



Government of Nepal
Ministry of Finance

**An Assessment of Sector Wide
Approach (SWAp) in the Health
and Education Sectors of Nepal**

April 2018

Citation:

Ministry of Finance, 2018. An Assessment of Sector Wide Approach (SWAp) in Health and Education Sectors of Nepal, Ministry of Finance, International Economic Cooperation Coordination Division (IECCD), Kathmandu, Nepal.

Published by: IECCD, Ministry of Finance.

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For any feedback:

ieccd@mof.gov.np

Design and Printed by:

Eagle Peace Press Pvt. Ltd., 4021017, Kathmandu, Nepal.

Preface

The Government of Nepal's *Development Cooperation Policy 2014* sets out its preferences in terms of aid modalities, and encourages Development Partners to harmonize their support in a given sector by setting up pooled funds and providing their assistance through Program-Based Approaches or Sector Wide Approaches (SWAp). With 14 years of experience of SWAp in the health and education sectors in Nepal, an in-depth review of the benefits and challenges of supporting sector-specific development objectives through SWAp has been recently carried out. The timing of this assessment of SWAp in Nepal is relevant as the Government and DPs collectively look ahead to adapting current development cooperation approaches to the context of federal Nepal.

Since the introduction of SWAp as an aid modality, initially in Bangladesh in the 1990's, the approach has been hailed as an effective way to deliver aid to a given sector, with a view to reducing transaction costs and duplication of effort; increasing programmatic and financial harmonization between DPs; and improving mutual accountability for results; among others. Whether SWAp has delivered on these expectations in Nepal is a question that could only be explored through a dedicated and evidence-based assessment, the findings of which I am now pleased to share widely. The conclusions of this study present a mixed picture of the SWAp experience in Nepal, pointing at once to both notable benefits and achievements, while also highlighting a range of challenges faced by both the Government and DPs engaged in SWAp. As we look to encouraging the adoption of SWAp in more sectors in Nepal, and in such a way as to reflect new ways of working in the federal context, I am confident that this study will be a useful reference and contribution to policy dialogue.

This study was commissioned to an external team by IECCD, and the final report was submitted in August, 2017. The team which undertook the research was comprised of Mr. Deependra Bickram Thapa (Team Leader), Dr. Baburam Marasini and Dr. Shailendra Sigdel.

I would like to thank the colleagues from various agencies of the Government of Nepal who met with the team and provided inputs, as well as the representatives of Development Partners who also took the time to provide their insights as well. Colleagues in IECCD also deserve my thanks, particularly Dr. Ram Prasad Mainali, National Project Manager of the Effective Development Finance and Coordination (EDFC) project including the entire project team, led by Mr. Tilakman Singh Bhandari.

Finally, I would like to thank UNDP and DFID for their support to the EDFC project, under the umbrella of which this study was commissioned.

Kewal Prasad Bhandari
Joint Secretary
IECCD, Ministry of Finance
April 2018

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List of Abbreviations

ADB	Asian Development Bank
ASIP	Annual Strategic Implementation Plan
AMP	Aid Management Platform
CLC	Community Learning Centre
CSO	Civil Society Organisations
DCP	Development Cooperation Policy
DFID	Department for International Development
DLI	Disbursement Link Indicators
DP	Development Partners
ECED	Early Childhood Education and Development
EDPs	External Development Partners
EFA	Education for All
EHCS	Essential Health Care Services
FAP	Foreign Aid Policy
FCGO	Financial Comptroller General Office
FGD	Focus Group Discussion
GAVI	Global Alliance for Vaccines and Immunisation

GESI	Gender, Equality and Social Inclusion
GoN	Government of Nepal
HSRS	Health Sector Reform Strategy
IECCD	International Economic Cooperation Coordination Division
IMR	Infant Mortality Rate
INGOs	International Non-Governmental Organisations
JAR	Joint Annual Review
JFA	Joint Financing Arrangement
JLP	Joint Learning Programme
KII	Key Informant Interview
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MfDR	Managing for Development Results
MMR	Maternal Mortality Rate
MoE	Ministry of Education
MoF	Ministry of Finance
MoFALD	Ministry of Federal Affairs and Local Development
MoHP	Ministry of Health and Population
MTEF	Medium Term Expenditure Framework
NDHS	Nepal Demographic and Health Survey

NHSP	Nepal Health Sector Programme
NHSS	Nepal Health Sector Strategy
NPC	National Planning Commission
OAG	Office of the Auditor General
ODA	Official Development Assistance
OPMCM	Office of the Prime Minister and Council of Ministers
PBA	Programme Based Approach
PIU	Project Implementation Unit
PRSP	Poverty Reduction Strategy Paper
SIP	School Improvement Plan
SMC	School Management Committee
SSDP	School Sector Development Plan
SSRP	School Sector Reform Plan
SWAp	Sector Wide Approach
TA	Technical Assistance
ToR	Terms of Reference
U5MR	Under Five Mortality Rate
USAID	United States Agency for International Development
WHO	World Health Organization

Executive Summary

Sector Wide Approach (SWAp) is regarded as an innovative approach in organizing aid provided to developing countries. SWAp requires donors and lenders to provide aid through a common framework by adopting a common approach across the sector. SWAp is a process in which funding for any particular sector – whether internal or from donors – supports a single policy and expenditure programme under government leadership. It is generally accompanied by efforts to strengthen government procedures for disbursement and accountability. The approach has emerged in response to changes in the development sector over the last decade.

Nepal has already had 14 years of experience in the implementation of SWAp in health and education sector. However, no systematic studies have been conducted to assess the contribution of this approach in improving health and education outcomes. In this regard, this study assesses the overall strengths, weaknesses, challenges and effectiveness of SWAp in health and education sector, and also suggests a way forward in the context of Nepal's recent state-restructuring. The assessment has been conducted by looking at the policy context of SWAp, its contribution in achieving health and education outcomes, and implementation status of aid effectiveness principles with the use of SWAp as a common governance instrument.

The first stage of the study involved a detailed desk review of the available literature especially related to SWAp, sector specific reform plans and programmes, evaluation reports, sector specific policies and research studies on the issue. Desk research also included review of the sectoral allocation of budget in health and education since the approach was introduced in 2004. Furthermore, key development outcomes were also reviewed through the desk research. For the purpose of qualitative data collection, consultation meetings and Key Informant Interviews (KII) were conducted with officials of Ministry of Education (MoE) and Department of Education (DOE), Ministry of Health and Population (MoHP) and its agencies, Ministry of Finance/International Economic Cooperation Coordination Division (MoF/IECCD) and National Planning Commission (NPC). In-depth interviews were carried out with concerned staff of Ministry/Department of Health and Education. In addition, discussions/focus group discussion and consultation meetings were carried out with focal persons from Development Partners (DPs).

Key Findings

- SWAp has contributed in improving the health and education outcomes since its introduction in 2004.

The sector where SWAp was implemented showed impressive health/education outcomes. However, the study points out a need to bring in more partners to follow this approach.

- There has been significant increase in investment in education and health sector since 2004 after SWAp was introduced in Nepal.
- Policy context in Nepal is favourable for the effective implementation of SWAp in health and education. Several long term policies were formulated and implemented in health and education sector which greatly contributed to alignment with national priorities and also ensuring government ownership.
- The study shows that there has been fair amount of success in ensuring government ownership, harmonisation and alignment. But there has been limited progress on Managing for Development Results (MfDR) and Mutual Accountability in both health and education sector highlighting the need for full commitment of Government of Nepal (GoN) and Development Partners for its full adoption.
- The existing institutional structure of the government demands systematic improvement for the effective implementation of SWAp.
- The study shows that there is room for improvement in the existing coordination system among government agencies.
- The existing reporting systems of line agencies are not effective due to limited capacity of staff in reporting.
- SWAp has been considered by DPs as a powerful and unified instrument in using resources to achieve the intended results.
- DPs have shown interest in using Joint Financing Arrangement (JFA) in cases where the prevailing procurement related laws do not help in implementing SWAp.
- There is a consensus that there should be some form of SWAp in the new federal structure of governance which requires different ways of working than current modality. Since local governments are yet to function in full swing, some preparatory work seems to be viable in the current context.

On the basis of the findings, the study has drawn series of recommendations. The study suggests that the MoF should take lead in replicating SWAp in other sectors by constituting a high level committee comprising representatives of line agencies, NPC, Financial Comptroller General Office (FCGO), Office of Auditor General (OAG) and experts. IECCD of MoF should establish a SWAp unit to facilitate its implementation. Apart from introducing SWAp in other sectors, this unit should also take lead in the implementation of recommendations provided in this report.

1

Introduction

SWAp is an approach to international development that brings together government, DPs and other stakeholders within any specified sector. SWAp is an approach under government leadership for realistic expenditure and coordinated procedures for funding and procurement.

This approach is regarded as innovative in organizing aid provided to developing countries. It requires donors and lenders to provide aid through a common framework by adopting a common approach across the sector. It is a process in which funding for any particular sector – whether internal or from donors – supports a single policy and expenditure programme under government leadership. It is generally accompanied by efforts to strengthen government procedures for disbursement and accountability. The approach has emerged in response to changes in the development sector over the last decade.

While the term SWAp has been used in relation to sectors such as health or education in Nepal, the term Programme Based Approach (PBA) has more recently been used as an alternative; especially where the approach is being applied to a broad theme such as rural development. The aim of both SWAp and PBA is to make aid distribution more effective but is not just limited to that. The ultimate aim of the PBA approach is to make the overall development process effective for poverty reduction. In this wider perspective, SWAp becomes a domestically owned and driven approach for effective sector development management. The focus of the approach is not just about how aid can best be delivered in a sector, but rather how the sector can best develop and how donors can support this.

Some key elements of SWAp are funding arrangements, stakeholder consultation, performance monitoring and Medium Term Expenditure Framework (MTEF).¹ In addition, the approach also entails dialogue forum and coordination, harmonizing system, strengthening of national planning and policies and capacity development. Moreover, sector programme essentially boils down to an agreement between government, DPs and other stakeholders setting out what government and funding partners hope to achieve in the sector and what action will be taken to achieve it. Furthermore, it also entails an agreement on what resources each will provide to make those actions possible that will be responsible for implementation, how decisions will be made, how results will be monitored and how any disputes will be resolved.

1 HLSP Institute, *Sector Wide Approaches*, available at <https://www.unfpa.org> assessed on 4th July 2017

1.1. Rationale for SWAp

The development sector has seen many discussions about how development projects have failed to address poverty in a systematic way. Moreover, the importance of government's ownership and leadership in development projects is also increasingly being recognised. SWAps have thus emerged as a response to address these realities. The Development Cooperation Policy (DCP) 2014 discusses about various aid modalities in Nepal, namely general budgetary support, sector budget support, stand alone project and so forth.²

DCP prefers PBA over other approaches and applies principle of comparative advantages to mobilise the assistance. DCP, while implementing PBA or SWAp in any sector, has mentioned that the planning, budgeting and monitoring frameworks of the PBA or SWAp in that sector will be integrated even though the implementation modalities may vary. The policy has clearly mentioned about mobilisation of aid through the Country Budgetary System and rejects support not in accordance with the policy. The DCP has designated the OAG to conduct the audit of such cooperation.

1.2. Global context

SWAp has been introduced in the development sector across many countries around the world. The World Bank regards it as integral to its strategy in Africa and has stated that it is the most appropriate step for effective aid management and health sector development³. SWAp follows the five basic principles of Paris Declaration and Accra Agenda which were founded on the basis of decades of experience of what works for development and what does not. These principles have gained support across the development community changing the aid practice for the better.⁴

The five principles of the Paris Declaration, and their relevance to SWAp, are as following:

- **Ownership:** Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions. SWAp offers number of advantages over stand alone projects. It promotes higher level of ownership and leadership opportunity to the government.
- **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions and procedures. SWAp leads to the alignment of donor activities with government policies and national budget.
- **Harmonisation:** Donors' actions are more harmonised, transparent and collectively effective. SWAp advocates enhanced transparency and predictability of aid flows. SWAp results in enhanced donor harmonisation and reduced transaction costs.
- **Managing for results:** Managing resources and improving decision making for development results. SWAp offers greater opportunities to link sector support to national policies and plans greater focus on sector-wide issues affecting performance.
- **Mutual accountability:** Donors and partners are accountable for development results. SWAp advocates the

² Ministry of Finance, Development Cooperation Policy 2014, Policy no 2.2

³ World Bank, *Best practice in sector investment programs. Findings (Africa region)*, (World Bank; 1996)

⁴ *Paris Declaration on Aid Effectiveness*, available at <http://apps.who.int> assessed on 10th April 2017

promotion of uniform disbursement rules, common indicators and joint reviews.

It is important to place SWAp in the context of the overall aid environment and the changes that have taken place in the last decade, such as:

- Greater consensus on goals: A wide consensus on the need to focus efforts on reducing poverty
- New approaches to improve aid effectiveness: Policies, public expenditure allocations and moves towards greater harmonisation and alignment
- New aid instruments and approaches: Disillusionment with impact using traditional aid instruments has led to increased emphasis on programme type support (Budget Support and Sector Programme Support)
- Stronger partnerships: Increased emphasis is given on strengthening the role of governments and developing true partnership approaches (in which donor-government relationships are increasingly based on government ownership and leadership), broad participation, mutual accountability and long-term commitment.

SWAp modality came into practice in the year 1998 in Bangladesh when the Ministry of Health and Family Welfare (MOHFW) realised the need to refine its then project implementation design. SWAp facilitated the alignment of funding and technical support around national priorities and improved the government's role in designing as well as implementing projects, and at the same time improving DPs' coordination. Since the use of SWAp, notable systemic improvements have taken place in the country's systems with regards to Monitoring and Evaluation (M&E), procurement and service provision. Implementation of SWAp has, therefore, contributed to an accelerated improvement in key health outcomes in Bangladesh over the last 15 years. The health SWAp in Bangladesh offers an example of a successful adaptation of such an approach in a complex administrative structure.⁵

1.3. In the context of Nepal

Nepal has been implementing economic reform programme since 1990. In line with this, there is a need to create conducive environment for the private sector and civil society to participate in development efforts. Both government and the DPs are aware of the fact that aid effectiveness can only be enhanced if ownership of aid funded project lies with the government. SWAp and wider concept of PBA have emanated out of this concern about aid effectiveness.⁶ Moreover, these approaches were brought about to achieve effective development and not just effective aid.

One of the recommendations of SDG Preliminary Report of 2015 states that aid coordination among DPs is critical for aid effectiveness and suggests one window for United Nations country support programmes should be implemented in practical terms.⁷ It also underlines the need for sector-wide approach to more SDG areas to ensure more coordinated aid.

The MoF is responsible for the M&E of aid effectiveness in Nepal. Because of this, MoF is

⁵ Ahsan, Zunaid; Streatfield, Kim, *Fifteen years of sector-wide approach (SWAp) in Bangladesh health sector: an assessment of progress in Health Policy and Planning* available at <https://academic.oup.com> assessed on 1st July 2017

⁶ Nils Boesen and Desiree Dietvorst, *SWAPs in motion sector wide approaches*, (Joint Donor's Competence Development Network, 2007), p 5

⁷ HLSP Institute, *Sector Wide Approaches*, (London, 2005), p 4

involved in Joint Annual Review (JAR) and other platform for discussing the progress made in SWAp. However, as of now there is no dedicated unit to look after SWAp in the MoF and to provide clear-cut guidelines to the sectoral ministry. There is also lack of institutional mechanism to coordinate SWAp implementation by the sectoral ministries.

