

Data Use Case Study: Using foreign aid data to improve policy making in Nepal

Madhu works to bring about more effective aid mobilisation through evidence based policy-making.

Madhu Marasini is Joint Secretary of the Ministry of Finance’s International Economic Cooperation Coordination Division (IECCD). Through his work Madhu aims to maximise the benefit of aid in Nepal and achieve sustainable economic growth in order to graduate Nepal from aid dependency.



Foreign aid contributes around 6% of Nepal’s gross domestic product, and forms over 20% of Nepal’s national budget¹. Over 70% of Nepal’s development budget is financed by foreign aid, contributing around USD 1 billion per year. With figures like these, and with a 60-year history as an aid recipient country, the government of Nepal recognises aid as an important resource and one that must be coordinated effectively in order to ensure its benefits are equitably shared. Managing the information about the flows of aid coming to Nepal has traditionally been a difficult task – flows come from a range of sources (various bilateral and multilateral institutions, international non-governmental organisations (NGOs) and private donors), in different currencies, at different times and with different repayment obligations. Currently, there are more than 40 development partners providing development assistance to Nepal. In the past, the Ministry of Finance’s International Economic Cooperation Coordination Division (IECCD) in Nepal would periodically request aid

¹ Ministry of Finance (2014), Development Cooperation Report, 2012–2013
http://www.mof.gov.np/uploads/publications/file/DCR_final_12_13_2014042507361_20140426023938.pdf

information from donors to help them oversee and coordinate these flows, but this information often arrived in inconsistent formats, had to be re-typed into an information management system, and was an administrative burden for both parties. Prior to 2010, it took almost a month each year for the IECCD to gather information on the annual flows of aid to Nepal.

Madhu Marasini is the Joint Secretary of the IECCD – the body responsible for mobilising foreign aid to finance development projects and aligning them with national priorities. The IECCD aims to maximise the benefit of aid in Nepal and achieve sustainable economic growth in order to graduate Nepal from aid dependency. In 2010, a team of government officials at the IECCD worked with Development Gateway to institutionalise a new, more efficient way of managing aid information. With support from the United Nations Development Programme (UNDP), UK Department for International Development (DFID), Denmark and the United States Agency for International Development (USAID) (under the “Developing Capacities for Effective Aid Management & Coordination” project) the IECCD and Development Gateway set up Nepal’s new Aid Management Platform (AMP).

The AMP is a tool that enables the government to better track and monitor development projects. The AMP collects data about aid flows directly from the donors, requesting that they directly input their details about projects and aid disbursements into a standardised format, and in a timely manner that is aligned with Nepal’s national budget cycle. The platform has led to significant improvements in the way the data is stored and shared. It allows aid information to be searchable and filtered by sector, donor and location, and has enabled projects to be geocoded. Since 2010 the AMP has been accessible internally to all the Nepali government line ministries, including the National Planning Commission. According to Marasini, “the projects and their result frameworks are discussed during consultation meetings with donors and we carry out periodic reviews on the basis of what they update in the AMP. The information on agreed projects and their timeline are recorded in the AMP, and we can see which projects are still under pipeline”. This sharing of information has helped to improve cross-verification of aid information between departments, spending coordination of development projects, and communications and accountability between donors and the government.

The AMP has now given the Ministry of Finance and other government bodies a much clearer oversight of bilateral and multilateral aid arriving in Nepal. Marasini believes that “the AMP has supported obtaining aid data in a myriad of ways that help us gain a diverse perspective on the Nepalese aid scenario”. However certain gaps in the data still remain. The government receives little information about the financial flows of international NGOs and private foundations operating in Nepal. The IECCD finds that these organisations are less coordinated, sometimes lack transparency and often lack mechanisms for accountability. This lack of information sharing is problematic for the IECCD as the government is unable to effectively target its own spending if they do not have details about the projects, sectors, districts and regions that the international NGOs are operating in. The IECCD is addressing this issue by registering international NGOs with the AMP and training them to provide adequately detailed information. “So far we have trained about 113 registered international NGOs to report their aid-funded projects in the AMP, but it needs regular follow-up from our side to get the required information”. Whilst the AMP has helped to collect, host and share the data, tracking aid flows are still very complex, and there is limit to how much technology can do reduce the technical complexities involved. A challenge for Marasini is the limited technical expertise within the IECCD to manage the AMP. “Technically skilled human

resources are scarce in government offices so the AMP needs to be user-friendly. If it was simpler, it would be easier to learn how to use it, and new transfers and recruits in the ministry/departments could be trained more easily.”

