

Asia Regional Workshop on
Implementation of Busan Partnership for
Effective Development Cooperation

Mr. Tara Prasad Sapkota

Under Secretary

Ministry of Finance

Presentation Outline

- A. Implementation and Monitoring of the Busan Commitments in Nepal.
- B. Overall progress on Global Partnership for Effective Development Cooperation in the perspective of Nepal.
- C. Overall challenges on Global Partnership for Effective Development Cooperation in the perspective of Nepal.
- D. Some Recommendations

A. Implementation and Monitoring of the Busan Commitments in Nepal.

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
01	Development cooperation will be focused on results that meet developing countries' priorities	Government of Nepal (GoN) has attempted through several reforms to build and strengthen result-oriented planning, budgeting, monitoring and evaluation system. The Government has adopted a results-based management approach and DPs have also shown increased focus on results. Efforts are made to operationalize Managing for Development Results (MfDR) and results-based management in various sectors. Efforts are undergoing to improve the implementation of the quality of results-based programming and monitoring system .Portfolio Performance for Development Results is organized by Government of Nepal and Development Partners annually. Under NPPR mechanism, Starting of third party evaluation, result based monitoring & Result based budgeting and making business plan. NPPR Mechanism has added new feature from 2012-13 by including few sectors (Local Governance, Roads and Transport Management, Agriculture and Energy) in order to make these sectors result oriented.	Managing for Development Results (MfDR) has not been done in a very comprehensive and systematic way. Scattered attempts are giving low fruits.	We cannot produce results without effective partnerships. So traditional and non-traditional development partners should meaningful engage in development cooperation.

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
02	<p>Civil society will operate within an environment which maximizes its engagement in and contribution to development</p>	<p>Environment is enabling for civil society to engage development activities in Nepal. Traditional and nontraditional development partners are welcoming to development collaboration.</p>	<p>Civil society 's contribution on development cooperation is limited due to lack of effective monitoring and evaluation, immature civil society, political-based civil society, family based civil society etc.</p>	<p>Strong monitoring mechanism should be developed.</p>

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
03	Engagement and contribution of the private sector to development	Private sector is a key driver of development. In Nepal, private sector is heavily involved in health sector, education sector, business and trade. Due to its nature, private giving cannot mostly be taken into account in national development plans.	Immature private sector; lack of corporate social responsibility; weak monitoring of Government	Public private partnership is a risk sharing mechanism. it helps to live together, work together and think together. we should take following key actions to increase private resources invested in policy priorities: - <ul style="list-style-type: none"> • create an enabling business environment • Use public resources to invest in areas that leverage private investments towards policy priorities. • Stress on 'Aid for Trade'.

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
04	<p>Transparency: information on development cooperation will be made publicly available</p>	<p>The Ministry of Finance has recently launched Aid Management Platform Public Portal, giving free access to the wider public through its website. Jointly monitoring and evaluation mission are increasing; Meeting of Nepal Development Forum; Local Donor Meetings; Sectoral Donor Group meetings; Nepal Portfolio Performance Review (NPPR) Meeting etc. From the beginning of 2013, the IECCD started publishing a Newsletter on a bimonthly basis. Likewise, IECCD has published District Aid Profile, Technical Assistance Book, and Development Cooperation Report.</p>	<p>Aid Transparency has been a challenge in recent years, in particular for aid resources that are implemented by International or national Non-Governmental Organizations (I/NGOs) or directly by DPs.</p>	<p>Off-budget, Off-treasury budget should be discouraged and country system should be followed. Meaningful/reflective participation should be encouraged.</p>

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
05	Development cooperation will be made more predictable	There is not any mechanism of prediction of inflows of foreign aid in Nepal. Excessive conditionality is still a feature of aid from a number of DPs which rather exacerbates Government's capacity and authority to mobilize aid according to its priority and established system. This often results in problems of predictability in terms of the volume, quality and timing of aid, which in turn inhibits better planning and slows down implementation of annual budget. Often, country constraints are overlooked and the one-size- fits - all approach does not work.	Many Development Partners do not have Country Strategy Paper for Nepal. Due to Global Economic Crisis, low absorptive capacity of aid and political instability within the country, predictability of aid is uncertain.	Strong country system, stable political system and medium and long-term development strategy should be formulated.