In the health sector, the Nepal Health Sector Strategy (NHSS), 2015-2020 guides the decisions across different sectors including public and private services and partnerships with external donors– Ministry of Health and Population (MoHP). For instance, a multi-sector nutrition plan for reducing maternal and child under nutrition is under implementation.

The evolution of SWAp in health sector in Nepal came about through the following efforts:

- December 2003: The 'Health Sector Strategy(HSS): An agenda for reform' was endorsed against the backdrop of Nepal's commitments on delivering Poverty Reduction Strategy (PRS) and the MDGs.
- February 2004: Signing of 'Statement of intent to guide the partnership in health sector in Nepal by GoN and 11 External Development Partners (EDPs).
- July 2004: 'Letter of sector development policy' was drafted by the then Deputy Prime Minister and Finance Minister.
- August 2004: The Nepal Health Sector Implementation Plan 2004-2009 was formulated.
- March 2005: Signing of JFA between GoN, Department for International Development (DFID) and the World Bank.
- June 2009: Signing of JFA with Aus-Aid as third partner to provide health sector budget support.
- 2009: Signing of National Health Sector Development compact between MoHP and DPs.

The MoF is responsible for the M&E of aid effectiveness in Nepal. Because of this, MoF is involved in Joint Annual Review (JAR) and other platform for discussing the progress made in SWAp. However, as of now there is no dedicated unit to look after SWAp in the MoF and to provide clear-cut guidelines to the sectoral ministry. There is also lack of institutional mechanism to coordinate SWAp implementation by the sectoral ministries.

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- July 2004: 'Letter of sector development policy' was drafted by the then Deputy Prime Minister and Finance Minister.

8 *Nepal Health Sector Program*, available at <http://nhsp.org.np> assessed on 8th July 2017

- August 2004: The Nepal Health Sector Implementation Plan 2004-2009 was formulated.⁹
- March 2005: Signing of JFA between GoN, Department for International Development (DFID) and the World Bank.
- June 2009: Signing of JFA with Aus-Aid as third partner to provide health sector budget support.
- 2009: Signing of National Health Sector Development compact between MoHP and DPs.

In education, the School Sector Reform Plan (SSRP), 2004-2015 is a long-term strategic plan for achieving basic and secondary education. SSRP has also been introducing new reforms characterised by strategic interventions such as the restructuring of school education, improvements in the quality of education, and the institutionalisation of performance accountability. The evolution of SWAp in education sector in Nepal has followed the following timeline:

- The GoN assumed primary responsibility for funding formal and non-formal educational programmes during the early 1950s.
- By the mid-1950s, the influence of foreign money, in terms of specific 'projects,' significantly altered the ways in which Nepal designed educational policies and funded educational programmes.
- Given the expansion and success of the educational system that was largely supported by foreign efforts during the 1960s, 1970s and 1980s, the educational policies of the 1990s added the use of the SWAp to plan and fund educational policies and their corresponding initiatives.
- The move to SWAp began in Nepal in 1999 with the Basic and Primary Education Phase II (BPEP II), whilst the succeeding Education For All (EFA), 2004 - 2009 culminated in SSRP. Now, School Sector Development Plan (SSDP) is explicitly a 'SWAp' initiative by the government and DPs. Both in Nepal and internationally, the move towards SWAp; implying greater policy coherence, scope for evidence-based planning and more effective targeting of resources to where needs are greatest; has an obvious potential to strengthen equity and inclusion in quality education service provision.

SWAp, to channel financial and technical support, is a popular trend in today's development initiatives in Nepal, reinforcing and sustaining the educational policies and programmes.

1.4. Relevance of the study

Based on the experience of using SWAp in health and education sector, DCP introduced in 2014 clearly states that the GoN will promote SWAp in other sectors as well. In the education sector, SWAp was initiated in 2004 when a five year EFA 2004-2009 was implemented. This practice was further consolidated during the implementation of SSRP 2009-2015. Currently, the SSDP, designed to enable the education sector to complete the unfinished agenda and items of SSRP and achieve the SDG 4 goal of 'ensuring equitable and inclusive quality education and promoting lifelong learning opportunities for all', is also following

9 *Nepal Health Sector Program I*, available at <http://nhsp.org.np> assessed on 7th June 2017

the SSRP modality. In addition the Disbursement Linked Indicators (DLIs) are also added as additional requirements by several DPs.

Despite 14 years of adopting SWAp in health and education sectors, no systematic studies have been conducted to assess the contribution of the approach in improving health and education outcomes in Nepal. The findings from this study will also inform discussions on whether to replicate SWAp in other sectors. In addition, this study will also consider implications for the SWAp modality in the context of current reforms to implement new federal structures in Nepal.

1.5. Objectives of the study

The main objective of this study was to assess the implication or effectiveness of changing aid modality, i.e. from project approach to SWAp. The specific objectives of the study were as follows:

- Assess the overall strengths, weaknesses, challenges and effectiveness of SWAp implementation in health and education sectors
- Suggest ways forward, also, in the context of country's newly introduced federal structure

1.6. Framework

The assessment was conducted by looking at SWAP's contribution in achieving health and education outcomes, policy context of SWAp and implementation status of aid effectiveness principles with the use of SWAp as an implementation modality.

1.7. Policy context

To assess SWAp, policy context was assessed to see how far they are compatible to SWAp. Foreign Aid Policy (FAP) 2002, DCP2014, MTEF and health and education sector policies since 2004 were analyzed during the study.

1.8. Outcomes and outputs

Secondary data from 2004 – 2015 was analyzed to assess how SWAp has contributed to achieve health and education outcomes. In the education sector, basic indicators analyzed were literacy rate, school enrolment, dropout rate etc. Similarly, in the context of health, key indicators analyzed were life expectancy, Maternal Mortality Rate (MMR), Infant Mortality Rate (IMR) among others. However, it should be noted that achievement in health and education outputs cannot be entirely attributed to SWAp; there are several other interventions ranging from the stand-alone projects to the private sector contributions that have contributed positively to the outputs and outcomes. To measure the achievement of SWAp independently, a separate quantitative study will be required.

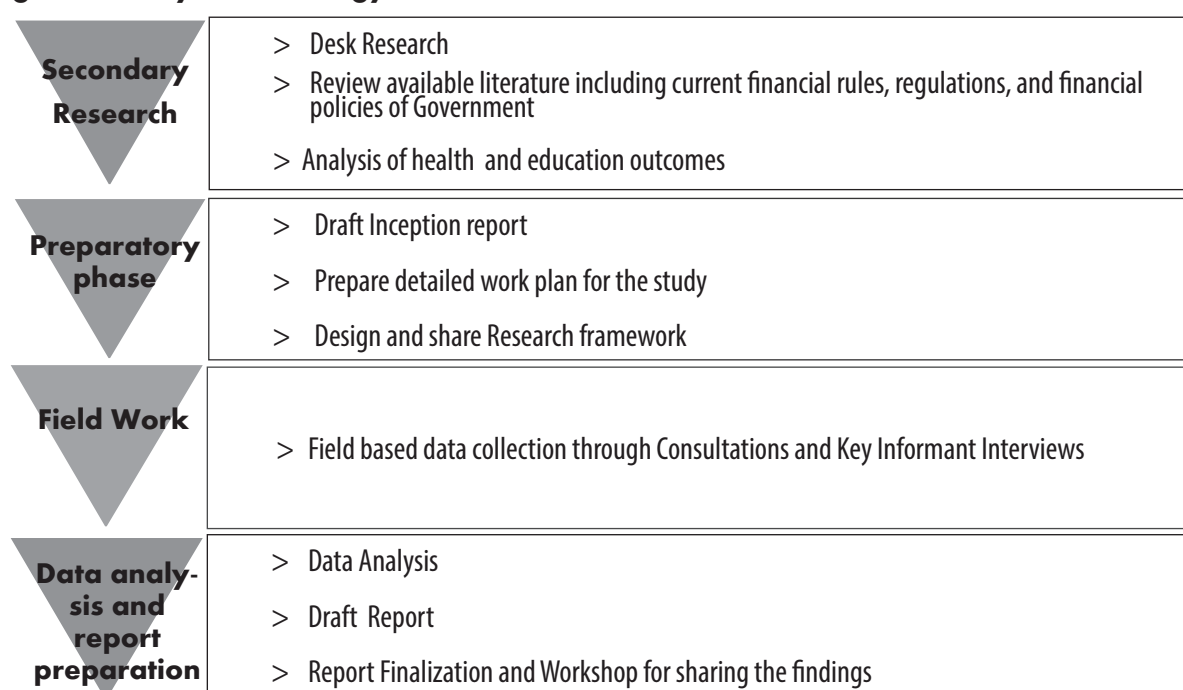
1.9. Analysis of aid effectiveness for SWAp implementation

Since SWAp is based on the aid effectiveness principle, the study assessed some key components of SWAp including government ownership, harmonisation and alignment, MfDR and mutual accountability. This has been echoed in the consultation process with the stakeholder.

1.10. Methodology

The study used **qualitative data collection** method. The approach and methodology have been presented in the following diagram.

Figure 1: Study methodology



Desk research

The first stage of the study involved a detailed desk review of the available literature especially related to SWAp, sector specific reform plans, evaluation reports and sector specific policies and research studies on the issue (refer to Annex for the documents reviewed). Desk research also included review of current budget. Furthermore, key development outcomes were reviewed through the desk research.

Qualitative data collection

For the purpose of qualitative data collection, consultation meetings and KII were conducted. Interviews with key informants of education and health sectors as well as interview with officials of MoF/IECCD were also conducted. In-depth interviews with concerned staff of ministry and Department of Health and Education were carried out.

Discussions and consultation meetings were carried out with DP focal person/s that is/are largely responsible for the donor coordination.

1.11 Limitations of the study

This study is primarily based on the qualitative information collected from stakeholders who have been involved in SWAp since 2004. The purpose was to account their implementing experiences with the SWAp. The study has not conducted quantitative analysis to assess the impact of the SWAp as it demands significant resources to complete the study. However, some secondary quantitative information was collected to see the contribution of SWAp in health and education outcomes. Therefore, study findings should be seen in the context of qualitative responses of the respondents. A separate study will be required to account impact of SWAp which is beyond the scope of the study.

2

Policy Context of SWAp

2.1. Introduction

Since 2002, GoN has introduced several policies which are relevant for SWAp modality of financing. FAP of 2002 and DCP of 2014 are two major policy guidelines that provide overall framework for the effective implementation of SWAp in Nepal. In addition, sectoral policies are key to effective implementation of SWAp as all DPs have to align their support with the national policy to ensure government ownership. In this context, both health and education sectors have formulated comprehensive policies since 2004 which provide the architecture for SWAp implementation. SSRP and SSDP are two major policies which provide basis for government and DPs to adopt SWAp in the education sector. Similarly, Health Sector Reform Strategy (HSRS), Nepal Health Sector Programme (NHSP) I, II and III are key policies for adopting SWAp in health sector in Nepal. This section provides an overview of these policies to provide contextual understanding for analyzing SWAp in the subsequent sections.

2.1.1. FAP, 2002

Nepal formulated its first FAP in 2002. FAP reflects the national commitment to incorporate the various principles discussed in the international commitments i.e. Paris Declaration and the Accra Agenda for Action. FAP also highlights the increasing trend of foreign aid support in Nepal. The policy serves as a tool to facilitate the transition from donor and receiver relation to a more partnership oriented approach between Nepal and the donor institutions through dialogue and diverse forums. The policy outlines the importance of accountability, transparency and coordination in the reduction of corruption, inefficiency and aid fragmentation.

FAP 2002 is guided by following five broad principles¹⁰:

- Foreign aid will need to be directed towards achieving the overarching national goal of poverty reduction. This will involve fostering economic growth by enhancing the productive capacity of the economy as well as supporting critical social infrastructure needs.
- The role of foreign aid should not be viewed only in the context of supporting individual projects. It needs to be related to the needs and priorities at economy-wide and at sectoral levels, recognizing that sectoral policies

constitute integral elements of the economy-wide policy; and individual donor assisted projects/operations need to be consistent with the sectoral objectives.

- The FAP forms an integral part of the overall policy of mobilizing resources for development.
- The FAP ensures greater transparency at both the Official Development Assistance (ODA) supply and user levels within and outside the government system.
- While increasing quality and quantity of foreign aid during short and the medium term, the government should try to achieve self-reliance in the longer term by enhancing domestic resource mobilisation.

The key policy priorities outlined in FAP 2002 are - emphasis on concessional loans, encourage DPs to provide grant aid, priority to the budgetary support and reducing the dependence on Technical Assistance (TA) by use of domestic institutional capacity. Furthermore, it also talks about the utilisation of foreign aid for revenue mobilisation, framework for International Non-governmental Organisations (INGOs) for engaging in Nepal's development, ensuring leadership and ownership of GoN, promoting the private sector for design and implementation of foreign aided projects, stimulating the greater involvement of the civil society in development process and soliciting an increased level of cooperation from donors.

FAP 2002 adopted several strategies including formulation of economy-wide and sectoral perspective plans, ensuring transparency and accountability, enhancing the quality of aid, strengthening aid coordination, creating a foreign aid management information system and promoting institutional effectiveness. It was the foundation on which Nepal Aid Effectiveness effort was built. Based on the implementing experience of FAP, significant improvement has been made in aid mobilisation. The DCP 2014, a more refined and pragmatic document, was formulated through learnings from FAP.

2.1.2. DCP, 2014

The major objective of DCP is effective mobilisation of development cooperation to build a self-reliant national economy in order for Nepal to upgrade from Least Developed Country status by 2022. The long-term vision of this policy is to build a self-reliant economy through an effective mobilisation of development cooperation and helps transform Nepal into a prosperous democratic country.

Key Strategies¹¹

- Mobilizing development cooperation in line with the national policy and priority in a way to achieve a broad-based, inclusive and sustainable economic growth, generating employment, reducing poverty and yielding maximum returns.
- Channelling development cooperation in accordance with the high level global commitments for development effectiveness including the Paris Declaration, the Accra Agenda for Action, the Bussan Commitment and the Mexico High Level Meeting.

- Ensuring development cooperation's contribution to national capacity development and the transfer of knowledge and technology; and utilizing development cooperation through using the country system in a transparent way.
- Utilizing development cooperation in activities that contribute to increase the internal revenue and build a self-sustained economy.
- Strengthening aid management platform, enhancing transparency of development cooperation and disseminating the aid information to the wider public.

Policy framework¹²

DCP has outlined 15 different policy frameworks for effective mobilisation. Two major policy issues are aligned with national policies and aid modality which are discussed below:

- The prioritisation and selection of development cooperation will be based on the government's policies and strategies stipulated in the periodic development plan and the policies and programmes announced by the government from time to time.
- The government will encourage programmatic approach and sector wide programmes to address the needs of the sectoral level and will urge DPs to provide development assistance in such programmes.
- Cross-cutting issues including social inclusion, improving the quality of life of marginalised citizens, conflict resolution and management, gender equality, and social development of the community will remain as integral part of all projects/programmes operated through the development cooperation.
- Both the DPs and the government will have to be accountable towards development results.

