scheduled for 2014-15

Annex D

Performance Benchmarks 2014 -15

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Expand economic opportunities for the poor by promoting enterprise and job creation	Facilitate capacity building for 4,500 individuals to become new micro entrepreneurs (at least 60% women)	Support for the Microenterprise Development Fund (implemented by UNDP and GoN) represents 46% of Australia's bilateral aid investment in Nepal for 2014-15. The benchmark aligns with and reflects the partner government's high priority interest in supporting job creation through microenterprise development. This benchmark also recognises the importance of women's economic empowerment by including the measure that at least 60% of the new micro and small businesses are by women. Infrastructure and labour union issues are recognized by the GoN as constraining industrial growth in Nepal and micro and small enterprises are seen as the measures to contribute to productive employment and economic growth. Deeply entrenched social and structural inequality, compounded by chronic poverty, are amongst the key drivers of conflict in Nepal. MEDEP endeavours to address these issues by targeting women, youth, the extreme poor, Dalits and ethnic minorities. The benchmark reflects UNDP's targets, which have been met in previous years.
Promote Nepal's human development to expand participation and productivity of the poor	Maintenance of existing scholarships for children with disabilities (provided through the School Sector Reform Program) and an additional 10,000 disability scholarships provided in 2014-15 to Nepali school children.	Australia invests in its partner government's national public school program – the School Sector Reform Program. Through pooling its funding with other donors and GoN funding, it is able to leverage GoN policy changes aimed at increasing enrolments and the quality of education. The current GoN target is for 100% of students to be enrolled in primary education. In the last five years, it has gone from 92% of children in school to 95.5% of children in school. As access to education has improved generally, Australia's agenda has shifted to those groups who are still largely excluded, including children with disabilities. The Aid Policy estimates that children with disabilities make up a third of children not in school in the Asia Pacific region. One of the partner government's main strategies for lifting enrolment rates of children with disabilities is through scholarships. These scholarships range from a small amount of money for children with disabilities to attend mainstream schools, to a relatively larger amount of money for children with disabilities to attend specialised integrated schools including residential provisions for some needy students. Australia, through its contribution to the School Sector Reform Program, contributes to funding these scholarships to children with disabilities. At the moment the Government of Nepal does not gender-disaggregate the data for children for disabilities receiving scholarships – this is an important issue of policy that Australia will raise with the government. This results benchmark is

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Promote Nepal's human development to expand participation and productivity of the poor	30 new Australian Awards offered in priority areas (at least 25% from socially and traditionally marginalised groups)	an increase from the 2013-2014 baseline of 50,115 children receiving scholarships.
		Capacity within GoN and many aspects of civil society is very weak. With weak domestic universities, scholarships to Australia play an important role in strengthening domestic capacity and assisting Nepalis who demonstrate potential to contribute to development and address poverty. They aim to provide awardees with the skills and knowledge to drive change and influence economic and social development. The Awards also attempt to address issues of social inclusion which is a core driver of Nepal's conflict. This benchmark provides that at least 25% of these Australian Awards go to traditionally and socially excluded groups. These groups are well positioned to contribute to the development of excluded communities, but because of poverty and a lack of opportunity, do not generally have access to the skills and knowledge which can be provided by overseas study. The Nepal Program will be developing new strategies in 2014-2015 to better reach these groups. This benchmark builds on the work of intake 2014, which ensured that out of a field of 35 Australian Awards, 9 were to individuals from traditionally marginalised groups, 13 females, 1 with a disability and 1 studying in the field of disability. The overall number of awardees is lower in recognition that approximately 35% of total funding is drawn from the bilateral budget, with the remainder subject to a successful bid from global funds.