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
06	Aid will be listed in budgets which are subject to parliamentary scrutiny	According to concept paper of Thirteenth periodic plan, it is expected that 80% of total aid amount will be channelized in national budget system. Distribution of disbursements FY 2011-12:- off budget-23% & on budget- 77%; on treasury -58% & off treasury-19%. There has been some improvement in bringing projects on budget when compared to last fiscal year. Previously, the percentage of projects reflected on budget was 70 percent out of which 54 percent went through the treasury.	Due to long political transition, there is no parliament. Ritualistic democracy occurs. Public Accounting Committee and other parliamentary committees are not existing and functional.	Government has to go a long way to bring all aid money in the red book. Foreign aid which is received by national and international non-governmental organizations should be mobilized in compliance with national priority and policy.

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
07	<p>Mutual accountability among development cooperation actors will be strengthened through inclusive reviews.</p>	<p>Mutual Accountability demands for a shared commitment in aid delivery between the Government and DPs. In Nepal, there are few best practices in this area such as implementation of SWAp in few sectors, continuation of the Nepal Portfolio Performance Review (NPPR) process, regular Local Donor Meetings which add value to enhance aid effectiveness through an open dialogue between the Government and the development partners.</p> <p>In mutual accountability for development results by both donors and government, there has been some progress but not of the expected level.</p>	<p>In Nepalese context, division of labor among the Development Partners and Government of Nepal seems difficult due to fragmentation, individualization of development and projectized development.</p>	

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
08	<p>Gender equality and women's empowerment will be incorporated into development plans.</p>	<p>Gender equality and social inclusion issues are identified as key components of recent development plans, integrated in the budgetary planning and monitoring processes. At least 33% participation of women is assigned in different laws. Provision of Reservation and positive discrimination for women is prevalent in public sector.</p>	<p>A key challenge is to further strengthen ownership by improving the quality of participation and address the capacity issues, especially at local level and for disadvantaged groups in order to ensure that the participatory process truly captures the voices of beneficiaries and is not hijacked by a few groups with higher levels of capacity.</p>	<p>Meaningful/Reflective participation should be encouraged and continued empowerment programs should be launched.</p>

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
09	Effective institutions: developing countries' systems will be strengthened and used.	Public Financial Management (PFM) awareness program is carried out by Financial Comptroller General Office; revised of internal auditing manual; training for internal auditors; launching of risk-based auditing. Treasury Single Account (TSA) System is successfully launched in 75 districts.	Creation of parallel Project Implementation Units (PIUs) by development partners in the name of low country capacity did not help much to accelerate overall implementation process	Donors should honor recipient country system. Capacity building activities in PFM should continue; BMIS, FMIS, and AMP should be integrated. Procurement Audit Guidelines should be developed; procurement Guidelines should be issued as soon as possible. The Government and DPs need to improve their coordination to avoid perception gaps, if there are any. The appropriate risk management tools and capacity development measures should be in place. This allows smooth implementation of international commitments regarding the use of national systems. New Foreign Aid Policy Budget integration with different related software. Capacity Development/Horizontal support Macro Prudential Regulations

S.N.	Commitments	Progress/Action Taken	Challenges	Recommendations
10	Aid will be untied	There is no actual data of 'tied aid' and 'untied aid' but Nepal categorized as 'Aid-savvy' nation. Specially, Technical Assistant (TA) covers 15% of total aid in Nepal now which is one of the least coordinated activities of donors.	Donors hegemony; deepening dependency syndrome; huge trade deficit etc.	Development partners should honor trade liberalization policy, right to freedom; right to choice etc. 100 percent aid should be untied.

B. Overall progress on Global Partnership for Effective Development Cooperation in the perspective of Nepal.

Aid effectiveness has been at the centre of the international development cooperation agenda over the past decade. Nepal has been a signatory of Paris Declaration and has shown strong commitment in Rome (2003), Accra (2008) and Busan (2011). Nepal Development Forum started in 2000. During and after 2000s, Nepal is receiving more grants than loan. Grant dominates aid volume and amount of Grant Aid is increasing over the years. Alignment with national priorities is at the core of Foreign Aid Policy. Though alignment of aid against the Government's broad strategies and development priorities have been seen as relatively at satisfactory level. Its progress at the operational level is limited. Moreover, the average level of aid on budget per donor has been slowly improving. However, there is not much progress made so far in the use of national systems for public financial management and procurement. The first Nepal Foreign Aid Policy was issued in 2002. During the decade after this policy announcement, aid fragmentation, coordination, harmonization, transparency, country ownership and mutual accountability have still remained as prime issues of aid effectiveness. Over the past decades, aid has become more transparent, despite slow progress. The Ministry of Finance has recently launched Aid Management Platform Public Portal, giving free access to the wider public through its website. AMP data includes commitments, disbursements, project information, visualization dashboards, and mapping tools. Various reports could be generated from the Portal. Visualization facility of aid information through map in the portal will further help development partners and government policy makers to use aid money in critical areas and avoid duplication of efforts. The availability of AMP Portal offers an important opportunity to improve aid effectiveness and transparency, allowing the government to take increase ownership of aid and to strengthen alignment, and encourage mutual accountability.