Framework for aid modality

- General Budgetary Support will be the government's most preferred aid modality. The resources so received will be mobilised in accordance with the national priority.
- Sector Budget Support will be the second most preferred aid modality. This form of aid will also be aligned with the national priority. Due attention will be paid to strike right balances across the sectors during resource allocation.
- Stand-alone Projects aligned with the national plan will be the third preferred aid modality for the government. While using this modality, minimum transaction costs, innovation, and sustainability will have to be ensured. Once these Stand Alone Projects that attract new technology become successful, their sustainability and expansion to the country system have to be ensured,
- DPs will be encouraged to set up a pool fund for small-sized Stand-alone Projects in order to minimise transaction costs and shorten the implementation delays,
- While implementing PBA or SWAp in any sector, the planning, budgeting and monitoring frameworks of the PBA or SWAp in that sector will be integrated, even though the implementation modalities may vary.
- The government will emphasise on untied aid in order to get the best value for money. International consultancy services will be utilised only if the expertise is not available locally. The expenses of such services should be kept to the minimum level.

DCP, 2014 is a comprehensive document for effective aid mobilisation and management in Nepal. It has captured all the essential components of Nepal's commitment in international

forums including Paris Declaration on Aid Effectiveness, 2005; the Accra Agenda for Action, 2008 and the Bussan Commitment, 2011. It has laid foundation to mobilise development cooperation effectively to achieve Nepal's goal of graduating from 'Least Developed Country' to 'Developing Country' status by 2022¹³, and also to gradually reduce the dependency on foreign aid and build a self-reliant sustainable economy.

Some important features of DCP are — it emphasises on the use of country system, highlights the priority areas for investment, introduces thresholds for development cooperation (US\$ 5 million for grant, US\$ 10 million for concessional loan and US\$ 20 million for hard term loan) aiming at reduced aid fragmentation and focused aid operations. The policy serves as the guideline for the alignment with national plan, priority, needs and to avoid the aid that undermines the national interest.

DCP mentions key role of MoF as the coordination and management of development cooperation programmes. The policy directs the DPs to work in coordination with NPC and MoF. It also mentions about the coordination mechanisms at various levels i.e. Nepal Development Forum, Local DPs Meeting, Nepal Portfolio Performance Review, Joint Sectoral Review and Joint Local Level Review. DCP emphasises on on-budget aid and regular reporting of financial details to the concerned Ministry. DCP also mentions the partnership with INGOs and NGOs, and role of private sector in achieving the development goals. The DCP departs from the longstanding trend of promising future commitments and actually serves as guidance to both DPs and national entities for the optimum utilisation and management of resources.

IECCD of MoF has been focal agency for overseeing the implementation of DCP since 2014. Some notable progress has been made in establishing aid management platform, providing capacity building support to line agencies in the areas of negotiation skill, technical skills and project management skills. The participation of MoF in JAR and other quarterly meeting also facilitated in aligning foreign aid with national priorities and also on donor harmonisation. But challenges remain in the areas of effective mobilisation of TA, establishment of project banks and also in bringing more sectors on SWAp framework.

2.2. Key Education Sector Policies and Programs

The government, with support from DPs, has undertaken a series of national level projects in the school sector during the past two decades with the objective of enhancing equitable access to and improving the quality of education. They include: Basic Primary Education Projects (BPEP I, 1992-1998 and BPEP II, 1999-2004); Teacher Education Project (TEP, 2002-2007); Community School Support Project (CSSP, 2003-2008); Secondary Education Support (SESP, 2003-2009); EFA, 2004-2009 and the ongoing SSRP.¹⁴

2.2.1. SSRP, 2009–2015

The SSRP, 2009-2015 was implemented by the MoE following a SWAp approach, with

¹³ National Planning Commission. (Kathmandu, 2015). *Sustainable Development Goals, 2016-2030, National (Preliminary) Report*, preface

¹⁴ *School Sector Program: Development Coordination*, available at www.adb.org assessed on 17th June 2017

financial contributions from the GoN and a group of DPs, including support from the Global Partnership for Education (GPE). MoE is responsible for implementing both recurrent and development activities within the school education sector under the SSRP in accordance with the agreed strategic framework, a JFA, Annual Strategic Implementation Plans (ASIPs) and Annual Work Plans and Budgets (AWPBs).

The SSRP is a seven-year programme that covers the entire school education sector (grades 1-12) as well as Early Childhood Education and Development (ECED). The programme also covers approximately 7.3 million students in 28,748 community and religious schools across the country.¹⁵ The SSRP aims to (i) expand access and equity; (ii) improve quality and relevance; and (iii) strengthen the institutional capacity of the entire school education system to improve system performance.

The major objectives of the SSRP are:

- Ensure equitable access of quality basic education for all children (aged 5-12 years);
- Expand access to ECED services for children of 4 years to facilitate their holistic development and to prepare them for basic education;
- Enhance functional literacy and competencies among the youth and adults;
- Increase access to, equity, quality and relevance of secondary education;
- Equip secondary level students with soft skills based technical and vocational education;
- Improve the performance of the MoE service delivery system and develop capacity to implement critical reforms;
- Enhance teacher qualifications and professional competencies to facilitate student learning;
- Monitor inputs, processes and outputs, and evaluate the impact of education interventions;
- Improve the efficiency and effectiveness of aid available for the SSRP.

SSRP is broadly described under three major components:

- Structural and functional reform: It is concerned with, among others, the integration of schools/grades, curricular integration, school management and governance functions, and the examination structure and its functions;
- Strengthening policy functions: The attempts to harmonise differently administered policy practices into a one-door system through the MoE;
- Capacity development: The plan attempts to improve systemic capacity to make the system responsive to deliver both administrative and technical functions. A comprehensive National Framework for Capacity Development was also prepared.

SSRP implements both core and non-core activities to achieve its objectives. The core activities are identified each year during the JAR and the non-core activities are regarded as experimental and innovative. Analysis of the JAR reports of 2014 and 2015 shows that quality was the major issue. For this year, the major issue has been the reconstruction of school buildings and emergency relief. The changes of the emphasis each year show SSRP's

¹⁵ Joint Evaluation of the School Sector Reform Program (2009-2016) available at www.moe.gov.np assessed on 1st June 2017

flexibility. At the same time, this can also be a risk to derail from the major reform agenda.

This has focused on the three pillars of access, inclusion and quality, structured across the following three components:

- Basic education (Grades 1-8), ECED and literacy and lifelong learning. The primary objective is to prepare pre-school-age children through ECED for basic education, ensure equitable access to and quality of basic education for all 5 to 12 year old children, and deliver basic numeracy and literacy to youths and adults, especially women and marginalised groups.
- Secondary education (Grades 9-12) and technical and vocational training pilot. The aim here is to improve access, equity, quality and relevance of secondary education for 13 to 16 year olds. This component also focuses on improving the relevance of secondary education by introducing and exposing children to vocational and technical educations that facilitate the school to work transition.
- Institutional capacity strengthening (including teacher management) for the planning, delivery and monitoring of educational services and products. This component aims to improve the capacity of SSRP implementation agencies and partners to enhance delivery and monitoring of educational services and products.

2.2.2. SSDP, 2016 - 2023

The GoN has developed the SSDP to continue its efforts to ensure equitable access to quality education for all. The SSDP was developed through a participatory process led by the MoE and is in line with the country's vision of graduating from the status of a Least Developed Country by 2022. The main drivers of the plan's content are the achievements, lessons learned and unfinished agendas of the EFA, 2004-2009 and the SSRP, 2009– 2015 under the EFA National Plan of Action 2001–2015.

The SSDP's vision is to 'Contribute to the development of self-sustainable, competitive, innovative and value-oriented citizens for the socioeconomic transformation of the nation,' and its mission 'to produce the needed human resources to elevate Nepal's status from a Least Developed Country by 2022 and to reach the status of a middle-income country by 2030'.¹⁶

Taking the SSRP as a point of departure, the SSDP has focused on improving the quality of education as its central focus while safeguarding the achievements made under SSRP on improving access to education. While the plan aims to further improve access, it puts more emphasis on equitable access to overcome the disparities suffered by children from disadvantaged groups, children with disabilities and children from remote areas.

The SSDP's theory of change is based on strengthening the school education sector in its core dimensions, through a number of key result areas including equity, quality, efficiency, governance and management and resilience.

SSDP is also designed to address two major contemporary challenges. It supports 'building

back better' after the earthquakes of April and May 2015 and improving disaster risk reduction in the aftermaths of the damage to the school infrastructure and the lessons learned on school safety. It also sets the scene for the reforms demanded by the move to a federal system of government, although the detailed shape of these reforms will only become evident in the first years of the SSDP. These reforms will be a priority focus of the government and it is thus recognised that a smooth transition to federalisation in the management of educational services is crucial.

SSDP's main components

SSDP encompasses Nepal's school education sector including non-formal education, basic education, pre-primary education (ECED/PPE), primary and secondary education.¹⁷

The SSDP's objectives with regard to basic education are to develop physical, socio-emotional, cognitive, spiritual and moral potential for all 4-12 year old children, through ensuring school readiness and universal access to quality basic education for that age group. Furthermore, prepare for secondary education after students gain the required learning competencies in addition with promoting life skills and value-based education as well as imparting early orientation on national economy.

The objectives for secondary education are to make students ready for the job-market by developing skilled human resources, focus on access to education without compromising quality, provide options and accredited learning pathways for students between technical and general secondary education, strengthen institutional links and facilitate the transition to higher education, prepare students to uphold and fulfil their civic duties and ensure the acquisition of foundation skills through technical and vocational education at secondary level that will enable adolescents to acquire skill sets.

The objective with regard to literacy and lifelong learning is to enhance functional literacy and cultivate reading and learning habits among youths and adults. Literacy and lifelong learning have a large role to play in education reformation in Nepal in the light of the large number of low skilled workers, and the poor fit between tertiary education and labour market needs. Current literacy initiatives comprises for basic, post-literacy and income generating activities, with a focus on women. Community Learning Centres (CLCs) help deliver literacy and lifelong learnings.

Besides these sub-sectors, SSDP focuses on following cross-cutting themes¹⁸:

- Teacher professional development and management;
- Governance and management;
- Institutional capacity development;
- Monitoring and evaluation;
- Examination and assessment;

¹⁷ Ministry of Education Nepal. (October 2016). *School Sector Development Plan, Nepal: 2016–2023*, p vi

¹⁸ Ministry of Education Nepal. (October 2016). *School Sector Development Plan, Nepal: 2016–2023*, p 55-70

- ICT in education;
- Disaster risk reduction and recovery;
- Health and nutrition;

SSDP expenditure

SSDP expenditure (excluding a part of construction activities) is estimated to be \$10.66 billion for the entire seven-year SSDP (2016–23), \$6.5 billion for the five-year SSDP (2016–21) and \$3.3 billion for the first three years of the SSDP (2016–18).¹⁹

2.3. Key Health Sector Policies and Programs

2.3.1. Health Sector Strategy, 2003 to 2015

GoN had prepared and approved 'Health Sector Strategy: An Agenda for Reform 2003' (also referred as HSRS) in December 2013 in the line of Poverty Reduction Strategic Paper (PRSP)²⁰, MDGs and tenth five-year plan 2002-2007. The major aim of this strategy was to ensure an equitable, high quality health care system for Nepalese people. The HSRS document had eight major outputs enlisted with three programme outputs and five sector related outputs. Programme related outputs talk about Essential Health Care Service (EHCS) with necessary resources and implementation plan, mobilisation of local governments for managing health facilities with support from MoHP and its partners, recognition of the role of the private sector and NGOs in the delivery of health services. Sector related outputs are coordinated and consistent sector management in place within the MoHP supported by DPs, sustainable development of health financing and resource allocation, effective management of physical assets and procurement along with distribution of drugs, supplies and equipment, human resource development policies and planning systems, comprehensive and integrated management information system for the whole health sector designed and functional at all levels.

Under the coordination of MoHP and the technical support by the EDPs, the NHSP - Implementation Plan (NHSP-IP) was formulated. NHSP-IP is the operational guideline set to achieve the goals stated by the HSRS document for the first five years 2004 to 2009 with achievable targets and milestones. The goal for the first phase is to increase the coverage and raise the quality of EHCS, with a special emphasis on improved access for poor and vulnerable groups; through an efficient sector wide health management system developed with provision of adequate financial resources²¹. EHCS focuses on four elements, namely, maternal health, child health, communicable disease control and out-patient care.

The implementation strategy intended to move towards SWAp to manage the health sector rather than having a series of projects with their own funding, management, implementation and reporting arrangement. The programme also had joint planning, monitoring and review component intended to support sector reform initiated jointly

¹⁹ Ministry of Education Nepal. (October 2016). *School Sector Development Plan, Nepal: 2016–2023*, p ix

²⁰ *Nepal Health Sector Program* available at <http://nhsp.org.np> assessed on 8th June 2017

²¹ *NHSP I - Implementation Plan (NHSP -IP) 2004 – 2009*, available at <http://nhsp.org.np> assessed on 8th June 2017

by the government and EDPs, improve coordination of strategy and contributions, and transparency of contributions by EDPs and government. Statement of intent was included in the document which had the conditions for joint collaboration between MoHP and EDPs.

2.3.2. Nepal Health Sector – II, 2010 to 2015

Nepal had attained all of the outcome and service outputs targets set in NHSP-I and was on the track to meet the child and maternal mortality rate as stated in the MDGs. After the successful implementation of NHSP-I and significant improvement in the health of women and children, the government introduced NHSP-II for the period 2010-2015. NHSP-I had lacked on the agenda of decentralised management of health facilities, and deployment and retention of human resource as planned and the achievement in the area of nutrition was significantly low. Considering the achievements, the programmes were of similar nature to that of NHSP-I with the additional program outputs.

The major focus of NHSP-II is towards achieving the health related goals of MDG, increasing the access of health care services to the total population and develop sustainable financing for health sector.

The three objectives set out in the results framework are:

- To increase access to and utilisation of quality essential health services
- To reduce cultural and economic barriers to accessing health care services and harmful cultural practices in partnership with non-state actors
- To improve the health system to achieve universal coverage of essential health services

Following are the key strategic directions for the second NHSP²²:

- Poverty reduction
- The agenda to achieve the health MDGs by 2015
- Essential health care services free to patients/clients and protection of families against catastrophic health care expenditures
- Gender Equality and Social Inclusion (GESI)
- Access to facilities and removal of barriers to access and use
- Human resource development
- Modern contraception and safe abortion
- Disaster management and disease outbreak control
- Eradication, elimination and control of selected vaccine preventable diseases
- Institutionalizing health sector reform
- Sector-wide approach: improved aid effectiveness

22 Ministry of Health and Population.(Kathmandu, 2010). *Nepal Health Sector Programme (NHSP II) 2010-2015*. Pp. 13-14

- EDP harmonisation and International Health Partnership Plus Initiative
- Improved financial management
- Inter-sectoral coordination, especially with MLD and education
- Health systems strengthening, especially M&E

In NHSP-II, new services were launched under the reproductive health, child health and non-communicable disease control of NHSP-I. Additionally there were new activities launched specifically for oral health, eye care, and rehabilitation of disabled and environmental concerns.

2.3.3. National Health Policy, 2014

The National Health Policy, 2014 has reconsidered many aspects of preceding National Health Policy. The previous policy was unable to address the crucial concerns i.e. quality of health services, identification of the resources, provisions related to INGOs and NGOs etc. The new policy was brought into existence to address the emerging challenges in the health sector in order to promote and improve the health of the general public through the accountable and efficient management system. Along with new goal, the policy has an intention to preserve and promote the earlier achievements that can serve as guidelines in the future.

The major goal of the policy is to provide health services through equitable and accountable health system while increasing access of every citizen to quality health services to ensure as a fundamental human right to every citizen.