Recognising that aid information is relevant to a wide range of interested parties beyond the government and the donor community, the IECCD last year made the AMP publically available online. “Today, anyone in the world can access Nepal’s aid information. This will both help enhance aid transparency and aid effectiveness”. By making the AMP publically available the government has demonstrated its intent to increase the transparency and effectiveness of aid in Nepal. The aid data in the AMP has recently been given a creative commons open license, which means it is available for any user to download using non-proprietary software for their own purposes, whether they are from civil society, the media, academia or citizens.

The data in the AMP has recently been used by the IECCD in the production of their comprehensive annual report – the Development Cooperation Report – which gives a detailed insight into the aid landscape in Nepal. This report contains detailed analysis of aid data, using downloaded aid data from the AMP as its evidence base. The report’s analysis of the data brought to light several concerns with the current state of development cooperation in Nepal, for example it showed that Nepal has a high level of aid fragmentation, with a portfolio of USD 959 million spanning 508 projects, and that development partners were on average engaged with nine different agencies or ministries. Analysis conducted for the report found that 36% of aid is delivered off budget, with some bilateral donors channelling up to 80% of their aid through off-budget projects. The analysis also found that the sectors prioritised by some donors did not match with the Nepal government’s priority areas – almost 39% of project disbursements were made to the social sector, despite the priority given in Nepal’s 13th Three Year Planⁱ to the energy, agriculture and industrial sectors, and its strong focus on developing physical infrastructure and creating employment. Marasini believes that strengthening Nepal’s power sector and building infrastructures is critically important for long-term, sustainable development. “Without roads connected to remote parts of Nepal, economic development of these areas cannot be fully ensured, as there is less chance of development projects and private sector businesses reaching them. Availability of electricity is equally important to foster entrepreneurship and generate employment”. The 13th Plan states that Nepal should focus on utilising its abundant water resources to produce electricity and boost exports. Another sector of focus is agriculture because “over 70 percent of the population still live in farming communities and still practice subsistence farming, so enhancing agricultural productivity and promoting commercialisation of agriculture is another critical priority”.

The report’s analysis of the aid data in the AMP showed an urgent need to reform Nepal’s aid policy. The existing policy, the Foreign Aid Policy 2009, had been formulated prior to the existence of standardised and disaggregated aid data made available by the AMP. Marasini shared that in the past “there was a practice of accepting any amount and any kind of foreign aid when the old policy was under execution because there was less availability of updated aid data that could be used for data-driven decision making”. With the new availability of aid data, enabled by the AMP, a new policy could be developed that was designed with accurate and objective evidence. The new policy, the Development Cooperation Policy 2014ⁱⁱ, was recently published. Policy discussions to shape new legislation were guided by evidence, enabling the design of the new policy to be forward looking rather than being responsive to short term pressures.

In order to align development assistance with the national priority framework under the 13th Plan, the new Development Cooperation Policy designates the Ministry of Finance as the only government body that can negotiate with development partners for foreign assistance, as well as setting thresholds for foreign loans (USD 20 million), concessional loans (USD 10 million) and grants (USD 5 million). “While developing the new policy, data from the AMP has been immensely useful in setting aid thresholds, including grants and loans that now entail donors to propose funding not less than the set margin. Such ceilings on aid inflows allow us to pool smaller aid money into larger chunks that can fund integrated projects based on national priority, rather than spending small amounts in fragmented projects that have less impact”. Marasini believes that investing in fewer but larger initiatives will help development partners gain economies of scale by reducing transaction cost, ensuring a higher return from development finance while making it easier for the government to manage and coordinate foreign aid. The new policy also requires all international and national NGOs to report details about their funding and programmes to the AMP.

Using raw data provided by the AMP, Marasini’s team at the IECCD have been able to develop a policy that grounds its guidelines for more effective coordination and use of development finance in hard evidence. “Evaluating aid data from different angles has allowed more sound decisions for policy”. In the long term, Marasini believes that the new evidence base will help Nepal to continually re-evaluate and evolve its policy, enabling Nepal to upgrade its status from a ‘least developed’ to a ‘developing’ country and build a self-reliant economy independent of aid.

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This case study is available online at: <http://devinit.org/#!/post/using-foreign-aid-data-to-improve-policy-making-2> .A shorter-form version of this case is available from DI's Access to Information programme.

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ⁱ National Planning Commission (2013), Thirteenth Plan FY 2013–2016
http://www.npc.gov.np/new/uploadedFiles/allFiles/thirteenth_plan_eng_draft.pdf

ⁱⁱ Ministry of Finance (2014), Development Cooperation Policy, 2014,
http://www.mof.gov.np/uploads/document/file/DCP_English_20140707120230_20140721083326.pdf