Harmonization has had mixed progress. Level of ODA allocated to Programme Based Approaches (PBAs) has increased over the past few years due largely to the higher levels of support allocated to the existing Health, Education and Local Governance Sector Wide Approaches (SWAs). The expansion of PBAs to other sectors has been slower than initially anticipated, partly due to capacity issues, low commitment and lack of readiness on the part of line agencies.

C. Overall challenges on Global Partnership for Effective Development Cooperation in the perspective of Nepal

- Busan commitments have been few agreed actions focusing on transparency, predictability, use of country system. However, these actions are vague themselves. Excessive conditionality is still a feature of aid from a number of Development Partners (DPs) which rather exacerbates Government's capacity and authority to mobilize aid according to its priority and established system. This often results in problems of predictability in terms of the volume, quality and timing of aid, which in turn inhibits better planning and slows down implementation of annual budget. Often, country constraints are overlooked and the 'one-size- fits -all' approach does not work.
- Aid is Fragmented-one donor in 11 sectors on average. Health sector is fragmented despite SWAp in operation. Donor support is less targeted in the rural areas. Aid flow does not follow districts where poverty headcounts is more. It is yet to see INGOs core funding in the aid volume of Nepal i.e.15% Technical Assistance of total aid amount. Right now the donors lack clear exit strategies to sustain the progress made through technical assistance.

- Another key challenge is to maintain the high-level political engagement required to keep the focus on development effectiveness. The transaction costs of receiving foreign aid are high, and though it is difficult to quantify these in a meaningful manner. Development Partners continue to place significant demands on the Government in terms of time, reporting needs, and use of other resources through numerous missions and meetings. Due to lack of delegation of authority to local offices by Development Partners' headquarters and increased fragmentation, the capacity problems faced by the Government, and there is clearly some scope for better division of labor among DPs. Nepal's external debt is manageable and the challenge is to maintain debt at sustainable level. Aid instigates a culture of dependency. Aid perpetuates poor economic policies and postpones internal reforms.
- No wonder every big or small donor agency is organizing multiple and duplicate conferences and training programs and publishing reports to just spend the allocated money. Aid alignment remains a challenge in Nepal. Specially, TA (cover 15% of total aid) remains one of the least coordinated activities of donors. Donors have become increasingly focused on social sector spending, and infrastructure has become neglected in aid budget. The Government continues to confront with capacity issues. This is in part a legacy of instable political situation. On the DPs side, technical assistance and capacity development support remain one of the least coordinated types of aid. The GoN is serious about making use of whatever capacity exists within the country and encourage TA in areas where it lacks the national capacities. There is not yet fulfilling the following commitments by developed countries which hindrances of least developed countries' development.
- at least 0.5% of GNI for ODA by 2010.
- 0.15- 0.2% of GNI for ODA to LDCs.

There are some following genuine challenges for Nepal: -

- The country has plenty of laws, but very little rule of law especially in Nepal.
- Domination of "political stream" of policy making.
- Culture of impunity.
- Policy evaporation.
- Flux and reflux in political environment.
- Poor absorptive Capacity of foreign aid.
- sluggish economic growth.
- Sophisticated policy advice and training by inexperienced experts.
- Limited absorptive capacity reduces the effectiveness of aid.
- Trend of searching everything is new so Nepal is a sample of "aid-savvy nation".

D. Some Recommendations

There is urgent necessity of an honest and responsive government to get effectiveness in development results. The Government should be well aware that donor support is not always "sufficiently consistent and sustained" and they respond more to advocacy activities and less to securing resources to essential infrastructure development which require huge amount of money. We should assess gender results-outputs and outcomes, not only in terms of budget allocation. We should consider strategies and policies that promote sustainable enterprises and high-quality jobs. Without reflective/meaningful inclusion, we can take part in process game so we should rely on meaningful inclusive frameworks that deliver the expected results. We should focus on sustainable development. Sustainable Development should be foundation for all forms of development like economic social, human and environmental development.

Thank You