The major highlights of National Health Policy, 2014 are²³:

- Assurance of quality health care as the fundamental right of the citizen.
- Right to information related to the health services provisioned for citizens will be ensured.
- Access to the state health service by poor, marginalised, and vulnerable communities.
- Equality and social justice in programme design and implementation
- Public participation in the provision of health services.
- Private sector participation to ensure citizen's easy access to quality health at the fair price.
- Mobilisation of the resources obtained from internal and external agencies for effective implementation of this policy and the programs formulated under this policy.
- Regulation of health services provided by government or organised differently through the network of government and private sector and the health services to be made fully accountable.

2.3.4. NHSS, 2015-2020

NHSS was formulated to translate the vision of National Health Policy, 2014 to guide the

23 Ministry of Health and Population, National Health Policy 2014, Policy no 5

health sector for next five years. It provides basis for Nepal to move towards universal health coverage through four key strategic directions which includes equity, quality, multi-sector approach and reform. NHSS vision states that 'all Nepali citizens have productive and quality lives with highest level of physical, mental, social and emotional health.' The goal of NHSS is to improve health status of all people through accountable and equitable health service delivery system.

Table 1: Goal level indicators for NHSP-III period

SN	Indicator	Baseline	Target
1	Maternal mortality rate (per 100,000 live births)	190	125
2	Under 5 mortality rate (per 1,000 live births)	38	28
3	Neonatal mortality rate (per 1000 live births)	23	19
4	Total fertility rate (birth per women 19-49 years of age)	2.3	2.1
5	Percentage of women aged 15-49 years with Body Mass Index (BMI) less than 18.5	18.2	12
5	Percentage of under 5 children, who are stunted	37.4	31
6	Life lost due to road and traffic accident (RTA) per 100,000	34	17

Source: NHSS, 2016-2021

Strategic directions

NHSS outlines four major strategic directions including equity in health systems, quality health services for all, health system reform and multi-sectoral coordination. Under equity, it aims to mitigate both demand and supply side barriers to promote access to health service by strengthening service delivery to underserved population including urban poor with coordination with local governments and community groups. In order to achieve quality health service for all, it aims to revise and develop quality standards for all levels of services. Health sector reform will be achieved by restructuring health sector, decentralise planning and budgeting to local governments, and by expanding state and non-state partnerships. Multi-sectoral coordination will be in the areas of mobilizing youth as the starting point to promote healthy lifestyles, utilizing health facilities as learning environment, collaborating with Nepal Road Safety Action Plan, 2013-2020 to reduce burden of death and injury and collaborating with other sectors to promote healthy environment²⁴.

Outcomes

NHSS has identified following nine major outcomes²⁵:

1. Rebuilt and strengthened health systems: HRH, infrastructure, procurement and supply chain management
2. Improved quality of care at point of delivery
3. Equitable utilisation of health care services

²⁴ Ministry of Health and Population, (Kathmandu, 2015), *Nepal Health Sector Strategy (NHSS) (2015-2020)*, p 26

²⁵ Ministry of Health and Population, (Kathmandu, 2015). *Nepal Health Sector Strategy (NHSS) (2015-2020)*, p 28-29

4. Strengthened decentralised planning and budgeting
5. Improved sector management and governance
6. Improved sustainability of health sector financing
7. Improved healthy lifestyles and environment
8. Strengthened management of public health emergencies
9. Improved availability and use of evidence in decision-making processes at all levels

Implementation arrangement

MOHP will lead the implementation in collaboration and coordination with EDPs, CSOs and private sectors. SWAp will be the implementation modality of the programme and it will be financed through pooled resources guided by JFA.

Government related projects through government treasury while civil society and private sector projects adopted partnership arrangements for the implementation of health projects.

3

SWAp in Education and Health: Major Achievements and Challenges

3.1. Introduction

This chapter analyses the key achievements of SWAp in education and health sector. It explains quantitative achievement in health and education since the introduction of SWAp in 2004 to 2015. It also discusses how investment in both sectors has increased since 2004 onwards. The next section analyses how far components of aid effectiveness have been incorporated in both health and education sector. The chapter will conclude by identifying key cross-cutting issues for the effective implementation of SWAp in both health and education sector.

3.2. Context

In Nepal's context, SWAp was brought into effect due to the failures of the project's approach which failed to institutionalise the interventions and where achievements were not documented and sustainable as well. There was no system to carry over the good practices. There were various units, programme officers existed in various projects but there was no government ownership. Both government and DPs had realised this challenge.

Both GoN and DPs were instrumental in bringing the SWAp approach in Nepal. According to the respondents, fragmented projects were in existence before the SWAp in both education and health sectors. The international trend also influenced the introduction of SWAp in Nepal. Global movements such as EFA by 2015 through consolidated resources and Paris Declaration and Accra Agenda for Action, which are based on global funding modality, are also responsible for the implementation of SWAp. However not all DPs were in favour of SWAp. There was resistance from some donors because of two factors: first, legal restriction existed in some countries which prevents DPs to invest in SWAp modality. Secondly, some governments were not convinced to join SWAp in the absence of Results Based Monitoring mechanism. JICA and United States Agency for International Development (USAID) were two DPs who were particularly hesitant to join in the approach. However, Japan later came into the SWAp process by amending its legal provision. Moreover, as stated by DPs, bringing in UKAid to Swap has still been a daunting task (KII with DPs).

Prior to the introduction of SWAp in 2004, donors implemented projects through a fragmented approach. For example, in the health sector alone, there were 120 different fragmented health projects. The stand-alone projects were easy to handle but coordination was missing among the donors. They missed the prospect of healthy coordination, harmonisation, and standardisation which lead to duplication of the programmes. SWAp was initiated by the GoN to address this challenge.

Before SWAp, donors had their own approach and process, shaped by their philosophical differences. Scandinavian countries adopted humanistic approach and were less concerned about the instruments and accountability whereas World Bank and Asian Development Bank (ADB) were more accountability oriented and more procedural oriented. According to a KII informant from MoE, "SWAp is comparatively better than project based approach as government gets the priority in investment of the fund."

3.3. Health sector

3.3.1. Quantitative achievement

Nepal has made impressive achievement of health outcomes (CMR, MMR and life expectancy) since 2004. It has been found SWAp as implementation modality also contributed to achieve health outcomes. Although private sector is also one of the key players, their presence is mostly in the urban and accessible areas. The government is a key investor in the basic health care in the rural as well as urban areas.

SWAp has resulted in needful allocation. Previously for 16% urban population, 52% resources were allocated while 84 % rural population were only getting 48% resources. After the introduction of SWAp, more resources have been redirected to the needy areas.

However, although there is no doubt that SWAp has contributed to health outcomes, achievements cannot be attributed to SWAp alone. Although it is beyond the scope of this report to quantify the achievement of SWAp, qualitative information collected from stakeholders who are involved in SWAp shows that SWAp has made positive contribution. In addition to government and DPs contribution through SWAp, there is also contribution of the private sector as well as other sectoral agencies including education to improve health outcomes. The contributions of the private sectors are confined to improve delivery of health services but most of the time it is centre or city based. The government has spent a lot in the essential public health interventions whereas private sector's contribution is limited to cure of the diseases.

Owing to the improvement in the health sector, the Secretary General of UN even awarded Nepal for bringing down the MMR. Global Alliance for Vaccines and Immunisation (GAVI) too presented award to the Health Minister for the reduction in CMR²⁶ in a short span of time in Nepal.

Health indicators show remarkable achievement after adopting of SWAp. The IMR has been reduced from 48.7 in 2004 to 30.5 in 2014 as shown in Table 2. Improvement has been recorded in CMR between 2004 and 2014. During the same period life expectancy has also been increased.

Table 2: Health Indicators

Year	IMR	U5MR (per, 1000 live births)	MMR (per 100,000 live births)	Life Expectancy at birth, total years
2004	48.7	63.5	461	64.923
2009	38.1	48	368	67.518
2014	30.5	37.4	275	69.605

Source: World Bank

Immunisation coverage has also seen impressive improvement since 2004. It should be noted that majority of immunisation programme have been implemented in Nepal with the support from DPs.

Table 3: Immunisation coverage

Year	BCG	DTP1	DTP3	Pol3	IPV1	MCV1	HePB3
2004	85	88	80	80	NA	73	27
2010	94	85	82	83	NA	86	82
2015	94	94	91	90	59	85	91

Source: World Bank

Since 2006, there has been significant improvement in fertility rate due to family planning programme and other health and education related interventions in Nepal. This has positive contribution for the overall socio-economic development of the country. The DP's contribution in terms of financial support and TA are instrumental in achieving positive results. Another significant improvement has been made on percentage of institutional delivery which has increased from 17.1% in 2006 to 57.4% in 2016. One major reason for this improvement is linking performance with incentives. With the support from DPs, GoN has introduced incentive mechanism for those who are going for institutional delivery and also for those who are promoting institutional delivery. This is a clear example of improved results when performance is linked with reward. There is a need to adopt similar model in other health care interventions as well.

Table 4: Total Fertility Rate and Institutional Delivery

Year	Total fertility rate	Percentage of institutional delivery (%)
2006	3.1	17.1
2011	2.6	35.3
2016	2.3	57.4

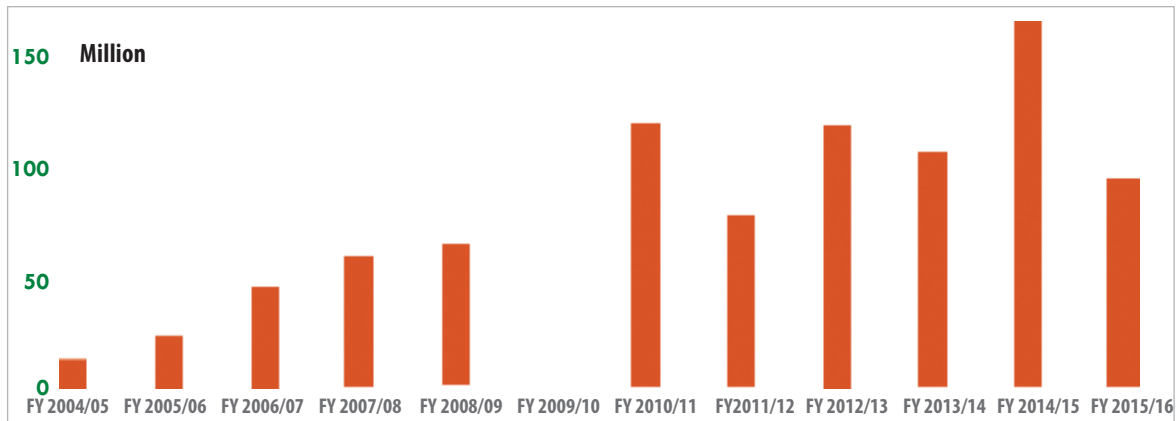
Source: Compiled from demographic surveys of 2006 and 2011 and other sources

3.3.2. Investment in health sector

ODA in the health sector

ODA in health had been increasing until the FY 2010/11. FY 2014/15 witnessed the highest flow of ODA for health when it reached USD 177.47million. However, immediately in the next fiscal year, the ODA in health sector dropped to USD 103.44 million. The fluctuation in ODA disbursement can be noticed in various years (Fig 2).

Figure 2: ODA disbursement - Health

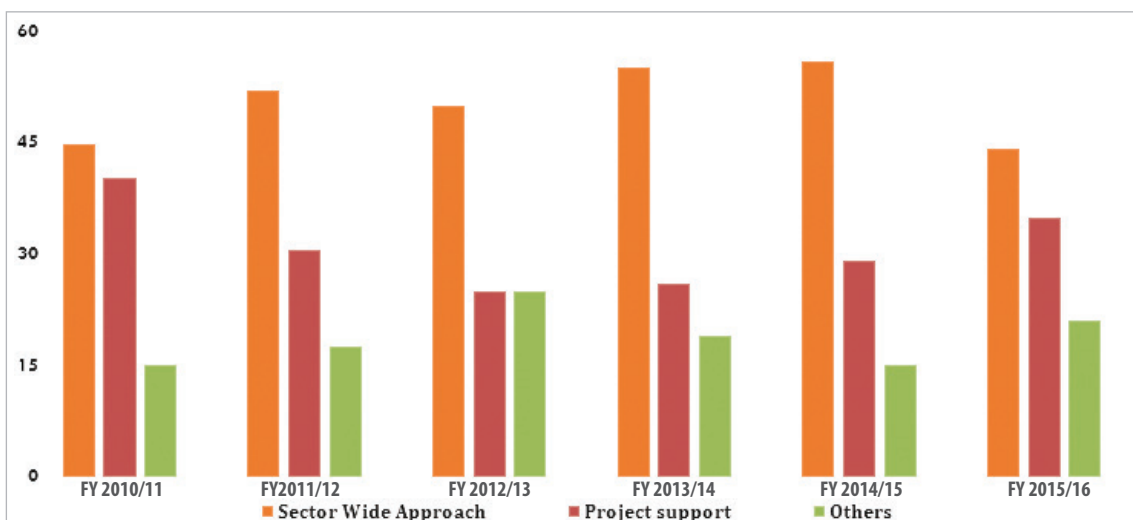


Source: Compiled from joint evaluation of the Implementation of the Paris Declaration Phase II 2010 and Development Cooperation Report 2014-2015

Investment in SWAp

SWAp constitutes around half of ODA in health sector which is quite encouraging. In 2014/15, around 56% of ODA was allocated through SWAp but it has declined to 44% in 2015/16. Although, SWAp modality constitutes higher percentage of ODA in Nepal, there is still room for improvement as around 50% aid is still delivered outside SWAp module. Similarly, other health providers such as those outside the system are also not recorded here which means sizable amount of investment is still done outside SWAp framework in Nepal.

Figure 3: Aid modalities total commitment (in percentage) – Health



Source: MoF, Compiled from Development Cooperation Report

Increased public sector investment in health sector

Since the introduction of SWAp in 2004/5, there has been significant increase in share of health budget of the total budget as shown in Table 5. In 2004/5, the total share of health budget was NRs 6.5 billion (US \$ 88 million) which was increased to NRs 17.8 billion (US \$ 228 million) in 2009/10. There was a further significant increase of budget to NPR 33.52 billion (USD 335 million) in 2013/14. Between 2004/2005 to 2013/14, total budget allocated to health sector has increased by five times. However, it should be noted that although there was significant increase in health budget in real terms but in terms of total government allocation, it was not that significant. For instance in 2004/5, share of government budget in health sector was 5.87% which was increased only slightly to 6.10% in 2013/16.

Table 5: Share of health budget

SN	Topic	Share of Health Budget		
		2004/05	2009/10	2013/14
1.	Share of health budget of the total budget (in millions)	\$88	\$228	\$ 335
2.	Share of government budget in health sector SWAp(%)	5.87 %	6.24%	6.10 %
3.	Share of foreign aid in health sector	\$ 11.5 (13.06 %)	\$ 61.55 (27%)	\$115.72 (34.32%)

Source: Compiled from reports of MoHP and MoF

The increase in health sector budget can also be contributed to the increase in foreign aid between 2004/5 to 2013/14. The share of foreign aid, which was 13.06% in 2004/5, increased to 27% in 2009/10 and 34.32% in 2013/14. One of the reasons for this increase was the adoption of SWAp which was a more convincing approach to DPs (KII with DPs).

Although several contextual factors such as investment by private sectors, increased income, better access and increase in health awareness amongst general population have been instrumental in contributing to improve health indicators, the government's investment in health sector and increasing amount of foreign aid through SWAp modality has also contributed in bringing positive changes.

3.3.3. Process level achievement: Aid effectiveness in the context of health

Government ownership

The government has taken a lead role to introduce SWAp through its exposure on global movement, national and international experiences. They see the value of having SWAp approach for effective development delivery. Hence the government has taken a lead in introducing SWAp by preparing sectoral health policy NHSP I 2004 - 2010, NHSP II 2010 - 2015 and NHSP III 2016 to 2020. The EDPs have also been actively supporting the implementation of the sectoral policy since 2004. It was a need-based approach implemented by the government with the support from DPs.

There is a strong national ownership of the health strategy. The basic orientation has remained consistent through conflict and through changes of administration. It has increasingly focused limited government resources on essential health services and is succeeding in achieving remarkable rates of improvement in reducing mortality and narrowing inequality in the sector. There is a clear track record and future strategy for improving institutional effectiveness and improving accountability.²⁷

The government is in the driving seat and able to direct investment as per government's priority. SWAp was initiated by the GoN as previously the projects were highly fragmented. Need-based resource allocation was made possible by SWAp. The approach has been instrumental in expanding the resources as discussed in the earlier section. Since major donors like World Bank and DFID were very supportive of SWAp in health sector from the beginning, the government had to face little challenges to adopt the approach.²⁸ However, due to lack of assertiveness on the part of the government, some of the donors are yet to follow this approach.

There have been some concerns on the performance of existing institutional modality and leadership role of the government. In 2005, a joint GoN-DP forum known as Health Sector Partner's Forum, chaired by the Health Secretary was established. It met quarterly and facilitated formal dialogue between the ministry and DPs. Representatives from the private sector and Civil Society Organisation (CSO) also attended the meetings. Unfortunately, the forum is now defunct and the current secretary is unaware about it. Most respondents interviewed stated that leadership in the health sector is too weak to take ownership of the health sector development. In addition to this, frequent changes in leadership and too much political interference was also seen to be having some influence on the effective functioning of the SWAp.

Another problem is ineffective monitoring of the sectoral programmes by the parliament. Programmes and budgets are endorsed by parliament annually but there is no mechanism for monitoring through the parliamentary process of sectoral progress.²⁹ Currently, decision making power lies largely at the central level, whereas community and other local stakeholder participation remain weak. Power and authority at the central level have resulted in a less transparent system, weak local ownership and weak linkages with other sectors at the district level and below.

There is a need for a mechanism that establishes functional downward accountability and helps in developing local ownership.³⁰ Involving local stakeholders in health planning and management through a participatory planning process and organizing regular, social and public auditing can help strengthen accountability at the local level.

MoHP at the central level has also not been taking any initiative to establish a system of coordination and communication about SWAp to district level officers. As a result, the majority of district level officers are unaware of SWAp and its requirements. This has a

27 Ministry of Health and Population.(Kathmandu, 2015).*Nepal Health Sector Strategy (NHSS) (2015-2020)*, p 28-29

28 Ministry of Finance, (Kathmandu, 2010).*Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal, Nepal Country Evaluation*, p 56-57

29 Ministry of Finance, (Kathmandu, 2010).*Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal, Nepal Country Evaluation*, p A726

30 Ministry of Health and Population, (Kathmandu, 2010).*Nepal Health Sector Program (NHSP II) 2010-2015*, p 31

negative impact on the effective implementation of programmes under SWAp. With the implementation of federal governance, this problem of downward accountability and weak leadership will be addressed but it requires extensive capacity building support upfront.

Alignment with national priorities

With the introduction of SWAp in 2004, there has been an improvement in aligning DPs with national priorities. There has been a significant decrease in Project Implementation Units (PIUs) thereby contributing for the alignment with the national priorities.³¹ Since it was easy to predict the aid from the DPs under SWAp, it contributes planning and alignment with the national system. With the exception of few DPs, most of them are aligned with the Nepali financial year while disbursing aid. This is a good practice and needs to be followed by all DPs working in Nepal.

Although alignment with policy and strategies has improved, alignment with government system is yet to be seen. Pool funds represent less than 20% DP's expenditure with non-pooled DPs making little use of GoN system. Therefore, there is still room for improvement in the use of country system and procedures in the health sector. Failure to increase contribution on pooled fund is due to lack of assertiveness on the part of the government, lack of trust on government system by DPs and possibility of fiduciary risk and weak reporting system of the government.

Although DPs' support continues to be driven by the policies and preferences of the individual agencies, there has been some improvement to track DP aid flows and its alignment with sector needs in the initiation of IECCD. The Aid Management Platform (AMP) is a web-based aid information system which records both on-budget and off-budget data being reported online by both multilateral and bilateral DPs (as well as INGOs).³² With a comprehensive data management plan and user manual in place, project information related to on-budget activities are reported by IECCD whereas off-budget projects are reported by DPs and INGOs in the AMP. Disbursement information for both the on-budget and off-budget assistance is reported by DPs/INGOs only. To facilitate reporting aid data to AMP, DPs and INGOs have assigned AMP focal points whereas IECCD/MoF has also its own dedicated AMP focal persons including core staffs who feed data into the AMP.

Harmonisation

Since the introduction of SWAp in 2004, considerable progress has been made in harmonizing donor's support. There has been a significant improvement in harmonisation since 2005 among donors and also between donors and the government. In early 2004, 12 donors joined SWAp by replacing stand-alone projects. During NHSP-I, considerable progress was made in improving the effectiveness of government procedures in the health sector; budget implementation has steadily improved, with increased focus on overcoming bottlenecks through approaches including more realistic budgets, earlier fund release, and more delegation. The improvement has been reflected in a higher volume of services being delivered, partly made possible by the improved availability of essential supplies and operating budgets. DPs have begun to respond by working in alignment with the

31 Ministry of Finance, (Kathmandu, 2011). *Survey on Monitoring the Paris Declaration* available at <http://www.mof.gov.np>, assessed on 2nd June 2017

32 Ministry of Finance. (Kathmandu, 2016). *Development Cooperation Report Fiscal Year 2014- 2015*, p 2

government procedures. In 2004, the government and DPs in the health sector signed a joint statement of intent in health, envisaging joint planning, joint programming and joint performance reviews.

In the last 10 years, the number of stand-alone projects being implemented in the health sector has decreased drastically (prior to the introduction of SWAp in 2004, there were more than 120 fragmented health projects). Furthermore, duplications and transaction costs have been hugely reduced. According to a KII informant of MoHP, this is one of the main achievements of SWAp.

There has been some improvement in predictable and multi-year commitments on aid flows since 2005 but the government's commitment to MTEF is not effective. As MTEFs are not formulated on a timely manner, this has paved way for political intervention in budget allocation.

The GoN's commitment to harmonisation is also visible by its commitment to Nepal Health Partnership Compact in 2009 which ensures strengthening the health sector development. The government was co-signatory of the Nepal Health Partnership Compact in 2009, which motivates many donors to join sectoral support in health. But the commitment to harmonisation is not uniform. For instance, GAVI, one of the major donors anthem health sector is in JFA which indicates its commitment to the country system; but Global Fund, another major provider is out of JFA. According to a KII informant of MoHP, this shows that government needs to engage more proactively to bring all partners in the system for better coordination and implementation.

MfDR

MfDR is a key principle for aid effectiveness. SWAp has been advocated as one instrument in achieving this principle. Results based management with measurable outcome indicators are critical components of the MfDR. The log-frames of NHSP I and NHSP II outline outcomes and results with measurable indicators. NHSP III is more specific about output based results with DLI.

There is some improvement in this regard since 2004. Government and pooled DPs stated that DPs programme and resources are linked to health sector results. Non-pooling DPs also affirmed that their programmes and resources are linked to the results. While results are well-defined in the health strategies, result based management is weak. This being said, high-level attention and efforts are underway to address shortfalls. NHSP III 2016-2020 has given special focus on DLI to measure health outputs. It is too early to assess the impact of DLI as it has been in operation for only one year.

There is a divided opinion about MoHP's capacity to plan, manage and implement a results-driven strategy. Government respondents believe the capacity exists, but needs to be regularly refreshed while most DPs believe that such capacity is weak because of low incentive, heavy workload and frequent staff transfer. In spite of institutional weakness, some innovation on linking performance with incentive has been quite successful especially

in the case of safe motherhood and institutional delivery. Because of the introduction of this system, there has been improvement in the institutional delivery since 2008.

Mutual accountability

While accountabilities of GoN and its partners are defined in various agreements including Statement of Intent, JFA and other documents, there has been an improvement in monitoring and accountability of EDPs and government against commitment. For instance, there is a mandatory requirement for the international development assistance to be reported to the AMP housed in the MoF. But there was a problem in DPs accountability in committing aid predictability. MoHP report (2010) stated that improved accountability is immediately needed, particularly with respect to following through on their indications of future aid levels and ensuring that aid finances the approved health strategy. The Accra Commitment to increased predictability calls for EDPs to provide 3-5 years forward information on their planned aid to the partner countries.³³ This has, however, not happened.

The low reported spending of non-pool aid reflects a number of problems: differences between government and DP financial years for commitment purposes, differences in timing between funds being transferred to the Ministry and actually being spent and disbursement optimism in DP indications. The problem is not only the shortfall in spending relative to budget assumptions but also in some cases donors spending on projects that they have identified rather than filling financing gaps within the NHSP.

SWAp coordination mechanism is effective under government leadership. Coordination mechanism such as NPPR, Nepal Development Forum, Joint Consultative Meeting, and JAR was organised to facilitate SWAp. Since SWAp has been initiated, the government has organised 18 JAR in health sector, which is normally organised in fixed time period (Jan-Feb) as the DPs join the office after Christmas holiday. There is a high possibility of bringing additional resources if the government is able to convince DPs in JAR. This requires adequate preparation on the part of the government of Nepal. The DPs attend all these forums. Both parties discuss the problems and challenges, share the achievements and visit different locations for field study. But the government has to spend considerable time for the preparation of JAR. A senior government respondent said, 'In principle, JAR is based on the partnership model, but in practice, the government is taking the burden of JAR and responding all queries of DPs. In other words, it is still functioning in the traditional way of donor vs. government relationship'.

The provision of donor focal point is also a useful practice. They are appointed for one year as it is relatively easier for MoHP to deal with one person than many. There is a system of a regular meeting between donor focal person and secretary and minister which serves two purposes. First, a focal person gets recognition by the government and secondly, he/she also establishes the culture of harmonisation.

The study showed that there is room for improvement on accountability among donors and government. DPs seem to be more accountable to headquarters than the government.

In the short run, DPs are more interested to see progress on financial disbursement and activities completed. Consequently, JAR is more focused on spending and activities rather than what has been achieved. In the absence of performance-based management in the government, they are least bothered about the outputs. According to a KII informant from MoE, "They are more focused on the compliance aspect than outputs".

3.4. Education sector

3.4.1. Quantitative achievement

It should be noted that education-related programmes survived during and after the civil war while most of the stand-alone projects were largely affected. It is fair to say that continuous support through SWAp approach helped the education sector to prosper. Some of the evidences of SWAp success were; decrease in gender discrimination, increment in the school enrolment rates, impressive growth in the ratio of the female and male teacher at primary level (which is 40% to 60% although the target was to achieve parity and so forth).³⁴ Although many teachers were displaced during conflict due to their political inclinations, not a single school was destroyed during conflict.

The achievement of education sector from 2005 to 2016 is also impressive as shown in Table 6. Between 2005 and 2016, net enrolment rate in primary education increased from 86.8% to 96.6% and basic net enrolment increased from 75% in 2009/10 to 89.4% in 2015/16. The most notable achievement was made in teachers with certification, which increased from 45% to 99.05% in 2015/16. Similarly, there was also increment in survival rate up to grade 5 which was 79.1% in 2009/10 that increased to 87.5% in 2015/16.

Table 6: Achievement (Fiscal Year)

No	Indicators	Achievement (Fiscal Year)			
		Unit	2005	2009-10	2015-16
1	Net Intake Rate Grade 1	%	-	83	93.90
2	Net Enrolment Rate	%			
	Primary		86.8	94	96.6
	Basic		-	75	89.4
	Secondary		-	22	37.7
3	Teachers with qualification and training	%	45	75	95.4
4	Teachers with certification	%	45	92	99.05
5	Teacher Pupil Ratio	Ratio	49.8	39	39.5
6	Survival Rate up to Grade 5	%	79.1	61	87.5
7	Literacy Rate Age Group 6+ and 15-24	%	62	76	-
	Adult Literacy 15+		75	78	-
			55	60	-
8	Gender Literacy Parity Index (15+)	Ratio	0.72	0.92	-

Source: UNESCO and EFA Indicators and Economic Survey GoN (Fiscal Year 2010-2011; 2015-16)

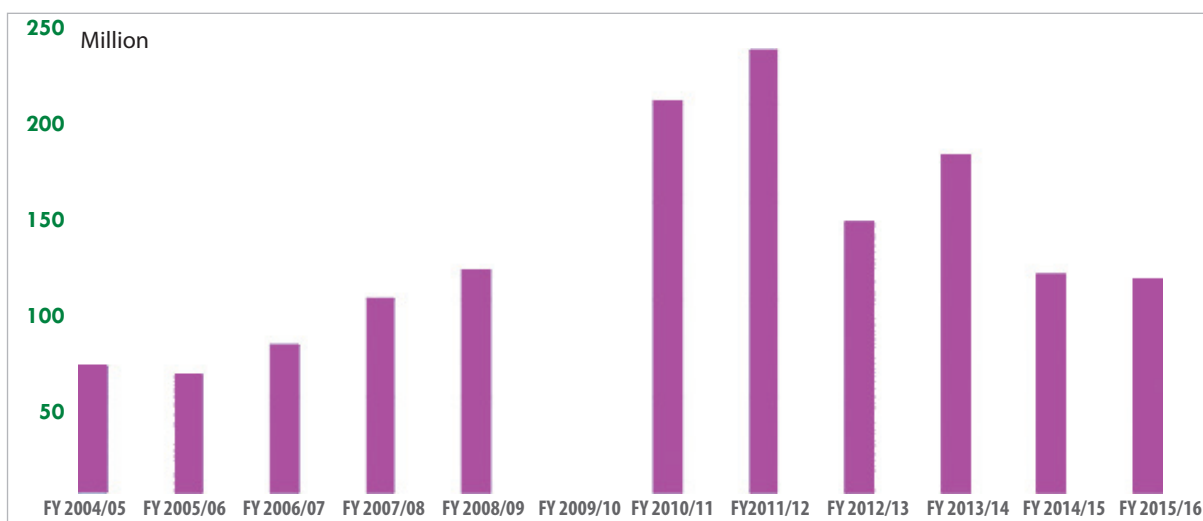
34 (Acharya, Sushan. *Social Inclusion: Gender and Equity in Education SWAps in South Asia Nepal Case Study*. Retrieved from <https://www.unicef.org>)

The above table clearly reveals the fact that an impressive change in major indicators of education has been realised since the SWAp as a funding modality. However, further analysis backed by evidences are required to look at two important questions of how much qualitative achievement is found from these changes and whether private sectors and others should be in SWAp to get most out of the opportunity.

3.4.2. Investment in education

This section assesses the investment in education sector from both the government and DPs since the introduction of SWAp since 2004.

Figure 4: ODA disbursement - Education

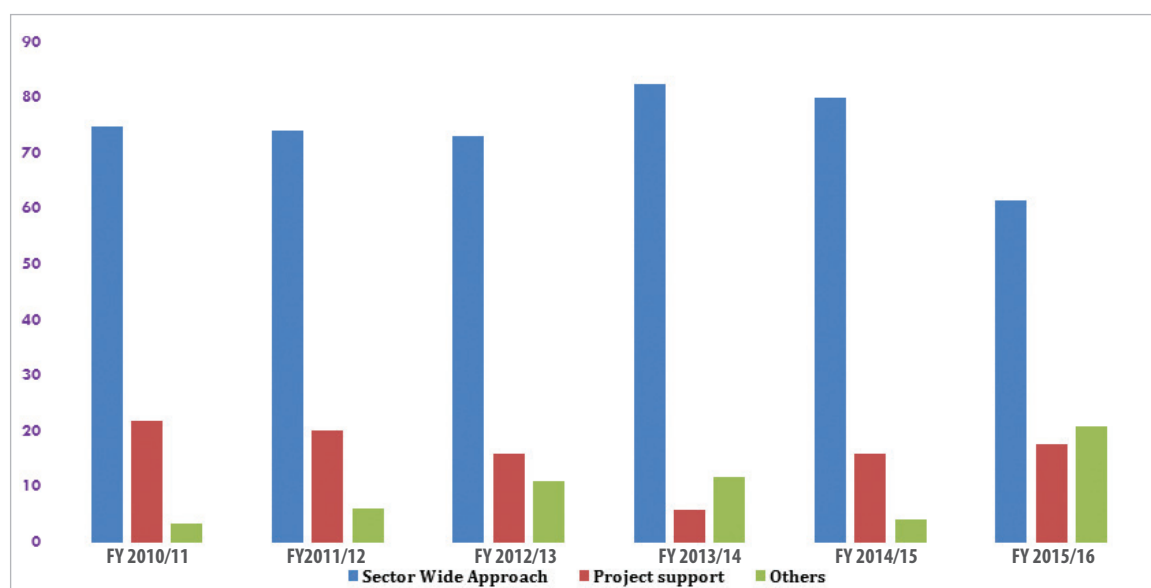


Source: MoF, Joint Evaluation of the Implementation of the Paris Declaration Phase II 2010 and Development Cooperation Report (2015-2016)

ODA investment in education

ODA in education gradually increased until FY 2011/12 (it reached the maximum USD 229 million) but reduced by 38.5% in the following fiscal year and showed fluctuations every year thereafter. ODA in education was lowest (NPR 62.48 million) in FY 2005/06 (Figure 4). On average, education sector received NPR 127.45 million as ODA in the span of 12 years.

Compared to the health sector, there has been a significant difference in investment patterns. On an average, 70% of the ODA is committed from SWAp modality which is quite encouraging as shown in figure 5. The FY 2013/14 saw highest percentage (around 82%) disbursed through SWAp followed by 80% in 2014/15. Therefore, it is evident that education sector is more attractive for DP to go for SWAp modality compared to the health sector. Two major reasons, based on the discussions with relevant stakeholders, are responsible for DPs preference on SWAp in education sector: first, the education sector is less complicated than health sector (as the focus is only up to secondary level education). Second, education plan/programme such as SSRP and SSDP are very comprehensive with the concrete results framework. Therefore, DPs have more confidence to invest in the sector.

Figure 5: Aid modalities total commitment (in percentage) - Education

Source: MoF, compiled from DCP

There has been an impressive growth in education budget since SWAp was implemented (Table 7). The growth is almost 400% in one decade. But it should be noted that in terms of share of the government budget in the sector, it is static. This is due to tremendous increase in the size of the government budget. According to an informant of KII from MoF, since 2016, MoF has promised DPs that there will be an annual increment of 3% in the allocation of the budget. The total share of the foreign aid has also not increased significantly as shown in the table. The share was 14.36% in 2004/5 that increased to 16.89 % in 2014/15. However, it should be noted that these share of foreign aid is not entirely attributed to SWAp. There are also other interventions in other areas of education sector like higher education, vocational education and so forth. A rough estimate shows that the share of foreign aid in SWAp was around 8% to 10 % from 2014 to 2016.

Table 7: Share of Education Budget

SN	Topic	Share of Education Budget		
		2004/5	2009/10	2013/14
1.	Share of Education budget of the total budget (in billions)	Rs. 17.92	Rs 46.52	Rs 80.95
2.	Share of government budget in Education sector	16.05%	17.76%	15.65%
3.	Share of foreign aid in Education sector (in millions)	US\$ 24.35 14.36%	US\$ 60.77 12.7%	US\$ 175.05 16.89%

Sources: Compiled from annual budget of fiscal year 2005, 2010 and 2014

Between 2004/5 to 2013/14, the share of the education budget is almost constant in terms of percentage but there has been a significant increase in absolute figure. The share of foreign aid in the education sector is on decreasing trend. For instance, the share of foreign aid in education budget was 30.11 in 2004/5 and 22.16 in 2013/14. A similar trend is also observed in the share of foreign aid in primary education which dropped to 28.69

% in 2013/14 from 36.94 in 2004/5. Although there is a decline in terms of percentage, the amount of foreign aid is increasing in absolute terms. As with the health sector, SWAp has contributed to better education outcome and also increment in the resources in the education sector.

Table 8: Share of ODA in total education budget

Year	2004/05	2009/10	2013/14
Share of education budget in total budget	16.17	16.30	15.65
Share of government in education budget	69.89	68.78	77.84
Share of foreign aid in education budget	30.11	31.22	22.16
Share of government in primary education budget	63.06	66.39	71.31
Share of foreign aid in primary education budget	36.94	39.61	28.69

Source: Compiled from annual budget speech of respective fiscal years

The impressive improvement in education outcome can be attributed to SWAp but there are other factors which have played some role. For instance, INGO and NGOs also contributed to better education outcomes. One of the major contributing factors in improvement in the education has been an increase in investment in the education of children by the parents. Parents are concerned about the education of the children which contributes to improvement in educational outputs but the quality of the education is yet to be tested out. To quote one respondent, "Our system is more process-oriented rather than results based. Nepal failed many times because of this process-orientation approach which focused more on building the classroom rather than providing quality education and there is hardly any mechanism to verify the quality of teaching."

3.4.3. Process level achievement: Aid effectiveness in education through SWAp

Based on qualitative information, this section highlights how aid effectiveness principles have been implemented in the education sector since the adoption of SWAp model in 2004. The discussion will provide overall impressions followed by key issues on each component of aid effectiveness principles.

One of the major reasons that education-related programmes survived even during and after the civil war in Nepal is SWAp. The continuous support through SWAp approach helped the education sector prosper. There are also evidences on reduction in gender discrimination, the increment in school enrolment, the male-female, etc.

One of the major benefits of SWAp is documentation of learning, which was missing before SWAp. There was no built-in mechanism in stand-alone projects and the learning from projects was not documented. As such, SWAp has institutionalised a system of joint monitoring, extensive reporting and joint review which facilitate an extensive learning for both DPs and the government agencies. MoHP, for instance, has produced the reports on opportunities, challenges, lessons learned and strategic directions for the implementation

of the NHSP - II and JAR. So is the case in MoE which has produced joint evaluation of Nepal's SSRP.

Recently SWAp was linked with DLI which focuses on the achievement of results before disbursement. If any task is left in between or not completed on time, the government does not get money whereas in previous project based approach government used to get money for the assigned project. For instance, in education development project, there used to be fund prior the completion of the project. However, DLI now makes it compulsory to provide the training to teachers, after which the fund will be provided based on actual expenses.

In the initial phase of SWAp, DP's contributions have been instrumental in preparing SWAp architecture such as preparation of the sectoral plan and TA in the design and implementation of MTEF. But one of the key KII informants at MoE says, "Despite pooling government and DP resources, SWAp has not been implemented in full swing because of donor's requirements to incorporate their indicators for the reporting requirements."

Aid predictability is possible for the government. So, it is possible to make realistic plan and programme. According to another KII informant at MoE, "Since DPs communicate their commitment five to six months prior to the fiscal year, it greatly helps in the proper planning of the resources".

Government ownership

There has been evidence of increased government ownership after the introduction of SWAp. DPs are working according to programme document and financing document jointly prepared by GoN and DPs, which binds them to government ownership and leadership. In the recent past, DPs are moving away from input based funding to result-based funding. The introduction of DLI is one such example. All different DPs have different programme cycles and own procedures yet they have agreeing on one government leadership, plan and strategy.

With the exception of few stand-alone projects, majority of donors' projects were aligned with the government sectoral programmes. However, one major problem government is facing is requests from donors to integrate DP's indicators in the overall monitoring and reporting requirements.

Moreover, key government officials expressed that the TA has contributed in the formulation and implementation of the sectoral policy. However, despite gradual increase in the TA, its contribution to achieve desired outcomes has not been fully effective. As such, some of the KIIs mentioned that TA is helpful in acquiring new knowledge, where as some KIIs feel that TA has not been of much help. Therefore, there is a consensus among the government officials regarding the need of guidelines for effective mobilisation of TA.

There have been concerns on whether there is a need of separate and dedicated SWAp unit in education like that of MoHP. In education, it is evident that SWAp has been institutionalised as the modus operandi and is coordinated by the Director General of DoE. However given

the nature of the civil service of Nepal, SWAp coordination can reasonably be expected effective when done at the Secretary level.

The coordination and implementing function of SWAp is done by the Secretary in health sector; also because SWAp unit exists in the MoHP. The replicability of this arrangement in education is slim as DoE is entrusted for implementation of education specific plans and programmes. Moreover in SSDP, steering committee chaired by the Secretary of Education and represented by the Joint Secretaries of NPC, MOF, FCGO and OAG is proposed to have an inter-ministerial/agency coordination.

Wider stakeholder consultation mechanism is not effectively implemented. For instance, participation of district level officials who are key to SWAp implementation is also not effective. As a result, there is a problem in uniform understanding of SWAp at the local level (some DEOs were not aware of SWAp). Similarly, private sector participation in SWAp is nonexistent. There is ample possibility of pooling the resources from private sector.

The finding clearly shows that importance of wider participation from stakeholders is not realised in central policy discussion.

Alignment with national priorities

DCP provides a national framework for donor coordination, whereby foreign aid is disbursed through the Red Book system according to the National Development Plan in line with the national priorities. Also the DPs' response to GoN for full alignment with the regular system of the government by reflecting it into ASIP/AWAP has made the receiving side fully accountable to demonstrate results.

SSDP can be viewed as more advanced while articulating alignment not only within the education sector but also with another sector such as community infrastructure reconstruction. It states that MoE will establish a joint coordination mechanism for the planning, management, monitoring and reporting of direct funding and TA supported by DPs to ensure alignment with MoE, ASIP to reduce administrative cost and improve the efficiency and effectiveness of direct funding and TA provisions. The guiding principles for alignment are to ensure realistic and efficient sequencing of recovery through alignment with other sectors (such as community infrastructure reconstruction). It is also to ensure clear policy directions and guidelines for non-government contributions and through a decentralised implementation modality, conforming to the central quality assurance criteria and norms with regard to reconstruction of education infrastructure.

In line with the spirit of FAP of MoF, alignment with policy and strategies has improved. MoF has stated that Nepal's history of fragmented and independent DP behaviour has been a major handicap to aid effectiveness. As a significant group of DPs have taken a more aligned approach, this has built the confidence in Nepal's leadership. This is a slow and long-term process. Nevertheless, alignment has improved and the benefits have been recognised by DPs who in the past had been less inclined to support the alignment.³⁵

Since 2004, the number of PIU has decreased which further contributes for the alignment. All education-related supports are now in line with SSRP until 2014 and SSDP from 2015. The government has made it mandatory for all DPs to contribute in one of the 7 outcomes of SSDP if they wish to involve in the education sector.

Strategic alignment is strongly observed and implemented at the policy level³⁶ but alignment with government systems is yet to be seen. There is still room for improvement in the use of country system and procedures in the education sector. For instance, not all donors are aligning their funding for on budget on treasury system. Non-pooling DPs have been making little use of GoN system.

MoE needs to work more on bringing DPs in SWAp. Private sector and INGOs working on school education are not covered by SWAp. Some donors stated that they are not in SWAp in the absence of results-based mechanisms. USAID informed that it is planning to join SWAp since GoN has implemented DLI. But DFID pulled out from the education sector and to remedy this, an effective and constructive engagement of MOE with DPs is needed.

Harmonisation

Harmonisation promotes aid predictability which helps the government plan its activities. Harmonisation reduces the duplication of resources, investment cost and saves time. Harmonisation is a foundation for the link between donors that can reduce transaction costs for partner government. Activities can range from the informal exchange of the information to simplified procedures and common arrangements for designing, managing and implementing aid. SSRP and SSDP both outline mechanism for harmonisation. SSRP builds upon the experience of EFA/JFA for harmonisation whereas SSDP underlines the need to promote a positive atmosphere and provides an enabling environment for DPs (including INGOs) to work together in good faith and to observe the codes of conduct for the inter and intra-agency harmonisation.

SWAp coordination mechanism is functioning and has good harmonisation. However, the main problem lies with the coordination among government agencies. Government's own internal divisions/departments have weak coordination and frequent changes of dedicated staff have affected the accountability.

Working with the government has provided broader outreach and importantly disciplined all DPs together in a positive way. Working with the government has uplifted the responsibility and division of roles of DPs. To quote a respondent from the Focus Group Discussion (FGD) conducted with DPs, "It is not that big donor has bigger voice and small donor has lesser voice, we all are JFA signatories and these bilateral agreements are very important and abiding policy for all of us".

According to DPs, SWAp has contributed by bringing different partners together in a very coherent manner. This is an added value for all DPs to move ahead and maximise the resources. There is an evidence of harmonisation which was instrumental in avoiding

duplication of the programmes among donors. Harmonisation is instrumental in reducing the transaction costs of the programme. The proportion of logistics support for SWAp implementation has been reduced. Significant savings of the resources physical, financial and time has been possible due to SWAp approach. Although it is difficult to quantify how much savings have been made in the transaction costs, yet there is a consensus that it has significantly reduced the transaction costs including time, logistics arrangements, and other services.

There has been some improvement in the predictability and multi-year commitments on aid flow since 2005 by implementing MTEF. However, there is scope for improvement in the effective implementation of MTEF.

As all DPs supporting the education sector work within the SWAp framework, there is virtually no duplication of DP support. The Paris Declaration has helped bring even International Non-Governmental Organisation (INGOs) supported activities within the SWAp framework. There is also evidence of increased use of comparative advantages of specific DPs. For instance, the World Bank has been entrusted to lead on fiduciary management and procurement issues, and UNICEF and USAID on early childhood development activities.³⁷

As most of the DPs in this sector are following the same arrangement for planning, funding, disbursement, monitoring and evaluating and reporting, it has become much simpler for MoE officials both at the centre and district. An accounts officer expressed that budget process has now become much simpler. Earlier, she/he had to prepare separate accounts reports for different DPs.

All DPs programme are, however, not under SWAp in the education sector. Still, a large number of projects are on budget but off treasury which means the government has no complete control over the resources. Similarly, significant resources were being spent, outside the system by DPs. They are reluctant to adopt government system fully as they are not so keen to align to internal bureaucratic structure. Bringing these donors on SWAp is a major challenge for GoN.

MfDR

MfDR is one of the key principles of aid effectiveness and SWAp has been advocated as one instrument of achieving this principle. Results based management with measurable outcome indicators are critical components of MfDR. The log-frame of SSRP and SSDP outlines outcomes and results with measurable indicators. SSRP states that M&E will be guided by key indicators to assess the performance/results in the sector. The SSRP core document points out that it is crucial to develop the capacity of all implementing agencies to analyze, formulate, evaluate and translate policies into action and the capacity to perform assigned roles and responsibilities. This requires developing an understanding of what good performance looks like and chart out a plan of action to enhance required competencies at the agency and individual levels. The process is expected to result in aligned work practices and improved service delivery complying with professional values,

service culture, result orientation and good governance principles. The plan, ultimately, aims to enhance effective service delivery with a view to improving learning outcomes.

SSDP aims to strengthen accountability to increase value for money through the adoption of a results-based financing modality for the external funding of SSDP in which results are tracked using an agreed set of indicators against which progress is verified annually. Under the framework of the government's DCP (MoF, 2014), external support for the education sector will be mobilised through a results-based financing modality to bridge the gaps in resources to support the government to implement major reforms.

Since 2009, there has been an overall substantial improvement in linking results with indicators. Government and pooling DPs stated that DPs programmes and resources are linked to education sector results. According to one of the respondents of FGD with DPs working in education sector, non-pooled DPs also affirmed that their programmes and resources are linked to results.

While results are well-defined in the education strategies, results-based management is weak. Performance management system is still at infancy in the government. Completing the activities are primary concerns. This has been gradually changing. With the introduction of DLI to measure outputs, there is an urgency to focus on results than on the process. It is too early to assess the impact of DLI as it is in operation for only one year. Early indication is that DLI demands for the excessive paperwork from the government, which ultimately demands more time and resources.

There is limited MoE capacity to plan, manage and implement a results-driven strategy. Most DPs believe that such capacity is weak because of low incentive, heavy workload and frequent staff transfer. This demands TA from outside but the performance of TA is also debatable. Majority of government staff are not positive about the contribution of TA. They think there is a need for proper policy guidelines to mobilise the TA.

Weak bargaining skills, frequent staff transfers and absence of a right person at the right place are the major problems associated with the deficiency in the constructive engagement with the DPs, which ultimately invites the donor influence. DLI is a case in point. The government was not keen to implement DLI but they have been heavily influenced by the DPs to adopt this system.

Mutual accountability

SSRP established reporting requirements fully aligned in content, spirit and timelines with the government system. Further, it recommended a liaison office for donor contact, intended to serve as the entry point for donor contact during the appraisal process and education missions. It was also expected that the DPs in education shall establish a liaison office to manage and coordinate all matters under the JFA framework, enabling a joint effective mechanism for coordination, particularly during the missions.³⁸ The MoE and the donor liaison offices were meant to deal with all day to day issues and be in charge

of facilitating the annual reviews in cooperation with MoF and other line agencies. It was envisaged that the offices would conduct joint sharing meetings on a monthly basis, and local donor meetings on a bimonthly basis.³⁹ However, this has not been implemented.

There have been good practices of joint monitoring by several donors to assess the progress. Donors have actively participated in JAR. It is an evidence of mutual accountability of GoN and DPs. This has been perceived as a very useful exercise by the DPs and government.

One notable factor on all JAR meeting is that there are two factors that make many donors well prepared as compared to the government. First, the same person is attending the meeting and the institutional memory is comparatively better in DPs. Second, there is frequent transfer of government staff and it takes some time for new staff to learn the basics of SWAp. In addition, there are many tasks to be performed by MoE in addition to SWAp. So in the JAR meeting, donors seem well prepared and raise pertinent issues and questions which sometimes are difficult to respond.

There is an ample scope for improvement in mutual accountability. Donors seem to be more accountable to the headquarters. GoN, on the other hand, has limited interest in the accountability, as there is an absence of performance management system in the government in particular. In spite of this, both GoN and DPs are involved in several activities such as, JAR which contributes to mutual accountability.

4

Cross-Cutting Challenges in SWAp

Attracting more DPs to SWAp

In spite of 14 years of implementation of SWAp, DPs contribution to pool fund is gradually decreasing in percentage. Despite government's appeal to join SWAp module, some donors have not yet joined SWAp and have been implementing programmes bypassing the approach. There is also a gradual decline in pool funding, as shown by the aid disbursement data presented in this report above, while there has been a gradual increase on TA as discussed below.

In principle, SWAp gives an emphasis on putting all the fund of DPs in country priority but the majority of the donors want to spend on particular areas of their interest, hence resulting in donor specific indicators. The difference in indicators has, therefore, added extra burden on government of data collection. In this regard, government is yet to convince the DPs to have a consolidated set of indicators.

MTEF is one of the policy instruments to ensure effective functioning of SWAp with unobstructed finance flow linking plan with budget. The education sector, to this end, has used MTEF to link PRSP with annual budget. However, it has not been implemented effectively. Due to political pressure, MoF is sometimes compelled to divert committed resources to other sectors which have led to resource shortage for SWAp in some years. During KIIs, officials at MoHP stated that there have been some instances of health budget being diverted to another purpose by the minister.

Relevance of TA

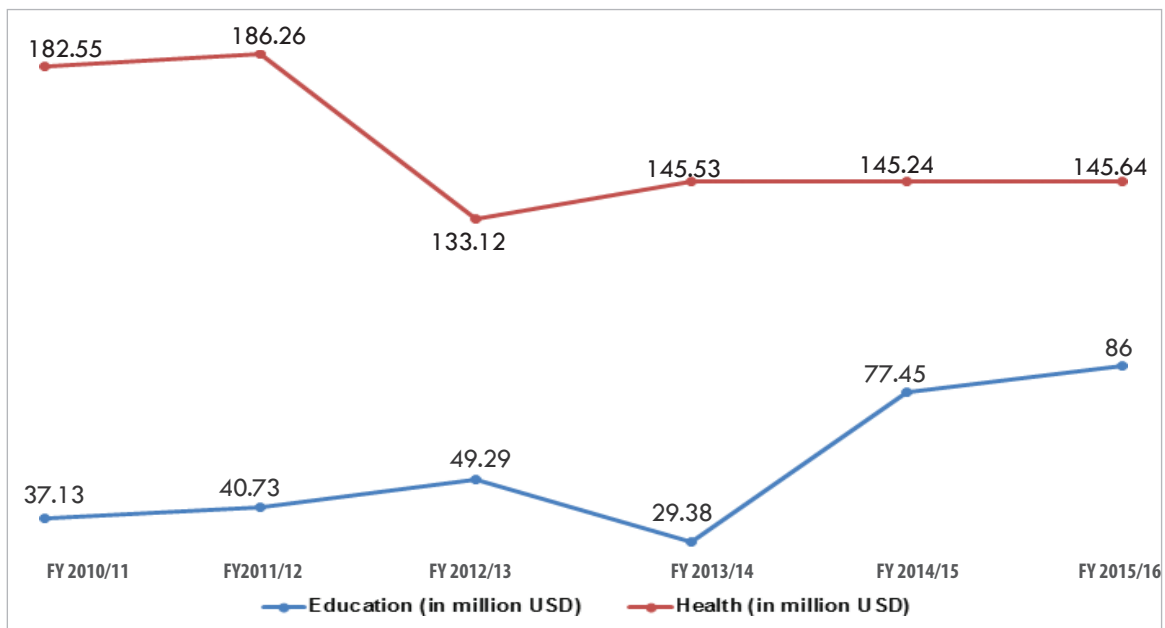
TA is being provided in both education and health sector. The health sector, to this end, has received more TA compared to the education sector. Figure 6 provides information on TA in health and education sector from 2010 to 2015. On an average, TA constitutes 20% to 30 % of budget in health while in the education sector: it is only 5% to 7 %.

DCP states that TA will be utilised in a selective way at the individual level (in terms of skills, knowledge, innovation, and entrepreneurship) and at the organisational level (in terms of systems, procedures, and technology) to assist country's capacity development. It states that DPs will be encouraged to pool TA fund and it will be managed by TA pool fund mechanism jointly prepared by GoN and DPs. However, much remains to be done

to operationalise this concept as DPs are not yet ready to join this innovative scheme provisioned by DCP.

DCP also states that wherever possible, local consultants will be mobilised. If they are not available, it recommends looking for regional or international TA. But it has not been strictly followed and still a large number of international consultants are there in the system. It creates dependency and once the consultant leaves there will be a vacuum, creating the problem of institutional sustainability.

Figure 6: Trend of TA commitment in health and education



Source: MoF - Compiled from Development Cooperation Reports

According to a KII with an official of MoHP, "I have experienced that the persons who are sent for the TA by DPs are not always qualified". TA needs to make a sustainable contribution to Nepal's development process. Reliance on TA and expatriates shall gradually be reduced by building domestic institutional capacity through the appropriate use of human resources, facilitating the transfer of expertise and technical know-how, and making appropriate and selective use of TA.

The overall consensus is that there is a clear need to develop in-house capacity than intermittent nature of the TA from outside. Key respondents expressed that the local TA, due to a better understanding of the local context, is more useful than international TA. The absence of effective guidelines for TA is one major reason for the rise in TA which may not align with the real needs of the GoN.

Weak financial management system

There has also been a problem in the effective financial management of the government for the implementation of SWAp. The mismatch of the financial year, auditing period and other financial regulations has created problems in the effective financial reporting for the ministry.

Weak financial management capacity and weak financial reporting system are two major challenges. There have been instances of financial management system being criticised for lack of expertise. This is understandable because frequent transfer of staff is evident and the newcomer may not have necessary skills. The provision of handover and takeover has not been effectively utilised during transfers. Also, system lacks the implementation of socialisation process for the newcomers.

Frequent transfer of government staff is a systemic problem which necessitates significant lead-time for new comers to learn the whole process and principles SWAp from the scratch. This gap has negatively impacted on the prompt reporting requirement such as Financial Monitoring Report (FMR) and so forth. Retaining trained staff especially of accounts group is quite a challenge for SWAp.

Delay in the disbursement is one major issue. Since there is a delay in the audit report, the government is not able to provide a report to donors on time. This problem existed since long and is still there. Getting actual financial transaction report and auditing in time is very difficult which means a delay in submitting the report adversely impacting on reimbursement as well.

DPs have also a concern on none use of JFA at the times when prevailing procurement act and rules hinder the procurement of goods and/or services. Since JFA is an agreement between GoN and the DPs, DPs feel that provisions as mentioned in JFA should be used to facilitate the procurement during such difficulties.

Delay in reporting from rural areas and report from the cost centres used to be missing which used to have a huge impact on entire reporting mechanism. Since the financial year of different DPs begin at different months, it has created a problem in harmonisation. According to a KII informant, "The DPs used to get upset. We had no other option than to apologize and promise not to repeat it next year".

One of the major problems in the implementation of SWAP is the existing procurement process of the government which is time-consuming and sometimes not pragmatic. For instance, procurement policy places high value in the cost which may not be practical in the case of the health sector. Cheaper drugs are not necessarily high quality and effective drugs. The long bureaucratic process also delays in the procurement process. In the Health Ministry, it was not possible to buy medicine due to the intervention of oversight agency which impacted the disbursement of the fund. This resulted in donor's threatening to pool out as the government is slow in implementing the programme.

Need of a sound internal management system

Government is not adequately capacitated to implement SWAp and there is a shortage of enough manpower. Their workload is too high and their limited understanding about the requirements of major donors creates challenges in the effective implementation of the approach.

Frequent staff transfer, as mentioned earlier, is another problem. It would be appropriate to have a staff in a position for at least for five years to complete one cycle. This has also been suggested by DPs but it has not been implemented yet. The staff working for SWAp needs to be motivated as there are no additional benefits for working in SWAp although workload has been comparatively high. Apart from isolated capacity building opportunity, there is no systematic capacity building plan for those who are working within the approach.

In both health and education, SWAp has become an extra burden for staff. This is especially true for SWAp focal person in the ministry and also for the personnel who are responsible for the financial management. Managing accounts and reporting requirements for donors are critical challenges for staff responsible for financial management of the SWAp. Since there are no dedicated staffs to work on SWAp, existing staff with multiple responsibilities are being mobilised.

Also the political economy is quite strong in both sectors under study. One of the key KIs of MoHP says, "In a health programme implemented to eradicate malaria and tuberculosis, we were given some expensive vehicles. But these vehicles were used by the Minister and Secretary for their use which created problems. Upon this, DPs have asked to return the vehicle immediately."

Coordination complexity

Coordination among government agencies in exchanging the good practices and learning was felt as a necessary prerequisite. In addition, inter-agency coordination needs to be enhanced as for example in education, coordination is essential among different central agencies like the DoE, Office of the Controller of Examination, Curriculum Development Centre, National Centre for Education Development and so forth.

Maintaining coordination with DPs is another pertinent challenge. Donors have designated one focal point to deal with the government. However, at times, government staffs are overloaded with instructions flowing in from multiple sources from the same DP. In addition, coordination with DPs is not always smooth. DPs have their regular dominance as the GoN lacks the risk bearing capacity and efficiency.

The MoF should take lead in coordination with line agencies for the effective implementation of SWAp and also sharing of SWAp experience among relevant agencies. It is evident that no discussion and sharing on SWAp was done in past. No systematic study was done in the past to gauge the adoptability of it in national system. Additionally, transferability of IECCD personnel is quite high and system, thus, loses institutional memory.

Challenges of monitoring and reporting system

Joint monitoring by several donors to assess the progress poses huge responsibility for government to prepare for such monitoring visits. They have to prepare all necessary documents required for the monitoring process, which is time-consuming.

One of the key problems in SWAp is gaps in reporting from the district level. At times, delay

in reporting even from one cost centre has impacted the whole programme.

In the case of central agencies too, delayed reporting of one agency has resulted delayed the release of fund to another agency even though the latter have done timely reporting.

After the introduction of SWAp, the quality of data received from the field is comparatively found low compared to the stand-alone project. During the project modality, there used to be dedicated staff for M&E and reporting. But under SWAp, since all resources are managed by the government, it has limited capacity to monitor the quality of information coming from the field.

As of now, only 11 % of the budget is covered by DPs and 89% by the GoN for SSDP. MoE staff perceives the 11 % share of DPs as very little and there is a lack of motivation to work with DPs. As per the government regulations, the institution has to present the report within 45 days of the completion of the financial year. Additionally, the obligation to report the FMR is also there which puts the extra burden on the staff to manage on time with efficiency.

According to a KII informant from MoHP, "Donor's expectation of timely report is sometimes problematic due to our poor governance system. We were once unable to report on time due to delay in OAG's auditing system. Following this, we even received warnings from DPs about pulling out support".

There is a uniform reporting mechanism in education such as status report which measures the progress (physical and financial) in the sector, the Flash Report which describes the situation i.e. student enrolment rate and many others, ASIP which is the annual report⁴⁰ and Financial Management Report (FMR) which is released in every four months. There is a proper reporting mechanism but the delay in the submission of these reports is the main concern. Since DoE is the major implementing agency, all units have to coordinate with DoE, but it is not happening as intended. Therefore, according to officials at MoE, the central governing body should take lead in the implementation of SWAp in education sector.

Each donor is insistent about its target to be included in the SWAp which has created problems for the government. According to a former MoE staff, this has also led the government to formulate a large set of indicators, eventually creating problems in monitoring and reporting requirements.

Replicability of SWAp in other sectors

The key respondents expressed the opinion that effort was neither exerted by GON nor by the DPs regarding the adoption of SWAp in other sectors. The role of MoF as a nodal coordinating agency, to this end too, did not appear visible and instrumental. DPs are found quite supportive of SWAp but then, it is also seen that no initiation was being taken by DPs to pursued national government to adopt SWAp. Some sporadic and loose initiations were being taken by the Secretaries who had shouldered the responsibility of MOE in the past and tried to initiate SWAp in other ministries. But again, with their transfer, the agenda was being dropped.

40 Ministry of Finance, (Kathmandu, 2010). Joint Evaluation of the Implementation of the Paris Declaration, Phase II Nepal, Nepal Country Evaluation, p A721

5

Federalism and SWAp

Nepal is now a federal state destined to meet the public aspiration on improved service delivery, increase accountability and transparency, enhance inclusive democracy, and achieve fiscal decentralisation and so forth. As the sovereign parliament has given its mandate to convert to the federal political system, there is no reason to question about people's aspiration. The decision for the execution of federalism was not to take unanimously rather by majority system. The fiscal conformity is another base for making strong federal system. As the government system of Nepal was based on the unified central government system, they were very far from the experiences of budget implementation system for the local and provincial system declared recently.

Since the enactment of new constitution in 2015 and successful completion of election, Nepal practically started the process of federalism. The framework of federalism will be completed once provincial and central level election will be concluded by January 2018. This is a big political achievement for Nepal but it is equally challenging. Federalism appears to be attractive political framework but difficult to manage in a resource poor country like Nepal. With this brief highlight on the political system of Nepal, the following paragraphs deal with some pertinent issues and challenges with regard to the future of SWAp:

1. The Constitution of Nepal devolves several functions to local governments including basic and secondary education, and basic health and hygiene. Also health and education are in the concurrent list of all governments. Which is why, on one hand all governments ought to work together in health and education related programmes in general, while on the other hand, all local governments are empowered to enact rules and regulations for effective implementation of basic and secondary education, and basic health and hygiene in particular. Obviously for the successful realisation of these provisions, the local governments need to be capacitated in individual, organisational and institutional levels.
2. With the completion of the election of local governments, they have daunting tasks of service delivery as envisioned in the constitution. In line with this, current budget (2017/18) has allocated around (NPR 225 billion) or 18% of programme budget to them. Given the current capacity of local governments, this is a bold step on the part of the central government. Therefore, a financial safeguard policy must be in place to ensure proper use of the resources transferred to the local governments to prevent the possible fiduciary risk.

3. The experience of other countries such as Nigeria and India shows that it will take some time to settle the ambiguities on roles and responsibilities among governments. In spite of this, one of the clear messages of federalism is that local governments have more power than in the past. Since they are elected local representative, they are also more accountable than the unelected government. Two major immediate issues regarding federalism are an absence of acts and regulations to run local governments and limited capacity of local governments to formulate acts and rules/regulations for effective service delivery.
4. Since Nepal is in an early phase of federalism, there is a continuous need of central support and monitoring to local governments until they become fully mature. The central government is expected to provide guidelines and directives to local governments for programme design and delivery, especially for health and education sectors.
5. Regarding fiscal transfer, it is early to make any observation. However, it is too late to establish Natural Resource and Fiscal Commission to deal with various issues including resource and revenue sharing among local, provincial and central governments; fiscal transfer from central government to local governments; revenue raising power of local governments and so forth.
6. As per the Constitution, GoN has the exclusive right with regard to foreign aid and loan. This, obviously, means that GoN will have a central and controlling role in regards to foreign aid and loan. Given the reality that local governments are more responsible for service delivery, the local governments and the provincial governments should work very closely with the central GoN in mobilizing foreign aid and loan. Since both education and health specific SWAp are centrally driven, much work has to be done in devising working modalities, reporting mechanisms, monitoring system, fund transfer mechanism, accountability mechanism, policy guidelines and so forth in the new federal structure of GoN.
7. The federal nature of government presents a number of challenges for the education and health sectors as there would not be implementing departments, as of today, at the centre and many implementation specific functions are devolved to provincial and local governments. The implementation of the federal system, therefore, entails reorientation of the education system through structural and functional reforms including the policy and regulatory frameworks.
8. The implementation of federalism is expected to revise the responsibilities of national, provincial and local levels in terms of education planning, management, and budgeting. There is a clear need to reform the existing system which should be compatible with a federal structure. Clarifying the responsibilities School Management Committee (SMC), Parents Teachers Association (PTA), rural municipality, urban municipality and head teachers to support schools to be more accountable to the communities they serve and to take a larger role in the overall management. School Improvement Plan (SIP) will remain as important planning tools for SMC and need to be linked with resources provided to the rural municipality and municipality.
9. In the health sector, new constitutional provision will require re-definition of roles, responsibilities, powers, and structure of the ministry and its subsidiary agencies. There is a strong likelihood that the central structures including

Department of Health and regional directorates will not exist. Notably, the federal structure will affect every area of the health system, from planning to service delivery and overall health governance. The intention of federalism is to bring power and service provision nearer to the people or to the lowest level of the government. Managing health systems under a federal structure requires a serious dialogue and continuous consultation with stakeholders as it will have serious implications for the existing institutional framework, referral system, research and training, human resource management, and delivery of health services at different levels. In addition, there is also need to chalk out a detailed strategy for management of foreign assistance under federal governance, which means outlining the clear role of MoF, MoHP, provincial government and local governments.

10. The constitution has clearly stated that all provincial and local governments should seek central government approval before seeking foreign assistance. This means MoF has to come up with some guidelines for mobilizing the foreign assistance in Nepal. Regarding SWAp, it is quite obvious that some kind of SWAp will be indispensable under federal governance but the challenge is how to operationalise it. There are several issues on SWAp in the federal context. First, there is a need to orient local elected officials on concept, importance, and modality of SWAp. Second, the fiscal system should be in place to effectively implement the SWAp. Third, there is a clear need to differentiate the role of central, provincial and local governments. Although it is premature to comment on the role of each tier of government under SWAp, it can be inferred that central government (MoF and line agencies) will have enabling and policy advisory role, the provincial government will have a coordinating role among different local governments and local governments will be primary institution responsible for implementing SWAp. This means SWAp has to be internalised by local governments and MoF needs to come up with concrete strategy to implement SWAp in the federal context.
11. The present SSDP and NHSP III, centrally designed and managed, must be revised and redesigned so that education specific services and/or goods are delivered without any interruption. The need on the revision of SSDP was raised in the meeting by the DPs as well. Now the funding has to be increased as the budget will be increased with 744 units, as of now, local governments will be operationalised after the local election. Many local units also will like to work uniquely. There is also an opportunity to generate local resources which was being untapped previously. Now both the cost and revenue will increase and the system have to be efficient to calculate and manage it.

6

Conclusion

The overall conclusion of this study is that SWAp as a funding modality is useful mechanism for the effective implementation of health and education related programs. The table 9 summarises what worked and what are the challenges in the context of SWAp in health and education sector in Nepal.

Table 9: Showing achievement and challenges of SWAp in health and education

What worked	What did not work
Improvement in the delivery of health and education services at local level	MTEF not working as intended
Favourable Policy Context, both domestic and international, such as MDG	MfDR not implemented effectively in the context of several DPs' requirement to incorporate their own DLI
Enhance Government ownership	Limited coordination, weak formal financial reporting and auditing
Reduce transaction cost through harmonization	Practical difficulty in the procurement system
Alignment of program with national priorities	Lack of effective communication regarding SWAp modality at local level
DPs positive on SWAp and possibility of bringing more DPs on board	TA not coming under SWAp

The above discussions and findings clearly reveal that the full-fledged implementation of SWAp needs to be realised with the joining of some DPs in SWAp, strong public financial management system, systematic monitoring and reporting, and effective governance system.

Moreover, since 2004, significant progress has been made in both education and health sector as demonstrated by improvement in education and health outcomes. In addition, there has been a significant increase in investment in health and education since 2004. With the adoption of SWAp, there has been a notable improvement in harmonisation and

alignment of aid with the national priorities. Progress has also been made in reducing transactional cost in terms of time, resources and hassles; securing system wide ownership; strengthening and use of national system and instruments; DPs' harmonisation; and introducing results-based management.

Since local governments are responsible for service delivery under the federal structure, there is a scope for implementing SWAp at the local level. In this context, MoF should take lead in implementing SWAp at the local level.

7

Summary of Key Findings and Recommendations

Finding # 1

Health and education outcomes since 2004 are impressive in those sector where SWAp as a funding modality has been introduced. The DPs have taken SWAp as a powerful and unified instrument in managing the resources for intended results. Moreover, there has been a need to bring more partners in SWAp and also a need to address some implementing issues for wider replication of SWAp in other sectors.

Recommendations

- Document the learning from SWAp and disseminate it to the wider audience including line agencies, DPs, INGOs, and private sector.
- Formulate SWAp guidelines by IECCD/MoF and widely distribute this to line agencies. The guidelines should cover SWAp modality including the role of GoN and DPs.
- Undertake the organisational assessment of line agencies before the replication of SWAp. This assessment should focus on organisational arrangement, financial management system, human resources availability and the capacity at individual, organisational and institutional levels.
- An assessment of the qualitative change achieved with the quantitative change of the education and health sectors indicators should be initiated.

Finding # 2

There has been a fair success in ensuring government ownership, harmonisation and alignment but limited progress on MfDR and mutual accountability in both health and education sectors.

Recommendations

- Prepare guidelines for aid effectiveness tools and ensure its proper implementation. This should include guidelines on building the success achieved so far in government ownership, revisiting MTEF system, JFA, JAR and minimum threshold from DPs. To encourage additional DPs to join SWAp, government could also introduce result-based

monitoring mechanisms, procurement reform, internal audit rejuvenation and DLI in other sectors to be covered by SWAp in future.

- Aim at encouraging the DPs to join SWAp by creating conducive development environment for them with the continued engagement with them by the concerned authorities.
- Explore the possibility of increasing mutual accountability of GoN and DPs.
- Prepare roster of national and international TA for each sector and also formulate guidelines for the mobilisation of TA.
- Use JFA when the procurement act and rules do not facilitate in managing the resources as JFA; as an agreement is above the prevailing national procurement law.

Finding # 3

The existing institutional structure of the government demands systematic improvement for the effective implementation of SWAp

Recommendations

- Capacitate the existing system for SWAp implementation in terms of logistics, human resources and policy instruments.
- Design and implement Leadership Development Programmes for senior policy makers working in SWAp.
- Design and implement SWAp awareness programme for local level staff.
- Introduce performance management system in line agencies for implementing SWAp. Linking performance with incentive will have a visible impact.
- Prepare ToRs for SWAp focal person in each ministry and fix a minimum of 5 years tenure for SWAp focal person at each line agency.
- Provide capacity development and other incentives for focal person and other staff working in SWAp Unit and/or Planning Divisions/Sections.
- Conduct quarterly meeting among each agency under each ministry to discuss SWAp implementation strategies and inform the outcome of the meeting to SWAp focal person at IECCD at MoF. The MoF should take lead in coordination with line agencies for the effective implementation of SWAp.

Finding # 4

There is room for improvement in the existing coordination system among government agencies and learning from each other for mutual replicability.

Recommendations

- Conduct bi-annual donor thematic group meeting and monitor the decision taken by the group by SWAp focal person in consultation with IECCD.
- Prepare ToRs for SWAp focal person at IECCD at MOF and retain the person for minimum of five years for continuity.

- Constitute a steering committee headed by SWAp focal person at MoF to communicate SWAp implementation status among line agencies, FCGO, OAG and other relevant agencies, and learn from each other's experience for mutual replicability.
- Provide capacity building programme for staff responsible for reporting from the district for timely and accurate reporting of implementation status.

Finding # 5

The existing reporting system of line agencies is not effective due to the limited capacity of staff on reporting.

Recommendations

- Provide capacity building support on monitoring and reporting for M&E staff. Need to provide capacity development to the financial team in areas like calculating foreign exchange rates, profit and loss, quality assurance and Financial Management Reporting and so forth.
- Provide adequate logistics support to M&E function.
- Conduct learning study and widely disseminate the best practices among stakeholders.
- Encourage the use of mobile data collection for M&E
- Promote web-based reporting system for accurate and timely delivery of information and provide adequate hardware and software support for implementing web based reporting.
- Preparation and timely submission of financial reports/audit reports required for reimbursement must be done to remedy the low level of reimbursement. The personnel responsible for these tasks need to be trained and capacitated to deliver this function.

Findings # 6

There is a consensus that there should be some form of SWAp in the new federal structure of governance which requires different ways of working than current modality. Since local governments are yet to function in full swing, some preparatory work seems to be viable in the current context.

Recommendations

- Revisit the central SWAp modality in the changed context.
- Prepare guidelines for local SWAp for local governments and prepare dissemination plan and implement it.
- Constitute steering committee comprising representatives of Office of Prime Minister and Council of Ministers (OPMCM), Ministry of Federal Affairs and Local Development (MoFALD), FCGO, PPMP, OAG and MOF for implementing SWAp in local government.

Annexes

Annex I

List of the Respondents

No	Name	Designation	Office
NPC			
1	Mr. Khom Raj Koirala	Joint Secretary	NPC
Education Sector			
2.	Mr. Shanta Bahadur Shrestha	Secretary	MoE
3.	Mr. Baikuntha Prasad Aryal	Joint Secretary	Planning Division, MoE
4.	Dr. Hari Prasad Lamsal	Joint Secretary	Educational Management Division, MoE
5.	Mr. Deepak Sharma	Joint Secretary	Planning Division, Department of Education
6.	Dr. Lao Dev Awasthi	Former Secretary	GoN
7.	Dr. Vishnu Karki	Consultant	Freelance Consultant
Health Sector			
8.	Dr. Senendra Raj Upreti	Former Secretary	MoHP
9.	Mr. Bhogendra Raj Dotel	Section Chief	Family Health Division, MoHP
10.	Mr. Mahendra Prasad Shrestha	Director	National Health Training Centre, MoHP
MoF			
11.	Dr. Baikuntha Aryal	Joint Secretary and Chief of IECCD	MoF/IECCD
12.	Dr. Ram Prasad Mainali	Under Secretary and National Project Manager	MoF/IECCD
13.	Mr. Tilak Man Singh Bhandari	Deputy Project Manager	MoF/EDFC Project
FCGO			
14.	Mr. Mukunda Raj Panthi	Joint Comptroller General	FCGO
15.	Mr. Rudra Prasad Bhatta	Deputy Comptroller General	FCGO
16.	Ms. Sita Neupane Gaire	Account Officer	FCGO

No	Name	Designation	Office
DPs			
17.	Mr. Yama Nath Sharma	Assistant Country Director	United Nations Development Programme
18	Dr. Manav Bhattarai	Health Specialist	World Bank
19.	Mr. Jimi Oostrum	Donor Focal Point	EU delegation to Nepal
20.	Ms. Wendy Fisher	Donor Focal Point	EU delegation to Nepal
21.	Mr. Mohan Aryal	Project Team Leader	World Bank (Nepal)
22.	Ms. Indra Gurung	Advisor	Embassy of Finland in Kathmandu
23.	Mr. Sadananda Kadel	Senior Education Consultant	Australian Embassy
24.	Ms. Marilyn Hoar	Chief of Education	UNICEF Nepal
26.	Mr. Purushottam Acharya	Chief of Field	UNICEF Nepal
27.	Ms. Jaune Kwok	Representative	USAID
28.	Mr. Agat Awasthi	Program Officer	UNESCO

Annex II

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Annex III

Study Team

Core Team

Mr. Deependra Bickram Thapa : Team Leader

Dr. Baburam Marasini : Consultant

Dr. Shailendra Sigdel : Consultant

Supported by

Ms. Shubheksha Rana

Ms. Sawar Basnet

Ms. Jyoti Singh Bhandari

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